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

CHIA PO LI

DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
2016
COMMITMENT-BASED HR PRACTICES AND ORGANIZATIONAL PERFORMANCE:
THE MEDIATING ROLE OF ORGANIZATIONAL LEARNING CAPABILITY AND SOCIAL CAPITAL

By
CHIA PO LI

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 peboleh ubah pengantar. 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 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 peboleh ubah pengantar dalam hubungan antara komitmen berasaskan pengurusan sumber manusia dengan prestasi organisasi dan kemampuan sosial organisasi adalah signifikan sebagai peboleh ubah pengantar dalam hubungan antara komitmen berasaskan pengurusan sumber manusia dengan prestasi organisasi. Secara teorinya, kajian ini dapat meningkatkan pengetahuan tentang peranan kemampuan sosial organisasi sebagai peboleh ubah pengantar antara komitmen berasaskan pengurusan sumber manusia dengan prestasi organisasi multinasional Jepun di Malaysia. Di samping itu, kajian ini dapat meningkatkan pengetahuan tentang peranan kemampuan sosial organisasi sebagai peboleh ubah pengantar antara komitmen berasaskan pengurusan sumber manusia dengan prestasi organisasi multinasional Jepun di Malaysia. Secara praktisnya, 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 yang 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
ACKNOWLEDGEMENT

First and foremost, I give all the glory to God, the source of the strength and granting researcher both mental and physical endurance to complete this study.

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To my late beloved father – Mr. Chia Soo King, I owned you so much for everything that you have scarified for me. I always remember your guidance and advice that you have given to me. Thank you, dad. Although you are far away, you are still in my thoughts and I will continue pray to God to bless your soul and may it rest in peace.

To my husband – Mr. Ng Kuan Heng and my precious daughter – Miss Glenice Henly Ng, I would like to express my truly appreciation and thanks for your endless support, constant love and patient in the success of this study. Without both of you, I could not make it until this stage.

Lastly, a great appreciation to my families’ member and friends whom given me unconditional support in the completion of this study.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TITLE PAGE</td>
<td>i</td>
</tr>
<tr>
<td>CERTIFICATE OF THESIS WORK</td>
<td>ii</td>
</tr>
<tr>
<td>PERMISSION TO USE</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRACT (English)</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRAK (Bahasa Malaysia)</td>
<td>v</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>vi</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xiii</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xv</td>
</tr>
<tr>
<td>LIST OF ABBEVIATIONS</td>
<td>xvi</td>
</tr>
</tbody>
</table>

## CHAPTER 1: INTRODUCTION

1.0 Introduction 1  
1.1 Background of the Study 1  
1.2 Problem Statement 9  
1.3 Research Questions 21  
1.4 Research Objectives 22  
1.5 Significance of the Study 22  
1.6 Scope of the Study 28  
1.7 Definitions of Key Terms 31  
1.7.1 Dependent Variable – Organizational Performance 31  
1.7.2 Independent Variable – Commitment-based HR Practices 31  
1.7.3 Mediator Variables – Organizational Learning Capability and Organizational Social Capital 32  
1.8 Organization of the Chapters 33  

## CHAPTER 2: LITERATURE REVIEW

2.0 Introduction 34  
2.1 Definition and Conceptualization of Organizational Performance 34  
2.2 Definition and Conceptualization of Commitment-Based Human Resource (HR) Practices 37
2.2.1 Selection
2.2.2 Compensation
2.2.3 Training and Development

2.3 Definition and Conceptualization of Organizational Learning Capability

2.4 Definition and Conceptualization of Organizational Social Capital

2.5 Gaps in the Literature

2.6 Underpinning Theory
   2.6.1 Research Base View (RBV) Theory
   2.6.2 Social Capital Theory (SCT)

2.7 Theoretical Framework

2.8 The Relationship between Variables and Formation of Hypotheses
   2.8.1 Commitment-based HR practices and Organizational Performance
   2.8.2 Commitment-based HR practices and Organizational Learning Capability (OLC)
   2.8.3 Commitment-based HR practices and Organizational Social Capital (OSC)
   2.8.4 Organizational Learning Capability (OLC) and Organizational Performance
   2.8.5 Organizational Social Capital (OSC) and Organizational Performance
   2.8.6 Mediating effect of Organizational Learning Capability (OLC) on the relationship between Commitment-based HR practices and Organizational Performance.
   2.8.7 Mediating effect of Organizational Social Capital (OSC) on the relationship between Commitment-based HR practices and Organizational Performance.

2.9 Summary of the Chapter
CHAPTER 3: METHODOLOGY

3.0 Introduction 84
3.1 Research Design 84
3.2 Sampling Technique 87
   3.2.1 Population and Sample Frame 88
   3.2.2 Size of Sample 90
   3.2.3 Random Selection of Sample 90
3.3 Data Collection 91
3.4 Measurements 94
   3.4.1 Commitment-based HR practices 94
   3.4.2 Organizational Social Capital 96
   3.4.3 Organizational Learning Capability 98
   3.4.4 Organizational Performance 99
3.5 Questionnaire design 100
3.6 Pre-Test 101
3.7 Pilot Test 104
3.8 Data Analysis Techniques 106
   3.8.1 Preliminary Analysis 107
   3.8.2 Main Analysis 109
      3.8.2.1 Evaluation of PLS Path Model Results 112
         3.8.2.1.1 Assessment of Measurement Model 112
         3.8.2.3.1.1 Convergent Validity 113
         3.8.2.3.1.2 Discriminant Validity 114
      3.8.2.1.2 Assessment of Structural Model 116
      3.8.2.2 Testing Mediation in PLS-SEM 118
3.9 Summary of the Chapter 120

CHAPTER 4: DATA ANALYSIS AND RESULTS

4.0 Introduction 121
4.1 Overview of Data Collection 121
   4.1.1 Demographic Characteristics 122
4.2 Preliminary Analysis Results 123
   4.2.1 Missing Values 124
   4.2.2 Outliers 124
4.2.3 Normality
   4.2.3.1 Numerical Method: Skewness and Kurtosis Test 125
   4.2.3.2 Formal Normality Test: Shapiro-Wilk Test 128
4.2.4 Multicollinearity 129
4.3 Measurement Model 130
   4.3.1 Assessment of Measurement Model 135
      4.3.1.1 Convergent Validity 136
      4.3.1.2 Discriminant Validity 140
      4.3.1.3 Descriptive Statistics of the Latent Constructs 141
      4.3.1.4 Correlational Analysis 142
      4.3.1.5 Assessment on Common Method Bias (CMB) 143
4.4 Structural Model 146
   4.4.1 Assessment of Structural Model 146
4.5 Hypotheses Testing Results 153
   4.5.1 Direct Relationship 153
      4.5.1.1 The Relationship between Commitment-based HR Practices (independent variable) and Organizational Performance (dependent variable) 153
      4.5.1.2 The Relationship between Commitment-based HR Practices (independent variable) and Organizational Learning Capability (mediating variable) 153
      4.5.1.3 The Relationship between Commitment-based HR Practices (independent variable) and Organizational Social Capital (mediating variable) 154
      4.5.1.4 The Relationship between Organizational Learning Capability (mediating variable) and Organizational Performance (dependent variable) 154
4.5.1.5 The Relationship between Organizational Social Capital (mediating variable) and Organizational Performance (dependent variable) 155

4.5.2 Indirect Relationship 155

4.5.2.1 The Relationship between Organizational Learning Capability (mediating variable), Commitment-based HR Practices (independent variable) and Organizational Performance (dependent variable) 156

4.5.2.2 The Relationship between Organizational Social Capital (mediating variable), Commitment-based HR Practices (independent variable) and Organizational Performance (dependent variable) 157

4.6 Summary of the Chapter 159

CHAPTER 5: DISCUSSION, RECOMMENDATION AND CONCLUSION

5.0 Introduction 161
5.1 Recapitulation of Study and Summary of Findings 161
5.2 Discussion of the Findings 162
  5.2.1 Commitment-based HR Practices and Organizational Performance 163
  5.2.2 Commitment-based HR Practices and Organizational Learning Capability 167
  5.2.3 Commitment-based HR Practices and Organizational Social Capital 170
  5.2.4 Organizational Learning Capability and Organizational Performance 171
5.2.5 Organizational Social Capital and Organizational Performance 177

5.2.6 The Mediating Role of Organizational Learning Capability on the relationship between Commitment-based HR Practices and Organizational Performance 178

5.2.7 The Mediating Role of Organizational Social Capital on the relationship between Commitment-based HR Practices and Organizational Performance 180

5.3 Implication of the Study 181

5.3.1 Theoretical Implications 181

5.3.2 Practical Implications 183

5.3.2.1 Policy Makers & HR Practitioners of Japanese MNCs 184

5.3.2.2 Stakeholders of Japanese MNCs 187

5.3.2.3 Implication for Japanese Association in Malaysia 189

5.3.2.4 Implication to the economic and citizens in Malaysia 190

5.4 Limitations 192

5.5 Suggestions for Future Research 193

5.6 Conclusion 194

REFERENCES
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1.1</td>
<td>Total Trade, Export and Import Value between Malaysia and Japan</td>
<td>29</td>
</tr>
<tr>
<td>Table 2.1</td>
<td>Summary of HRM Practices Studies by Various Researches</td>
<td>53</td>
</tr>
<tr>
<td>Table 3.1</td>
<td>Operational definition and items for Commitment-Based HR Practices variable</td>
<td>95</td>
</tr>
<tr>
<td>Table 3.2</td>
<td>Operational definition and items for Organizational Social Capital variable</td>
<td>97</td>
</tr>
<tr>
<td>Table 3.3</td>
<td>Operational definition and items for Organizational Learning Capability variable</td>
<td>98</td>
</tr>
<tr>
<td>Table 3.4</td>
<td>Operational definition and items for Organizational Performance</td>
<td>100</td>
</tr>
<tr>
<td>Table 3.5</td>
<td>Organization of the Questionnaires</td>
<td>101</td>
</tr>
<tr>
<td>Table 3.6</td>
<td>Summary of Feedback from The Selected Respondents</td>
<td>102</td>
</tr>
<tr>
<td>Table 3.7</td>
<td>The Reliability Results from Pilot Test</td>
<td>106</td>
</tr>
<tr>
<td>Table 3.8</td>
<td>Criteria of Reflective and Formative measurement</td>
<td>115</td>
</tr>
<tr>
<td>Table 4.1</td>
<td>Response Rate</td>
<td>122</td>
</tr>
<tr>
<td>Table 4.2</td>
<td>Demographic Characteristics of The Respondents</td>
<td>123</td>
</tr>
<tr>
<td>Table 4.3</td>
<td>Results of Multivariate Outliers</td>
<td>125</td>
</tr>
<tr>
<td>Table 4.4</td>
<td>Skewness and Kurtosis for the Assessment of Normality</td>
<td>127</td>
</tr>
<tr>
<td>Table 4.5</td>
<td>Shapiro-Wilk Normality Test Result</td>
<td>129</td>
</tr>
<tr>
<td>Table 4.6</td>
<td>Multicollinearity Assessment</td>
<td>130</td>
</tr>
<tr>
<td>Table 4.7</td>
<td>Rules of Thumb for Selecting PLS-SEM or CB-SEM</td>
<td>133</td>
</tr>
<tr>
<td>Table 4.8</td>
<td>The Result of Measurement Model</td>
<td>138</td>
</tr>
<tr>
<td>Table 4.9</td>
<td>Discriminant Validity of Constructs, Fornell-Larcker Criterion</td>
<td>141</td>
</tr>
<tr>
<td>Table 4.10</td>
<td>Descriptive Statistics</td>
<td>142</td>
</tr>
</tbody>
</table>
Table 4.11  The Mean and Standard Deviation of Correlation of Latent Constructs  142
Table 4.12  Common Method Bias (CMB)  144
Table 4.13  The Result of R2  147
Table 4.14  The Result of R2, Q2 and q2 Values  148
Table 4.15  The Result of f2  149
Table 4.16  The Result of Structural Model  152
Table 4.15  The result of R2, Q2 and q2 values  139
Table 4.16  The result of direct relationship  142
Table 4.17  Summary of the hypotheses  157
### LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1.0</td>
<td>Japanese organizations performance in Malaysia</td>
<td>11</td>
</tr>
<tr>
<td>Figure 2.0</td>
<td>Theoretical framework of the relationship between Commitment-Based HR practices, Organizational Learning Capability, Organizational Social Capital and Organizational Performance</td>
<td>63</td>
</tr>
<tr>
<td>Figure 3.0</td>
<td>Measurement model for Commitment-based HR practices, Organizational Learning Capability, Organizational Social Capital and Organizational Performance</td>
<td>139</td>
</tr>
<tr>
<td>Figure 4.0</td>
<td>Path Coefficient of Independent Variable, Mediating Variables and Dependent Variable</td>
<td>150</td>
</tr>
</tbody>
</table>
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>ABB</th>
<th>FULL LIST</th>
</tr>
</thead>
<tbody>
<tr>
<td>JETRO</td>
<td>Japanese External Trade Organization</td>
</tr>
<tr>
<td>JAP</td>
<td>Japanese Association Penang</td>
</tr>
<tr>
<td>MIDA</td>
<td>Malaysia Investment Development Authority</td>
</tr>
<tr>
<td>MATRADE</td>
<td>Malaysia External Trade Development Corporation</td>
</tr>
<tr>
<td>MITI</td>
<td>Malaysia of International Trade and Industry</td>
</tr>
<tr>
<td>MOFA</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>OLC</td>
<td>Organizational Learning Capability</td>
</tr>
<tr>
<td>OSC</td>
<td>Organizational Social Capital</td>
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<tr>
<td>OP</td>
<td>Organizational Performance</td>
</tr>
</tbody>
</table>
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
The contents of the thesis is for internal user only
REFERENCE


Snyder (Eds), The Sage sourcebook of advanced data analysis methods for communication research. California, USA: Sage Publications.


in Private Universities Accredited in DKI Jakarta. *International Journal of Management Science and Business Administration, 1*(8), 47-52.


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,
Ms. Chia Po Li
Doctoral candidate COB, UUM
Email: pollychia29@yahoo.com
H/P no.: 012-4890902

Academic Supervisors:
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School of Business Management /College of Business
Email: khulida@uum.edu.my

Dr. Tan Fee Yean
School of Business Management /College of Business
Email: feeyean@uum.edu.my
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.

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

We use job rotation to expand the skills of employees.

We have a mentoring system to help develop these employees.

Performance appraisals are used primarily to set goals for personal development.

Performance appraisals are used to plan skill development and training for future advancement within the company these employees.
### 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.

<table>
<thead>
<tr>
<th></th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Undecided</th>
<th>Agree</th>
<th>Agree somewhat</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employees engage in open and honest communication with one another.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>2</td>
<td>Employees at this organization have no hidden agendas or issues.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td>Employees share and accept constructive criticisms without making it personal.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>Employees discuss personal issues if they affect job performance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>Employees willingly share information with one another.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Employees at this organization keep each other informed at all times.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Employees can rely on the managers they work with in this organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>Employees in this organization are usually considerate of one another’s feelings.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>9</td>
<td>Employees have confidence in one another in this organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>Employees in this organization show a great deal of integrity.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>11</td>
<td>There is team spirit among employees in this organization.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>
12 Overall, employees at this organization are trustworthy.
13 Employees are committed to organizational goals.
14 Employees enthusiastically pursue collective goals and mission.
15 Every employee is in total agreement on the organization’s vision.
### 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.

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

Errors and failures are always discussed and analyzed in this organization on all levels.

Employees have the chance to talk among themselves about new ideas, programs and activities that might be of use to the organization.

In this organization, teamwork is not the usual way to work.
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)

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>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:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a)</td>
<td>Quality of products and services.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>b)</td>
<td>Development of new products and services.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>c)</td>
<td>Ability to attract employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>d)</td>
<td>Ability to retain employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>e)</td>
<td>Satisfaction of customers or clients.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>f)</td>
<td>Relations between management and employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>g)</td>
<td>Marketing of products and services?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>h)</td>
<td>Growth in sales?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>i)</td>
<td>Profitability?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>j)</td>
<td>Market Share?</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Thank you for sparing your valuable time to complete this survey