



Faculty of Cognitive Sciences and Human Development

**THE RELATIONSHIP BETWEEN HIGH-PERFORMANCE WORK
PRACTICES AND ORGANIZATIONAL PERFORMANCE AMONG
EMPLOYEES OF SMALL AND MEDIUM MANUFACTURING
ENTERPRISES IN KUCHING, SARAWAK**

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**Bachelor of Science with Honours
(Human Resource Development)
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AND MEDIUM MANUFACTURING ENTERPRISES IN KUCHING, SARAWAK**

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**This project is submitted
in partial fulfilment of the requirements for a
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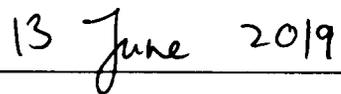
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ABSTRACT

The aim of this study is to identify the relationship between high performance work practices and organizational performance in small and medium manufacturing enterprises in Kuching, Sarawak. The factors in high performance work practices are ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices as an independent variable and organizational performance as a dependent variable. A quantitative method by using survey questionnaire was used as instrument for data collection. The research was conducted in small and medium manufacturing enterprises in Kuching, Sarawak. The sample size are 100 respondents. The Pearson Correlation had been used to identify the relationship between independent variables and dependent variable. The findings revealed that there is a significant relationship between the three factors which are ability-enhancing practices, motivation-enhancing practices, and opportunity-enhancing practices and organizational performance. The findings suggest that the management of small and medium enterprises should pay more attention to these three factors of its employees to be more effective so that employees will be more productive.

ABSTRAK

Kajian ini bertujuan untuk mengenalpasti hubungan antara factor yang mempengaruhi amalan meningkatkan prestasi kerja dengan prestasi organisasi di perusahaan kilang kecil dan sederhana di Kuching, Sarawak. Faktor-faktor pemboleh ubah bersandar bagi amalan meningkatkan prestasi kerja adalah amalan peningkatan keupayaan, amalan peningkatan motivasi dan amalan peningkatan peluang dan pemboleh ubah bersandar iaitu prestasi organisasi. Satu kajian kuantitatif telah dilakukan ke atas perkerja di perusahaan kilang kecil dan sederhana di Kuching, Sarawak. Saiz sampel sebanyak 100 orang. Kaedah Person Correlation telah digunakan untuk mengkaji hubungan antara pemboleh ubah. Kajian mendapati bahawa terdapat hubungan antara tiga factor iaitu amalan peningkatan keupayaan, amalan peningkatan motivasi dan amalan peningkatan peluang dengan prestasi organisasi. Dapatan kajian mencadangkan pihak pengurusan perusahaan kilang kecil dan sederhana perlu memberi perhatian tinggi pada amalan meningkatkan prestasi kerja kepada pekerja supaya menjadi lebih efektif dan produktif.

CHAPTER ONE

INTRODUCTION

The study aimed to explore the relationship between high performance work practices and organizational performance among employees of manufacturing in small and medium enterprises in Kuching, Sarawak. This chapter was divided into seven sections: background of study, statement of problem, research objectives, research hypothesis, conceptual framework, definition of terms and significance of the study.

1.1. Background of Study

The concept of organizational performance can be determined by the outstanding commercial values of the organization, percentage market share and high in revenue (Kaliannan & Adjovu, 2014). Most of the organizations working very hard to compete with current global market and achieve the desired goals to become successful. There are many factors that can give impact to organizational performance which are workforce, organization strategies and the management of the organization. According to, Almatrooshi, Singh and Farouk (2016), organizational performance depends on its employees, who are responsible as a key part of the organization that works toward achieving the goals. Therefore, this study mainly focusing on the workforce factor which act as the catalyst for organizational performance.

Moreover, Mustafa (2017) has defined High Performance Work Practices (HPWPs) as a system which is designed to increase organizational effectiveness, whereby, the employees need to be highly involved in the organization activities. HPWPs can trigger employees' motivation to perform job requirement effectively and increase the organization performance (Karatepe & Vatankhah, 2015). Therefore, many organizations have implemented this practice into action. HPWPs also may results in organization to achieve a

wide variety of outcomes (Muduli, 2015). This showed that HPWPs was very crucial issue in organization. Other than that, HPWPs are usually seen as human resources practices which was designed to improve employees' productivity. According to Tian, Cordery and Gamble (2016), some of the examples of HPWPs which also seen as human resources practices that can increase performance are ability-enhancing practices, motivation-enhancing practices and motivation-enhancing practices.

Other than that, the characteristic of employees in SMEs were low education level, lack of experience and lack of skill (Hashim, 2015). Being in contradiction with larger organization which the employees were possess with knowledge, skill and ability. Moreover, SMEs was also different from larger organization in the context of monetary resources and managerial capabilities (Massaro, Handley, Bagnoli & Dumay, 2016). Wonglimpiyarat (2015) indicated that, SMEs was very significant in contribution for economic growth and job creation. Therefore, by implementing HPWPs in SMEs can helped the firm to overcome the constrains and increase the organizational performance (Pruneda, 2015). The first importance of HPWPs for SMEs was, could help in employee retention. According to Pittino, Visintin, Lenger, and Sternad (2016), studies showed that HPWPs lead to a positive impact on employee retention in SMEs.

Next, the second importance of HPWPs in SMEs was, could help to increase organizational performance. This is because the small organization who implement HPWPs do not face difficulty to retain and motivate their employees (Ivars & Comeche, 2015). Other than that, HPWPs also could improve the organization productivity (Carvalho & Chambel, 2014). Therefore, by implementing HPWPs such as ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices was very significant for the SMEs performance as well as for the development (Pruneda, 2015). As stated by, Wonglimpiyarat (2015), SMEs was very significant in contribution for economic growth and job creation.

The three variables of HPWPs which were ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices plays an important role to increase organizational performance. The ability-enhancing was defined as a practice to improve employees' efficiency, skill and knowledge, and also capability to perform work (Luo & Zhou, 2017; Yusuf, 2018). Moreover, motivation-enhancing practices was defined as a practice to improve energetic forces that can assist an individual to perform their job (Pinder, 2008). Then, based on Boomaars, Yorks, Shetty (2018) has defined opportunity-enhancing practices as a practice to empower employees to develop their skill and knowledge.

These three practices was very important to increase organizational effectiveness and achieving organizational objectives (Obeidat, 2017). By implementing these practices, it can provide the employees with the opportunities to utilise their full potential. As the result, it can increase the organizational performance. Other than that, these practices also can create a condition where the employees become highly involved in the organization. This was because these practices can stimulate employees' performance (Murphy, Torres, Ingram, & Hutchinson, 2018).

However, HPWPs was very uncommon to SMEs. The use of HPWPs is generally lower in the small firm compared to larger firm (Pittino, Visintin, Lenger & Sternad, 2016). This was due to the differences between small organization and larger organization. The characteristic of employees in SMEs are low education level, lack of experience and lack of skill (Hashim, 2015). Being in contradiction with larger organization which the employees are possess with knowledge, skill and ability. Moreover, SMEs was also different from larger organization in the context of monetary resources and managerial capabilities (Massaro, Handley, Bagnoli & Dumay, 2016). Thus, this study would investigate about HPWPs in the context of SMEs in Kuching, Sarawak.

1.2. Statement of Problem

High performance work practices (HPWPs) has been proven can contribute a positive effect to the organizational performance. According to the previous study by Sugamar and Kramar (2014), HPWPs such as ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices have a significant impact on the organizational performance which include increase in revenue of the organization and employee well-being. This showed that, HPWPs was very important for the organization to have an effective performance. Other than that, the implementation of HPWPs in the organization also could help to reduce the turnover intentions among employees and high profitability per employees, as well as improved the organization performance (Pruneda, 2015). Thus, it was very important for every organization including small and medium sized enterprises (SMEs) to implement HPWPs.

SMEs is very significant for the national economy and for job opportunities (Nguyen & Nguyen, 2018). Therefore, it was very important for the SMEs to develop and grow like other larger organization by implementing HPWPs. The development of the SMEs also very essential to enhance competitiveness. Competitiveness was defined as how entrepreneurs could increase the organization performance and it could be measured by the number of dimensions such as profit and growth (Nguyen & Nguyen, 2018). This show that, HPWPs was very important for SMEs organizational performance.

Although most known that HPWPs was very significant for the SMEs performance, there is a lack of studies regarding the impact of HPWPs on organizational performance in the context of SMEs (Jyoti & Rani, 2017). This was due to prior studies about HPWPs and organizational performance which have been focusing on the larger organization. There are so many differences between SMEs and large firm such as competence workforce, managerial knowledge, and development opportunities (Rymaszewska, 2013). Other than

that, the difference of employee characteristic in SMEs and larger firm. There are a few factors that can distinguish between SMEs employees and larger organization employees which are education level, experience and skill (Hashim, 2015). Therefore, larger firm tend to give more opportunities to their employee to contribute ideas or in decision making compared to SMEs.

However, while it was accepted that the difference between SMEs and larger organization in the context of competent workforce, managerial knowledge, development opportunities and employees characteristics. As the results, not many researches were found to investigate the relationship between HPWPs and organizational performance in the perspective of SMEs. HPWPs was very significant to the organization to develop and improve organizational performance (Karatepe & Vatankhah, 2015), but there is few researches that study about HPWPs and organizational performance in the context of SMEs.

The HPWPs consists of three components which were ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices. However, there were still a few organizations implement these practices, for example, the ability-enhancing practices, some of the employees do not given an authority to implement this practice because the employees are lack of knowledge and skill (Obeidat, Mitchell and Bray, 2016). The managers still have a doubt towards employees. Moreover, for motivation-enhancing practices, some of the managers in SMEs are lack of managerial skills, therefore most of them do not aware about how important performance appraisal or recognition are to motivate the employees (Mielniczuk & Laguna, 2017). Other than that, the opportunity-enhancing practices also lack being implemented in SMEs. Managers in SMEs do not really encourage the employees to involve in decision making (Tian, Cordery, & Gamble, 2016), because most of the managers have the perception that employees in SMEs have low experience in decision making (Alrashidi, 2016).

If HPWPs can improve employees' productivity and enhance organizational performance, but still not many SMEs implement this in their organization, then more must be understood about the relationship of these elements which are ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices in SMEs. The purpose of this study was to investigate the relationship of high-performance work practices and organizational performance among employees of manufacturing in SMEs in Kuching, Sarawak.

1.3. Research Objectives

1.3.1. Main Objectives

The main objective of this study was to investigate the relationship between high performance work practices and organizational performance among employees of manufacturing in small and medium enterprises.

1.3.2. Specific Objectives

- i. To investigate the relationship between ability-enhancing practices and organizational performance among employees of manufacturing in small and medium enterprises**
- ii. To identify the relationship between motivation-enhancing practices and organizational performance among employees of manufacturing in small and medium enterprises**
- iii. To determine the relationship between opportunity-enhancing practices and organizational performance among employees of manufacturing in small and medium enterprises**
- iv. To investigate the dominant factor among three high performance work practices and organizational performance among employees of manufacturing in small and medium enterprises**

1.4. Research Hypothesis

H_a¹: There is a significant relationship between ability-enhancing practices and organizational performance among employees of manufacturing in small and medium enterprises

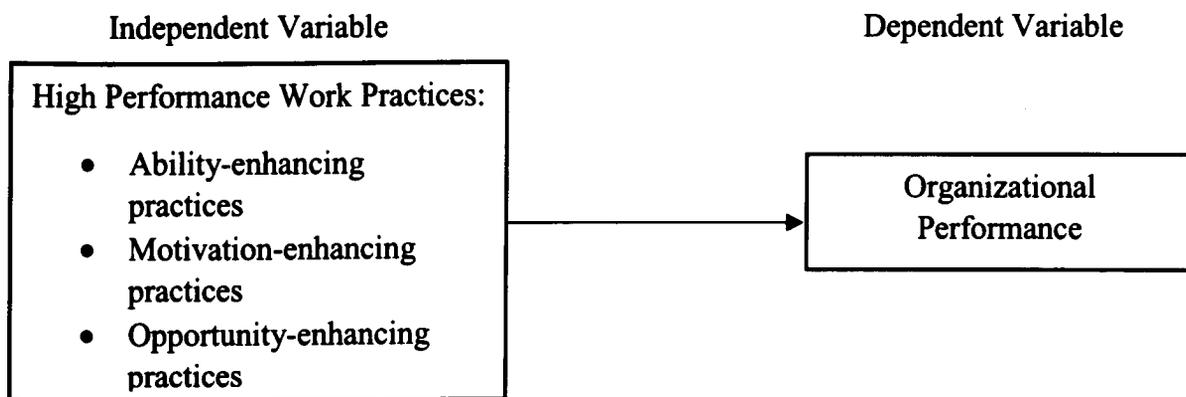
H_a²: There is a significant relationship between motivation-enhancing practices and organizational performance among employees of manufacturing in small and medium enterprises

H_a³: There is a significant relationship between opportunity-enhancing practices and organizational performance among employees of manufacturing in small and medium enterprises

H_a⁴: There is a dominant factor among three high performance work practices and organizational performance among employees of manufacturing in small and medium enterprises

1.5. Conceptual Framework

The conceptual framework can be formulated based on the research objectives and research hypothesis, it was to determine the relationship between independent variable which was the variables of the High Performance Work Practices which consists of three component, ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices and dependent variable which is organizational performance. The conceptual framework was formulated as shown below:



Sources: Obeidat, Mitchell, & Bray (2016); Tian, Cordery, & Gamble (2016)

Figure 1. Conceptual Framework

1.6. Definition of Terms

Several terms in this study would be discuss in this definition of terms, therefore, it would give more detail information about the important terms used in this study. The terms that would be discuss were ability-enhancing practices, motivation-enhancing practices, and opportunity-enhancing practices. All these terms would be defined into two types of definition which were conceptual definition and operational definition.

1.6.1. Ability-enhancing practices

For conceptual definition, Yusuf (2018) has defined ability-enhancing practices can increase the capability of a person to perform work, which was formed among other through education, training, and work experience. Similarly, with Elbaz, Agag, and Alkathiri (2018), ability-enhancing refers to the skills, knowledge, talent and experience is being improve to achieve a task. Other than that, ability-enhancing practices also defined as a practice to improved employees' efficiency to perform their task and increase the organization revenue (Luo & Zhou, 2017). As for operational definition, ability-enhancing practices is defined as the employees capability was being intensify to perform job task. In this study, ability-

enhancing practices could be measure by the aiming at increasing the skill, knowledge and experience to possess their job and influence the organizational performance.

1.6.2. Motivation-enhancing practices

As for conceptual definition, according to Geen and Shea (1997), motivation-enhancing practices was defined as an improvement of a person behaviour as the outcome from a process that involved direction, initiation and energization. Motivation-enhancing practices also defined as a set of energetic forces that can initiate work related behaviour. Pinder (2008) proposed that motivation can drives a set of energetic forces that can help an individual to perform their task. Meanwhile, as for operational definition, motivation-enhancing practices was defined as the aim to increase employees positive stimulus that can reinforce them to improve the employee enthusiasm to perform job task.

1.6.3. Opportunity-enhancing practices

As for conceptual definition, opportunity-enhancing practices was defined as a chance for employees to develop their skill, employability and a person knowledge (Boomaars, Yorks, Shetty, 2018). Opportunity-enhancing practices also defined as a practice that specifically designed to empower employees to apply their skills, and knowledge to achieve organizational goals (Tian, Cordery, & Gamble, 2016). According to Pittino, Visintin, Lenger, & Sternad (2016), opportunity-enhancing practices was defined as increase the employee empowerment at developing the opportunities to involve in decision making. However, for operational definition, opportunity-enhancing practices was defined as employees participation to contribute to the organizational performance by contributing ideas to perform the job.

1.6.4. Organizational Performance

For conceptual definition, organizational performance was defined as evaluation that try to assess the capability of the organization in achieving the goals and objectives (Jenatabadi, 2015). Other than that, According to Iuliana and Criveanu (2016), organizational performance was defined as the success of the organization to achieve the organizational objectives. Moreover, Almatrooshi, Singh and Farouk (2016) has defined organizational performance as the ability of the organization to productively implement strategies to achieve organizational objectives. As for operational definition, organizational performance was defined as the success of the organization to achieve objectives by implementing practices such as ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices.

1.7. Significance of Study

This study would contribute to the body of knowledge as research purpose of knowing the relationship between HPWPs and organizational performance among employees of manufacturing in SMEs. Then, it was very important to facilitate in learning and education. This can assists the professionals to introduce new knowledge about HPWPs play an important role for organizational performance and development. It is significant for stakeholders and manage itself to compete in this globalisation as well as increase the organization revenue. Furthermore, this study also would contribute to the practitioner, so that the management in the organization can create awareness and to manage the poor job performance and de-motivated employees in organization efficiently and effectively. Then, the practitioner also need to understand that HPWPs play a critical role in organizational performance.

Other than that, this study also would provide improvement for the small organizations to educate the employer on how significance ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices for the organization performance and development. In addition, this study also beneficial for the Human Resources Department in organization because it can help them encounter employees' problem especially when it is regards to job performances. It was also important to establish new organization's policy such as high-performance work practice, so that it would improve employees' job performance.

Moreover, this study also important for employees to aware about the ability-enhancing practices, motivation-enhancing practices and opportunity-enhancing practices can lead the organization to achieve higher level outcomes, so that it can increase the organization level of productivity. Then, for the methodological area, it could help for the future researcher as their references to conduct future research and improve this study. Thus, the outcome of this study was very significance.

1.8. Summary

This chapter of introduction give a comprehensive understanding about this study such as the overview of study and the related problem. This chapter also very crucial because the researcher need to understand the concept and theories of this study, in order to make a move to the next chapter, which is literature review.

CHAPTER TWO

LITERATURE REVIEW

The aimed of this chapter was to discuss about the important concepts of this study. It also provided past findings related to the study to support the relationship between the variables as described in the research framework, research objectives and research hypothesis, which were the independent variables is high performance work practices whereby, it was consists of employees' ability, employees' motivation, and employees' opportunity. The dependent variable of this study was organizational performance. This chapter was very significant because it provides a comprehensive specific area of research as well as provide a major source of ideas of the research.

2.1. Model related to the study

The model used in this study was done by Obeidat, Mitchell and Bray (2016) which is the AMO Model, where the purpose of this study was to clarify the understanding of the relationship between HPWPs and organizational performance by using a multi-dimensional model of the HPWPs and organizational performance. This HPWPs model were consists of ability, motivational and opportunity of employees. This model was very significant to enhance employees' ability, motivational and opportunity to contribute to organizational performance. Other than that, this study was conducted in the manufacturing sector and using a quantitative approach as the research methodology. The finding of this study shows that, HPWPs have a positive impact on the organizational performance.

Below is the model that is proposed by Obeidat, Mitchell and Bray (2016), it is applicable to this study because it shows that there is a positive relationship between HPWPs and organizational performance. Therefore, these three elements was chosen to become the