A CASUAL MODEL OF HUMAN RESOURCE MANAGEMENT PRACTICES ON FIRM PERFORMANCE IN THAILAND'S MANUFACTURING INDUSTRY

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A DISSERTATION SUBMITTED IN PARTIAL FULLFILLMENT
OF THE REQUIREMENT FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY IN INDUSTRIAL BUSINESS ADMINISTRATION
ADMINISTRATION AND MANAGEMENT COLLEGE
KING MONGKUT'S INSTITUTE OF TECHNOLOGY LADKRABANG
2014

KMITL-2014-AMC-D011-008

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Title	A Causal Model of Human Resource Management Practices on Firm Performance in Thailand's Manufacturing Industry
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Student ID	54671126
Degree	Doctor of Philosophy in Industrial Business Administration
Major	Industrial Business Administration
Year	2014
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ABSTRACT

The objectives of this study were 1) To study a causal model of direct relation of Employee Attrition, Employee Retention and Employee Performance of multinational corporations (MNCs), effected by HRM practices through the five mediating variables, which are Job Satisfaction, Employee Engagement, Organizational Citizenship Behaviors, Employee Motivation and HR Flexibility. 2) To develop a causal model of Path Analysis with effects of HRM practices on firm performance, in terms of Employee Attrition, Employee Retention, and Employee Performance, of MNCs in the eastern seaboard industrial estate, Rayong province.

Population for this study covered 255 MNCs with foreign direct investment (FDI) that had been promoted under BOI to invest and based in the key industrial zone of eastern seaboard industrial estate, Rayong province. Sample included 411 managers, consisting of Top Management, HR Manager and Line Manager. They were randomly selected through purposive sampling. Self-assessment type questionnaires were originally sent to a total population of 765, but there were only 411 samples, where the questionnaires were returned and adequately completed. These questionnaires were for three managers (Top Management, HR Manager and Line Manager) in each organization. Responses to the questions were in the form of a five-point Likert scale. SPSS for windows version21 (Statistical Package for Social Science) and IBM SPSS AMOS version21 were used for analyzing statistics, such as percentage, mean, standard deviation, reliability of the questionnaire, confirmatory factor analysis (CFA), Path Analysis measure results, the correlation between construct matrix and square roots of average variance extracted (AVE), and the model fit indices.

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The results showed that 1) HRM practices do strongly influence firm performance (HRM practices and employee attrition = β (0.349**), ρ < 0.01; HRM practices and employee retention = β (0.23***), ρ < 0.001. 2) In relations to HRM practices and the mediating variables, results suggest an overall positive relationship. HRM practices are positively correlated to organizational citizenship behaviors (β=0.525***, ρ < 0.001), job satisfaction (β=0.557***, ρ < 0.001), employee engagement (β=0.651***, ρ < 0.001), employee motivation (β=0.415***, ρ < 0.001), and HR flexibility (β=0.69***, ρ < 0.001). 3) With regards to the mediating variables and firm performance, results find no correlation between OCBs and firm performance. Instead, this study shows a strong relationship between job satisfaction and firm performance, regarding employee attrition (β=0.537***, ρ < 0.001), employee retention (β=0.215***, ρ < 0.001), and employee performance (β=0.125**, ρ < 0.01). Employee engagement seems to have a weaker relationship, compared to job satisfaction, with firm performance. As for employee motivation, results indicate a strong positive relationship with firm performance in terms of employee attrition (β=0.36***, ρ < 0.001), employee retention (β=0.127**, ρ < 0.01), and employee performance (β=0.14**, ρ < 0.01). HR flexibility does have some effects on firm performance, regarding employee retention (β=0.12**, ρ < 0.01) and employee performance (β=0.125**, ρ < 0.01). Confirmatory factor analysis also confirmed the theoretical compliance of measurement model. All of the observed variables had high Cronbach's reliability, above 0.70. The causal model, therefore, complied with the empirical data.

This study had created a new model of HRM practices and firm performance, in terms of Employee Attrition, Employee Retention, and Employee Performance. They can help persuade both organizations and academics to reassess the importance of HRM practices. Results confirmed important human resource management practices in MNCs to represent any businesses that can use the conceptual model of this study in their organizations. They can help firms find better ways to implement HRM practices that are in line with their business strategies. As well as helping companies introduce HRM practices more effectively, the results also have larger implications for Thailand, where the country has taken a key role in shaping the global economy.

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MNCs that are successful in adapting HRM practices are more likely to succeed in competing globally, thus bringing success to the organizations, and ultimately leading to sustainable growth for the country and the region as a whole.

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ACKNOWLEDGMENT

I would like to thank Assistant Prof. Dr. Jirasek Trimetsoontorn as my advisor and Dean and co-advisor, Assistant Prof. Dr. Nuttawut Rojniruttikul at the Administration and Management College, King Mongkut's Institute of Technology Ladkrabang, for their guidance, patience, and support throughout the course of this research. A special thanks to the chapters and organizations that supported my research study, and a special thanks to the management of MNCs in the eastern seaboard industrial estate who participated in the study.

I would like to thank the IOC senior expertise and professor examination team for their support and words of encouragement, as well as value suggestions, Assistant Prof. Dr. Methawut Peerapornvitoon, Lecturer for HR and Organizational Management, Faculty of Commerce and Accountancy, Thammasart University, Dr. Benjawan Boonjaipeth, the Lecturer of HR Management, and HR Consultancy for the Center of Human Resources Development, Chiangmai, Thailand, Mr. Dhanadol Harn-Amornset, Human Resources Professional and Expertise, Former Deputy Managing Director- HRD, and Former SEA HR Leader for Standard Charter Bank, Thailand, and Chevron Exploration South East Asia, Dr. Teerawet Titsrisaeng and Dr. Chalita Srinuan Lecturer, Administration and Management College, King Mongkut's Institute of Technology Ladkrabang, Thailand. Special thanks to Dr. Niyut Krungvong, lecturer of various Universities, who gave me advice for the dissertation.

I would also like to thank the PhD defensive examination, Associate Prof. Dr. Amnuay Saengnoree, Dr. Winai Panjakhajonsak, Dr. Samart Deepijarn, Dr. Siripan Choomnum, who provided me with helpful advices throughout my research.

I would like to thank Dr. Skawrat Jaroongnantakarn, Mr. Sorapol Buranakul, Mr. Apiwat Krommuang, Mr. Poramate Asavaruengpipop, who provided me with support in relation to the statistics. A special thanks to my support teams for their processing of my dissertation with their love, support, and words of continued encouragement, Mr. Dhavit Chalarak, Mr. Suriyun Prommin, Mr. Danthai Tavichai, Mr. Somnuek Phoophuak, Mr. Chotipath Vanthanavivath, Mr. Robert Van Denberg.

Sincere gratitude is extended to my family. Their love, support, and guidance throughout the three years have been greatly appreciated and respected as they always encouraged me to strive for my best.

Sorasak Tangthong

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CHAPTER I

INTRODUCTION

1.1 Background and Significance

Organizations operate through their employees. Human resource management is needed to achieve success for the key indicators of firm performance, which are employee retention, employee productivity and employee self-development.

Foreign direct investment (FDI) is a major factor in an era of globalization that transforms and stimulates the global economy. FDI helps implement human resource management in firms all over the world. At the same time, globalization has a profound impact on all countries, and it is this mechanism that drives the industry under examination.

Globalization refers to integration among the people, government and companies of different countries (Rothenberg, 2003). It is a process that leads to greater economic, political, social and cultural integration on a global scale. In terms of economic integration, this involves the free flow of goods, services, technology and capital across national boundaries. Worldwide economic integration, changing demographics, skill gaps and worker shortages are believed to have a profound effect on a nation's ability to maintain its competiveness (Fernandez, 2001; Laprade, 2006). Combined, these factors affect the free flow of goods, services, technology and capital across national boundaries. For the past two decades, one of the main aspects of the new trends toward globalization has been the increased participation of developing economies/nations in the world economy. They have become attractive and sometimes lucrative options for foreign investors.

In that same time, myriad multinational companies (MNCs) and joint ventures have landed in Southeast Asia and East Asia (Osman, Ho and Galang, 2011). In becoming active global participants and welcoming outside investment and international trade, the Thai economy had shifted from a reliance on agriculture to manufacturing. Due to the promotion policies that encourage continuous, long-term investments, abundant resources and low-cost skilled and unskilled labor, Thailand now attracts more foreign direct investment (FDI) than ever before.

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As foreign investment increased and the economy began to rise as a result of the National Economic and Social Development Plan, Thailand set up the Board of Investment (BOI) in 1966 to monitor Foreign Direct Investment (FDI) (http://boisupport.com) and promoted further investment in the country. According to the BOI statistics, GDP grew by an average of 6.4% between 1966 and 2007 (NESDP: 2012), and that the average GDP since 2010 was 4.2 percent. Thailand also possessed the lowest unemployment rate among neighboring countries at a mere 2 percent. However, the global financial crisis had led to a decrease in FDI, particularly between 2008 and 2009. As the crisis slowly subsided, Thailand's FDI performance steadily increased, and MNCs were set up in the country. The World Bank ranked Thailand 17th out of 183 countries as the easiest place to conduct business due to its many advantages as a prime investment location.

With its strategic position in the heart of Asia, Thailand will become even more attractive to investors by 2015, when the ASEAN economic integration will have come into fruition, creating a market of 600 million consumers. In the past, while total values for investment in Thailand were lower in some years, they were still above the average level of growth (Thailand's Board of Investment, 2011). Furthermore, the total investment in the nine months of 2013 had increased by 50.18% and there were also annual growth for total exports (Hemaraj: Thailand's Macro View and Annual GDP Growth).

In today's competitive global market, it has become necessary for companies to expand internationally to gain a competitive advantage. Faced with the challenges of globalization, such as intense competition, ethics and social responsibility, the speed of responsiveness, the digital workplace and diversity (Daft, 2010), companies are forced to redefine their strategies. This is further exacerbated by an increasingly uncertain economic environment (Ulrich et al., 2009). As more foreign companies invest in Thailand, new HRM concepts that subsequently change HRM practices are being introduced (Butler and Lee, 2003).

One of the challenges facing human resource professionals is the expansion of the talent pool for excellent and marginal workers, as well as for permanent and fluid workers (Kayode, 2012). This is mainly due to the increasing educational opportunities in emerging countries. An organization's talent can be a source for a sustained competitive advantage and can affect important organizational outcomes such as survival, profitability, customer satisfaction level, and employee performance

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(Pfeffer, 1994; Prahalad, 1983). With the global supply of talent, particularly for high-skilled workers, short of its long term demand, there is a growing need for organizations to place greater emphasis in attracting human capital rather than financial capital. Since financial capital is broadly available from investors and lenders, and innovations can be duplicated relatively easily and quickly, effective human resource management is the best way to differentiate one company from another (Kapoor, 2011). This can be done by crafting a strategy that ensures employees are managed by their organizations to optimal effect, which subsequently enhances firm performance (Gratton and Truss, 2003).

Organizations that view people as important and necessary assets should therefore lay emphasis on HR practices (Subhash, 2011). At the same time, companies need to streamline their human resource practices that will enable global leverage and local responsiveness (Ulrich et al., 2005). They must shape some HR practices that ensure consistency across geographic boundaries and have some HR practices that will adapt to local conditions (Ulrich et al., 2005). Only MNCs that are willing to adapt their human resource practices to the changing global labor market conditions will be able to attract, develop and retain the right talent, and will likely succeed in the global competition (Kapoor, 2011). This will, in turn, bring success to the organizations, leading to sustainable growth for the country and then the overall regional/global development.

As companies increasingly rely on people to enhance their performance, HRM faces the challenges of bringing in capable workers that meet their needs and expectations. Thus, there have been calls to find ways to improve interaction between employees and employers, and to provide information about how to help HR managers get better results and increase performance (Vigoda and Cohen, 2003).

The effects that human resource practices have on organizational performance had been a significant area of research for the past 25 years (Tahir et al., 2007). Studies were conducted to show the connection between HRM practices and superior business performance in the United States and Europe (Boselie et al., 2001; Hoque, 1999), Asia (Bjorkmand and Xiucheng, 2002; Ngo et al., 1998) and Africa (Ghebregiorgis and Karsten, 2007). In most of these studies, the aim was to find HRM practices or "high performance work practices" (Huselid, 1995) that made the best use of employees and established their impact on firm performance; most of them found there to be a positive relationship. Firm performance had also been measured in terms

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of employee turnover, employee retention, product/service quality and customer satisfaction (Arnold and Feldman, 1982; MacDuffie, 1995; Kerrin and Oliver, 2002; Mathis and Jackson, 2004; Shaw, Delery, Jenkins and Gupta, 1998).

As mentioned previously, most of the studies had been conducted in the United States, Europe, Asia and Africa to find out whether HRM practices were positively correlated with firm performance.

While most of them found there to be a positive relationship, in Thailand, there had only been a few research done on this topic. For example, human resource management policies and practices that exist in several world class MNCs in Thailand (Napathorn, 2010), human resource management in international businesses (Chitakornkijsilp, 2003), and strategic human resource management and organizational performance of Thai enterprises (Wattanasupachoke, 2009). These three researches are different from this research in terms of variables, contexts and research methodology.

Furthermore, in Thailand, there had not yet been any research to find a causal relation of HRM Practices and firm performance, particularly firm performance that was measured in terms of employee retention, employee attrition, and employee performance. In light of this, the present study explored the relationship between HRM practices and firm performance, in terms of three observed variables, namely Employee Attrition, Employee Retention and Employee Performance. But this was not always as straightforward as one might think. Previous studies had managed to identify variables that mediated the relationship between HRM practices and firm performance. While most studies assessed a single mediating variable (e.g. Morrison, 1996), this study focused on five variables, which were organizational citizenship behaviors, job satisfaction, employee engagement, employee motivation and HR flexibility. It is important, therefore, to remember that this particular area of HRM and firm performance has become paramount to managing a diversified workforce in an era of globalization (Lo, Mohamad and La, 2009). Understanding more about the relationship between HRM practices and firm performance, measured by employee retention, employee attrition, and employee performance, will not only be beneficial for managers who seek to achieve higher performance in organizations, it will also allow those organizations to become more competitive, understand the trend of HRM practices, and make improvements that are in line with the results of this study.

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1.2 Research Questions

Researcher had created two research questions:

1.2.1 How do HRM Practices, Job Satisfaction, Employee Engagement, Organizational Citizenship Behaviors, Motivation and HR Flexibility have an effect on Firm Performance of MNCs, in terms of Employee Attrition, Employee Retention, and Employee Performance

1.2.2 How is a causal model of Path Analysis that is consistent with the empirical research data of HRM practices affects firm performance, in terms of Employee Attrition, Employee Retention, and Employee Performance, of MNCs in the Eastern Seaboard Industrial Estate, Rayong

1.3 Research Objectives

1.3.1 To study a causal model of direct relation of firm performance, in terms of Employee Attrition, Employee Retention and Employee Performance, of MNCs that is effected by HRM practices through the five mediating variables, which are Job Satisfaction, Employee Engagement, Organizational Citizenship Behaviors, Employee Motivation and HR Flexibility.

1.3.2 To develop a causal model of Path Analysis with effects of HRM practices on firm performance, in terms of Employee Attrition, Employee Retention and Employee Performance, of MNCs in the Eastern Seaboard Industrial Estate, Rayong province.

1.4 Scope of Research

1.4.1 Population and Sample

There were 255 MNCs selected for this study with FDI in the Eastern Seaboard Industrial Estate, Rayong province. Under the Investment Promotion Agency (see Appendix C), there were a total population of 765 selected for this study, consisting of Top Management, Human Resource Leader, and Line Manager, where 255 MNCs were multiplied by the 3 selected managers for each organization. They represented those affected by organizations using HRM practices. Top management was the one with the leadership role in the organization. Human resource leader was the one on the top level of human resource department, and line manager could be any functional manager.

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For this study, researcher used the non-probability sampling of purposive sampling research methodology.

1.4.2 Studied Variables

This study focused only on variables used in the research framework.

Independent Variable as the exogenous variable: HRM Practices, as the independent observed variable/indicator variable (Vanichbancha, 2013). The Mediating Variables, as the exogenous variables, have five observed variables 1) Employee Engagement, 2) Organizational Citizenship Behavior 3) Employee Motivation 4) HR Flexibility and 5) Job satisfaction. The Dependent Variable, as the endogenous variable, consists of three observed variables, which are 1) Employee Attrition, 2) Employee Retention and 3) Employee Performance

1.4.3 Time Frame of Research

There are three parts to the research: the first part is a study on the secondary sources of data, the second and third parts involve the quantitative process of using the questionnaires by delivering them to the respondents. Finally, the questionnaires are returned for statistical process, data analysis and conclusion. This took place between June 2013 and October 2013. The whole process is explained in chapter 3.

1.5 Definition of Terms

Firm Performance is defined as the ability of an object to produce results in a dimension determined a priori, in relations to a target. It is measured in this study in terms of Employee Attrition, Employee Retention and Employee Performance

Organizational Effectiveness is part of firm performance that defined as the ability of organizations to produce desire results, the notion of how effectual an organization is in accomplishing the results the organization aims to generate.

Employee Attrition is defined as the gradual reduction in membership or personnel through retirement, resignation or death. In other words, attrition is the number of employees leaving the organization, which includes both voluntary and involuntary separation*Employee Retention* is defined as a systematic effort by employers to create and foster an environment that encourages current employees to

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remain employed, by having policies and practices in place that address their diverse needs

Employee Performance is defined as a rating system used by organizations to decide on the abilities and output of an employee and the record of outcomes achieved per job function during a certain period of time. It can also mean employee productivity and output as a result of employee development

Organizational Citizenship Behaviors are the extra work-related behaviors of employees which go above and beyond the routine duties prescribed by their job descriptions or measured in formal evaluations and also defined it as "individual behaviour that is discretionary, not directly or explicitly recognised by the formal reward system, and that in the aggregate promotes the effective functioning of the organization".

Job Satisfaction is in regard to one's feelings or state-of-mind regarding the nature of their work and is "a positive emotional feeling, a result of one's evaluation towards his job and his job experience by comparing between what he expects from his job and what he actually gets from it as well as a function of the range of specific satisfactions and dissatisfactions that he/she experiences with respect to the various dimensions of work"

Employee Engagement defined as he harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances. Another definition is employees feel positive emotions toward their work, find their work to be personally meaningful, consider their workload to be manageable, and have hope about the future of their work and employee engagement as the involvement with and enthusiasm for work.

Employee Motivation is one of the policies managers used to increase effectual job management amongst employees in organizations and defined as "something a need or desire that causes a person to act as a psychological process that gives behavior purpose and direction, include as an internal drives to satisfy an unsatisfied need and the will to accomplish.

HR Flexibility is a dynamic capability of the firm in a sense that it is focused on adapting employee attributes, for instance knowledge, skills, and behaviors, to changing environmental conditions as well as referred the term to the extent to which

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employees possess skills and behavioral repertoires that can provide a firm with options to pursue strategic alternatives.

HR Practices is defined as a set of distinct yet interrelated activities, functions, and processes aimed at attracting, developing, and maintaining a firm's human resources For the purpose of this research, these practices include Training and Development, Employee Participation, Compensation and Benefits Management and Reward System, Career Planning System and Employee Empowerment.

Employee Participation is a process whereby influence is shared among individuals who are otherwise unequal, employee participation allows employees to be involved in the decision making and management of organizations.

Compensation and Benefits Management and Reward System is a human resource practice that act as incentives to employees. Compensation refers to all forms of financial returns and tangible benefits that employee receives as part of the employment relationship. Benefits are indirect financial and non-financial payments employees receive for continuing their employment with an organization, and Reward system is anything that is extrinsically or intrinsically reinforced, maintain and improve the employees' behavior in an organization

Career Planning System is a deliberate process of becoming aware of one's self, opportunities, constraints, choice and consequences; identifying career-related goals; and programming work, education and related developmental experiences to provide the direction, timing and sequence of steps to attain a specific career goal

Training and Development is a human resource practice that refers to a systematic development of the knowledge, skills and attitudes required by employees to perform adequately a given task or job

Employee Empowerment is giving the power to employees to make decisions. Its process entails providing workers with the skills and authority to make decisions that would traditionally be made by managers. Empowerment itself means encouraging people to make decisions with the least intervention from higher management .

Globalization refers to integration among the people, government and companies of different countries. It is a process that leads to greater economic, political, social and cultural integration on a global scale.

Foreign Direct Investment (FDI) has been defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident

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entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate).

Multinational Corporation (MNC) has been defined as a business enterprise that maintains direct investments overseas and that upholds value-added holdings in more than one country, and views MNC as an enterprise that engages in foreign direct investment (FDI) and owns or, in some way, controls value added holdings in more than one country. In addition, MNC in a different way that they are a privately owned institution devised to organise, through employment contracts, interdependencies between individuals located in more than one country.

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CHAPTER II

LITERATURE REVIEW

This chapter provides a review of the literature that includes articles, journals, concepts, theories and relevant research paper, as well as literature concerning the relationships between HRM practices, mediating variables, which are Organizational Citizenship Behaviors (OCBs), Job Satisfaction, Employee Engagement, Employee Motivation, HR Flexibility, and Firm Performance in terms of Organizational Effectiveness with three observed variables, which are Employee Attrition, Employee Retention and Employee Performance. Literature will focus mainly on the manufacturing industries and related industries, and how the relationships between these variables can be applied within that sector. Outlines of the literature review are as follows:

2.1 Overview of Foreign Direct Investment (FDI), Multinational Corporations (MNCs), and Eastern Seaboard- Rayong Province in Thailand
2.2 Concept and Theory of Firm Performance
2.3 Human Resource Management System
2.4 Concept and Theory of HRM Practices
2.5 Concept of Organizational Citizenship Behaviors
2.6 Concept of Job Satisfaction
2.7 Concept and Theory of Employee Engagement
2.8 Concept and Theory of Employee Motivation
2.9 Concept of HR Flexibility
2.10 Relevant Studies
2.11 Conceptual Framework
2.12 Hypotheses

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2.1 Overview of Foreign Direct Investment (FDI), Multinational Corporations (MNCs), and Eastern Seaboard - Rayong Province in Thailand

It is clear that Thailand has been striving for development in growth. The country needs to accept change, as well as less red tape to deal with various foreign direct investments (FDI), so as to be become more flexible, and to continuously adapt its national priorities and treat investment promotion as a living, breathing entity. So far, the country has been extremely successful in doing so.

As Thailand has adopted this style since 1985, the Board of Investment (BOI) has approved over 8,500 projects with a total investment estimated at 1.5 trillion (US$35 billion). This has provided Thai workers with over 2.1 million jobs. Moreover, the quality of Thai-manufactured goods has improved considerably, particularly in the automotive, electronics and fashion industries. This, in turn, has allowed the industries to become resilient in even the most competitive international markets.

Wanapha (2002) further explained that in the 1970's, there were only simple assembly lines, very little industry and the average Thai consumer had minimum disposable income. In essence, the Thai government realized that they were not self-sufficient and relied heavily on costly imports with foreign exchange losses and balance of trade deficits. Therefore, a series of actions and measures were taken to counter these weaknesses. The first step taken by the Thai government was to impose high-level tariffs to protect local industries and enhanced the growth of Thai-manufactured product market. Second, under the Thai government's protection, these fledglings industries in Thailand started producing results and, in turn, attracted the first wave of Japanese investors, who were searching for other alternatives due to their appreciating Yen and increase in their labor costs. This led to a snowball effect as inflows of foreign industrial projects continued to increase, attracted by the country's explosive growth (Thailand averaged 8.4% GNP per capita growth during 1985 - 1994). This, however, also created setbacks for the country.

The rapid expansion and foreign direct investment had created a negative impact on Bangkok in terms of increased pollution, congestion and lack of skilled labor, as the infrastructure could not keep up with rapid growth. In addition, this led to

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even greater inequalities in economic opportunities between Bangkok and the other provinces.

To support this, the BOI implemented a new overall strategy; to promote industrial decentralization by dividing the country into three zones, based on location. The country was divided into 3 different zones, depending on the economic factors. The 3 zones are listed below:

Zone 1: Bangkok, Nakhon Pathom, Nonthaburi, Pathoum Thhani, Samut Prakan, and Samut Sakhon

Zone 2: Angthong, Autthaya, Chachoengsao, Chonburi, Kanchanaburi, Kakornnayok, Ratchaburi, Samut Songkham, Saraburi, Supanburi, Phuket, and Rayong

Zone 3: The remaining 59 provinces have lower income and less-developed infrastructure, and are labeled as Investment Promotion Zones.

By comparing the 3 zones, it is clear that Zone 3 is much less desirable for investment due to the lack of infrastructure and lower income-base. However, there is an opportunity for growth and development due to increased incentives provided by BOI. As for zones 1 and 2, Zone 1 is saturated and the opportunity for investment is limited when compared to Zone 2. The best opportunity for foreign investment is within Zone 2, where incentives by BOI exist and there is greater opportunity for growth and development.

Therefore, BOI's goal of decentralization is to push projects for growth, development, technology, and skills to Zone 2, where it can receive greater incentives and benefits, as opposed to trying to remain in Zone 1 (Wanapha, 2002).

In Zone 2, the main area that needs to be addressed is the Eastern Seaboard that has become a driving force for industrial competitiveness in Thailand. There are several factors that support this. The first factor is the discovery of natural gas reserves in the Gulf of Siam, which support energy self-sufficiency within the zone. Secondly, the building of deep-sea port industrial complex at Laemchabang, Chonburi province has allowed for increased routes of transportations of goods and raw materials. Thirdly, there have been massive investments in highways, increased communications, and generating of electricity. Two examples that have grown to become highly competitive are the automotive and petrochemical industries. The

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automotive industry has a comparative advantage in Thailand due to its product expertise and uniqueness in the export market (Nardone, 2005).

The main benefit of the Eastern Seaboard Industrial Estate (ESIE) is its nickname "Detroit of the East", developed by Hemaraj, Thailand's leading developer of industrial Estates, utilities, power, and property solutions that have helped create certain companies. This, in turn, led to a snowballing effect and allowed other foreign players of the automotive industries to invest in the ESIE. For example, General Motors have been attracted to the area since 1996 and they have benefited from the integration of the supplier base within the Eastern Seaboard, thanks to the support from existing suppliers, such as Sekurit Saint-Gobain, Yoruzu, Johnson Controls, Inergy, Delphi and others (Nardone, 2005).

The decentralization concept and incentives have attracted industry clusters such as automotive, petrochemicals, plastics and polymers, electronics, logistics and others. "The tax incentives alone can make it worthwhile investing in the eastern seaboard," says Graham MacDonald, Managing Director of the MBMG International Group, an investment and business consultancy advisory, Vice- Chairman of the British Chamber of Commerce Thailand (BCCT), and Chairman of the BCCT Eastern Seaboard for eleven years (http://thegreglowe.com/archives/216).

The continuous development of quality logistics and utilities, which have been constantly improving over the past decade, are some of the main advantages for the manufacturers. Not to mention, its two deep-sea ports, Laem Chabang – ranked 21st in terms of the busiest container port by volume, according to the American Association of Port Authorities – and Map Ta Phut in Rayong province, have allowed the import of raw goods and export of goods for sale to be done much more conveniently.

ESIE was established in 1994, while Hemaraj ESIE started operations in 2006. 611 contracts had been signed at the two industrial estates, representing 375 new customers from various countries with investments in excess of US$12 billion. There were over 179 automotive OEM, parts and components manufacturers in Hemaraj's automotive cluster, with 25 from the Toyota Group alone. Fifteen of the world's top 25 auto suppliers had production facilities in this cluster. The reason that Hemaraj is so welcoming of investors is that the seven industrial estates along the Eastern Seaboard covers an area of 40,624 Rai (16,250 acres, 6,500 hectares) for a variety of reasons. First, all of the potentially developed lands, utilities, 750,000 square meters are ready to go as in Ready Built Factories and Logistics Parks, and excellent

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supporting infrastructure. The basic setup of utilities services include clean water, wastewater treatment, waste disposal landfill and power generation. Second, Hemaraj provides not only diverse manufacturing requirements, but also achieves all the relevant internationally recognized standards and qualifications. Third, they understand that the products created from factories can cause pollution and waste and, therefore, they have taken steps to deal with those problems, taking into account the communities, the land, and nature, and allowing them to co-exist in a sustainable manner. Lastly, Hemaraj is the first-mover industrial estate operator in Thailand to initialize the clustering concept, and offers clusters for the petrochemical, automotive and other industries. For example, the 215 world class automotive clusters are supported and constructed by Hemaraj, located in the Eastern Seaboard Industrial Estate (Rayong province) and Hemaraj Eastern Seaboard Industrial Estate. These are the main reasons why foreign investors find the Eastern Seaboard have such a high potential for investments (http://www.hemaraj.com/page/why_hemaraj.asp).

At present, the eastern seaboard is the most attractive investment area for FDI. According to the results of Q3-2013 report and presentation on 2nd December 2013 of Hemaraj Land and Development Public company limited, they called themselves "The World Class Developer in Thailand". The main reason that Hemaraj Eastern Seaboard Industrial Estate has been so appealing to foreign direct investment is due to the cluster of industries and the ease of supply allocation. For example, there are major auto manufacturing and auto parts that are ranked 15 of 25 in the global automotive and suppliers, as well as 179 automotive customers with 304 automotive contracts, 800,000 vehicles and kits production by 2015 in ESIE and HESIE per annum, 25% - 30% of Thailand production, such as Ford, Mazda, GM, Suzuki , SABIC, GMC, Holden, MG (Hemaraj: Industrial Estate Land Increasing). ESIE currently has a direct highway, numbering 3138 access on two sides and adjacent to the ESIE expansion area. According to the FDI projects and the land industrial estate, they have been increasing in the eastern seaboard since 1994 (Hemaraj: Industrial Estate Land Increasing).

The competitive nature of today's globalized market means it has become necessary for companies to expand internationally to gain a competitive advantage. Organizations are, therefore, forced to redefine their strategies.

As there are now more MNCs in Thailand due to more foreign companies investing in the country, new HRM concepts that subsequently change HRM practices

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are being introduced (Butler and Lee, 2003). Organizations need to find and retain their talented people. Their talents can be a source for a sustained competitive advantage and can affect important organizational outcomes, such as survival, profitability, customer satisfaction level, and employee performance (Pfeffer, 1994; Prahalad, 1983). Effective human resource management is the best way to differentiate one company from another (Kapoor, 2011).

The literature review in this chapter will focus on human resources management practices and firm performance in terms of organizational effectiveness, and five HR termed mediating variables.

2.2 Concept and Theory of Firm Performance

In line with the systems view of HR (Lado and Wilson, 1994) (see Figure 2.1), firm performance serves as a final outcome of an effective HR system. Organizational effectiveness is part of that construct and have been used as measures of productivity, service quality and profitability in Stavrou-Costea (2005). These measures were chosen because they would lead to a full examination of firm performance (Fox et al, 1999; Dessler, 2000). However, researchers have used financial and non-financial metrics to measure organizational performance (Khan, 2010). The financial measures include profit, sales, and market share. Non-financial measures include productivity, quality, efficiency, and the attitudinal and behavioural measures such as commitment, intention to quit, and satisfaction (Dyer and Reeves, 1995).

To understand more about how firm performance can be determined, particularly in relation to organizational effectiveness, and the tools used to assess organizational performance, the following concepts and theories will now be discussed.

2.2.1 Organizational Effectiveness

As part of firm performance, there have been much literatures surrounding organizational effectiveness. Various definitions have been presented by researchers on the concept in Table 2.1.

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Table 2.1 Definitions of Organizational Effectiveness

Researcher	Definitions of Organizational Effectiveness
Oguntimehin (2001)	The ability of organizations to produce desire results.
Pennings and Goodman (1977)	An absolute level of either input acquisition or outcome attainment.
Malik et al. (2011)	The notion of how effectual an organization is in accomplishing the results the organization aims to generate.
Thibodeaux and Favilla (1996)	The extent to which an organization, with the use of certain resources, completes its objectives without depleting its resources and without placing undue strain on its members and/or society.

Having considered these definitions, this study defines organizational effectiveness as the ability of organizations to produce desire results, the notion of how effectual an organization is in accomplishing the results the organization aims to generate. In order to measure effectiveness for this research, the following indicators are used: Employee Attrition, Employee Retention and Employee Performance.

To determine how effective or successful an organization is, Taylor (1911) focused on creating the "one best way" model of organizational effectiveness. Other models of organizational effectiveness include organizational adaptation, which is adapting to change within and without the organization (Miller and Friesen, 1980), contingency theory, which is that the situation impacts the outcome (Lawrence and Lorsch, 1967), implementing strategies that lead to excellence (Peters and Waterman, 1982), organizational structure and performance (Ford and Schellenberg, 1982), organizational characteristics and effectiveness (Mahoney and Weitzel, 1969), and organizational positioning (Schendel and Hofer, 1979). Mintzberg (1991) believed that effective organizations "got it all together" by choosing effective configurations of structure, strategy, and content.

2.2.1.1 Organizational Effectiveness Models

Quinn and Rohrbaugh (1983) created a model with 16 variables that conceptualized organizational effectiveness. These variables included flexibility, planning, information management, cohesion, readiness, goal setting, communication,

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morale, growth, productivity, stability, training and development, resource acquisition, efficiency, control, and the value of human resources.

Gaertner and Ramnarayan (1983) focused on organizational effectiveness from a different perspective with some of the complexities and varieties of factors influencing organizational effectiveness, and included an examination of organizational outputs and processes.

Other conceptualizing models of organizational effectiveness include feedback loops, which examine the sharing of observations between persons or divisions of organizations, and relate it to organizational effectiveness by providing a way for improving organizational effectiveness. Studies indicate that feedback loop models are used most frequently in studies conducted at the individual level of analysis (Argyris, 1976; Bastien, 1994; Diehl and Sterman, 1995; Tywoniak, 2007; Wongrassamee et al., 2003).

2.2.1.2 Measure and Operationalization of Organizational Effectiveness

There are many financial indicators to determine organizational effectiveness. The two key measures of organizational effectiveness are rate of return on equity and rate of return on total assets (Cox, 1977).

Parnell (2005) focused on the financial measures of sales growth, return on equity (ROE), return on assets (ROA), and on the non-financial measures of performance satisfaction and industry vigor. Study indicates that financial and non-financial measures are both valid methods for conducting research on organizational effectiveness. Other studies found that financial measures of profitability should have been used to measure organizational effectiveness (Ansoff, 1965; Baum et al., 1998; Child, 1977; Cox, 1977; Dess et al., 1995; Hitt et al., 1999; Durand, 1999; Schendel and Hofer, 1979). Ansoff (1965) found that rate of return on investments is a common and widely accepted indicator for business success, and is applicable in different industries. In some organizations, quantitative measures are the only effective measures that can be systematically collected (Scott, 1977). Hannan and Freeman (1977) found that as long as the measurement standard is applied consistently, there is no obstacle to systematically comparing effectiveness across organizations. The concept of organizational effectiveness is also critical for explaining organizational behavior (Pfeffer, 1977).

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Research has shown that it is better to use at least two or three effectiveness variables in empirical models (Hitt et al., 1999; Murphy et al., 1996), as opposed to a single-variable. Organizational effectiveness is closely connected to financial performance measures (Judge, 1994). The two general approaches used in the measurement of effectiveness are accounting measures and the capital asset pricing model (Hitt, 1988). The accounting measures included return of investments, return on assets, return on equity, and earnings per share. Each of these measures was highly inter-correlated (Hitt, 1988; Hitt et al., 1999). The capital asset pricing model used securities markets and adjusts for risk. These two measures are used by business executives and policy researchers, as well as organizational researchers (Hitt, 1988).

There is a lack of agreement on the definition and operationalization of organizational effectiveness (Cameron, 1986; Campbell, 1977; March and Sutton, 1997). Some studies indicate that 'performance' and 'effectiveness' are used interchangeably (March and Sutton, 1997; Quinn and Rohrbaugh, 1983) due to the fact that their definitions, measurements, and explanations are virtually identical (March and Sutton, 1997). Other researchers do not support the use of organizational effectiveness (Hannan and Freemen, 1977). Over a 35-year period, a survey of four leading management journals has shown that the two concepts are not independent and that until 1978, effectiveness and performance dominated the literature interchangeably. Since then, performance has become the most widely used concept (Henri, 2004). Organizational effectiveness models have significantly influenced the performance measurement models. In essence, organizational effectiveness represents the outcome of organizational activities while performance measurement consists of an assessment tool to measure effectiveness (Henri, 2004). Venkatraman and Ramanujam (1986) considered business performance as a subset of the overall concept of organizational effectiveness. Chakravarthy (1986) also identified concepts of effectiveness, such as profitability, financial market, quality of the firms' transactions, and multi-stakeholder satisfaction, in his research.

There are many studies that operationalize organizational effectiveness. Kantabutra and Avery (2003), Kantabutra (2006), and Kantabutra and Avery (2007), for instance, operationalized organizational effectiveness in terms of customer and staff satisfaction. Their studies analyzed the relationship of organizational vision to organizational effectiveness. They found that the significance of vision attributes was supported by findings from customer and staff satisfaction. Furthermore, the clarity

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attribute was found to have the most significant relationship with customer satisfaction. Additionally, Jacobs and Jaques (1990) found that the degree of clarity influenced how well a vision was understood and accepted. A lack of clear vision is a major reason for the declining effectiveness of many organizations (Bennis and Nanus, 1985).

Baum et al. (1998) examined the relationship of organizational vision to venture capital. In the study of entrepreneurial organizations, they found a significant relationship between vision attributes and organizational effectiveness as measured by venture growth. Venture growth, the organizational effectiveness construct, was operationalized using the measures of sales growth, annual employment growth, and average annual profit growth. The researchers also used organizational level performance and organizational effectiveness terms interchangeably.

Connolly et al. (1980) examined organizations' different constituencies in order to define a broad perspective on organizational effectiveness that covers rather than conflicts with existing perspectives. They operationalized organizational effectiveness in terms of constituencies, which are customers, employees, owners, and stakeholders. They concluded that there was no one correct perspective for defining organizational effectiveness and that organizational effectiveness should be treated not as a single statement, but as a set of several statements, each reflecting evaluative criteria.

Chakravarthy (1986) demonstrated the inadequacy of traditional measures that were based on a firm's profitability and for evaluating its strategic performance. In the study, he analyzed 14 distinct quantitative measures and isolated four primary factors. These four factors were profitability, relative market position, change in the profitability and cash flow, and growth in sales and market share. Study results found that the profitability factor demonstrated the highest factor magnitude. Even though his research found significant results to support the use of profitability factors, his research did support the use of a multi-factor model for assessing performance measures.

Lee and Sukoco (2007) examined the relationship between social capital and knowledge management capability on innovation, competence upgrading, and organizational effectiveness. Organizational effectiveness was operationalized using the financial constructs of market share, sales growth, and profit growth. Non-financial constructs included the improved ability of the firm to anticipate potential

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market opportunities, rapidly commercialize new innovations, anticipate surprises and crises, quickly adapt its goals and objectives to industry/market changes, decrease market response time, be responsive to new market demands, and streamline its internal processes.

Campbell (1977) identified 30 different criteria of effectiveness. He concluded that different people adhere to different models, and there is no correct way to choose among them. Thus, when a list is put together from different conceptual points of view, the list will almost inevitably look "messy". But regardless, it was imperative that the research continued.

Quinn and Rohrbaugh (1983) conducted an organizational level, multi-dimensional scaling of the 30 criteria developed by Campbell, which resulted in identifying 17 effectiveness criteria. The 17 effectiveness criteria were profit, productivity, efficiency, growth, value of human resources, training and development emphasis, quality, conflict/cohesion, control, stability, morale, utilization of environment, information management and communication, evaluations by external entities, planning goals, flexibility/adaptation, and readiness. These criteria were positioned on the three axis or value dimensions of organizational focus, organizational structure, and organizational means and ends.

The resource-based theory of firms is founded on the idea that an individual firm's ability to use resources effectively influences its level of organizational effectiveness. Resource based theory views firm profitability as primarily a function of the firm's resources and not the profitability factor of the industry (Dess et al., 1995; Parnell and Carraher, 2001; Parnell and Hershey, 2005). Some examples of resources include assets, owners' equity, equipment, and human capital. In this theoretical model, effectiveness was influenced by the link between the resources and capabilities of the firm. The more resources a firm had, then theoretically, the higher the degree of effectiveness a firm should have experienced. It was organizational vision that helped an organization decide in which areas it might want to acquire greater resources.

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2.2.2 Organizational/Firm Performance

Organizational performance is another important construct, where it is critical to define organizational performance and differentiate it from other closely-related constructs, such as organizational effectiveness.

2.2.2.1 Conceptual Framework of Organizational Performance

Venkatraman and Ramanujam (1986) argued that the narrowest concept of performance was financial performance, such as sales growth or profitability. The broader notion added more emphasis on non-financial performance, such as product quality and marketing effectiveness, which had been referred to as business performance. However, business performance still primarily focuses on factors that lead to the achievement of an organization's financial goals. Only when multiple and conflicting goals concerning other stakeholders are included do the term organizational effectiveness should be used. Researchers should, therefore, focus on the measurement domain identified by either financial or business performance.

There are many theoretical models used to conceptualize organizational performance (Henri, 2004; Dess and Robinson, 1984; Ostroff and Schmitt, 1993). These are as follows:

1) Goal Approach, which focuses on goals, objectives and targets.

2) System Approach, which emphasizes the means needed to achieve specific ends in terms of inputs, resources and processes.

3) Strategic Constituencies Approach, which includes interest groups or constituencies external and internal to the organization.

4) Competing Value Approach, which places organizational values next to three sets of competing values to form definitions of effectiveness.

5) Ineffectiveness Approach, which focuses on the factors that inhibit successful performance.

2.2.2.2 Operationalization of Organizational Performance

According to Devinney et al. (2005), in terms of measurement, there are three approaches generally used to operationalize organizational performance as a dependent variable.

1) A single measure that is assumed to be closely related to organizational performance.

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2) Adopting several different measures, but comparing them independently to the same independent variables.

3) This is the most common, which is to use several different measures and aggregate them into a dependent variable.

With regards to the third approach, Venkatraman and Ramanujam (1986) contended that there were numerous operationalizations and multi-dimensionality even within the financial performance and business performance domain. It is, therefore, recommended that researchers should either explicitly test the dimensionality of their conception of business performance or use a priori classification that recognizes the dimensionality issue.

Combs et al. (2005) asserted that the last suggestion has not adequately been followed by current researchers. In their attempts to identify dimensionality of organizational performance, they found that operational performance and financial performance were distinct, and that financial performance could be further categorized into accounting returns, stock market, and growth measures. Furthermore, they observed that operational performance had many dimensions and was an antecedent to financial performance. Consequently, they advised against using measures that combined both operational and financial performance, such as return on equity and earnings per share as the numerator was derived from financial performance while the denominator was capital structure, which somewhat related to operational performance. Richard et al. (2008) supported that there was much empirical evidence which showed linkages between financial performance measures and non-financial measures.

Organizational performance has been studied, and operationalized, in a number of ways. For example, Hoque and James (2000) measured organizational performance by evaluating return on investment, margin on sales, capacity utilization, customer satisfaction, and product quality. Similarly, Evans (2004) investigated the relationship between the categories of performance measures in the Baldrige Criteria for Performance Excellence and three organizational performance measures, which are customer satisfaction, market share, and financial performance, as compared to competitors. Subsequently, Hoque (2004) adapted a well-tested Govindarajan's (1984) questionnaire and assessed 12 dimensions of organizational performance, which are operating profits, return on investment, sales growth rate, market share,

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cash flow from operation, new product development, market development, research and development, cost reduction programs, personnel development, workplace relations, and employee health and safety, over a three-year period. Similarly, Schiemann and Lingle (1999) evaluated organizational performance from three-year return on investment and executives' ratings of their organization based on three criteria, which were perceived as an industry leader over the past 3 years, reported to be financially ranked in the top third of their industry, and last major cultural or operational change judged to be very or moderately successful.

Overall, there appears to be a general consensus among researchers that there is a need to operationalize organizational performance as a combination of financial and non-financial measures.

2.2.3 Employee Attrition

As an indicator of organizational effectiveness, employee attrition has been used interchangeably with employee turnover to describe the leaving of jobs by employees (Sengupta, 2010). Its definitions are provided in Table 2.2.

Table 2.2 Definitions of Employee Attrition

Researcher	Definitions of Employee Attrition
Goswami and Jha (2012)	The number of employees leaving the organization, which includes both voluntary and involuntary separation.
James and Faisal (2013)	Rate at which people leave an organization.
Armstrong (2006)	A normal flow of people out of an organization through retirement; career or job change, relocation, illness, etc.
Negi (2013)	Loss of workforce for any reason.

Having reviewed the above definition, employee attrition is the gradual reduction in membership or personnel through retirement, resignation or death. In other words, attrition is the number of employees leaving the organization, which includes both voluntary and involuntary separation.

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A limited amount of employee attrition can be beneficial to the organization by bringing in new ideas and helping organizations maintain their agility in a fast changing environment (Sengupta, 2010). It brings in new recruits, opens up new vistas for change, development and improvement, shows avenues to expand operations and add to the creative lines of the organizations. But if attrition increases beyond a certain level, it can harm the organization. Recruiters explain that high attrition rates significantly increase the investment made on employees (Prakash and Chowdhury, 2004). Significant investments in time and money need to be made for acquiring employees in any organization. Thus, these can never be translated into profits when attrition is high.

2.2.4 Employee Retention

As an indicator of organizational effectiveness, there are many ways to define employee retention. Some of these are listed in Table 2.3.

Table 2.3 Definitions of Employee Retention

Researcher	Definitions of Employee Retention
Chandiok (2012)	A systematic effort by employers to create and foster an environment that encourages current employees to remain employed, by having policies and practices in place that address their diverse needs.
Mckeown (2003)	Keeping the right people in the right jobs for every organizations.
Singh and Dixit (2011)	A process in which the employees are encouraged to remain with the organization for the maximum period of time or until the completion of the project.
Hassan et al. (2011)	Keeping right people on right jobs for every organization.

Having reviewed the above definitions, employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed, by having policies and practices in place that address their diverse needs.

Despite efforts to explain what employee retention is, it is clear that the reason such term arose is due to the increasing number of employees leaving the organization

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for various reasons. Collins and Porras (1994), and Collins (2001) explained that the first key to success for any organizations is people. Organizations need to have the right people and, thus, it is important to retain employees and knowing how an employee can remain in a particular organization. A significant amount of literature have been published as a result on retention and, at the same time, recognizing the threat of excessive turnover as a basic problem to business.

2.2.5 Employee Performance

As an indicator of organizational effectiveness, there are various definitions of employee performance, provided in Table 2.4.

Table 2.4. Definitions of Employee Performance

Researcher	Definitions of Employee Performance
Darden and Babin (1994)	A rating system used by organizations to decide on the abilities and output of an employee.
Deadrick and Gardner (1997)	The record of outcomes achieved per job function during a certain period of time.
Hameed and Waheed (2011)	Employee productivity and output as a result of employee development.
Sultana et al. (2012)	The achievement of specified task measured against predetermined or identified standards of accuracy, completeness, cost and speed.

Having reviewed the above definitions, this study defines employee performance as a rating system used by organizations to decide on the abilities and output of an employee and the record of outcomes achieved per job function during a certain period of time. It can also mean employee productivity and output as a result of employee development.

Performance of employees can be in the form of quantity of output, quality of output, timeliness of output, presence at work and cooperativeness (Güngör, 2011). Macky and Johnson (2000) had stated that improved employee performance could also lead to better firm performance. There is a connection between good employee

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performance and increased customer perception of service quality, while poor employee performance has been linked with increased customer complaints and brand switching.

2.3 Human Resource Management System

To understand the importance of HR and its role in determining the performance outcome of organizations, the HR process must be viewed as a whole. This is in contrast to the way human resource management is interchanged in some definitions with personnel management. Personnel management emphasis is on a range of activities centered round the supply and development of labor to meet the immediate and short term needs of the organization. Under personnel management, the activities of compensation, training, development, rewards, selection, and recruitment are viewed as separate individual functions. The purpose of human resource management, therefore, is to integrate all the personnel functions into a single combined strategy. Personnel management is usually something that managers do to subordinates, whereas HRM considers the entire organization as a focal point for analysis.

While there have been a plethora of studies attributing the firm's success to these personnel functions, few research were done to measure the impact of the entire human resource management system on job and firm performance. Ferguson (2006) had demonstrated the significance of this by exploring the link between human resource inputs and processes on job and organizational performance in public, private and non-profit organizations. A survey was carried out on the Kentucky State Society of Human Resource Managers, where they were asked to provide information concerning HRM practices and perceptual information regarding employee skill and motivation, job performance and organizational performance. Three hundred fifty human resource professionals responded to the survey. Statistical analyses revealed positive correlations between employee skills, motivation, job performance and organizational performance. Furthermore, motivation and HRM practices demonstrated a positive impact on organizational performance. The study provided organizational leaders with the necessary information to make informed decision about the recruitment, selection and development of employees. It also provided organizational leaders with information that will guide the selection and

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implementation of HRM practices that may positively impact the performance of their employees, ultimately resulting in increased organizational competitiveness. In addition, the result can be used by researchers to build consensus regarding the measurement of human resource management systems and firm performance.

Thus, Ferguson (2006) had shown that organizations can be viewed as systems (Rummler and Brache, 1995), and in doing so consideration must be made to human resource inputs, processes (practices) and outputs, leading to sustained competitive advantage (Lado and Wilson, 1994). Indeed, human resource has become a unique source of sustained competitive advantage (Becker and Gerhart, 1996). The organization's human resource system, therefore, consists of the dynamic processes, such as recruitment and selection, performance appraisals, training, and compensation that will allow the firm to acquire, develop, and deploy its resources to achieve superior performance and ultimately a competitive advantage.

Guided by the literature, Ferguson (2006) had developed a model, shown in Figure 2.1, where various components of the human resource management system model (human resource inputs, processes/practices, and outcomes) are presented and how each is linked to important organizational outputs.

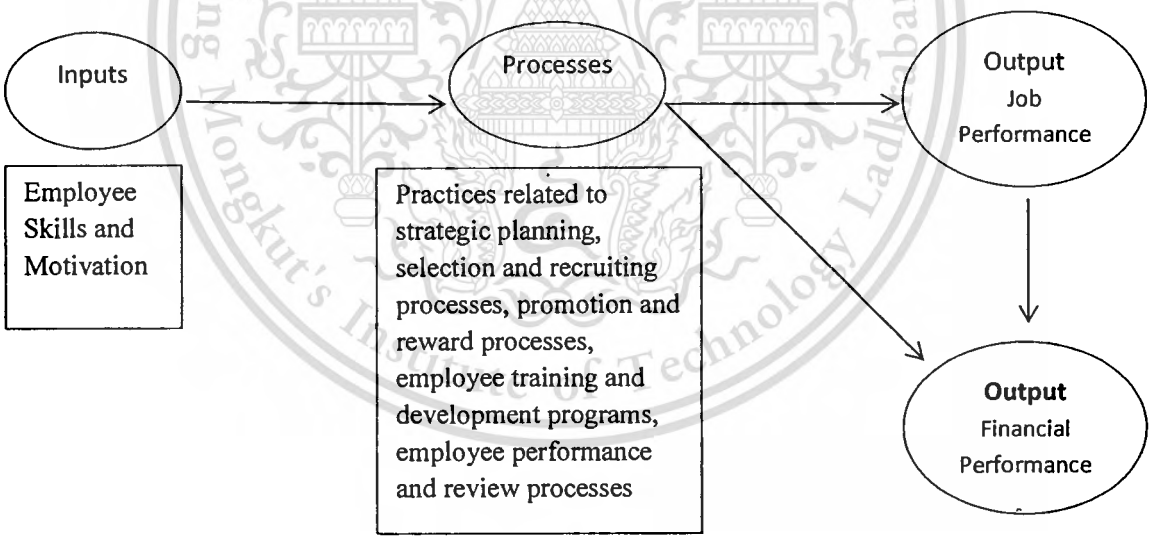

Figure 2.1 Human Resource Management System

Source : Ferguson (2006)

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The model is based on Barney's (1991) resource-based view of the firm (see 2.3.1), and is a compilation of the variables that individuals bring to the firm like skills and motivation (Askov, 2000), and the firm's human resource processes, such as recruitment, selection, training, reward systems and performance management (Huselid, 1995; Den Hartog and Verburg, 2004). These variables are then used to create and deliver products and services that eventually lead to sustained competitive advantage. In other words, the system converts the inputs through a set of distinct, yet interrelated activities, functions, and processes to achieve the outputs of job and firm performance (Lado and Wilson, 1994).

2.3.1 Resource Based View (RBV)

The resource-based view theory conceptualizes the firm as a bundle of resources. It is these resources, and the way that they are combined, that make firms different from one another and in turn allow a firm to deliver products and services in the market.

Barney (1991) developed the theory, who determined that for a company to have a sustainable competitive advantage, the resources that they have must be valuable, rare, inimitable and non-substitutable.

1) Valuable means a resource should deliver value to the firm.

2) Rare means resources that are owned by a large number of firms cannot confer competitive advantage since they cannot deliver a unique strategy against competing firms.

3) Inimitable means resources can only be sources of sustained competitive advantage if firms that do not possess these resources cannot obtain them.

4) Non-substitutable means there must be no strategically equivalent valuable resources that are themselves neither rare nor inimitable.

The resource-based view also stated that firm resources tend to include everything internal to the firm. Barney (1986) has listed all the assets, capabilities, organizational processes, firm attributes, information, knowledge, and so on as resources.

The application of this theory to human resource management illustrates the growing emphasis on people as a viable source of a company's competitive advantage. To explain how the theory can be used in human resource management,

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Wright and McMahan (1992) have referred to the above four features that people, as resources, must have for the company to be competitive.

1) They must give value to the company's production processes, meaning the levels of individual performance must be significant.

2) The skills that the company looks for must be rare. All human resources should meet both of these criteria since they are evenly distributed.

3) The combined human capital investments represented by the company's employees cannot be easily imitated. When compared to other types of resources in a company, such as technology and natural resources, it has been argued that these sources of value are becoming increasingly available to anyone and they are easy to copy. In relation to human resource, however, particularly the human resource systems, they represent a complex social system (Ulrich and Lake, 1990) and are regarded as invisible assets.

4) A company's human resource must not be substituted or replaced by technological advances or other alternatives. But given the high levels of automation in many industries and the continuing shift toward a service economy, they have made substitution less likely.

2.4 Concept and Theory of HRM Practices

Using the above system's notion of HR, this study will examine human resource practices, which act as processes used to transform existing human resource inputs within the human resource system (Lado and Wilson, 1994). Human resource practices have been defined in the following Table 2.5.

Table 2.5 Definitions of HRM Practices

Researcher	Definitions of HRM Practices
Lado and Wilson (1994)	A set of distinct yet interrelated activities, functions, and processes aimed at attracting, developing, and maintaining a firm's human resources.
Robbins and Judge (2007)	Organizational practices implemented to motivate, discipline, hire, and train employees.
De Cieri et al. (2008)	Policies, practices and systems that influence employees' behavior, attitudes and performance.

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Having reviewed the above definition, HR practices are a set of distinct yet interrelated activities, functions, and processes aimed at attracting, developing, and maintaining a firm's human resources. These HR practices, which are sometimes referred to as "high performance work practices" or "high involvement work practices", may include single HR practices or the entire HR management systems. They comprise of the many activities and policies that seek to manage the "people," or actual "human" resources (Arumugam and Mojtahedzadeh, 2011). This research, however, will only focus on five such practices: Employee Participation, Compensation and Benefits Management and Reward System, Career Planning System, Training and Development and Employee Empowerment (Delery and Doty, 1996; Fey and Björkman, 2001; Harcourt and Wood, 2007; Ichniowski, Shaw and Prennushi, 1997; Koch and McGrath, 1996; Tsai, 2006).

Human resource practices have been viewed by Barney's (1991) RBV – resource based view of the firm as intangible sources of competitive advantage, meaning that people and practices add value and uniqueness to an organization and are thus possible sources of competitive advantage. This notion was built upon Porter's (1985) theoretical model of sustained competitive advantage (SCA), who tends to focus on tangible sources of competitive advantage, such as low cost and differentiation of products or services. It is the value a firm is able to create for its buyers and this can only happen if the firm is able to deliver the same benefits as its competitors but at a lower cost or deliver benefits that exceed the firm's competition (Porter, 1985). Firms can do this by increasing their ability to create competitive advantage through efficiency, quality, innovativeness and customer responsibility. Thus, Porter's (1985) theoretical model of sustained competitive advantage (SCA) enables firm to create value for its customers and increases profit for itself over time.

A number of researchers have focused on the Resource-Based View to understand more about the role and impact of HR in organizations (Wright et al., 1994). Lado and Wilson (1994), for instance, examined the potential for human resource practices to be a source of competitive advantage. Their findings have shown that firms with employees possessing unique abilities, knowledge and foresight can achieve economic benefits and thus a competitive advantage over the competitors. It is the growing interest in understanding more about the role of HR, particularly HR practices, in organizations that this study will explore.

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2.4.1 Human Resource Management (HRM)

Human resource plays an important role in organizations and how they are managed will determine the outcome. The different theories of human resource management have provided various ways for organizations to achieve their goals.

The categories of HRM theory are listed by Guest (1997) and Boselie et al. (2005).

Guest (1997) presented three types of HRM theory.

1) Strategic Theories - In the UK, the implicit but untested hypothesis is that good fit between HR practice and the internal and external context will be associated with superior performance; in the United States the focus has been more on classifying types of HR strategy. The hypothesis is that firms that have a fit between business strategy, structure and HRM policy will have superior performance.

2) Descriptive Theories - These either list areas of HR policy and outcomes (Beer et al., 1984) or adopt a systems approach, describing the relationships between levels (Kochan et al., 1986). They are largely non-prescriptive.

3) Normative Theories - These are normative in the sense that they establish a norm or standard pattern in the form of prescribed best practice. They take a considerable risk in implying 'one best way'.

Boselie et al. (2005) presented three types of HRM theory.

1) Contingency Theory - HRM is influenced by the organization's environment and circumstances (Legge, 1978).

2) Resource-based View - HRM delivers added value through the strategic development of the organization's rare, hard to imitate and hard to substitute human resources (Barney, 1991; 1995).

3) AMO Theory - Formula for Performance = Ability + Motivation + Opportunity to Participate provides the basis for developing HR systems that attend to employees' interests, namely their skill requirements, motivations and the quality of their job (Appelbaum et al., 2000; Bailey et al., 2001; Boxall and Purcell, 2003).

2.4.1.1 Models of Human Resource Management

Various models of HRM have been developed by different teams of the researchers. All these models have helped HR practitioner to effectively manage human resources.

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1) Harvard Model (Beer et al., 1984) - This works as a strategic map to guide all managers in their relations with employees and concentrates on the human or soft aspect of HRM. It strives at employee commitment and not control. It works on the premise that employees needed to be congruent, competent and cost effective.

2) Michigan Model (Devanna et al., 1984) - This focuses on hard HRM. It posits that people should be managed like any other resources and so obtained cheaply, used sparingly, developed and exploited fully. It also emphasized the interrelatedness of HRM activities.

3) Guest (Comparative) Model (Guest, 1997) - This functions on the premise that a set of integrated HRM practices will result in superior individual and organizational performance. It holds that HRM strategies like differentiation, innovation, the focus on quality and cost reduction will lead to practices like better training, appraisal, selection, rewards, job designs, involvement, and security leading to more quality outcomes, such as commitment and flexibility. It will then affect performance in that productivity will increase and innovation will be achieved, as well as limited absences, labour turnover, conflict or customer complaints.

4) Warwick Model (Hendry and Pettigrew, 1990) - Its emphasis is on the analytical approach to HRM. It recognizes the impact of the role of the personnel functions on human resource strategy content. The researcher focused their research on mapping the context, identifying the inner (organizational) and external (environmental) context.

2.4.2 Human Capital

Over the years, human resource management has evolved to that of human capital. The basis of human capital theory is that people possess skills, experience and knowledge that can be viewed as a form of capital (Becker, 1962). It arises from economics and explains how firm and unit level effectiveness are enhanced by the acquisition and development of general and specific human capital (Becker, 1964). As with other forms of capital, investments can be made to develop this asset and returns gained from those expenditures are in the form of increased performance and productivity. Human capital theory, therefore, has the potential to explain the decisions regarding the planning, acquisition, development, utilization, conservation compensation and allocation of the human capital resources of the firm (Flamholtz and Lacey, 1981).

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2.4.2.1 Components of Human Capital

Edvinsson and Malone (1997) viewed human capital as a component of intellectual capital. They defined human capital as the knowledge created by and stored in a firm's employees, which together with structural capital, which is the embodiment, empowerment, and supportive infrastructure of human capital, makes up the intellectual capital. Human capital is also closely related to social capital, since structural capital can be divided into organizational capital, which is the knowledge created by and stored in a firm's information technology systems and processes that speeds the flow of knowledge through the organization, and customer capital, which constitutes the relationships that a firm has with its customers. Customer capital is an aspect of 'relational capital' (Bontis, 1996) called external social capital by sociologists (Bourdieu, 1983; Coleman, 1988) and management theorists (Adler and Kwon, 1992; Nahapiet and Ghoshal, 1998; Pennings et al. , 1998; Youndt et al., 2004). Organizational capital derives its capabilities from employees, which includes the types of knowledge they possess and choose to store, and how they assimilate and interpret that knowledge. In turn, organizational capital enhances human capital's productive potential by providing employees with a supportive, yet socially complex infrastructure (Edvinsson and Malone, 1997). Human capital along with organizational capital should result in hard-to-imitate, business-specific advantages that should positively impact financial performance.

Hitt et al. (2001), Becker (1964), and Wright and McMahan (2011) defined human capital at the individual level as the full range of knowledge, skills, and abilities (KSAs) an individual can use to produce a given set of outcomes.

1) Knowledge - A body of information applied directly to the performance of a function. It is both factual and procedural (Spector, 2005). It is acquired through education, training, and specific experiences. Knowledge can be general and apply to many jobs or specific and apply to only one job. Job knowledge has been found to be a better predictor of task performance than cognitive ability. It has been found to mediate the relationship between cognitive ability and performance, accounting for 26% of the variance (Palumbo et al., 2005). Job knowledge is defined as technical information, facts, and procedures required to do the job (Hunter, 1986; Schmidt et al., 1986). It has also seen to have a stronger effect on job performance in military samples than civilian samples (Schmidt et al., 1986). Job knowledge can be measured through different components. Different jobs require different types of

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knowledge at different levels. For instance registered nurses require knowledge of medicine and psychology and also a working knowledge of computers. However, their requirement for medical knowledge outweighs the requirement for computer knowledge.

2) Skills - An observable competence to perform a learned psychomotor act. They represent a person's level of proficiency or competency to perform a task (Spector, 2005). Skills usually improve with training or experience on the task. Skills can be further divided into content and process components.

2.1) Content skills are used to acquire more specific skills in a variety of different domains. Examples of content skills include reading (Beck and Carpenter, 1986), writing (Hayes and Flower, 1986), and mathematics (Greeno and Simon, 1988).

2.2) Process skills reflect the way in which individuals work with information to facilitate learning. As such, they can contribute to the more rapid acquisition of knowledge and skills. Process skills include active learning (Chi et al., 1989) and critical thinking (Halpern, 1994).

Drawing from open systems theory (Katz and Kahn, 1966), cross-functional skills are developed capabilities that facilitate performance across job contexts. This means they are the core set of skills needed to solve problems that arise in the transformation process. They comprised of five components, which are problem solving skills (Runco, 1984; Sternberg, 1986), social skills (Cantor and Kihlstrom, 1987), technical skills (Mumford et al., 1999), systems skills (Bass, 1994; House and Howell, 1992), and resource management skills (Fleishman et al., 1991).

Researchers had found that job skills had a positive impact on job performance (Wade and Parent, 2002; Yammarino and Waldman, 1993). Team effectiveness has been found to be a function of skills (Neuman and Wright, 1999). As with knowledge, different kinds of jobs require different kinds of skills of varying levels of importance.

3) Ability - The competence to perform an observable behavior or a behavior that results in an observable product (Spector, 2005). Abilities are relatively enduring basic capacities for performing a wide range of different tasks (Carroll, 1993; Fleishman, 1975; 1982). Although abilities are relatively stable, they can also develop over time and with experience in many different situations (Snow and Lohman, 1984).

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Schmidt et al.'s (1986) causal model of job performance suggests that cognitive ability is the most important cause of job performance and that the relationship between ability and performance is stable over time. Studies have demonstrated ability is a predictor of task performance (Fleishman, 1975; Fleishman and Quaintance, 1984). Ackerman (1987) suggested that the effects of practice on the ability-task performance relationship depended on the type of task. Measures of cognitive ability have shown consistent evidence of predicting performance in essentially all jobs (Hunter and Hunter, 1984; Schmidt and Hunter, 1981; Schmitt et al., 1984). As with knowledge and skills, abilities too must be weighted by their importance, relative to the task being performed.

Knowledge, skills and abilities should be closely related to each other in that knowledge of specific jobs will relate to skills for those jobs which will influence and be influenced from specific abilities.

2.4.2.2 General and Specific Human Capital

Becker (1962) explained how human capital consists of two components, a general human capital and a specific human capital. He discussed that the distinction in human capital have arisen from "perfectly general" and "on the job" training.

1) General Human Capital - This refers to overall education and practical experience. The knowledge, skills and abilities can easily be transferred between firms (Offstein et al., 2005).

2) Specific Human Capital - This refers to education and experience with a scope of application limited to a particular activity or context (Becker, 1964; Gimeno et al., 1997). It is the knowledge, skills and abilities that are productive only in a particular firm or with a certain technology. In other words, firm-specific knowledge is useful only in the firms providing it, whereas general knowledge is useful in other firms as well (Becker, 1965).

General human capital can also be broadly conceptualized as hard skills and specific human capital as soft skills (Langer et al., 2008). This distinction has been used to explain why workers with highly specific skills are less likely to quit their jobs and are the last to be laid off during business downturns. According to Becker (1962), this also explains why most promotions are made from within a firm rather than through external hiring and also why better accounting methods would include the specific human capital of employees among the principal asset of most companies.

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A study in the IT industry found that jobs requiring high specific human capital have higher compensation than those that do not (Slaughter et al., 2007). Sturman et al. (2008) also demonstrated the difference between the different kinds of human capital as the salary difference between executives moving from firm to firm. Another example is the way executives moving to similar firms, requiring similar specific human capital, received greater pay increases than others moving to firms in different industries, with similar general human capital (Pandey, 2012).

The distinction between the two kinds of human capital can be explained in terms of the specific knowledge, skills and abilities. Knowledge can apply to several jobs in its general component, and only to a specific job in its specific component. Content skills are more basic and apply to specific jobs. However, cross-functional and process skills become more general and applicable to several jobs. Furthermore, abilities will have specific and general components. More specific abilities are developed over time in a particular job and will be applicable to that one job only for a longer period of time.

2.4.3 Types of HRM Practices

In order to effectively manage human resources, organizations will have to implement innovative HRM practices. HRM practices may differ from one organization to another and from one country to another.

Many researches on HRM practices have been conducted and different practices have been identified by different names. HRM practices have been referred to as "best practice," or "high-performance" (Huselid, 1995), "formal" (Aldrich and Langton, 1997; de Kok and Uhlaner, 2001; Heneman and Berkley, 1999), "sophisticated" (Golhar and Deshpande, 1997; Hornsby and Kuratko, 1990; Goss et al., 1994; Wagner, 1998), or as "professional" (Gnan and Songini, 2003; Matlay, 1999). Pfeffer (1994; 1998) argued that the most appropriate term is "Best HRM Practices".

Chandler and McEvoy (2000) had stated that one of the remaining questions in the human resource management research is whether or not there is a single set of policies or practices that represents a universally superior approach to managing people. Theories on best practices or high commitment theories suggest that universally certain HRM practices, either separately or in combination, are associated with improved organizational performance. Researchers have also found that well-

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paid and well-motivated workers, working in an atmosphere of mutuality and trust, generate higher productivity gains and lower unit costs (Boxall, 1996; Lowe and Oliver, 1991; Pfeffer, 1994).

Several attempts have been made by different researchers to identify the type of HRM practices in different sectors. Initially, Pfeffer (1994) identified 16 practices, which were considered best practice. This was later refined to the following seven practices, which were employment security, selective hiring, self-managed teams/team working, high compensation contingent on organizational performance, extensive training, reduction in status difference, and sharing information.

Redman and Matthews (1998) identified an 'HRM bundle' of key practices which supported service organizations quality strategies.

1) Careful Recruitment and Selection, such as 'total quality recruitment', 'zero defects recruitment', and 'right first time recruitment'.

2) Extensive Remuneration Systems, such as bonuses available for staff willing to be multi-skilled.

3) Team Working and Flexible Job Design, such as encouraging a sense of cohesiveness and designing empowered jobs.

4) Training and Learning, such as front line staff having enhanced interpersonal and social skills.

5) Employee Involvement, such as keeping employees informed of key changes in the organization.

6) Performance Appraisals With Links To Contingent Reward Systems, such as gathering customer feedback to recognize the work by employees over and above their expected duties, which in turn is likely to lead to a bonus for staff.

Saxena and Tiwari (2009) examined HRM Practices implemented by leading IT Companies, such as TATA, Infosys and Wipro in India. They developed the 3cTER Framework of HRM practices and identified Training and Development, Employer-Employee Relations, Recognition through Rewards, Culture building, Career Development, Compensation and Benefits as important HRM practices.

Having reviewed the different types of HRM practices, this study has chosen Employee Participation, Compensation and Benefits Management and Reward System, Career Planning System, Training and Development and Employee Empowerment to be best practices. They are significant because of the concepts and theories that existed in previous literatures explained below.

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2.4.4 Employee Participation

There are many ways to define employee participation (see Table 2.6).

Table 2.6 Definitions of Employee Participation

Researcher	Definitions of Employee Participation
Wagner (1994)	A process whereby influence is shared among individuals who are otherwise unequal in terms of hierarchy.
Knoop (1991)	The act of sharing decision making with others to achieve organizational objectives

Having reviewed the above definition, employee participation is a process whereby influence is shared among individuals who are otherwise unequal, employee participation allows employees to be involved in the decision making and management of organizations.

Employee participation is characterized by a wide range of HRM related activities primarily focused on employee management. These practices include employees sharing schemes, cooperatives, industrial democracy, unions, employees' involvement, HRM and high commitment work practices, team working, collective bargaining, employee empowerment, employee partnership in providing input in strategic decision making, and employees' right of information sharing at all levels (Summers and Hyman, 2005). In other words, employee participation allows employees to be involved in the decision making and management of organizations. In doing so, Kim (2002) maintained that participative management practices balance the involvement of managers and their subordinates in information-processing, decision-making, or problem solving endeavors.

When exploring employee participation or involvement, previous scholars tend to use the term participation in decision making (PDM) (Black and Gregersen, 1997; Cotton et al., 1988; Latham et al., 1994). Defined as the act of sharing decision making with others to achieve organizational objectives (Knoop, 1991), PDM can be operationalized in a number of ways. Participation can offer employees various levels of influence in the decision making process, ranging from formally established consultative committees through to developing good relations with managers or supervisors (Cotton et al., 1988; Locke and Schweiger, 1979; Scully et al., 1995) at an informal level. The variation in the interpretation and implementation of PDM has

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most likely contributed to different approaches in evaluating PDM with subsequent mixed findings (Black and Gregersen, 1997; Cotton et al., 1988; Scully et al., 1995).

Recent reviews of PDM (Cotton et al., 1988; Dachler and Wilpert, 1978; Miller and Monge, 1986; Locke and Schweiger, 1979; Wagner and Gooding, 1987a, b) have identified collectively six specific dimensions of PDM, which are rationale, structure, form, issues, decision processes, and degree of involvement. Although multiple dimensions have been identified, little has been theorized systematically about the impact of these dimensions on outcomes. Consequently, it is too early to try to examine empirically the impact of all six dimensions.

2.4.4.1 Dimensions of PDM

There are six dimensions to PDM.

1) Rationale - Dachler and Wilpert (1978), and Dickson (1982) discussed the importance of identifying the underlying rationale of PDM. Based on this notion, Locke and Schweiger (1979), and Margulies and Black (1987) described two basic rationales for PDM.

1.1) "Humanistic" or "Democratic" rationale, which argues that people have the right to participate in decisions that affect their lives. It assumes that individuals have the ability, or at least the potential, to participate intelligently.

1.2) "Pragmatic" or "Human Relations" rationale, which contends that participative decision-making is an instrumental way to achieve higher productivity, efficiency, profits, or other valued organizational results. Some researchers have found this rationale can influence other dimensions, such as the extent to which participation is formally structured (IDE, 1979).

2) Structure - Cotton et al. (1988), and Dachler and Wilpert (1978), argued that PDM can range from a formal to an informal structure.

2.1) Formally structured PDM systems or programs have explicit rules and procedures concerning who participates, what decisions are open to participation, or how the participation occurs.

2.2) Informally structured PDM involves very few explicit rules concerning who participates, what decisions are open to participation, or how participation is to occur.

Some evidence suggests that formal structures tend to be more common when the rationale for participation is democratic in nature (IDE, 1979; Strauss, 1982).

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3) Form – Cotton et al. (1988), and Dachler and Wilpert (1978) had argued that form of participation is another important dimension.

3.1) Direct forms of PDM allow participants to be involved immediately in the decision-making process and to present personally their information, preferences, and opinions to the other members involved in the decision.

3.2) Indirect forms of PDM involve a restricted set of individuals, who are either elected, rotated, or appointed as representatives. While individuals can directly present their information, preferences and opinions to the representative, it is the representative who interacts directly with other representatives in making decisions.

Nightingale (1981) found that direct forms of participation tend to lead to higher degrees of involvement than indirect forms.

4) Decision Issues – An additional dimension of PDM (Cotton et al., 1988; Miller and Monge, 1986; Margulies and Black, 1987). They include work and task design, working conditions, strategy issues, and capital distribution and investment issues. Some studies suggest that both participant satisfaction and decision quality is, in part, a function of the knowledge individuals involved in the decisions bring to a particular issue (Davis, 1963; Derber, 1963; Maier, 1965; Vroom, 1973).

5) Degree of Involvement – This is considered to be an important dimension of PDM (Blumberg, 1968; French et al., 1966; Obradovic et al., 1970). Degree of involvement has been conceptualized in terms of a continuum.

5.1) No advance information concerning a decision is given to employees.

5.2) Employees are given advance information.

5.3) Employees are allowed to provide their opinion about the decision.

5.4) Employees' opinions are taken into consideration in making the decision.

5.5) Employees can veto a decision.

5.6) The decision is completely in the hands of employees.

Several studies have found a moderate positive relationship between the degree of participation and outcomes, such as satisfaction and performance.

6) Decision Process – This is another critical dimension, whereby PDM can vary. It consists of five critical and distinct processes.

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6.1) Identify problems or issues.

6.2) Generate alternative solutions to the problem.

6.3) Select a specific solution.

6.4) Plan the implementation of the selected solution.

6.5) Evaluate the results of the implementation.

However, detailed theoretical arguments about the relationship between these processes and outcomes have not been provided, nor have they been examined empirically.

2.4.4.2 Integration of Degree and Process Dimensions

Focusing on the last two dimensions of PDM, Margulies and Black (1987) proposed a theoretical integration of degree of involvement and decision process. They argued that the degree of involvement could range from none to full participation for each of the five decision-making processes. For example, even when holding other PDM dimensions constant, one work group might have full involvement in identifying problems and almost no involvement in any of the other four processes. Therefore, simply asking subjects to rate their overall degree of participation can mask the real differences of involvement in each decision-making process. This could confound the relationships between degree of involvement by decision process and potential outcomes, such as satisfaction and performance.

2.4.5 Compensation and Benefits and Reward System

There are several definitions of compensation and benefits and reward system, presented in Table 2.7.

Table 2.7 Definitions of Compensation and Benefits Management and Reward System

Researcher	Definitions of Compensation and Benefits Management and Reward System
Bernadin (2007)	Compensation refers to all forms of financial returns and tangible benefits that employee receives as part of the employment relationship.

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Table 2.7 (continue)

Researcher	Definitions of Compensation and Benefits Management and Reward System
Odunlade (2012)	Benefits are indirect financial and non-financial payments employees receive for continuing their employment with an organization.
Goodale et al. (1997)	Reward system is anything that is extrinsically or intrinsically reinforced, maintain and improve the employees' behavior in an organization.

Having reviewed the above definitions, compensation and benefits management and reward system is a human resource practice that act as incentives to employees. Compensation refers to all forms of financial returns and tangible benefits that employee receives as part of the employment relationship. Benefits are indirect financial and non-financial payments employees receive for continuing their employment with an organization, and Reward system is anything that is extrinsically or intrinsically reinforced, maintain and improve the employees' behavior in an organization.

Compensation management is considered to be one of the central pillars of human resource management. It is concerned with the formulation and implementation of strategies and policies aimed at compensating people fairly, equitably and consistently in accordance with their value to the organization (Armstrong, 2005). It refers to all forms of financial returns and tangible benefits that employee receives as part of the employment relationship (Bernadin, 2007). Benefits are indirect financial and non-financial payments employees receive for continuing their employment with an organization (Odunlade, 2012; Decenzo and Robbins, 2002). Reward system is anything that is extrinsically or intrinsically reinforced, maintain and improve the employees' behavior in an organization (Goodale et al., 1997). It is crucial for attracting and retaining employees with competence, knowledge and skills in order to achieve organization's strategic goals and create a supportive culture (Galbraith, 1973).

Luthans (2000) explained that there are two basic types of rewards, which are financial and non-financial rewards. Both can be used positively to enhance performance behaviors of employees.

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1) Financial rewards are pay-for-performance, such as performance bonus, job promotion, commission, tips, gratuities and gifts.

2) Non-financial rewards are non-monetary and more of a social recognition, such as acknowledgment, certificate and genuine appreciation. They are also called non material award (Neckermann and Kosfeld, 2008).

Thus, Compensation and Benefits and Reward System all act as incentives to employees.

2.4.6 Career Planning System

There are different ways to define career planning system, as shown in Table 2.8.

Table 2.8 Definitions of Career Planning System

Researcher	Definitions of Career Planning System
Hall (1986); Aryee (1992)	A deliberate process of becoming aware of one's self, opportunities, constraints, choice and consequences; identifying career-related goals; and programming work, education and related developmental experiences to provide the direction, timing and sequence of steps to attain a specific career goal.

From the above definition, career planning system is a deliberate process of becoming aware of one's self, opportunities, constraints, choice and consequences; identifying career-related goals; and programming work, education and related developmental experiences to provide the direction, timing and sequence of steps to attain a specific career goal. Similarly, Leibowitz et al., (1986) argued that individuals are responsible for initiating their own career planning as well as identify their skills, values and interests, and seek out their career options in order to set goals and establish their career plans. To sum up, career planning is viewed as an initiative where an individual exerts personal control over their career and engages in informed choices as to his occupation, organization, job assignment and self-development (Hall and Associates, 1986). However, organizations can assist by providing career planning tools or workshops through vocational counseling, or by using workbooks or career resource centres to guide employees to conduct self-assessment, analyse and evaluate their career options and preference, write down their development objectives

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and prepare the implementation plan (Hall and Associates, 1986; Leibowitz et al., 1986; Appelbaum et al., 2002).

2.4.7 Training and Development

There are different ways to define training and development, presented in Table 2.9.

Table 2.9 Definitions of Training and Development

Researcher	Definitions of Training and Development
Abiodun (1999)	A human resource practice that refers to a systematic development of the knowledge, skills and attitudes required by employees to perform adequately a given task or job.
Betcherman (1992)	A type of activity which is planned, systematic and it results in enhanced level of skill, knowledge and competency that are necessary to perform work effectively.

From the above definition, training and development is a human resource practice that refers to a systematic development of the knowledge, skills and attitudes required by employees to perform adequately a given task or job.

Training can take place in a number of ways, while on the job or off the job, in the organizations or outside the organizations. It is considered to be an important part of the HR process in a sense that it makes a significant contribution to the overall effectiveness and profitability of the organization (Adeniyi, 1995). Organizations spend an enormous amount of time and money to train and assist employees on the learning of their job-related competencies (Cascio, 2000; Noe, 2006). Even the managers, who are responsible for the development of employees, are required to participate in training and development (Drucker, 1999). Thus, with the amount of financial investments organizations make in training, it is important to provide results and show that training efforts are being fully realized (Casio, 2000; Dowling and Welch, 2005).

2.4.8 Employee Empowerment

Employee empowerment can be defined in various ways, as shown in Table 2.10.

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Table 2.10 Definitions of Employee Empowerment

Researcher	Definitions of Employee Empowerment
Akbar et al. (2011)	Giving the power to employees to make decisions.
Hand (1993)	Empowerment itself means encouraging people to make decisions with the least intervention from higher management.

From the above definitions, employee empowerment is giving the power to employees to make decisions. Its process entails providing workers with the skills and authority to make decisions that would traditionally be made by managers. Empowerment itself means encouraging people to make decisions with the least intervention from higher management.

The empowerment process entails providing workers with the skills and authority to make decisions that would traditionally be made by managers (Ivancevich, 2001). Empowerment itself means encouraging people to make decisions with the least intervention from higher management (Hand, 1993). Employees are, therefore, affected by empowerment using it as a tool through which businesses goals could be achieved (Akbar et al., 2011).

Conger and Kanungo (1988) presented two categories of power that define empowerment.

1) Relational Perspective – This involves management's delegation of or sharing of power.

2) Motivational Perspective – This is the creation of an environment that increases employee motivation and enhances personal development.

The researchers argued that the need to empower is crucial in circumstances where employees feel powerless. Thus, managers must identify those circumstances within the organization that are causing this sense of powerlessness. The manager is responsible for developing ways to remove the condition or change the circumstances so that the employee feels empowered to act once the circumstances are identified.

Thomas and Velthouse (1990) developed an empowerment model that expanded Conger and Kanungo's research. This model included four task assessments.

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1) Impact – This is the degree to which behavior is perceived to make a difference in the organizational environment.

2) Competence – This is illustrated by self-efficacy.

3) Meaningfulness – This is the perceived value of one's job or work assignment. An employee may exhibit apathy and alienation, which is closely associated with low meaningfulness. Conversely, an employee may be very committed to the organization and closely involved in achieving organizational goals and objectives. This behavior is associated with high meaningfulness.

4) Choice – This is characterized by self-determination and the employee's perception of whether decisions were the result of external influences or self-directed.

Cooper (2011) argued that line employees have more knowledge about their work than the supervisors or managers and, thus, these employees should be empowered to provide input on how they perform their jobs.

Empowerment is a construct that links individual strengths and competencies, natural helping systems, and proactive behaviors to social policy and social change (Rappaport, 1981; 1984). Theoretically, the construct connects mental health to mutual help and the struggle to create a responsive community.

2.4.8.1 Individual Empowerment and Collective Empowerment

Although much of the empowerment research and literature deals with the individual in his immediate environment, there is clearly a branch that focuses more on the wider community (Itzhaky and York, 2000). Empowerment is operative at various levels, whether personal or individual, interpersonal, organizational, community, and collective. Boehm and Staples (2004) emphasized personal and collective dimensions, while Dodd and Gutierrez (1990), Lee (1994), and Gutierrez (1990) examined personal, interpersonal, and institutional or political dimensions. It can be said that the interpersonal dimension is included in the collective dimension because the term interpersonal has a connotation of collectiveness. The institutional or political dimensions can be represented as part of the collective dimension. Therefore, the components of empowerment can be examined in the context of both personal and collective aspects. Personal empowerment relates to the way people think about themselves, as well as the knowledge, capacities, skills, and mastery they actually possess (Staples, 1990). Collective empowerment refers to processes by which individuals join together to break their solitude and silence, help one another, learn

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together, and develop skills for collective action (Boehm and Staples, 2004; Fetterson, 2002). In a way, empowerment develops from individual and social conscientization, or a critical consciousness to collective action (Boehm and Staples, 2004). Furthermore, the processes of the components leading to empowerment include both individual and social factors. Strengthening intellectual capabilities and the power within (Parpart et al., 2003) can be seen as individual factors in the process, whereas mobilizing collective action and maximizing power can be referred to as social factors. Personal empowerment sometimes conflicts with the development of collective empowerment, when empowerment is not effectively operating. Although individuals can become more empowered personally through the process of personal development, they cannot always become effective in helping to build their group's collective empowerment. Personal empowerment should be consistent with collective empowerment to improve the value of social and economic justice more effectively (Staples, 1990).

2.4.8.2 Components of Individual Empowerment

Individual empowerment develops when people attempt to develop the capabilities to overcome their psychological and intellectual obstacles and attain self-determination, self-sufficiency, and decision-making abilities (Becker et al., 2004). Some research are conducted by viewing a single component, such as self-determination (Fetterman, 1996; Sprague and Hayes, 2000), self-confidence (Larson et al., 2005), and the promotion of competence (Breton, 1994). Others are done by viewing multiple components, such as academic success and bicultural identity (Diversi and Mecham, 2005), mastery and self-determination (Boehm and Staples, 2004), self-determination, self-sufficiency, and decision-making ability (Becker et al., 2004; Kovach et al., 2004), personal sense of control and efficacy (Speer, 2000), self-efficacy, critical consciousness, and development and cultivation (Lee, 1994), meaning, competence, self-determination, impact (Spreitzer et al., 1997), and advocacy and consciousness raising (Moreaum, 1990).

Self-determination is considered to be the single most critical component of empowerment (Sprague and Hayes, 2000). Fetterman (1996) believed that self-determination, defined as the ability to chart a person's own course in life, forms the theoretical foundations of the components of individual empowerment. To understand

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the meaning of self-determination more clearly, four dimensions of self-determination are considered.

1) Consistency and perseverance in activities.

2) The courage to take risks.

3) Initiative and proactivity.

4) The ability to voice one's opinion.

Mastery is also explored as a component of individual empowerment (Boehm and Staples, 2004). Mastery is defined as full control over someone or something, and through in-depth understanding or greater skills, can be a variety of types, such as physical mastery, mastery of emotion and behavior, mastery of information and decision making, mastery of social system, efficient mastery of time, mastery as connected to autonomy and individual freedom, and planning mastery, thus enabling consumers to prevent negative situations and to actualize positive ones (Boehm and Staples, 2004). Mastery is ahead of self-determination. Mastery is associated with the power within (Parpart et al., 2003), while self-determination is related to the aspects that enable individuals to meet the challenges of different situations. Specifically, the notion of mastery includes increased levels of the ability to understand reality and the capacity to make decisions that impact the conditions and quality of life. Self-determination refers to characteristics that can maintain a firm stand and give expression to a person's inner voice to achieve personal rights (Boehm and Staples, 2004).

Thomas and Velthouse (1990) had stated that there are two different, but interrelated, concepts included in the notion of mastery, which are a sense of meaning and competence. They derived four components of empowerment.

1) Meaning – A form of human cognitions, and involves a fit between the needs of a person's work role and person's values, beliefs, and behavior (Brief and Node, 1990).

2) Competence – A belief that one possesses the skills and abilities necessary to perform a job or task well (Gist, 1987) and is analogous to agency beliefs, personal mastery, or effort-performance expectancy (Bandura, 1977).

3) Self-determination – The belief that a person has autonomy or control over how they do their own work (Deci and Ryan, 1985; Wagner, 1995). It is also consistent with notions of personal control (Greenberg and Strasser, 1991; Greenberg et al., 1989).

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4) Impact – The perception that a person has influenced strategic, administrative, or operating outcomes at work or in society to make a difference. It is different from self-determination, whereby self-determination refers to an individual's sense of control over their own work, whereas impact refers to the individual's sense of control over organizational outcome.

The work by Thomas and Velthouse (1990) was further supported by Spreitzer et al. (1997) and became a theoretical base upon which to conduct a dimensional analysis of relationship between psychological empowerment and effectiveness, satisfaction, and strain.

2.4.8.3 Components of Collective Empowerment

Collective empowerment develops when people join in action to overcome obstacles and attain social change (Staples, 1990). Groups become empowered through collective action, but that action is enabled or constrained by the power structures that they encounter (Parpart et al., 2003). Not many studies were reported in the area of the components of collective empowerment. Some studies were conducted in terms of a single component, such as social cohesion (Peterson et al., 2005), community engagement (Baillie et al., 2004; Zaldin, 2004), and coalition building (Boydell and Volpe, 2004). Other studies were conducted in view of multiple components, such as collective belonging and involvement in and control over organization in the community (Boehm and Staples, 2004); building community and culture building (Fetterson, 2002); intellectual understandings of power and social change (Speer, 2000); self-awareness, group support, and advocacy (Bellamy and Mowbray, 1999); identification with similar others, reducing self-blame for past events, and a sense of personal freedom (Gutierrez, 1990); and leadership competence and political control (Zimmerman and Zahniser, 1991).

Boehm and Staples (2004) presented three components of collective empowerment.

1) Collective Belonging – This refers to "belonging to the social networks of their peers, and an emphasis on autonomy while being part of the collective and social solidarity vis-à-vis establishment" (Boehm and Staples, 2004). It is one of the most frequently reported components of collective empowerment in the literature.

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2) Community Involvement – This is also one of the most frequently reported components of empowerment. It means taking part in community activities or events that may lead to change in communities' power structure.
Involvement in the community is also described as community engagement (Baillie et al., 2004; Zaldin, 2004) and coalition building (Boydell and Volpe, 2004).

3) Control Over Organizations in Community – This is considered to be one of the critical components of collective empowerment. It means a component of gaining forces to influence representative groups, as well as efficacy of those organizations. Control of organizations in a community also refers to group support and advocacy (Bellamy and Mowbray, 1999) and political control (Itzhaky and York, 2000; Zimmerman and Zahniser, 1991).

Community building is considered to be another critical component of collective empowerment. It refers to creating a sense of community among residents that will increase its ability to work together, problem solve, and make group decisions for social change (Fetterson, 2002; Mattessich and Monsey, 1997). It is described as social cohesion (Peterson et al., 2005) and a sense of personal freedom (Gutierrez, 1990). Gutierrez (1990) stated that the goal of collective empowerment practices was to help communities develop the ability to change negative situations and prevent the recurrence of problems that created the situations. This goal cannot be accomplished without the establishment of community building.

2.4.8.4 Empowerment Processes and Outcomes

Theories of empowerment include both processes and outcomes, suggesting that actions, activities, or structures may be empowering, and that the outcome of such processes result in a level of being empowered (Swift and Levin, 1987; Zimmerman, in press). Both empowerment processes and outcomes vary in their outward form because no single standard can fully capture its meaning in all contexts or populations (Rappaport, 1984; Zimmerman, 1993). A distinction between empowering processes and outcomes is critical in order to clearly define empowerment theory.

Empowering processes for individuals might include participation in community organizations. At the organizational level, empowering processes might include collective decision making and shared leadership. Empowering processes at the community level might include collective action to access government and other community resources, such as the media.

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Empowered outcomes refer to operationalizations of empowerment that allow us to study the consequences of empowering processes. Empowered outcomes for individuals might include situation-specific perceived control and resource mobilization skills. When studying organizations, outcomes might include development of organizational networks, organizational growth, and policy leverage. Community-level empowerment outcomes might include evidence of pluralism, and existence of organizational coalitions, and accessible community resources.

2.4.9 Relationship Between HRM Practices and Employee Attrition, Employee Retention, and Employee Performance

There have been many studies to show that a relationship exists between HRM practices and firm performance. The conceptual and empirical relationship of various HRM practices and systems to individual and organizational level outcomes has been established in a variety of industries, including banking, manufacturing, and technology (Arthur, 1994; Becker and Gerhart, 1996; Becker and Huselid, 1998; Datta et al., 2005; Delaney, 1996; Huselid, 1995; Huselid et al., 1997; Ichniowski et al., 1997). These studies are crucial since they add credibility to the fact that there is a growing need for HR to become more involved in the business decision-making and strategic planning of the organizations. Furthermore, HRM has long been seen as a potential pathway to increase organizational effectiveness and for gaining a competitive advantage (Dixon et al., 2008).

To illustrate, some of these studies are provided as follows:

Lawson and Hepp (2001) designed a time-series quasi-experimental study to measure the impact of human resource practices on key metrics related to competitive advantage in the banking industry, such as employee satisfaction, customer results, and business performance. They demonstrated that human resource practices had a positive and significant effect on employee commitment, return on expenses (ROE), return on assets (ROA), and on the bank's efficiency ratio (ER). The study was carried out by improving the use and perceived value of the 360-degree feedback process by one standard deviation reduced the ER by 5.3 percent; improving the use of the human resource practices significantly increased ROA. The author's findings suggest not only consistency with other HR practice effects in the banking field (Delery and Doty, 1996), but also present evidence of a direct and independent relationship between human resource practices and organizational outcomes.

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Den Hartog and Verburg (2004) investigated the impact of high performing work systems, also known as human resource practices, on perceptual measures of firm performance. Using a random sample drawn from the Netherlands Association for Personnel Management (NVP), the researchers had discovered that employee skill correlated positively with going beyond contract and economic outcomes and negatively with absenteeism. Pay-for-performance and profit sharing correlated positively with economic outcomes, whilst turnover was negatively correlated with performance evaluations and information sharing meetings. The authors also made a note of the positive correlations between the high performance work practices and the culture orientation provided by the chief executive. In sum, the findings of the study suggest that HR practices can have a positive impact on the culture, economic outcomes, and perceived organizational performance.

In Bradley et al. (2004), incentive plans based on performance appraisal reports, salaries enhancement, bonuses, and rewards might be useful strategies to consider in the survey. The study used human resource management practices in the specific internal fit as an ideal set of practices and identifying three factors, which are pay practices, job training, and supervision. These factors are believed to influence job satisfaction and turnover of employees, since some of them are high performance work practices.

Liao (2005) considered human capital to have long been held as a critical resource in most firms. HRM (Human resource management) is one of the principal mechanisms for managers to integrate the actions of individuals to keep their behavior in line with the firm's interests. According to that study, business leaders now recognize that human resource function has a direct effect on bottom line results and must, therefore, be aligned with corporate goals. Both practitioners and academics agree that with increasing competition, people are perhaps the only truly sustainable source of competitive advantage (Stewart and Barrick, 2000). Therefore, effective management of human capital may be the only real determinant of organizational performance.

Lee and Lee (2007) examined the relationships between Human Resource Management practices, Leadership style, competitive strategy and business performance in the Taiwanese steel industry. In that study, Human Resource Management practices, such as employee security, performance appraisal, HR planning, compensation/incentive, and training and development help organizations

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improve their business performance through the firm's flexibility, product quality, and employee's productivity.

In Ruwan (2007), six Human Resource Management factors namely, supervisor support, compensation, career development, work family balance, job analysis, information and realistic job had direct influence on Performance. The study also used regression analysis to identify the impact of HRM practices on job analysis and strong predictors of Marketing Executive Turnover in the Sri Lankan industries.

Zaini et al. (2009) identified four important factors of Human Resource Management, which are performance appraisal, HR planning, team work, training and development. In this study, these four factors had a positive impact on the performance of this industry.

Abang et al. (2009) examined the relationship between Human Resource Practices and Organizational Performance. In this study, the factors of HRM (information technology and training) had a positive influence on performance.

Huselid (1995) provided a comprehensive study of the links between systems of High Performance Work Practices and firm performance.

Wright et al. (2005) focused on the causal relation of HR practices with past, concurrent and future firm performance.

Other researchers may focus on the way human resource management play a strategic role in the success of an organization (Stavrou and Brewster, 2005; Nigam et al., 2011). This involves designing and implementing a set of internally consistent policies and practices to ensure that a firm's human capital, meaning employees' collective knowledge, skills and abilities, contributes to the fulfillment of its business objective (Baird and Meshoulam, 1988; Jackson and Schuler, 1995; Schuler and Jackson, 1987). The Strategic Human Resource Management perspective is, therefore, based on the assumption that firm performance is influenced by the set of HRM practices firms have in place (Arthur, 1994; Cutcher-Gershenfeld, 1991; Huselid, 1995; Huselid and Becker, 1996; MacDuffie, 1995).

The above literature demonstrates the overwhelming evidence of the relationship between HRM practices and firm performance. However, this was not always the case, as seen prior to the 1980s, where there was relatively little research carried out to prove that management and the use of HRM practices correlated positively with business results (Ulrich, 1997).

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By the 1980s, efforts were made to carry out such tests (Ulrich, 1997). For example, Nkomo (1986; 1987) examined the relationship between how much firms invested in HR planning processes and business results. But she found no correlation between investment in HR planning and business performance. Lewin and his colleagues (1988–1989) published similar results from their large scale survey of HR practices and financial results sponsored by the Department of Commerce (Delaney et al., 1989; Delaney et al., 1988). Both of these studies were based on cross-sectional survey data.

By the 1990s, interest in quantifying the impact of HR practices on financial performance has led to a number of studies linking the impact of HR practices to specific firm outcomes (Ulrich, 1997). For example, turnover has been linked to job security, presence of a union, compensation level, culture, and demographics (Arnold and Feldman, 1982; Baysinger and Mobley, 1983). Productivity has been linked to HR practices of "transformational" labor relations (those emphasizing cooperation), quality of work life programs, quality circles, training, extensive recruiting efforts, and incentive compensation systems (Cutcher-Gershenfeld, 1991; Katz et al., 1987; Weitzman and Kruse, 1990).

In today's competitive market, for organizations to succeed will depend on advantages associated with speed and adaptability, patents and access to capital and innovation, technology, and economies of scale (Quresh et al., 2010). The increasing number of studies on the relationship between HRM practices and Firm Performance is an indication of the growing importance of HR and results have shown that organizational performance and competitive advantages are largely the result of organizational human resources and high involvement of human resource management practices. HRM can help companies achieve organizational effectiveness and thereby have a determining effect on whether or not these companies are good enough, fast enough, and competitive enough not only to survive but also to perform well (Schuler and Jackson, 2000). Thus, it would be difficult to imagine organization achieving and sustaining effectiveness without efficient HRM programs and activities (Schuler, 2000).

The relationship between HRM practices and firm performance, as shown in previous studies, and how they are relevant to this research will now be explained in Table 2.11.

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Table 2.11 Relevant Studies on the Relationship Between HRM Practices and Employee Attrition, Employee Retention, and Employee Performance

Relationship Between Variables	Dependent Variable	Researcher	Industrial Sector	Abbreviation
HRMP →EP	EP	Bhatti and Qureshi (2007)	Oil, Gas, Banking and Telecommunication	HRMP = HRM Practices EP = Employee Productivity
HRMP →TI	TI	Dhiman and Mohanty (2010)	Oil and Gas Exploration, and Production	HRMP = HRM Practices TI = Turnover Intent
HRMP→ EP	EP	Qureshi et al. (2010)	Cement	HRMP = HRM Practices EP = Employee Performance
HRMP→FP	FP	Osman et al. (2011)	Manufacturing	HRMP = HRM Practices FP = Firm Performance
HRMP→EP	EP	Singh and Mohanty (2012)	Automobile, Agricultural, Service (Insurance), Financial Services (Credit Banks) and Luxury Items (Branded Wall Paints)	HRMP = HRM Practices EP = Employee Productivity
HRMP→EP	EP	Ichniowski et al. (1997)	Steel Production Lines	HRMP = HRM Practices EP = Employee Productivity

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Table 2.11 (continue)

Relationship Between Variables	Dependent Variable	Researcher	Industrial Sector	Abbreviation
HRMP→LP	LP	Banker et al. (1996)	Electromechanical Assembly Plant	HRMP = HRM Practices LP = Labor Productivity
HRMP→ET	ET	Arthur (1994)	Steel Mini-Mills	HRMP = HRM Practices ET = Employee Turnover
HRMP→OE	OE	Dizgah et al. (2011)	Manufacturing	HRMP = HRM Practices OE = Organizational Effectiveness

Having reviewed the above relevant studies, this research will now provide further details on how each of the HRM practices is related to firm performance.

There have been many literatures explaining how Employee Participation is able to increase Firm Performance. Some have suggested that employees generally have more complete knowledge and information about their work tasks and processes than the managers (Levine and Tyson, 1990; Miller and Monge, 1986) and are in a better position than managers to plan and schedule work, to organize work tasks and work flow, and to identify and resolve obstacles to achieve optimal performance (Hammer, 1988). Others believed that Employee Participation provides employees with greater intrinsic rewards from work than the traditional forms of management. These rewards will increase job satisfaction, leading to increased employee motivation to achieve new production goals (Miller and Monge, 1986; Hammer, 1988). There are also those who believed that by giving workers access to management information, it will increase mutual trust and commitment to organizational goals (Hammer, 1988). As relations between employee and supervisor improve (Cooke, 1990), employees are willing to be more flexible regarding changes

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in human resource policies (Delaney et al., 1993), and inclined to channel their energy in positive ways than they otherwise would be (Strauss, 1990).

A number of studies have been carried out to show that a positive relationship exists between Employee Participation and performance by organizations (Cooke, 1994; Ferney and Metcalf, 1995; Jones, 1987; Amable, 2003; Hall and Soskice, 2001; Hartcourt and Wood, 2007; Guthrie, 2001; Rizov and Croucher, 2008; Khan, 2010). The use of participative approach towards employee increases levels of quality, productivity, and mutual investment, and efficiency (Hartcourt and Wood, 2007). Wilson and Peel (1990) found that a positive relationship existed between worker participation and reduced absenteeism and turnover. Reduced turnover means decrease in the hiring and training cost of firms (Kessler and Purcell, 1992).

Bhatti and Qureshi (2007) examined the relationship among employee participation, job satisfaction, employee productivity and employee commitment. A total of 34 organizations from Oil and Gas, Banking and Telecommunication sectors were contacted, of which 15 responded back. Questionnaires were sent to the participants, which include line managers and their immediate bosses. The findings have shown that increasing Employee Participation will have a positive effect on employee's job satisfaction, employee commitment and employee productivity.

Despite the potential gains from Employee Participation, there are also organizational costs associated with it. These costs include reorientation and training costs (Cooke, 1992) and added transaction costs associated with more decision makers being involved in decision making and, thus, greater communication between these participants (Levine and Tyson, 1990; Kelley and Harrison, 1992). Furthermore, some organizations place little or no emphasis on Employee Participation and, hence, employees will not be motivated by those intrinsic rewards (Miller and Monge, 1986).

Compensation, Benefits and Reward System all act as incentives to motivate employees to use their best efforts and complete their assigned tasks, thereby enhancing organizational effectiveness. Armstrong (2005) stated that the management of compensation is an integral part of human resources management approach to productivity improvement in the organization. It deals with the design, implementation and maintenance of compensation system aimed towards the improvement of organizational, team and individual performance. Compensation provides recognition (Chew, 2004), as well as delivering other objectives, such as legal compliance, labour cost control, perceived fairness towards employees and

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enhancement of employee performance. These will help to achieve a high level of productivity and customer satisfaction (Kerrin and Oliver, 2002). With regards to benefits, these include items such as retirement, health insurance, life insurance, disability insurance, paid leave, paid holidays, flexible scheduling, and educational assistance. They have been shown to bond an employee to the organization and result in a strong relationship between benefits and turnover (Shaw et al., 1998).

Dhiman and Mohanty (2010) examined the relationship between HRM practices, attitudinal outcomes and turnover intent in the oil and gas exploration and production sector in India. HRM practices include Compensation and Reward System. Survey was done via a questionnaire that was sent to employees of oil and gas exploration and production companies. Employees came from all levels starting from unionized category to the level of General Manager/Vice-President. Out of a total sample of 1,230, only 450 questionnaires were returned, representing a response rate of 36.6%, which was considered satisfactory, according to the acceptable standards (Datta et al., 2005). Out of these 450 responses, only 418 were found usable for the study. The remaining 32 responses were incomplete, as the majority of the items in these questionnaires were not answered. Findings have shown a strong significant association that HRM practices, including Compensation and Reward, have with turnover intent.

With regards to the Reward System, however, there has been a mix finding in the literature to determine which type of reward is more effective to increase employees' performance. According to Perry et al. (2006), financial reward is not the most motivating factor (Perry et al., 2006) and financial results have a de-motivating effect on employees (Srivastava, 2001). In fact, Ryan (2010) indicated that non-monetary types of reward can be very meaningful to employees and a better motivational tool for performance improvement. According to him, creative use of personalised non-monetary rewards reinforces positive behaviours and increases employee retention and performance. Despite these mix findings, it is clear that the Reward System, as a whole, has a direct relationship with employee performance.

Qureshi et al. (2010) examined the relationship between rewards and employee performance in the cement industry in the Khyber Pakhtoonkhawa Province (KPK) of Pakistan. The study was based on primary data collected from one hundred and forty employees of various cement industry in Pakistan. A self-designed questionnaire was used to collect the data. Data was then analysed using the

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techniques of rank correlation coefficient and multiple regression analysis. The results concluded that there is a direct relationship between extrinsic rewards, intrinsic rewards and employee performance. Furthermore, it also found that the recognition techniques used in cement factories were good for the maximum performance of employees, thereby supporting the view held by Ryan (2010).

For organizations to assist employees in managing and determining their own career paths, many researchers have argued that the career management initiative is a nexus between organisations and individuals, where organisations are trying to match individual interests and capabilities with organisational opportunities through a planned programme covering activities, such as career systems, career counselling, job rotation and other career management tools and resources (Hall and Associates, 1986; Martin et al., 2001). In doing so, organizations are signaling to employees their intentions to develop skillful employees that will ultimately grow together with the business. Huselid (1995) also had suggested that progressive HR practices that embrace career-related practices could improve knowledge, skills and the abilities of an organization's current and potential employees, thereby enhancing the retention of quality employees. Thus, career development is about the development of employees that is beneficial for both the individual and the organization. It helps individuals make informed decisions that are consistent with their talents, aspirations and values and improves organizational effectiveness (Greenhaus et al., 2000).

In Osman et al. (2011), eight hundred organizations from different industry sectors, including manufacturing, were contacted and asked to participate in a survey. These organizations were selected from the 2007 Directory of the Federation of Malaysian Manufacturers, and a listing of HR attendees from two HR consultation and training firms. The two HR consulting firms were HR Consulting Sdn. Bhd. and Prima Creation Consultants Sdn. Bhd. They provided the researchers with a list of companies from the Central and Northern Malaysian. The questionnaire was distributed and then collected either online, by mail or administered personally, and when researchers attended HR workshops. The response rate was 27.1 percent, meaning that 217 questionnaires were collected in this study. Findings had shown that HR practices, which included Career Planning, had an impact of nearly 50 percent on firm performance. Regression analysis showed the three main HR practices that seem to have the highest influence on organizational performance, one of them being Career Planning. Thus, from the results, it was concluded that the effectiveness of

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implementing HR practices, including career planning, in a company did indeed have a major impact towards a firm's performance.

Training has become an important tool for organizations to enhance their effectiveness (Olaniyan and Ojo, 2008; Chew, 2004; Martin, 2011). In light of the increasing competition and the need for improved productivity, staff training and development are extensively carried out on the basis that staff skills need to be improved for organizations to grow.

In Singh and Mohanty (2012), research was carried out to show the effects of training on employee productivity. Sample included firms from various sectors, such as the Automobile, Agricultural, Service (Insurance), Financial Services (Credit Banks) and Luxury Items FMCGs (Branded Wall Paints) industries, with a minimum of 1000 employees for the last financial year. Data was then collected from two different sources, which were primary and secondary. The primary data was collected by using the questionnaire containing the 5-point scale. The secondary data concerned the Net Sales and Number of employees from various organizations or companies that was collected from Capitaline Plus Database. The database provided fundamental and market data on more than 20,000 Indian listed and unlisted companies, classified under more than 300 industries. The overall findings for the study had been divided into four parts, the most notable being the industries like Automobile and Agriculture as having a high degree of relationship between training and productivity. The more training there were in these sectors, the higher the level of employee productivity.

The significance of Training and Development, however, should not be overstated, as Ichniowski et al. (1997) pointed out. The study concerned the productivity effects of innovative employment practices, including training, using a data sample of 36 homogeneous steel production lines owned by 17 companies. Data were collected by conducting standardized interviews with HR managers, labor relations managers, operation managers of the finishing lines, superintendents, line workers and union representatives in organized lines. Supporting information were also collected from personnel files, personnel manuals, collective bargaining agreements and other primary source documents. Information from the interviews and supporting documents were used to construct a detailed set of HRM dummy variables. Results have indicated that production lines will achieve a much higher level of productivity if training is complemented with other work practices. This last point is further supported by Conti (2005).

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To understand if employees are empowered in their work will depend on whether their organizations allow them to determine what work is to be done and how their jobs are to be performed (Huselid, 1995; Delaney and Huselid, 1996). By involving more people, particularly low-level employees who have a direct knowledge of the operation of decision making, they can contribute to organizational performance via employees' rapid response to operational problems (Kling, 1995; Fey and Bjorkman, 2001). Therefore, organizations need to have a structure that encourages people to have more control in what they do. Several empirical studies have shown that work structure has a positive effect on organizational performance.

Banker et al. (1996) longitudinal field study of the impact of work teams on manufacturing performance, an electromechanical assembly plant became their research site from April 1992 until December 1993. Work teams were formed on its four production lines in August 1992. Results have found improvement in quality and labour productivity after the formation of teams.

Arthur (1994) examined productivity in 30 US steel mini-mills by sending questionnaire to human resource managers. Data were gathered between November 1988 and March 1989. Results conclude that the decentralization of authority results in a lower degree of turnover.

Dizgah et al. (2011) examined the relationship between empowerment and effectiveness in the executive organizations in Guilan province. Data were collected from 88 manufacturing companies in Guilan under 100 personnel. Employees were provided with questionnaire and the way to measure their responses was to use a five-fold Likert scale. Results have shown that there is a relationship between employee empowerment and organizational effectiveness in the Guilan executive organizations. Furthermore, due to the positive correlation coefficients, it is a direct relationship, meaning as empowerment increase, so will organizational efficiency.

From the above, the following hypotheses are provided:

Hypothesis 1. HRM Practices affect Employee Attrition

Hypothesis 2. HRM Practices affect Employee Retention

Hypothesis 3. HRM Practices affect Employee Performance

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2.4.10 Relationship Between HRM Practices and Organizational Citizenship Behaviors

To better understand the relationship between HRM practices and OCBs, it is useful to consider the overall philosophy guiding those practices. An organization's human resource philosophy refers to its beliefs and values with respect to how employees should be treated (Schuler, 1992). This philosophy will have a significant impact on the type of relationship that is established between an organization and its employees, and thus an important impact on the level of OCB that employees display. For instance, if a firm's philosophy is based around the idea that employees are short-term resources that can be easily replaced, economic rather than social exchange relationships are likely to form. Without the long term commitment needed for social exchange, there will be little basis for OCB. On the other hand, if a firm places more emphasis on developing long term relationships with employees, there is a greater chance that this will foster the commitment and trust necessary for OCB. To support this argument, research has found that employees form generalized beliefs about the extent that their organization values their contributions and cares about their well-being, and thus these beliefs would lead to higher OCB (Eisenberger et al., 1986; Witt, 1991). There are many ways for organizations to show that they value their employees as long term assets, including the following HRM practices discussed below.

The relationship between HRM practices and organizational citizenship behaviors, as shown in previous studies, and how they are relevant to this research will now be explained in Table 2.12.

Table 2.12 Relevant Studies on the Relationship Between HRM Practices and Organizational Citizenship Behaviors

Relationship Between Variables	Mediating Variable	Researcher	Industrial Sector	Abbreviation
HRMP→OCB	OCB	Cappelli and Rogovsky (1998)	Public Utilities	HRMP = HRM Practices OCB = Organizational Citizenship Behaviors

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Table 2.12 (continue)

Relationship Between Variables	Mediating Variable	Researcher	Industrial Sector	Abbreviation
HRMP→OCB	OCB	Babaei et al. (2012)	Banking	HRMP = HRM Practices OCB = Organizational Citizenship Behaviors
HRMP→OCB	OCB	Gong et al. (2010)	Manufacturing	HRMP = HRM Practices OCB = Organizational Citizenship Behaviors
HRMP→OCB	OCB	Cushman (2000)	Food	HRMP = HRM Practices OCB = Organizational Citizenship Behaviors

Having reviewed the above relevant studies, this research will now provide further details on how each of the HRM practices is related to organizational citizenship behaviors.

Research in this area has shown that participation in decision-making promotes employees' sense of supervisory support to them, which made employees more likely to reciprocate by exhibiting OCB (Van Yperen et al., 1999). Furthermore, employees who participate in decision making and find it rewarding, they would most likely be willing to participate in the future, and would feel competent in contributing to the decision-making process, thereby enhancing his or her self-efficacy. This will also create a feeling of self-worth (Keller and Dansereau, 1995), as employees feel that management consider them to be of importance in the running of the organisation. Therefore, with such a positive outlook from the employees towards the supervisor and the organization, the employee would be more willing to perform

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extra-role behaviours, thus increasing the likelihood of OCBs (Bateman and Organ, 1983; Miles et al., 2002; Smith et al., 1983).

In Cappelli and Rogovsky (1998), a survey was done on employees and supervisors in eight companies concerning public utilities in 1992 in the US. A total of 561 responses from employees were collected, 512 of which were usable for the purpose of analysis, and 342 of these responses were available to match list-wise with the responses of 91 supervisors. The authors were trying to examine how each of the two forms of employee involvement affected an important dimension of individual performance and OCB, defined as individual discretionary behavior that promotes the organization and is not explicitly rewarded. The findings have shown that employee involvement in work organization has a direct effect on OCB.

Organizations may also facilitate citizenship to the extent that they directly acknowledge or reward such behaviors. A long line of research suggests that employees are likely to engage in those behaviors for which they believe that they will be rewarded. Reward systems that directly recognize good citizenship make it clear to employees that the organization truly values such behaviors. For example, at Asda, the British subsidiary of Wal-Mart, "A" awards are given to employees who help others in ways that go beyond the duty assigned to them, and at Plante and Moran, an accounting firm, awards are given annually to employees who best exemplify the "spirit of team play and selfless behavior" (Meet Asda's Happy Family Pack, 2002; Levering and Moskowitz, 2003). However, directly rewarding organizational citizenship behaviors has a potential downside. Specifically, some researchers warn that directly compensating employees who perform citizenship behaviors may make those individuals pay somewhat less attention to their regular job responsibilities (Bolino et al., 2004). In other words, if organizations give equal weight to the performance of citizenship behaviors, then employees may be motivated to engage in more organizational citizenship behaviors while cutting back on their normal job duties. Therefore, it is best if compensation programs do not work to inhibit citizenship behaviors. In particular, it has been found that individualized goals and monetary rewards serve to strongly discourage citizenship behaviors. By contrast, rewards that are linked to group or organizational level outcomes tend to encourage employee citizenship (Deckop et al., 1999).

Babaei et al. (2012) examined the mediation effects of organizational citizenship behaviors on the relationships between selected human resource practices,

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including Reward, and firm performance. Data were collected from a sample of 179 branches of two banks in Tehran, Iran. The participants in this study were 176 managerial employees, 352 non-managerial employees and 871 customers. The branches and the employees were selected using simple random sampling and the customers by using systematic sampling. Three sets of questionnaires were developed for gathering data in this study, the first for managers and assistant managers, the second for non-managerial employees and the third for customers. Through descriptive and inferential data analysis, findings suggest that human resource practices, including Reward, play a critical role in enhancing OCBs and firm performance.

Career planning system is necessary if employees want to achieve their career goals. Greenhaus and Callanan (1994) outlined a number of career development strategies. To facilitate career goal achievement, for example, employees may exhibit job competence, extend their involvement in work, acquire work-related skills, develop career opportunities, and develop supportive relationships. A detailed examination of these strategies reveals that they include task behaviors, OCB, and other actions. An individual's first career goal strategy should be to develop and maintain competence in his or her present job. Career success, therefore, begins with skilled task or in-role performance. Accomplishing assigned tasks effectively, however, is generally considered to be "a necessary but insufficient condition for attaining most career goals." (Greenhaus and Callanan, 1994) The implied presumption is that an individual must go above and beyond the specified requirements of their task to achieve valued career outcomes. In other words, they must perform some form of voluntary or extra role behaviors, or OCB.

Gong et al. (2010) examined the relationship between high performance work system (HPWS) practices and collective OCB. Collective OCB refers to 'a perception of what is considered the standard mode of behavior in the unit' (Ehrhart, 2004). Because it is a group-level phenomenon, drivers of collective OCB must theoretically exist and be empirically measured at the collective level (Klein et al., 1994). One of these HPWS practices included Career Planning. Data were obtained from the middle management group level and HR within 454 firms in China, some of them are in the manufacturing sector. Participants were assured that their participation was voluntary and the responses would be anonymous and confidential. Separate return envelopes with prepaid postage were provided for the managers to return completed surveys to

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the researcher's local contacts. A unique code was assigned to each firm for matching surveys from the same firm. As a result of matching, the researchers were able to obtain complete responses to all study variables from 454 firms. No incentive was provided for the participating firms. Researchers were able to obtain good response rates mainly through their contacts' connections with the participants. Findings have shown that Career Planning is positively related to collective OCB.

The provision of training is often perceived by employees as organizational support. Previous studies have shown that perceived organizational support is positively correlated with commitment (Cheung, 2000; Meyer et al., 1990). Similarly, perceived organizational support is also positively related with a tendency to help coworkers (Shore and Wayne, 1993). This suggests that the availability of training can be positively related to OCB. Those who reflect positively on training benefits are thought to exhibit stronger feelings of citizenship to the organization that provided the training. Such benefits can be divided into three types that employees obtain from training, which are personal, career, and job-related benefits (Nordhaug, 1989).

Gong et al. (2010) examined the relationship between high performance work system (HPWS) practices and collective OCB. Collective OCB refers to 'a perception of what is considered the standard mode of behavior in the unit' (Ehrhart, 2004). Since it is a group-level phenomenon, drivers of collective OCB must theoretically exist and be empirically measured at the collective level (Klein et al., 1994). One of these HPWS practices includes training. Data were obtained from the middle management group level and HR within 454 firms in China, some of which are in the manufacturing sector. Participants were assured that their participation was voluntary and the responses would be anonymous and confidential. Separate return envelopes with prepaid postage were provided for the managers to return completed surveys to the researcher's local contacts. A unique code was assigned to each firm for matching surveys from the same firm. As a result of matching, the researchers were able to obtain complete responses to all study variables from 454 firms. No incentive was provided for the participating firms. Researchers were able to obtain good response rates mainly through their contacts' connections with the participants. Findings have shown that training is positively related to collective OCB.

Morrison (1996) found empowered employees have the ability to invent and express organizational citizenship behavior. Empowerment increases self-efficiency feeling among members of organization and results in organizational citizenship

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behavior. Furthermore, Batson (1991) stated that expecting bonuses, avoiding punishment, and sensing nervous pressures would cause self-orientated motivation for individuals to help each other. Therefore, helping other people increases independency and self-esteem sense, which are rooted in self-organization and is a kind of incentive expectation. The impact means that individual influences official, operational and strategic outcomes of his/her working unit. Individuals with such feelings are also more likely to go beyond their job requirements (Watt and Schaffer, 2003).

Research has shown that employee empowerment has a positive relationship with OCBs (Bagheri et al., 2011). In Cushman (2000), a study was done on empowerment and the modifying impact of organizational citizenship behavior on personal hygienic activities in food industries. Participants for the study were entry-level, part-time student employees. Approximately 325 entry-level student employees were in the three Midwestern on-site food facilities operating under one university system and available for the study. A total of 18 supervisory personnel also participated in the study by evaluating each subject's OCBs. A questionnaire was sent to ascertain each worker's empowerment score. Findings have shown that there is a positive relationship between empowerment and organizational citizenship behavior.

Having reviewed the above, the following hypothesis is provided:

Hypothesis 4. HRM Practices affect Organizational Citizenship Behaviors

2.4.11 Relationship Between HRM Practices and Job Satisfaction

The mutual understanding between the employer and the employees is increased by the HRM and job satisfaction. HRM and job satisfaction are considered as communication channel between the employees and the employer (Guzzo and Noonan, 1994). Job satisfaction performs many functions and forms the basis and core of most of the HRM activities.

The relationship between HRM practices and job satisfaction, as shown in previous studies, and how they are relevant to this research will now be explained in Table 2.13.

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Table 2.13 Relevant Studies on the Relationship Between HRM Practices and Job Satisfaction

Relationship Between Variables	Mediating Variable	Researcher	Industrial Sector	Abbreviation
HRMP→ JS	JS	Bhatti and Qureshi (2007)	Oil, Gas, Banking and Telecommunication	HRMP = HRM Practices JS = Job Satisfaction
HRMP→ JS	JS	Rehman et al. (2010)	Electric Supply	HRMP = HRM Practices JS = Job Satisfaction
HRMP→ JS	JS	Carden (2007)	Manufacturing	HRMP = HRM Practices JS = Job Satisfaction
HRMP→ JS	JS	Absar et al. (2010)	Manufacturing	HRMP = HRM Practices JS = Job Satisfaction
HRMP→ JS	JS	Swarnalatha and Sureshkrishna (2012)	Automotive	HRMP = HRM Practices JS = Job Satisfaction

Having reviewed the above relevant studies, this research will now provide further details on how each of the HRM practices is related to job satisfaction.

Employee Participation in decision making leads to harmony in the organization (Ward and Pascarelli, 1987) and improves staff morale and support (Pashiardis, 1994). Employees who participate in making decisions for the company feel like they are a part of a team with a common goal, and find their sense of self-esteem and creative fulfillment heightened (Helms, 2006). Evidence has shown that when employees are engaged in decision making, staff absenteeism is decreased.

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There is greater organizational commitment, improved performance, diminished turnover and greater job satisfaction (Luthans, 2005; Moorhead and Griffin, 1989). Sashkin and Burke (1987) also found that participation provides the satisfaction of the need for achievement and closure, as well as for work-relevant interpersonal contacts.

Bhatti and Qureshi (2007) examined the relationship among employee participation, job satisfaction, employee productivity and employee commitment. A total of 34 organizations from Oil and Gas, Banking and Telecommunication sectors were contacted in Pakistan, of which 15 responded back. Questionnaires were divided into two parts. The first part was for the employees and the second for their employers. The findings have shown Employee Participation to be positively correlated with Job Satisfaction.

It is generally accepted that Compensation and Benefits and Reward System have a positive influence on employees' Job Satisfaction. But views are divided as to the level of impact that these practices have on Job Satisfaction. Kreitner and Kinicki (2006) developed a need fulfillment model, in which they argued that financial reward is one of the factors that produce Job Satisfaction. Khojasteh (1993) found pay and security to be greater motivators and salary packages are of great importance to create Job Satisfaction (Grace and Khalsa, 2003). Other researchers added that the main factors that create greater Job Satisfaction includes financial rewards, faculty workload (Miller et al., 2001), and compensation (Boyt et al., 2001). To determine which of these practices have a greater impact on Job Satisfaction, various tests have been taken.

Rehman et al. (2010) explored the relationship between work rewards and job satisfaction with moderating effect of age differences. Study was taken from a sample of 84 full time employees of FESCO (Faisalabad Electric Supply Company, Pakistan), Sub Company of WAPADA. Data was gathered via a questionnaire, 44% of which were self-administrated and the rest were mailed to the participants. The results revealed that job rewards proved to be a strong determinant of Job Satisfaction. This is in line with views held by previous researchers (Clifford, 1985).

Kalleberg (1977) went further to distinguish between work values and job rewards. Work values refer "to general attitudes regarding the meaning that an individual attaches to the work role" (Kalleberg, 1977). Thus, job rewards and job values are the intrinsic and extrinsic benefits that workers receive from their jobs. While Kalleberg (1977), and Janet and Lacy (1987) both argued that Job Satisfaction

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is affected by both of these factors, it is the rewards related to the financial part of job rewards that are more significantly related to job satisfaction, compared to job values which are related to the intrinsic part of job rewards. However, there are those who believe that the non-financial aspect of rewards also play a crucial role in the job satisfaction of employees. For instance, Pragya (2008) explained that non-monetary rewards increase the satisfaction of employees. Tippet and Kluvers (2009) also explained that non-financial rewards are a helpful instrument to enhance the satisfaction of the workers. Indeed, the importance of non-financial rewards should not be ruled out.

It is said that the root cause for employees' job dissatisfaction is due to the lack of happiness in their career. Career happiness is the main source of job satisfaction (Henderson, 2000). Career happiness results when individuals find or develop careers which allow them to express their core identities and values that tap in to their true essence. Individuals can gain career happiness by planning their careers and following those plans during their career span. Workers can enjoy career happiness by finding or developing careers that allow them to express their core identities and values, thus tapping in to their true essence. People who perform jobs which are aligned with their career plans experience a greater sense of self-esteem from doing what one is able to do and wants to do (Priyanath, 2005). Once an individual directs their career via their career plan, there is a greater possibility of them being expert in their area of specialization, since a job selected, based on one's career planning stands for personal values of the jobholder. This would leave no room for conflict between the job and the jobholder, thereby preventing role erosion, job stress and role conflict. On the other hand, it increases role expectation and strengthens the feeling of self-efficacy. As workers experience the joy of working than struggling with their jobs, there is less possibility to catch them with stress related illness and other occupational diseases. The match between job and the jobholder creates the foundation for connecting the workers' spirit, with work serving as a tool for employee motivation. Therefore, organizations that invest in career management are more likely to increase employee's job satisfaction (Lee, 2000).

Carden (2007) tested a career development model examining the path of relationships amongst autonomy/prestige, career path, training and learning, job satisfaction, career commitment, and performance for moderately defined career professionals. Based on a systematic categorization of careers, from well-defined to

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less well defined, project managers were determined to have moderately defined careers. The researcher employed a survey resulting in 644 project manager respondents, including those coming from the manufacturing sector. Path analysis was then effectuated as a modeling technique to determine whether there was a pattern of inter-correlations among variables. Results have shown that there is a positive relationship between career path and job satisfaction.

Job Satisfaction is just one of the benefits provided by Training and Development. Organizations that are committed to employee training are realizing the rewards of increased skill-sets, motivation, higher productivity and knowledge transfer of their employees (Oosterbeek, 1998; Pate and Martin, 2000). Training employees has also been found to result in facilitating the updating of skills, increasing professionalism and increasing employee commitment and satisfaction to the organization (Bushardt and Fretwell, 1994; Bateman and Strasser, 1984; Cotton and Tuttle, 1986). Burke (1995) found that participation in internal and external courses are beneficial for the organizations and their employees. Staffs who perceive greater value in formal training courses are relatively more satisfied with their jobs, which leads to them feeling better about their organization. Previous studies have shown that Training and Development have a positive relationship with Job Satisfaction.

Absar et al. (2010) explored the impact of HR practices, including Training, on Job Satisfaction, a total of 60 responses from 20 manufacturing firms in Chittagong, Bangladesh were collected and analyzed objectively. Primary data was collected through direct personal interview by means of a questionnaire. A total of 60 employees, with three employees selected from each manufacturing firm, responded through the questionnaire. It was found that Training and Development had the greatest and positive influence on Job Satisfaction.

Employee empowerment is also one of HR practices that effect job satisfaction because every employee cannot be motivated with financial incentives alone. Some employees are interested in authority and self-actualization, and therefore, place less emphasis on the financial benefits and more towards self-respect (Khan et al., 2012). To illustrate, studies have also shown that there is a relationship between employee empowerment and job satisfaction (Pelit et al., 2011; Syed and Yan, 2012; Mumtaz et al., 2011).

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Swarnalatha and Sureshkrishna (2012) examined employee empowerment as one of the management practices and its relationship with Job Satisfaction among employees of the automotive industries in India. Research was conducted from a sample of 234 employees of first line of management in the automotive industries in India. Data were gathered in the form of a questionnaire and were distributed and collected in the given units by one of its employees, who were commended to support this study. Results have shown that there is a significant relationship between Employee Empowerment and Job Satisfaction.

According to the above, the following hypothesis is provided:

Hypothesis 5. HRM Practices affect Job Satisfaction

2.4.12 Relationship Between HRM Practices and Employee Engagement

The need for organizations to have engaged employees leads to studies being done to find out whether HR practices can contribute to effective employee engagement. For example, Konard (2006) claimed in his study that how high-involvement work practices can contribute in effective employee engagement. High involvement work practices are the techniques used by the management to efficiently involve their employees in their works and receive high performance among employees. If there is no career progression or limited career advancement opportunities, then employees will definitely be disengaged at certain level and shall not remain committed with an organization (Paradise, 2008).

The relationship between HRM practices and employee engagement, as shown in previous studies, and how they are relevant to this research will now be explained in Table 2.14.

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Table 2.14 Relevant Studies on the Relationship Between HRM Practices and Employee Engagement

Relationship Between Variables	Mediating Variable	Researcher	Industrial Sector	Abbreviation
HRMP→ EE	EE	Nxumalo (2010)	Mill	HRMP = HRM Practices EE = Employee Engagement
HRMP→ EE	EE	Ram and Prabhakar (2011)	Hotel	HRMP = HRM Practices EE = Employee Engagement
HRMP→ EE	EE	Shafer (2010)	Hotel	HRMP = HRM Practices EE = Employee Engagement

Having reviewed the above relevant studies, this research will now provide further details on how each of the HRM practices is related to employee engagement.

It was reported that organizations, in which employees were involved in decision-making practices at higher levels, have shown more employee engagement and their financial performance relative to their opponents gradually increased (Denison, 1990). Financial assets of any company have always been of central importance whenever it has come to management decisions. The world's recent financial crisis has raised the significance of decision making to critical level. This has directly affected the financial sector, especially banks. As organizations cannot control external environment in the period of recession, more emphasis has been put on management of internal environment in decision making and coordination at all levels of hierarchy (Huselid, 1995). This not only increases the employee's value, but also employee's engagement. He further states that HR should not be neglected because it can bring competitive advantage to the organization. Therefore, HR should be managed with equal importance with other functions of the business (Ganzach,

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2002). (Cascio, 1997) stated that employees, most of the time, through involvement in decision making, have given back to the organization in the form of engagement.

Nxumalo (2010) tried to prove that employee involvement could be used as tool to increase levels of engagement within actively disengaged employees at Ngwane Mills, which was a milling organisation that was established in the Kingdom of Swaziland in Africa in 1991. Data was collected and administered by ways of an issue focused questionnaire, based on the Business Culture and Climate Survey of 10 middle managers and 20 supervisors responsible for the day-to-day management in all the different departments. The study was confined to the middle managers and supervisors of the company because it was cited in the survey results of 2009 as an actively disengaged group within the company. Once data has been analyzed through the use of descriptive statistics, the results have shown that employee involvement do have a major impact on engagement. It has also been suggested that the leadership of Ngwane Mills should make efforts to improve on communication and to give priority to employee development.

It is widely acknowledged that employee engagement and the level of contribution depends on staff feeling that they are fairly rewarded for their skills, knowledge and contribution (Bhattacharya and Mukherjee, 2009).

Bhattacharya and Mukherjee (2009) explained that since reward strategies play a key role in reflecting organisational culture, organisations need to tailor their reward strategy to their own particular business objectives. Rewards are seen as an incentive to employee engagement. Most HR professionals now believe that it is not possible to retain employees only by paying high salaries and offering attractive benefits. They need to create enthusiasm for the employees' roles, their works and the organizations, and ensure that they are well integrated. Rewards, therefore, play a major role in this respect (Bhattacharya and Mukherjee, 2009; Kgomo, 2010).

In a research study by Accor Services, a survey was done on more than 430 UK employers, covering a range of sizes and sectors, including manufacturing, about the role employee engagement plays in their business success and the factors that enable them to build an engaged workforce. Data is presented alongside information from a range of public and private sector organisations about their approach to engagement. Results have shown reward to have a significant impact on employee engagement, since employees often feel they are badly paid and insufficiently rewarded.

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Ram and Prabhakar (2011) investigated the antecedents and consequences of employee engagement in the Jordanian hotel industry. A sample of 310 respondents, which consist of employees from different levels of management, were interviewed and questionnaires were sent. The results confirm the relationship between Employee Engagement and Perceived Organizational Support. The effect of Job Characteristics, Intrinsic and Extrinsic Rewards, Perceived Supervisor Support, Perceptions of Procedural Justice, Perceptions of Distributive Justice on Employee Engagement is also confirmed. Thus, part of the findings in this study has shown that both Intrinsic and Extrinsic Rewards are positively related to employee engagement.

It has been demonstrated that when managers provide sufficient opportunities for training and support regarding career development efforts, they help foster employee development and drive employee engagement (Mone and London, 2009). Furthermore, opportunities for training and development can be incidental, informal, or formal (Marsick and Watkins 1990), and it might be inferred that informal and incidental learning, which lead to greater learning in the workplace (Rowden 2002), can also enhance employee engagement. Jacob et al. (2008) supported this notion that employee engagement is enhanced when managers offer their employees on-the-job learning opportunities as well as the autonomy to pursue those learning opportunities.

Shafer (2010) tried to explore the effectiveness of a professional development training program on employee engagement levels in hotels in the US. This is a qualitative multi-case study and utilized within-case and cross-case analysis of Hotel Marco and Hotel Rico. Participants were leaders who attended an engagement professional development training program and their employees. Leaders shared their reactions and learning's related to the training program, including how they applied the concepts and activities learned in the program. The leaders' employees shared their experiences of the leaders' application of different activities and behaviors in the workplace. The data were collected by observations, interviews, company documents, artifacts, and other archival records. The data were analyzed using a six step data analyses process. Each case was analyzed individually prior to the completion of a cross-case analysis. The overall findings show that there is a positive relationship between the professional development training program and employee engagement. It is even recommended to organizational leaders that they should develop professional development training focused on employee engagement. Organizational leaders

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should collaborate with learning leaders and instructional designers in the development of an engagement professional development training program.

From the above, the following hypothesis is provided:

Hypothesis 6. HRM Practices affect Employee Engagement

2.4.13 Relationship Between HRM Practices and Employee Motivation

Research has shown that when employees feel supported by their organization through proper management, they will reciprocate the support by expressing positive behaviors, which are preferred by the organization (Eisenberger et al., 1986). Employees who feel cherished by their organization will actively pursue the organization's goals (Eisenberger et al., 1990). According to Maslow (1943), employees have five levels of needs, which are physiological, safety, social, ego, and self- actualizing. He argued that lower level needs must be satisfied before the next higher level need can motivate employees. Whether or not this can be achieved will depend on how organizations managed their human resources.

The relationship between HRM practices and employee motivation, as shown in previous studies, and how they are relevant to this research will now be explained in Table 2.15.

Table 2.15 Relevant Studies on the Relationship Between HRM Practices and Employee Motivation

Relationship Between Variables	Mediating Variable	Researcher	Industrial Sector	Abbreviation
HRMP→ EM	EM	Al-Nsour (2011)	Banking	HRMP = HRM Practices EM = Employee Motivation
HRMP→ EM	EM	Ali and Ahmed (2009)	Consumer Products	HRMP = HRM Practices EM = Employee Motivation

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Table 2.15 (continue)

Relationship Between Variables	Mediating Variable	Researcher	Industrial Sector	Abbreviation
HRMP→ EM	EM	Mwanje (2010)	Banking	HRMP = HRM Practices EM = Employee Motivation
HRMP→ EM	EM	Gawali (2009)	Manufacturing	HRMP = HRM Practices EM = Employee Motivation
HRMP→ EM	EM	Yoon (2001)	Electronics and Electricity	HRMP = HRM Practices EM = Employee Motivation

Having reviewed the above relevant studies, this research will now provide further details on how each of the HRM practices is related to employee motivation.

Participation in decision-making is an important psychological element that can help improve the motivation of employees towards work, and allowing them to fulfill their basic needs of clarity and social relations. These needs will lead to a feeling of acceptance and commitment, and employees will become more innovative, thereby improving their performance (Hussein, 2007). With technology becoming more advanced, so does the complexity in the role of managers, forcing them to cooperate with subordinates and their employees in the management functions, particularly in decision-making (Kanaan, 2007).

Al-Nsour (2011) tried to determine the level of participation of employees in the strategic decision-making and its relationship to motivation towards working in the Jordanian banking industry. The study sample consisted of 167 employers and employees. Questionnaire was then distributed. Results have shown that there is a correlation of statistical significance between the participation of employees in strategic decision-making and motivation towards working in the Jordanian banking industry.

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Research has shown reward to have caused satisfaction of employees, which directly influences their performance (Khan et al., 2010). Rewards are management tools that will hopefully contribute to firm's effectiveness by influencing individual or group behavior.

Ali and Ahmed (2009) stated that all businesses use pay, promotion, bonuses or other types of rewards to motivate and encourage high level performances of employees. They conducted an empirical study to examine the impact of reward and recognition programs on employee motivation and satisfaction. A questionnaire was distributed to 80 employees of Unilever and data was analyzed through SPSS version 16. The results showed that there is a positive relationship between Reward and Benefits, and Work Motivation.

Career planning system is an important part of employee motivation. Employees should be encouraged under the guidance of their employers or supervisors to set their own goals (Elrod, 2009). This will help them think about their strengths and weaknesses, and what goals are realistic. This way, employees will be more motivated to meet the goals that they set for themselves (Elrod, 2009), especially if these goals lead to career advancement, such as the prospect of getting a promotion.

In Mwanje (2010), one of the objectives the study aim to assess is the effect that career advancement has on motivation. Research was carried out at the Bank of Uganda (BOU) Kampala district. Data were collected through the use of self-administered questionnaires and face-to-face interview guides. Respondents for the self-administered questionnaires, totaling 212 employees, were picked through stratified sampling. From each stratum or group, a random sample was selected. Purposive sampling was employed for key informants who were subjected to face-to-face interviews. Data analysis was done using percentages. Results have shown that career advancement has a highly positive effect on motivation. This further highlights the importance of career planning in motivating employees. It has even been recommended that the management at BOU should facilitate steady career progression by widening promotion opportunities and creating new openings for trained and competent staff, as well as providing an effective planning of career goals and paths for employees.

There are many studies available on this subject that seek to determine the impact of training on motivation and commitment. Lester (1999) concluded that if

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employees perform well on training, and subsequent to the training if they perceive that they have learnt something new which would be an enhancement in their CVs as well as beneficial for them to capture future opportunities, then their motivation and involvement towards their jobs will increase. Stephenson (1999) concluded that there are two basic factors which are very crucial for the employees in this new changing economy. The ability to learn, adapt and understand new corporate environment, which can be utilized by the corporations through continuous training programs in order to increase their motivation as well as involvement towards their jobs. He argued that continuous training and professional development is not a luxury, but a necessity of today's changing economy, as employees can better understand that in order to cope with the changing corporate environment and to exploit the future job opportunities training programs, which are very useful to make them up to date. Furthermore, Roscoe (2002) have said that no professional completes their initial training equipped to practice competently for the rest of their life. He argued that corporate environment is changing day by day and in order to cope with these levels of changes, organizations implement various dynamic processes, including training programs which subsequently increase the motivation levels of employees, since after the training process most of the employees seek promotions to higher level jobs, which is the main cause of motivation.

Gawali (2009) reported on the effectiveness of employee Cross-Training as a motivational technique. Cross-training can be implemented horizontally, upward and downward. Department heads, assistants and employees can cross-train either within the department or in different departments. With support, employees can have a day's training in the role of department heads and a department head can take a General Manager's role in his absence. A survey was conducted on 100 executives and managers, including production managers, from 20 different companies in the Aurangabad region of India. A total of 120 questionnaires were distributed from which 100 have responded. Results have shown that there is a positive relationship between employees involved in cross-training and motivation. The majority of the employees have stated that cross-training is a strong motivator.

HRM practices, such as employee empowerment, have been advocated by management and accounting researchers as a way to increase employee motivation. For example, the balanced scorecard concept, which has been advocated by many management accountants, stresses the importance of empowering employees to

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increase their motivation, learning and growth (Kaplan and Norton, 1992, 1996). Similarly, management studies have shown empowered employees have higher levels of task motivation, which in turn, has been linked to greater organizational effectiveness and performance (Thomas and Velthouse, 1990; Koberg et al., 1999). One reason for the popularity of empowerment is that organizational changes tend to result in skill shortages, time pressures, uncertainties and demanding workloads, all of which leave employees feeling powerless and burned out. Empowerment is, therefore, seen as one of the most effective intervention programs to increase motivation (Yoon, 2001).

Yoon (2001) aimed to build on this empowerment literature by developing and testing two hypotheses that were based around the structural and motivational approach aimed at promoting motivation, increased proactivity and reduced health problems. The structural-approach hypothesis predicted that the structural opportunities and constraints embedded in jobs and organizations were the main factors explaining the above outcomes. The motivational-approach hypothesis predicted that self-efficacy, which is one of the key motivational constructs in the psychological literature, mediates the structural effects of organizations and jobs to empowerment outcomes. Sample was drawn from two large organizations in Korea. The first was the country's largest electronics company, which manufactures home appliances, multimedia and telecommunication equipment, and semiconductors. The second was among Korea's largest power and electric companies, which generates, transmits and distributes electric power. Participants included employees representing various occupational categories. Among the 3,500 questionnaires that were distributed, 2,961 responses were returned. Findings have been mixed with the motivational-approach having a greater impact on one of the empowerment outcomes, which is proactivity. This means that it is self-efficacy that mediates the impact of the structural aspects on proactivity. However, the structural-approach, which includes organizational support, has more effect on the well-being of the employees by reducing fatigue.

Having reviewed the above, the following hypothesis is developed:

Hypothesis 7. HRM Practices affect Employee Motivation

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2.4.14 Relationship Between HRM Practices and HR Flexibility

The benefits that HR flexibility provides for firm performance have encouraged researchers to analyze the mechanisms through which the firm can promote the flexibility of its workforce. In this sense, many authors consider human resource activities, such as HRM practices and in particular HPWS, to be an appropriate instrument to increase HR flexibility levels (Dyer and Shafer, 2002; Sparrow, 1998). HPWS influence HR flexibility through human capital–enhancing activities, mainly related to training and staffing activities, which are aimed toward the promotion of a climate of personal growth in the firm, enabling employees to prepare for whatever the future might bring in terms of abilities or behaviors needed in the workplace (Shafer et al., 2001).

The relationship between HRM practices and HR flexibility as shown in previous studies, and how they are relevant to this research will now be explained in Table 2.16.

Table 2.16 Relevant Studies on the Relationship Between HRM Practices and HR Flexibility

Relationship Between Variables	Mediating Variable	Researcher	Industrial Sector	Abbreviation
HRMP→HRF	HRF	Beltrán-Martín et al. (2008)	Manufacturing and Service	HRMP = HRM Practices HRF = HR Flexibility

Having reviewed the above relevant studies, this research will now provide further details on how each of the HRM practices is related to HR flexibility.

Some authors highlighted the relevance of equitable rewards to encourage employees' willingness to move and reallocate as the need arises. In other words, it is a way for employees to demonstrate functional flexibility. Fluid assignments implicit in the notion of functional flexibility require high inputs from the workforce and organizations should provide commensurate returns in an effort to motivate desired employee movements across tasks and jobs (Dyer and Shafer, 2002; Noe, 1996). Furthermore, the provision of equitable rewards is an instrument that helps to attract

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versatile employees because employees with high qualifications, varied knowledge, and multiple abilities may expect to receive appropriate rewards for their competences. This component of HPWS can also motivate employees to engage in flexible behaviors and effective discretionary decision making in response to a variety of internal and external contingencies (MacDuffie, 1995; Wright and Snell, 1998). Several authors argued that equitable rewards provide employees with the confidence to take initiative and behave flexibly at work because they are aware that organization will recognize their efforts in proposing creative solutions to new problems (Frenkel et al., 1999; Unsworth and Parker, 2003). In fact, authors like Morris (1993) indicated that one of the components of equitable rewards, which is performance-related pay, is used as a signal to express organizational intentions and create a flexible and self-motivated workforce. According to Unsworth and Parker (2003), higher initiative and flexibility at work can involve greater workload, which may produce stress and anxiety in employees if these efforts are not reinforced by equitable rewards. Therefore, a fair and balanced exchange relationship with the organization enhances the feelings of certainty about gaining fair rewards for substantial innovative efforts (Williams et al., 2002).

In Beltrán-Martín et al. (2008), research was done to examine the impact that High Performance Work Systems (HPWS) have on performance through the firm's human resource (HR) Flexibility. Data were collected from a sample of 226 Spanish firms through the administration of structured questionnaires to the commercial managers in the companies, with 63 per cent of responses coming from the industrial sectors. Regarding organizational size, 49% of the companies were medium sized (100 to 249 employees) and 51% were large companies (250 employees or more). Results have confirmed the mediating role of HR Flexibility in the HPWS – performance relationship, meaning there is a link between HPWS, which includes Reward, and firm performance. Furthermore, the results confirm the ideas provided by earlier proponents of HPWS in that one of the consequences of HPWS in terms of employees' performance at work is an improvement in their flexibility (Guest, 1987).

Training is orientated towards the promotion of a climate of personal growth in the firm, enabling employees to prepare for whatever the future might bring in terms of abilities or behaviors needed in the workplace (Shafer et al., 2001). Due to the rapid process of knowledge being outdated in the current environments, the importance of being "ahead on the learning curve" is crucial to create flexible

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employees (Dyer and Shafer, 2002). Thus, these developmental efforts on the part of organization are also beneficial in promoting the workforce's skill flexibility because employees are keen to increase their current pool of skills and abilities when they possess a valid educational basis, since proficiency in certain areas gives them the confidence to master and apply new skills (Wright and Snell, 1998). The firm's efforts to broaden the workforce's skills and competences also allow employees to pursue alternative methods of carrying out their jobs, thereby fostering behavior flexibility (Frese et al., 1996; Parker and Axtell, 2000).

In Beltrán-Martín et al. (2008), research was done to examine the impact that High Performance Work Systems (HPWS) have on performance through the firm's human resource (HR) Flexibility. Data were collected from a sample of 226 Spanish firms through the administration of structured questionnaires to the commercial managers in the companies, with 63 per cent of responses coming from the industrial sectors. Regarding organizational size, 49% of the companies were medium sized (100 to 249 employees) and 51% were large companies (250 employees or more). Results have confirmed the mediating role of HR Flexibility in the HPWS – performance relationship, meaning there is a link between HPWS, which includes Training, and firm performance. Furthermore, the results confirm the ideas provided by earlier proponents of HPWS in that one of the consequences of HPWS in terms of employees' performance at work is an improvement in their flexibility (Guest, 1987).

From the above, the following hypothesis is formed:

Hypothesis 8. HRM Practices affect HR Flexibility

2.5 Concept and Theory of Organizational Citizenship Behaviors

There are many ways to define organizational citizenship behaviors, presented in Table 2.17.

Table 2.17 Definitions of Organizational Citizenship Behaviors

Researcher	Definitions of Organizational Citizenship Behaviors
Bateman and Organ (1983)	The extra work-related behaviors of employees which go above and beyond the routine duties prescribed by their job descriptions or measured in formal evaluations.

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Table 2.17 (continue)

Researcher	Definitions of Organizational Citizenship Behaviors
Organ (1988)	Individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization.

From the above definitions, organizational citizenship behaviors are the extra work-related behaviors of employees which go above and beyond the routine duties prescribed by their job descriptions or measured in formal evaluations and also defined it as "individual behaviour that is discretionary, not directly or explicitly recognised by the formal reward system, and that in the aggregate promotes the effective functioning of the organization".

Since these efforts are made beyond the requirements specified in the employee job description, their presence cannot be enforced (Organ, 1988), and their absence cannot be penalized (Van Dyne et al., 1995). Examples of these efforts are cooperation with peers, performing extra duties without complaint, punctuality, volunteering and helping others, using time efficiently, conserving resource, sharing ideas and positively representing the organization (Turnipseed and Rassuli, 2005). Thus, organizations should ensure the existence of social exchanges, identification with organizational objectives and employee empowerment to encourage the display of citizenship behavior among employees. With the existence of these three conditions, there is a greater possibility that employees will engage in more OCBs and, thus, deliver higher service quality.

2.5.1 Relationship Between Organizational Citizenship Behaviors and Employee Attrition, Employee Retention, and Employee Performance

The relationship between organizational citizenship behaviors and firm performance, as shown in previous studies, and how they are relevant to this research is explained in Table 2.18.

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Table 2.18 Relevant Studies on the Relationship Between Organizational Citizenship Behaviors and Employee Attrition, Employee Retention, and Employee Performance

Relationship Between Variables	Dependent Variable	Researcher	Industrial Sector	Abbreviation
OCB → EP	EP	Appelbaum et al. (2005)	Copper Rod	OCB = Organizational Citizenship Behaviors EP = Employee Productivity

Having reviewed the above relevant studies, this research will now provide further insight into how organizational citizenship behaviors are related to firm performance.

Several studies have indicated a positive relationship between OCBs and firm performance (Koys, 2001; Podsakoff et al., 2009; Podsakoff et al., 2000; Yoon, 2009; Rose, 2012). However, some studies have also linked OCB to performance, while at the same time separate the employees into two groups, the best performing and the worst performing. With managers becoming increasingly involved in analyzing employee performance, OCB has been included in performance evaluations (Werner, 1994). The problem, however, is that by having managers identify which employees or groups of employees are the best performers, it would create a bias, particularly by managers who are highly engaged in OCB. Furthermore, some employees may use impression management style in order to create a favorable impression of themselves (Bolino and Turnley, 2003).

Thus, in order for OCB to directly impact performance, these behaviors must be redirected towards promoting organizational effectiveness. Organ (1988) pointed out in order for OCB to affect performance, the individual contributions must be aggregated throughout the organization. Organ (1988) argued that even though co-workers may benefit from employees who help others with heavy workloads or those who offer advice to newer employees, individual acts of OCB do not affect

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performance. Understanding the overall level of OCB and relating it to firm s performance may shed some light on extant literature.

In Appelbaum et al. (2005), a survey was done at the Rodbec plant in Canada concerning the production of copper rod to measure the impact of employee satisfaction and organizational citizenship on productivity. Interviews were conducted within the company. Sample consisted of 19 of the 26 employees from the production crew. For management, 16 out of 21 employees including supervisors (foreman and assistant-supervisors), managers responsible for production and maintenance, and the support engineers. Results have shown a correlation between organizational citizenship and productivity. This is due to the fact that there were evidence for declining corporate citizenship from plant employees and low attachment to the organization for supervisors, since this effects productivity.

According to the above, the following hypotheses are provided:

Hypothesis 9. Organizational Citizenship Behaviors affect Employee Attrition
Hypothesis 10. Organizational Citizenship Behaviors affect Employee Retention
Hypothesis 11. Organizational Citizenship Behaviors affect Employee Performance

2.6 Concept and Theory of Job Satisfaction

There are several definitions to job satisfaction, presented in Table 2.19.

Table 2.19 Definitions of Job Satisfaction

Researcher	Definitions of Job Satisfaction
Pierce et al. (1996)	It is in regard to one's feelings or state-of-mind regarding the nature of their work.
Locke (1976 and 1969)	A positive emotional feeling, a result of one's evaluation towards their job and their job experience by comparing between what they expect from their job and what they actually get from it. Job satisfaction is also referred to as a function of the range of specific satisfactions and dissatisfactions that one experience with respect to the various dimensions of work.

Having reviewed the above definitions, job satisfaction is in regard to one's feelings or state-of-mind regarding the nature of their work and is "a positive

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emotional feeling, a result of one's evaluation towards his job and his job experience by comparing between what he expects from his job and what he actually gets from it as well as a function of the range of specific satisfactions and dissatisfactions that he/she experiences with respect to the various dimensions of work".

Job Satisfaction is listed as one of the primary concerns in human resource management department. The reason for this is twofold. Firstly, it helps retain the employees and second, it raises their performance level (Mehr et al., 2012).

The significance of Job Satisfaction has led to a number of studies being made and providing various definitions of the term. For example, Hoppock (1935) identified Job Satisfaction as "any combination of psychological", physiological, and environmental circumstances that causes a person to say, "I am satisfied with my job". Ivancevich et al. (1997) stated that job satisfaction is something that a worker feels how well he or she is in an organization. Locke (1976) defined job satisfaction as an emotional state related to the positive or negative appraisal of job experiences.

Thus, Job Satisfaction is a result of employee's perception of how well their job provides the things that are viewed as important. It is generally recognized in the organizational behavior field that job satisfaction is the most important and frequently studied attitude (Islam et al., 2012). Pierce et al. (1996), for instance, described Job Satisfaction to be in regard to one's feelings or state-of-mind regarding the nature of their work (Pierce et al., 1996). It can be influenced by a variety of factors. For example, the quality of the physical environment, the quality of one's relationship with their supervisor, pay practice in which they work with turnover referring to the characteristic of a given company or industry, relative to the rate at which an employer gains and loses staff. For instance, if an employer has a high turnover, it means that the employees of that company have a shorter stay than those of other companies in the same industry.

Locke (1976) presented three dimensions of job satisfaction.

1) Job Satisfaction is an emotional response to a job situation. Thus, it cannot be seen and can only be inferred.

2) Job Satisfaction is usually determined by how well outcomes meet or exceed expectations. For example, if organizational participants feel that they are working much harder than other in the department but are receiving fewer rewards, they will probably have a negative attitude towards the work, employers and/or co-workers, and they will be dissatisfied. On the other hand, if they feel that they are

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being treated very well and are being paid equitably, they are likely to have a positive attitude toward the job, and then they will be satisfied with the job.

3) Job Satisfaction represents several related attitudes (Mitchell and Larson, 1987).

2.6.1 Relationship Between Job Satisfaction and Employee Attrition, Employee Retention, and Employee Performance

The relationship between job satisfaction and firm performance, as shown in previous studies, and how they are relevant to this research is explained in Table 2.20.

Table 2.20 Relevant Studies on the Relationship Between Job Satisfaction and Employee Attrition, Employee Retention, and Employee Performance

Relationship Between Variables	Dependent Variable	Researcher	Industrial Sector	Abbreviation
JS → EP	EP	Halkos and Bousinakis (2010)	Manufacturing	JS = Job Satisfaction EP = Employee Productivity

Having reviewed the above relevant studies, this research will now provide further insight into how job satisfaction is related to firm performance.

For an organization to be successful they must continuously ensure the satisfaction of their employees (Bataineh, 2011). This is due to the fact that when employees feel satisfied with the job their morale will be elevated, and this will ultimately lead the organization towards prosperity and growth (Chaudhary and Banerjee, 2004). According to Likert (1961) and McGregor (1960), the productivity of the organization and its efficiency can be achieved by the satisfaction of employees and their attention. Studies have shown that Job Satisfaction has a positive and significant relationship with organizational performance (Mahmood et al., 2011; Iaffaldano and Muchinsky, 1985; Carden, 2007). Springer (2010) also indicated that Job Satisfaction significantly predict job performance.

Halkos and Bousinakis (2010) investigated the effects of stress and job satisfaction on the functioning of a company. A random sample of 425 employees in

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the private and public sector, including manufacturing, and two stage cluster sampling was first used to collect the primary data. Factor analysis was next used to identify the responsible factors for the correlation among a large number of qualitative and quantitative variables and their influence on productivity. Logistic regression was then used, presenting many useful elements concerning the function of stress, satisfaction and supportive elements on productivity. Findings show increased satisfaction leads to increased productivity.

From the above, the following hypotheses are provided:

Hypothesis 12. Job Satisfaction affects Employee Attrition
Hypothesis 13. Job Satisfaction affects Employee Retention
Hypothesis 14. Job Satisfaction affects Employee Performance

2.7 Concept and Theory of Employee Engagement

Kahn (1990) first used the term employee engagement, describing it as being different from other employee role constructs, such as job involvement, commitment or intrinsic motivation, and asserting that it focused on how psychological experiences of work shape the process of people presenting and absenting themselves during task performances. Since then the term has been defined in many different ways by scholars. Examples are provided in Table 2.21.

Table 2.21 Definitions of Employee Engagement

Researcher	Definitions of Employee Engagement
Kahn (1990)	The harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances.
Nelson and Simmons (2003)	Employees feel positive emotions toward their work, find their work to be personally meaningful, consider their workload to be manageable, and have hope about the future of their work.
Macey and Schneider (2008)	The positive feeling that employees have towards their jobs and also the motivation and effort they put into it.

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Having reviewed the above definitions, this study defines employee engagement as the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances. Another definition is employees feel positive emotions toward their work, find their work to be personally meaningful, consider their workload to be manageable, and have hope about the future of their work and employee engagement as the involvement with and enthusiasm for work.

Engagement goes beyond satisfaction and commitment. To become fully engaged is to be involved in and enthusiastic about the work (Falcone, 2006).

Schaufeli and Bakker (2003), and Schaufeli et al. (2001) defined work engagement as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. Rather than a momentary and specific state, engagement refers to a more persistent and pervasive affective cognitive state that is not focused on any particular object, event, individual, or behavior.

1) Vigor - This is characterized by high levels of energy and mental resilience while working, the willingness to invest effort in one's work, and persistence even in the face of difficulties.

2) Dedication – This is refers to being strongly involved in one's work and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge.

3) Absorption - This is characterized by being fully concentrated and happily involved in one's work, whereby time passes quickly and one has difficulties with detaching oneself from work.

Thus, the three dimensions of Vigor, Dedication and Absorption together make up the construct of Employee Engagement. This may, however, be distinguished from workaholism in that the former also brings the association of positive attitudes at work, positive mental health and good performance (Schaufeli and Bakker, 2003).

Employee Engagement is also said to be a measure of Job Involvement (Harter et al, 2002). According to Wellins and Concelman (2005), engagement is an amalgamation of commitment, loyalty, productivity, and ownership. To be engaged is to be emotionally and intellectually committed to one's organization (Bhatnagar, 2007).

Employee engagement has also been conceptualized as having two dimensions.

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1) Cognitive Engagement – This is the extent to which the worker is aware of his mission at work and his role in the organization.

2) Emotional Engagement / Physical Engagement - This is the extent to which the worker empathizes with others at work and connects in a meaningful way with his or her coworker (Kahn, 1990; 1992; Luthans and Peterson, 2002).

Therefore, high engagement for each dimension is predictive of the overall high engagement for an employee (Kahn, 1990; Bhatnagar, 2007).

There are four major approaches to define the existing state of the concept of employee engagement. These are Kahn's (1990) need-satisfying approach, Maslach et al. (2001) burnout-antithesis approach, Harter et al.'s (2002) satisfaction engagement approach, and Saks's (2006) multidimensional approach.

2.7.1 Kahn's (1990) Need-Satisfying Approach

Kahn (1990) was widely credited with the first application and use of engagement theory to the workplace. Kahn (1990) interviewed 32 employees, 16 summer camp counselors and 16 financial professionals. He defined engagement as the simultaneous employment and expression of a person's 'preferred self' in task behaviors that promote connections to work and to others, personal presence, and active full role performances. Developing from the works of psychologists, Freud (1922) and Maslow (1970), sociologist, Goffman (1961), group theorists, Slater (1966) and Smith and Berg (1987), Kahn (1990) posited that the conditions of meaningfulness, safety, and availability were important to fully understanding why a person would become engaged in his or her work. He defined meaningfulness as the positive sense of return on investments of self in role performance. He also defined safety as the ability to show one's self without fear or negative consequences to self-image, status, or career. He defined availability as the sense of possessing the physical, emotional, and psychological resources necessary to complete one's work. According to him, by positively fulfilling the criteria for these domains, engagement was psychologically, socially, and physically present when occupying and performing work roles (Kular et al., 2008).

Kahn (1992) later reexamined the meaning of psychological presence in work as an extension of the meaningfulness, safety, and availability conditions. He suggested that being fully present in work was what it meant to live life to the fullest. Furthermore, he suggested that it was unreasonable to expect employees to be fully

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present at work when they felt their basic needs, which were meaningfulness, safety, and availability, were not being met as of a result of their work experience. The only study located that empirically examined Kahn's (1990) conceptualization of engagement suggested that all three of Kahn's (1990; 1992) conditions were important constructs in the development of engagement (May et al., 2004). Using a sample of 203 employees from a large insurance firm, results indicated that engagement had a positive relation to meaningfulness (r = .63), availability (r = .29), and safety (r = .45). Kahn's research is widely cited as the foundational scaffolding for employee engagement. In spite of Kahn's (1990) application of engagement theory, new research did not emerge about the concept until interest in the employee burnout literature led to a reemergence of attention.

2.7.2 Maslach et al. (2001) Burnout-Antithesis Approach

For the second approach, Maslach et al. (2001) conceptualized employee engagement as the positive antithesis to burnout, defining engagement as a persistent positive affective state that was characterized by high levels of activation and pleasure. They theorized burnout as the erosion of engagement that was once important, meaningful, and challenging work became unpleasant, unfulfilling, and meaningless. Engagement was operationalized as the reverse of scores on the Maslach Burnout Inventory (MBI-GS; Maslach and Leiter, 1997) as it was thought that anyone who was not experiencing burnout must be engaged. Schaufeli et al. (2002) tested the Maslach et al. (2001) framework using the MBI-GS, although with a slightly different definition of engagement. Schaufeli at al. (2002) defined engagement as a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption, and renamed the state of engagement (Kahn, 1990) as "work engagement". Using a sample of 314 Spanish university students and 619 Spanish employees from private and public companies (N = 933), results of their research suggested a negative relation between burnout and work engagement (r = -.46 and r = -.61).

As a critique of the Maslach et al. (2001) and Schaufeli et al. (2002) models, Johnson (2003) had suggested that this approach to understanding engagement was devoid of the cognitive engagement processes conceptualized by Kahn (1990) and focused only on emotional and physical absences of burnout. Furthermore, Shirom (2003) examined the Maslach et al. (2001) and Schaufeli et al. (2002) models of

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engagement and suggested that previous research of Kahn (1990), Maslach et al. (2001) and Schaufeli et al. (2002) had conceptualized engagement on a continuum as the opposite of a negative, not a separate state. Shirom (2007) suggested that as a result of the Maslach et al. (2001) and Schaufeli et al. (2002) models, employee engagement could be differentiated from other psychological constructs, such as flow (Csikszentmihalyi, 2003), commitment (Allen and Meyer, 1990), and peak experiences (Schaufeli et al., 2002). Studies using a similar framework provide additional empirical support for the Maslach et al. (2001) approach (Shraga, 2007; Shirom, 2003, 2007; Welfad, 2008).

2.7.3 Harter et al.'s (2002) Satisfaction Engagement Approach

Harter et al. (2002) used data from a meta-analysis of 7,939 business units across multiple fields of industry. The researchers defined employee engagement as an individual's involvement and satisfaction with as well as enthusiasm for work. Using the Gallup Work Audit (GWA), a proprietary twelve-item questionnaire (Buckingham and Coffman, 1999), results suggested employee engagement had a positive relation to important business outcomes such as customer satisfaction (r =.33), turnover (r = -.36), safety (r = -.32), productivity (r = .20) and profitability (r = .17). Harter et al. (2002) further suggested that companies who scored .43 standard deviations above the median on the composite GWA enjoyed higher levels of overall performance, which was an average of a 103% higher success rate at the business unit level, than those on the lower end of the median. Results of their research suggested that while the study indicated only moderate effect sizes, such modest evidence often translated into significant practical results for an organization's profitability (Harter et al., 2003). Luthans and Peterson (2002) extended Harter et al.'s (2002) model by examining the relation between managerial self-efficacy, the perception of effective management practices, and employee engagement. Using a sample of 2,900 participants, results of their study suggested a positive relation between employee engagement and manager self-efficacy scores when managers rated employee effectiveness (r = .33), and when supervisees rated their manager's level of effectiveness (r = .89). The researchers finally concluded that the most profitable work units of companies have people doing what they do best, with people they like, and with a strong sense of psychological ownership. Findings from their research extended current theory about a manager's role in creating a supportive psychological

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climate (Brown and Leigh, 1996) and paralleled early theories of engagement (Kahn, 1990; Maslach et al., 2001; Schaufeli et al., 2002) by suggesting that employees must have the environmental, job resources, and support necessary to complete their work. Studies using a similar framework provided additional empirical support for the Harter et al. (2002) approach (Arakawa and Greenberg, 2007; Heger, 2007).

2.7.4 Saks's (2006) Multidimensional Approach

Saks (2006) hypothesized that employee engagement developed through a social exchange model and was the first academic researcher to separate job engagement and organizational engagement. He defined the emerging multidimensional concept of employee engagement as a distinct and unique construct consisting of cognitive, emotional, and behavioral components that was associated with individual role performance. This definition was inclusive of previous literature by suggesting that employee engagement was developed from cognitive (Kahn, 1990; Maslach et al., 2001; Maslow, 1970), emotional (Harter et al., 2002; Kahn, 1990), and behavioral elements (Harter et al., 2002; Maslach et al., 2001) and extended current thinking on the topic by developing a three-component model.

To test the three-component model (cognitive-emotional-behavioral), Saks (2006) enrolled 102 working students in his study who were attending a graduate course at a large, Canadian university. Results indicated a positive relation between the antecedent variables of job characteristics, perceived organization support, and procedural justice ($r = .37$; $r = .36$; $r = .18$). Further it was reported that job satisfaction, organizational commitment, and intention to quit had an outcome relation with employee engagement ($r = .26$; $r = .17$; $r = -.22$). Perceived supervisor support and rewards and recognition were also tested antecedent variables, but no significance was indicated. Results from this study suggested that antecedent variables such as supportive climate, job characteristics, and fairness influenced the development of engagement and that employee engagement mediated the relationship between antecedent and outcomes variables. This research extended Schaufeli et al.'s (2002) model of engagement by suggesting engagement could be experienced emotionally and cognitively and manifested behaviorally. Similarly to Schaufeli et al. (2002), Saks viewed the development of engagement as an absorption of a person's resources into the work they performed. This view not only paralleled Schaufeli et al. (2002), but also Kahn (1990) and Harter et al. (2002). Each framework suggested that for

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absorption to occur, an employee must readily have the physical, emotional, and psychological resources to complete their work. Without them, the psychological state of burnout develops (Maslach et al., 2001; Schaufeli et al., 2002) and employees eventually disengage.

Supporting Saks (2006) model, Britt et al. (2005) suggested that soldiers who were more psychologically and emotionally engaged in their work experienced less stress and fatigue. Notwithstanding, the same soldiers also reported feeling overworked and disengaged when faced with stressors that obstructed their ability, or the perception of their ability to complete their jobs well (Britt et al., 2005).

Furthermore, conceptual work by Macey and Schneider (2008) extended Saks (2006) model suggesting each proceeding state of engagement (cognitive-emotional-behavioral) built on the next, eventually leading to complete employee engagement. Saks's (2006) model remains widely cited in the academic literature (Macey and Schneider, 2008).

2.7.5 Relationship Between Employee Engagement and Employee Attrition, Employee Retention, and Employee Performance

The relationship between employee engagement and firm performance, as shown in previous studies, and how they are relevant to this research is explained in Table 2.22.

Table 2.22 Relevant Studies on the Relationship Between Employee Engagement and Employee Attrition, Employee Retention, and Employee Performance

Relationship Between Variables	Dependent Variable	Researcher	Industrial Sector	Abbreviation
EE → TI	TI	Halbesleben and Wheeler (2008)	Manufacturing	EE = Employee Engagement TI = Turnover Intention

Having reviewed the above relevant studies, this research will now provide further insight into how employee engagement is related to firm performance.

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Most of the key measures that reflect and drive organizational performance (customer satisfaction, innovation, profitability, productivity, loyalty and quality) are products of engaged and committed employees (Siddhanta and Roy, 2010). Baumruk and Gorman (2006) believed that if employees exert extra time, effort and initiative in their work, then this will contribute to the success of the business. Studies have, therefore, been conducted and have shown that there is a positive relationship between employee engagement and organizational performance outcomes, which are employee retention, productivity, profitability, customer loyalty and safety (Markos and Sridevi, 2010; Kgomo, 2010). Researches also indicate that the more engaged employees are, the more their employer is likely to exceed the industry average in its revenue growth (Markos and Sridevi, 2010). Other researches have shown that engagement is positively related to customer satisfaction (Coffman, 2000; Ellis and Sorensen, 2007; Towers Perrin Talent Report, 2003; Hewitt Associates, 2004; Heintzman and Marson, 2005; Coffman and Gonzalez-Molina, 2002). Gibbons (2006) also indicated that employee engagement is strongly correlated to several performance outcomes, such as retention, turnover, individual productivity, customer service and growth in operating margin. Akaraborworn (2010) and Gallup, a strategic consulting firm, also supported the fact that having engaged employees will eventually lead to organizational effectiveness and other positive performance outcomes, such as sustainable growth and real profit increase, respectively.

Halbesleben and Wheeler (2008) obtained a sample of 573 participants in the US from a wide variety industries, including manufacturing, to find that there is a link between engagement and intention to leave. Data were collected with the assistance of approximately 250 introductory management students as part of a research experience assignment. The students collected the data from three to five working adults at two points in time during the semester, with approximately two months separating Time 1 and Time 2 data collection. A total of 713 surveys were distributed. Using a modification of snowball sampling, the students gave the surveys to the employees, who were asked to give another short survey to their supervisors and closest coworkers. The supervisor and coworker surveys were returned directly to the participant in sealed envelopes. This procedure was made known to the participant and all envelopes were still sealed upon their return to the researchers. Once the survey packet was completed, it was returned to the researchers. Using usefulness data analysis, the authors found that engagement and embeddedness each shared

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unique variance with in-role performance and intention to leave, meaning that engagement directly influences turnover intentions.

Having reviewed the above, the following hypotheses are formed:

Hypothesis 15. Employee Engagement affects Employee Attrition

Hypothesis 16. Employee Engagement affects Employee Retention

Hypothesis 17. Employee Engagement affects Employee Performance

2.8 Concept and Theory of Employee Motivation

Employee motivation has been defined in many different ways, as shown in Table 2.23.

Table 2.23 Definitions of Employee Motivation

Researcher	Definitions of Employee Motivation
Shadare et al. (2009)	It is one of the policies managers used to increase effectual job management amongst employees in organizations.
Kreitner (1995)	A psychological process that gives behavior purpose and direction.
Bedeian (1993)	An internal drives to satisfy an unsatisfied need and the will to accomplish.

Having reviewed the above definitions, employee motivation is one of the policies managers used to increase effectual job management amongst employees in organizations and defined as "something a need or desire that causes a person to act as a psychological process that gives behavior purpose and direction, include as an internal drives to satisfy an unsatisfied need and the will to accomplish. Motivation, itself, is described by Helliegel et al. (1992) as the force acting on or within a person that causes the person to behave in a specific, goal-directed manner. Reece and Brandt (1990) defined motivation as the reason why people do the things they do, and in a work setting, motivation is what makes people want to work. Daft and Marcic (2004) explained that motivation refers to the forces either within or external to a person that arouse enthusiasm and persistence to pursue a certain course of action. These concepts of motivation suggest that motivation has something to do with a person's

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behavior, a cause of behavior, or the reasons for the individual behavior, and the causes of individual behaviors may differ because of different individual needs.

A motivated employee is responsive of the definite goals and objectives they must achieve, and therefore they direct its efforts in that direction. Rutherford (1990) reported that motivation formulates an organization more successfully because provoked employees are constantly looking for improved practices to do work. So it is essential for organizations to persuade their employees to be motivated (Khan et al., 2010). Getting employees to do their best work, even in the most strenuous circumstances, is one of the employees' major challenges, and this can only be made possible by motivating them (Manzoor, 2012). The significance of employee motivation, influencing the behaviors of employees to behave in certain ways, can ultimately decide the success or failure of an organization. Kovach (1987), for instance, suggested that if a company knows why its employees come to work on time, stay with the company for their full working lives, and are productive, then the company may be able to ensure that all of their employees behave in that way. Such a company would have a competitive advantage over others that are suffering from absenteeism, costly re-training programs, and slower production. Moreover, Wiley (1997) also suggested that to ensure the success of a company, employers must understand what motivates their employees, and such understanding is essential to improving productivity. These suggestions imply that organizational success depends heavily on employee motivation.

2.8.1 Motivation

There are two schools of motivational theory.

1) Content Theory - This is concerned with the internal needs that drive the behavior. The theory explains how organizational structure and processes can satisfy those needs. Content theory is based on the early human relations concepts of Maslow's hierarchy of needs and McGregor's Theory X and Theory Y. This concept explains the specific factors that motivate people.

2) Process Theory – This is to do with the psychological and behavioral processes that influence motivation. The theory focuses on how the motivational process works, how employees gain motivation, and how they think about it. Process theories also attempt to influence employee behavior by offering rewards.

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2.8.1.1 Content Theories of Motivation

Maslow's theory of motivation was one of the first models, which explained the connection between behavior and human needs. The theory became known as Maslow's hierarchy of needs, and from this, five human motivational needs, which are physiological, safety and security, social, self-esteem and self-actualization, have been identified. His theory suggested that lower needs must be fulfilled before higher needs can be satisfied. Maslow's hierarchy of needs further posited that individual job performance increases in direct relationship to increased fulfillment of basic needs of security and belongingness. For example, once employees' basic physiological, safety and security, and social needs have been satisfied, they can seek ways to achieve self-esteem and self-actualization.

McGregor (1960) theorized that humans had a natural instinct for self-development. Therefore, personal and professional growth motivates them more than financial rewards. He asserted that managers' behavior toward employees was based on two opposite perspectives, Theory X and Theory Y. McGregor made assumptions about human nature and human behavior, which determined management styles and dictate supervisor or manager behaviors. McGregor's "Theory Y" posits that a manager's job should be to direct that growth instinct toward the achievement of organizational effectiveness. Theory X is based on assumptions about human behavior, which are that individuals resist change, have no ambition, would rather follow than lead and are motivated by money and security. Theory X approaches to management are, thus, grounded in traditional management principles. Managers who follow this approach believe employees are lazy, unproductive, and uncooperative. Rewards and punishment control employee behavior. Furthermore, according to McGregor, Theory X managers believe that employees will reject opportunities to participate in decision making and generally want to be told what to do.

Theory X, therefore, presents a very unflattering view of human nature. By contrast, Theory Y assumptions are that self-actualization is never fully realized. Individuals will seek responsibility and they are creative, capable of ingenuity. Furthermore, Theory Y assumes that the integration of everyone in the organization will work together to support the organization's mission and goals. This integration allows for the attainment of the organization's objectives and the satisfaction of employee needs. McGregor explained that people have a desire for self-control and self-motivation, which is realized through participative, organizational, and

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management influences. Harmon and Mayer (1986) commented on McGregor's work by saying that the thrust of McGregor's thinking is not mainly to provide a laundry list of management "techniques" intended to increase organizational effectiveness. Instead, his purpose is to offer managers a new way of thinking about management and workers. Thus, while McGregor continually refers to the "science-based" character of Theory Y management, these allusions sometimes confuse rather than clarify his important message, which is far more value-based than science-based.

Other content theories of motivation are Argyris's theory and McClelland's needs-based motivational model. Argyris's concepts about organizational learning also provide structure and foundation to the study because his theoretic contributions linked organizational functioning to personal development and developed concepts and models for organizational learning. His work has a profound impact on the role and meaning of democracy in public organizations. According to Argyris, when traditional management principles are dominant in an organization, there is little room for growth and development of employees. This can prevent motivation and cause employees to demonstrate their dissatisfaction through low productivity, resignation, and other means (Denhardt, 2000).

McClelland's needs-based motivational model suggests that all workers and managers are motivated by a combination of the need for achievement, the need for authority and power, and the need for affiliation. The researcher asserted that individuals motivated by a strong need for achievement are those who set goals and seek advancement in their jobs. The need for authority and power is characterized by a drive to influence the behavior of others. Furthermore, this drive manifested through the individual's need to lead. The need for affiliation relates to the individual's need for inclusion in groups. Friendly relationships and interaction with others is a strong motivator for individuals exhibiting this need characteristic. Although some individuals may possess a greater affinity for one characteristic than for others, these characteristics influence employee behavior, as well as a manager's leadership style (Timm and Peterson, 1993).

2.8.1.2 Process Theory of Motivation—Expectancy Theory

Vroom's (1964) expectancy theory is considered to be a popular process theory of motivation. This theory is based on a multiplication equation consisting of three constructs.

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1) Expectancy – This refers to the employee's perspective on the probability of a change in effort leading to a change in actual performance.

2) Instrumentality - This refers to the individual's feelings about the likelihood the performance will generate certain results.

3) Valence - This is the value of the rewards that could result from positive performance.

Vroom (1964) stated that individuals choose their behaviors based on their perceptions, attitudes, and beliefs because of their desires to enhance pleasure and avoid pain. His theory often provides a framework for assessing, interpreting, or evaluating employee behavior (Ambrose and Kulik, 1999).

Three expectancy theory factors play an interactive role in motivation. These are the effort-performance (E-P) expectancy, the performance-outcome (P-O) expectancy and valence (Fudge and Schlacter, 1999; Isaac et al., 2001).

1) E-P Expectancy - This describes an individual's perception that the effort they expend will result in an acceptable level of performance.

2) P-O Expectancy - This concerns an individual's expectation the rewards received are tied to his or her performance.

3) Valence - This is the degree to which an individual values a particular reward. This suggests that the more a person values the reward, the more motivated they will be to exert effort to receive the reward (Fudge and Schlacter, 1999).

Expectancy theory focuses on management practices, such as performance appraisal and reward and recognition. The theory supports the idea that people will consider the consequences of tasks before taking action. If the positive consequences outweigh the negative, it is more likely that employees will be motivated to perform the task.

Expectancy theory makes several predictions.

1) Greater effort will result in favorable performance.

2) Favorable performance will result in the desired reward, such as an increase in salary or benefits.

3) Employee values the reward and the reward will satisfy an important need.

4) The desire to satisfy that need is strong enough to make the effort worthwhile.

Ambrose and Kulik's (1999) examination of motivational theories found that between the 1960s and 1990s, expectancy theory was widely studied and that today

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researchers have examined most aspects of the construct. According to them, research on expectancy falls into four categories.

1) Expectancy theory used as a general research framework..

2) Direct tests of expectancy theory.

3) Integration of expectancy theory with other theories of motivation.

4) Subjective expected utility theories as a forum for examining decision biases.

2.8.1.3 Self-Efficacy

A mediating factor in motivation theory is self-efficacy. This construct has been associated with intrinsic motivational factors. It refers to how a person views his or her performance of a given task. Studies show that a high sense of self-efficacy motivates a person to perform better. For example, Latham et al. (1994) found that people with high self-efficacy are more likely to set high goals, thereby increasing the likelihood of higher performance.

2.8.2 Relationship Between Employee Motivation and Employee Attrition, Employee Retention, and Employee Performance

The relationship between employee motivation and firm performance, as shown in previous studies, and how they are relevant to this research is explained in Table 2.24.

Table 2.24 Relevant Studies on the Relationship Between Employee Motivation and Employee Attrition, Employee Retention, and Employee Performance

Relationship Between Variables	Dependent Variable	Researcher	Industrial Sector	Abbreviation
EM → EP	EP	Solomon et al. (2012)	Manufacturing	EM = Employee Motivation EP = Employee Productivity

Having reviewed the above relevant studies, this research will now provide further insight into how employee motivation is related to firm performance.

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An internally satisfied, delighted and motivated employee is a productive employee, who contributes to the efficiency and effectiveness of the organization (Matthew et al, 2009). They are responsive to the goals and objectives that need to be achieved, and thus their efforts should be aimed in that direction (Manzoor, 2012).

Solomon et al. (2012) investigated the effectiveness of employee motivation for enhanced organizational performance in multinational companies in Nigeria, especially the manufacturing sector. A survey was done on employees of Cadbury Nig Plc in six key departments. A total of 100 self-administered questionnaires were distributed, 87 of them were returned. Data were collated and analyzed using simple percentages and Pearson's Product Moment Correlation. Findings show a positive correlation between motivation and employee productivity. Senior managers were also advised to adapt continuous improvement in motivational programs as a key ingredient for enhanced employee productivity.

From the above, the following hypotheses are provided:

Hypothesis 18. Employee Motivation affects Employee Attrition
Hypothesis 19. Employee Motivation affects Employee Retention
Hypothesis 20. Employee Motivation affects Employee Performance

2.9 Concept and Theory of HR Flexibility

HR flexibility has been defined by many researchers, as shown in Table 2.25.

Table 2.25 Definitions of HR Flexibility

Researcher	Definitions of HR Flexibility
Eisenhardt and Martin (20000; Teece, Pisano and Shuen (1997); Zollo and Winter (2002)	A dynamic capability of the firm.
Wright et al. (2001); Wright and Snell (1998)	It is focused on adapting employee attributes, for instance knowledge, skills, and behaviors, to changing environmental conditions.

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Table 2.25 (continue)

Researcher	Definitions of HR Flexibility
Wright and Snell (1998)	It is the extent to which employees possess skills and behavioral repertoires that can provide a firm with options to pursue strategic alternatives.

From the above definitions, HR flexibility is a dynamic capability of the firm in a sense that it is focused on adapting employee attributes, for instance knowledge, skills, and behaviors, to changing environmental conditions as well as referred the term to the extent to which employees possess skills and behavioral repertoires that can provide a firm with options to pursue strategic alternatives.

One of the main features of a flexible workforce is employees' ability to accomplish a large number of diverse tasks (Wright and Snell, 1998). Employees with a broad knowledge base contribute more to the organization's competitive advantage as this base generates greater capabilities to develop more efficient means of accomplishing task requirements (Boxall, 1999; Wright et al., 1994). Similarly, the behavior flexibility dimension of HR flexibility encourages employees to improvise and think of new ideas, question and reflect on their actions, and make sense of and generate new understandings from those actions. For example, it allows employees to reduce production and service delivery costs and develop new process innovations that eliminate costly steps or reduce inputs (Youndt and Snell, 2004). Some empirical studies have demonstrated the impact of this type of employee on productivity, customer service and commitment (Kirkman and Rosen, 1999).

2.9.1 Relationship Between HR Flexibility and Employee Attrition, Employee Retention, and Employee Performance

The relationship between HR flexibility and firm performance, as shown in previous studies, and how they are relevant to this research is explained in Table 2.26.

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Table 2.26 Relevant Studies on the Relationship Between HR Flexibility and Employee Attrition, Employee Retention, and Employee Performance

Relationship Between Variables	Dependent Variable	Researcher	Industrial Sector	Abbreviation
HRF → FP	FP	Beltrán-Martín et al. (2008)	Manufacturing and Service	HRF = HR Flexibility FP = Firm Performance

Having reviewed the above relevant studies, this research will now provide further insight into how HR flexibility is related to firm performance.

Several studies have demonstrated that employee functional flexibility, as one of the main components of HR flexibility, significantly affects firm performance. Studies within the framework of human capital theory argue that the pool of skills and abilities that underlies employees' functional flexibility determines their capacity to be responsible for several activities in the organization (Rönnmar, 2004). Employees with a broad knowledge base contribute to the organization's competitive advantage as this base generates greater capabilities to develop more efficient means of accomplishing task requirements (Boxall, 1999; Wright et al., 1994; Bhattacharya, 2000). Some scholars assume that higher functional flexibility leads to more satisfied and motivated employees and thus to higher labor productivity (Cordery et al., 1993) and lower employee turnover (Kelliher and Riley, 2003). Also, employee polyvalence reduces the number of line managers, thus diminishing administrative levels and associated costs (Valverde et al., 2000). Furthermore, employees who show functional flexibility maintain profitable relationships with customers, contributing to satisfying their needs and enhancing their satisfaction (Youndt and Snell, 2004).

In Beltrán-Martín et al. (2008), research was done to examine the impact that High Performance Work Systems (HPWS) have on performance through the firm's human resource (HR) Flexibility. Data were collected from a sample of 226 Spanish firms through the administration of structured questionnaires to the commercial managers in the companies, with 63 per cent of responses coming from the industrial sectors. Regarding organizational size, 49% of the companies were medium sized (100 to 249 employees) and 51% were large companies (250 employees or more).

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Results have confirmed the mediating role of HR Flexibility in the HPWS – performance relationship, meaning there is a link between HR Flexibility and firm performance.

According to the above, the following hypotheses are formed:

Hypothesis 21. HR Flexibility affects Employee Attrition
Hypothesis 22. HR Flexibility affects Employee Retention
Hypothesis 23. HR Flexibility affects Employee Performance

2.10 Relevant Studies

This research is an attempt to explore the causal relationship between HRM practices and firm performance in Thailand's manufacturing industry. The human resource management system model, as mentioned earlier, is based on Barney's (1991) resource-based view of the firm and is a compilation of the variables that individuals bring to the firm, for example, skills and motivation (Askov, 2000) and the firm's human resource processes, such as recruitment, selection, training, reward systems and performance management (Huselid, 1995; Den Hartog and Verburg, 2004), which are used to create and deliver products and services, leading to sustained competitive advantage. This approach is combined with several other studies, such as Veeri and Rouhollah (2011), Beer et al., (1984) and Mudor et al., (2011), by incorporating new variables to form a new conceptual framework. Furthermore, using the approach by Karen and Thomas (2009) to test a model where human resource inputs (e.g. motivation, employee skill) and human resource processes/practices (e.g. training and development; profit sharing) are hypothesized to contribute uniquely and positively to organizational outputs, meaning job performance and firm performance, the findings illustrate a considerable numbers of researchers and managers examining the entire human resource system of an organization when searching for productive leverage points to improve organizational outputs like job and firm performance. Some of these studies that are most relevant in this research are presented below.

Davood Babaei, Aminah Ahmad, Khairuddin Idris, Zoharah Omar and Hamid Rahimian (2012) This study examined the mediation effects of organizational citizenship behaviors on the relationships between selected human resource practices

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and firm performance. The human resource practices studied were reward and performance appraisal practices and firm performance was studied in terms of quality of services. Data were collected from a sample of 179 branches of two banks in Tehran, Iran. The participants in this study included 176 managerial employees, 352 non-managerial employees and 871 customers. To achieve these objectives a mediation model was tested using structural equation modeling procedure to examine if the hypothesized model fit the data.

The following hypotheses are formed, which are that firstly, there is a positive relationship between performance appraisal practices and OCBs. Second, there is a positive relationship between reward practices and OCBs. Third, there is a positive relationship between performance appraisal practices and quality of services. Fourth, there is a positive relationship between reward practices and quality of services. Fifth, OCBs mediate the relationship between performance appraisal practices and quality of services. Lastly, OCBs mediate the relationship between reward practices and quality of services.

The results showed that organizational citizenship behaviors fully mediated the relationships between reward practices and quality of services, and partially mediated the relationships between performance appraisal practices and quality of services. Findings also suggest that human resource practices play a critical role in enhancing employees' organizational citizenship behaviors and firm performance. Furthermore, organizational citizenship behaviors mediate the effects of reward and performance appraisal practices on service quality.

Rohan Singh and Madhumita Mohanty (2012) The paper studied the effects of training on employee productivity. It provided a review of the current evidence of such a relationship and offered suggestions for further investigation. Sample included firms from various sectors, such as the Automobile, Agricultural, Service (Insurance), Financial Services (Credit Banks) and Luxury Items FMCGs (Branded Wall Paints) industries, with a minimum of 1000 employees for the last financial year. Data was then collected from two different sources, which were primary and secondary. The primary data was collected by using the questionnaire containing the 5-point scale. The secondary data concerned the Net Sales and Number of employees from various organizations or companies that were collected from Capitaline Plus Database. The database provided fundamental and market data on more than 20,000 Indian listed and

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unlisted companies, classified under more than 300 industries. An extensive review of the literature in terms of research findings from studies that have been trying to measure and understand the impact that individual HR practices like training have on employee productivity across various sectors. The focal point of this review is on training practices and employee productivity, and their relationship. In conclusion, researchers said that taken as a whole, the findings were varied. Some studies had found a positive association, some negative and some no association whatsoever.

The overall findings of the study can be divided into four parts. Firstly, the basic industries like Automobile and Agricultural (which is having a developed and mature market, and whose consumption pattern shows the vibrancy in the economy) have high degree of relationship between training and productivity. Higher the training in these companies higher will be the productivity. Second, the risky businesses like Credit banks which falls in the category of high profit high risk business, the training plays a small part in the productivity of the employees i.e., the extent of relationship between these two is very low as compared to other basic manufacturing industries. Market forces like recovery of loans, liquidity available in the market, how prudently the customer of the services used the credit money play more crucial role in the productivity. Third, for luxury items like branded wall paints, the productivity largely depends upon the economic indicators like rise in the middle and upper class income, their expenditure pattern, disposable income and consumption pattern of the society. The training has a very limited role to play in these kinds of industries. Lastly, in case of service industry like insurance companies, employees consist of both direct and indirect employees like agents. Though training practices in this sector were found to be very organized and constructive but due to its diverse employees the effect was low.

Oluyinka Solomon, Noor Hazarina Hashim, Zohreh B.T. Mehdi and Musibau Akintunde Ajagbe (2012) This study looked into the effectiveness of employee motivation for enhanced organizational performance in multinational companies in Nigeria, especially the manufacturing sector. A survey of personnel of Cadbury Nig Plc was undertaken. A total of 100 self-administered questionnaires were distributed while 87 of them were returned. The data collated and analyzed using simple percentages and Pearson's Product Moment Correlation.

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The findings showed provision of adequate motivation by Cadbury Nigeria Plc and improvement in employee productivity and, a positive correlation between employee productivity.

C. Swarnalatha and G. Sureshkrishna (2012) This paper examined the management practices by introducing employee empowerment, teamwork, employee compensation, management leadership into a research model for studying employee job satisfaction among the employees of automotive industries in India. The research was conducted among 234 employees of automotive industries in India. Data were gathered in the form of a questionnaire and were distributed and collected in the given units by one of its employees, who were commended to support this study.

Hypotheses are that, firstly, there is a significant relationship between employee empowerment and job satisfaction. Second, there is a significant relationship between teamwork and job satisfaction. Third, there is a significant relationship between employee compensation and job satisfaction. Fourth, there is a significant relationship between management leadership and job satisfaction.

Results of this study show that the job satisfaction level of employees is medium and the top management leadership need to take attention of enhancing the employee job satisfaction level. The result also shows that there is a significant relationship was approved between 1) employee empowerment, 2) teamwork, 3) employee compensation and 4) management leadership.

Marwan Al-Nsour (2011) This study determined the level of participation of employees in strategic decision-making and its relationship to motivation towards working in the Jordanian banking industry. The study sample consisted of (167) employers and an employee, the study relied on descriptive method of analysis to achieve their goals, and developed a questionnaire to measure the variables of the study, the significance of validity and reliability was acceptable.

The study results show that the degree of participation of employees in strategic decision-making in the Jordanian banking industry is moderate. The level of motivation of employees in the Jordanian banking industry about the work is high, and the existence of the relationship with a statistically significant correlation between the participation of employees in strategic decision-making and motivation towards working in the Jordanian banking industry.

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Morad Rezaei Dizgah, Mehrdad Goudarzvand Chegini, Farzin Farahbod and Sajjad Salehi Kordabadi (2011) This research studied the relationship between empowerment and effectiveness in the executive organizations Guilan. Data had been collected among 88 manufacturing companies in Guilan province under 100 personnel.

Results of this study show that there is a relationship among employee empowerment and organizational effectiveness in the Guilan executive organizations and, due to positive correlation coefficients, it is a direct relationship, meaning as empowerment increases, so does organizational efficiency. Furthermore, it shows that between competence, trust, impact, choice, meaningful jobs and competency with organizational effectiveness, there is a direct and significant relationship. This means with increment of each of the variables, organizational effectiveness will increase.

Intan Osman, Theresa C.F. Ho and Maria Carmen Galang (2011) This paper explored the extent of implementation of HR practices among companies in Malaysia and to establish a relationship between HR practices and firms' performance. Sample included eight hundred organizations from different industry sectors that were contacted and asked to participate in a survey. These organizations were selected from the 2007 Directory of the Federation of Malaysian Manufacturers, and a listing of HR attendees from two HR consultation and training firms. The two HR consulting firms were HR Consulting Sdn. Bhd. and Prima Creation Consultants Sdn. Bhd. They provided the researchers with a list of companies from the Central and Northern Malaysian. The questionnaire was distributed and then collected either online, by mail or administered personally, and when researchers attended HR workshops. The response rate was 27.1 percent, meaning that 217 questionnaires were collected in this study.

Findings have shown that HR practices have an impact of nearly 50 percent on firm performance. Regression analysis shows the three main HR practices that seem to have the highest influence on organizational performance are employee relations and communication, career planning, and job/work design.

Dr. Padmakumar Ram and Dr. Gantasala V. Prabhakar (2011) In this study, researchers investigated the antecedents and consequences of employee engagement in the Jordanian Industry. A snowball sample of 310 respondents was interviewed

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using the research instrument in the Jordanian Industry. The sample comprised of employees from different levels of management.

The following hypotheses are developed. Firstly, job characteristics will be positively related to employee engagement. Second, intrinsic and extrinsic rewards will be positively related to employee engagement. Third, perceived organizational support (POS) will be positively related to employee engagement. Fourth, perceived supervisor support (PSS) will positively related to employee engagement. Fifth, perceptions of procedural justice will be positively related to employee engagement. Sixth, perceptions of distributive justice will be positively related employee engagement. Seventh, employee engagement will be positively related to (a) job satisfaction, (b) job involvement (c) organizational citizenship behavior, and negatively related to (d) Retention. Eighth, employee engagement will mediate the relationship between the antecedents and the consequences.

Results confirm the relationship between Employee Engagement and Perceived Organizational Support. The effect of Job Characteristics, Intrinsic and Extrinsic Rewards, Perceived Supervisor Support, Perceptions of Procedural Justice, Perceptions of Distributive Justice on Employee Engagement is also confirmed.

Mir Mohammed Nurul Absar, Mohammad Tahlil Azim, Nimalathasan Balasundaram, Sadia Akhter (2010) This study explored the impact of HR practices on job satisfaction in the context of Bangladesh. A total of 60 responses from 20 manufacturing firms were collected and analyzed objectively.

The following hypotheses have been developed, which are firstly, HR practices have significant association with job satisfaction. Second, HR practices have significant impact on job satisfaction. Third, HR planning positively influences job satisfaction. Fourth, recruitment and selection positively influences job satisfaction. Fifth, training and development positively influences job satisfaction. Sixth, performance appraisal positively influences job satisfaction. Seventh, compensation positively influences job satisfaction. Eighth, industrial relations positively influence job satisfaction.

Results show that HR practices have significant association with job satisfaction. In addition, human resource planning, and training and development were found to have positive impact on job satisfaction. It was also found that training and development has the greatest impact on job satisfaction.

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Giri Raj Dhiman and R P Mohanty (2010) Study examined the relationship between Human Resource Management (HRM) practices, attitudinal outcomes and turnover intent in oil and gas exploration and production sector in India. Survey was done via a questionnaire that was sent to employees of oil and gas exploration and production companies. Employees came from all levels starting from unionized category to the level of General Manager/Vice-President. Out of a total sample of 1,230, only 450 questionnaires were returned, representing a response rate of 36.6%, which was considered satisfactory, according to the acceptable standards (Datta et al, 2005). Out of these 450 responses, only 418 were found usable for the study. The remaining 32 responses were incomplete, as the majority of the items in these questionnaires were not answered.

The following hypotheses are developed, which are that firstly, there is a positive relationship between HRM practices, affective organizational commitment and employee satisfaction. Second, turnover intent has a negative relationship with HRM practices, affective organizational commitment and employee satisfaction. Third, affective organizational commitment and employee satisfaction mediate the relationship between HRM practices and turnover intent.

Results indicate that significant relationship exists between HRM practices, affective organizational commitment, employee satisfaction and turnover intent. All HRM practices and attitudinal outcomes have significant negative relationship with turnover intent. Lastly, it establishes that affective commitment and employee satisfaction partially mediate the relationship between HRM practices and turnover intent.

Yaping Gong, Song Chang and Siu-Yin Cheung (2010) In this study, researchers developed a collective social exchange approach to collective OCB. Data were obtained from the middle management group level and HR within 454 firms in China, some of which were in the manufacturing sector. Participants were assured that their participation was voluntary and the responses would be anonymous and confidential. Separate return envelopes with prepaid postage were provided for the managers to return completed surveys to the researcher's local contacts. A unique code was assigned to each firm for matching surveys from the same firm. As a result of matching, the researchers were able to obtain complete responses to all study variables from 454 firms. No incentive was provided for the participating firms.

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Researchers were able to obtain good response rates mainly through their contacts' connections with the participants. Researchers hypothesized that a high performance work system (HPWS) is positively related to collective OCB through collective affective commitment (AC). They also obtained data on HPWS, collective AC and collective OCB, all at the middle management group level, from 454 firms in China. Empirical results support the hypotheses.

George Halkos and Dimitrios Bousinakis (2010) This study investigated the effects of stress and job satisfaction on the functioning of a company. It tried to focus on factors affecting stress and job satisfaction such as number of work hours, good relations between management and employees, good function of the group and work related to employees' area of education. A random sample of 425 employees in the private and public sector and two stage cluster sampling was first used to collect primary data. Factor analysis was used next to identify the responsible factors for the correlation among a large number of qualitative and quantitative variables and their influence on productivity. Logistic regression was used next presenting many useful elements concerning the function of stress, satisfaction and supportive elements on productivity.

As expected, increased stress leads to reduced productivity and increased satisfaction leads to increased productivity. When work begins to overlap with workers' personal life this implies a negative effect on productivity. Quality work is more related to conscientiousness and personal satisfaction than work load. Energetic and active individuals affect productivity positively. The paper presents a number of qualitative variables as factors representing stress and satisfaction. This is achieved using factor analysis. Next logistic regression offers the odds ratio and the corresponding probability of the effect on productivity after a change in stress and satisfaction. The empirical analysis completes the existing literature contrasting different theoretical sets of predictor variables and examining their effect on productivity. Additionally, in the study the states of stress and job satisfaction are the result of the interaction of the environment's demands with the personal characteristics.

Sarah M.K.N. Mwanje (2010) The objectives of this study were to assess career advancement after training, identify constraints to career advancement, assess the

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level of motivation among trained personnel, establish strategies to minimize constraints to career advancement and assess the effect of career advancement on motivation. The study employed a case study research design where information was solicited mainly through the use of self-administered questionnaires and face-to-face interview guides. Respondents for the self-administered questionnaires were picked through stratified sampling. From each stratum or group, a random sample was selected. Purposive sampling was employed for key informants who were subjected to face-to-face interviews. Data analysis was done using percentages.

The study revealed that among other things, low chances of promotion after training seem to point to the irrelevance of training to promotion. A marked lack of opportunities regarding career paths was revealed. The study revealed that although Bank of Uganda recognized skills and accomplishments after training, staff at levels do not benefit from career advancement after training. It was revealed, through the study, that the inflexible organizational structure, poor policies on promotion, favoritism and irrelevant training are responsible for the lack of career advancement after training. The study identified setting clear and transparent policies on promotion and free and fair competition for promotion as a few of the strategies that could minimize constraints to career advancement. The study also revealed that career advancement has a highly significant effect on motivation.

P.B. Nxumalo (2010) The purpose of the research was to investigate how employee involvement could be used as a tool and a path towards raising levels of engagement within actively disengaged employees at Ngwane Mills. It sought to find out how Ngwane Mills can improve on employee engagement through improved communication and employee involvement. A qualitative method was used. Information was gathered from a literature review from within the human resources and finance departments. The data was collected and administered by means of an issue focused questionnaire based on the Business Culture and Climate Survey of 10 middle managers and 20 supervisors responsible for the day-to-day management in all the different departments. The study was confined to the middle managers and supervisors of the company because it was cited in the survey results of 2009 as an actively disengaged group within the company.

The first aim is to investigate whether there are existing communication and involvement strategies put in place by the company and whether there are deemed

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satisfactory or effective by the middle managers and supervisors. Secondly, it investigates the relationship between management and the middle managers and supervisors as perceived by the latter.

Once data had been analyzed through the use of descriptive statistics, the results have shown that employee involvement do have a major impact on engagement. It has also been suggested that the leadership of Ngwane Mills should make efforts to improve on communication and to give priority to employee development.

Muhammad Imran Qureshi, Khalid Zaman and Dr. Iqtidar Ali Shah (2010) This study empirically examined the relationship between rewards and employee's performance in cement industry in the Khyber Pakhtoonkhawa Province (KPK) of Pakistan. The study was based on primary data collected from one hundred and forty employees of various cement industry in Pakistan. A self-designed questionnaire was used for data collection. The data was analyzed using the techniques of rank correlation coefficient and multiple regression analysis. All the findings were tested at 0.01 and 0.05 level of significance.

The following hypotheses are being tested. Firstly, there is a direct relationship between extrinsic rewards and employees' performance. Furthermore, there is a direct relationship between intrinsic rewards and employees' performance. Second, there is a direct relationship between performance bonus and the employees' performance. Third, there is a direct relationship between social recognition and employees' performance. Fourth, employees' performance can be increased through proper job description, proper work environment and gender discrimination.

The results suggest that there is a direct relationship between extrinsic rewards, intrinsic rewards and the employees' performance. There is also a direct relationship between performance bonus and the employees' performance. There is a moderating effect of employee recognition techniques on performance. Lastly, job description has a positive effect on employee performance while increasing gender discrimination has a negative impact on employee performance.

Muhammed zia Ur Rehman, Muhammad Riaz Khan, Ziauddin and Javed Ali Lashari (2010) This study explored the relationship between work rewards and job satisfaction with moderating effect of age differences. It was an empirical study and a

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sample of 84 full time employees of FESCO (Faisalabad Electric Supply Company, Pakistan) was taken.

Hypotheses are that, firstly, work rewards are positively related with job satisfaction. Second, age difference moderates the relationship between work rewards and job satisfaction.

Results have shown that job rewards proved to be strong determinant of job satisfaction. Job satisfaction is more related to extrinsic rewards for employees than intrinsic rewards. Lastly, the age differences have a moderating effect on job satisfaction as it increases with rise in age.

Starrin Shafer (2010) The study was a qualitative multi-case study and utilized within-case and cross-case analysis. Participants were leaders who had attended an engagement professional development training program and their employees. Leaders shared their reactions and learnings related to the training program including how they applied the concepts and activities learned in the program. The leaders' employees shared their experiences of the leaders' application of different activities and behaviors in the workplace. The data were collected by observations, interviews, company documents, artifacts, and other archival records. The data were analyzed utilizing a six step data analyses process. Each case was analyzed individually prior to the completion of a cross-case analysis.

The overall findings show that there is a positive relationship between the professional development training program and employee engagement.

Zaini Abdullah, Nilufar Ahsan and Syed Shah Alam (2009) The aim of this study was to identify commonly HRM practices effect on Malaysian private companies' performance.

The following hypotheses were developed. Firstly, there is a significant relationship between the training and development and business performance. Second, there is a significant relationship between teamwork and business performance. Third, there is a significant relationship between compensation/incentives and business performance. Fourth, there is a significant relationship between HR planning and business performance. Fifth, there is a significant relationship between performance appraisal and business performance. Sixth, there is a significant relationship between employee security and business performance.

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Results have shown support for the four HRM practices that are found to be correlated with the business performance based on responses from 153 managers from Selangor based private firms in Malaysia. Regression results also showed that training and development, team work, compensation/incentives, HR planning, performance appraisal, and employees security have positive and significant influence on business performance with the exception for compensation/incentives and employees security.

Reena Ali and M. Shakil Ahmed (2009) This study highlighted "the impact of reward and recognition programs on employee's motivation and satisfaction". The study was conducted from October till December; 2008 the sample chosen for the study is 80 employees of UNILEVER companies.

According to the results, the factors affecting satisfaction were identified; payment (0.86**), promotion (0.74**), working condition (0.61**), personal (0.37*) as analysis showed immense support for positive relationship between reward and employee satisfaction. All these results are statistically significant thus providing rigor and generalizability in research. This exploratory study suggests for the positive relationship between reward and satisfaction.

Karen L. Ferguson and Thomas G. Reio Jr (2009) The purpose of this study was to test a model where human resource inputs (e.g. motivation, employee skill) and human resource processes/practices (e.g. training and development; profit sharing) were hypothesized to contribute uniquely and positively to organizational outputs, i.e. job performance and firm performance. This was a cross-sectional study, consisting of 350 business professionals (91 percent managers; 9 percent consultants) from a midwestern US professional organization who took a battery of survey measures via the internet. After statistically controlling for the background variables (organizational type, size and status), the hierarchical regression analyses demonstrated that both the human resource inputs and process/practice variables explained statistically significant variance in each of the nine regression models. The effect size in each model was medium to large. The findings illustrate the considerable utility of researchers and managers examining the entire human resource system of an organization when searching for productive leverage points to improve organizational outputs like job and firm performance.

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The following hypotheses are formed, which are that firstly, human resource inputs (skills and motivation) are positively related to job performance and firm performance. Second, human resource processes (e.g., employee selection, financial reward, and performance evaluation) are positively related to job performance and firm performance, and third, controlling for firm type, size, and union status, human resource inputs and processes and job performance have a positive influence on firm performance.

The results suggest that both the employee skill and motivation facets of human resource inputs were positively correlated with job performance and firm performance. Human resource managers can also have a positive influence on firm performance through implementing and supporting organizational policies and procedures that serve to positively motivate workers (e.g. reasonable incentive compensation and rewards, fair grievance procedures, and performance management), and learning and development activities that stimulate optimal task and contextual job performance. From the regression model summaries for the dependent variables, the overall models suggest that organizations employing more extrinsic motivation inputs, implementing organizational and financial practices aligned with the organization's overall performance, and possessing higher levels of task and contextual performance are more likely to enjoy higher levels of firm performance. Organizational type was the only statistically significant background variable.

Vidya Gawali (2009) This article reported the effectiveness of employee cross-training as a motivational technique compared to other motivational factors like performance based compensation, working environment, leadership, perks and perquisites. For this purpose a survey was conducted on 100 executives and managers from 20 different companies.

The results revealed that cross training substantially prevents turnover.

May-Chiun Lo, Abang Azlan Mohamad and Maw King La (2009) Drawing upon resource based theory which explained human capital as the key resource for the firms' development, this paper hypothesized that the human resource management (HRM) was anchored on firm performance. HRM were conceptualized as 4- and unidimensional constructs, respectively. The main thrust of the paper was to assess

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the impact of HRM on firm performance. The research used a sample of 85 firms surveyed in Sarawak, Malaysia.

The following hypotheses were developed, which was that firstly, employee training will be positively correlated to firms' performance. Second, the more emphasis on employees' incentives, the higher the possibility for better firm performance. Third, information technology will be positively correlated to firms' performance. Fourth, performance appraisal will be positively correlated to firms' performance.

The findings suggested that incentives and information technology are positively related the firms' performance. They also found employee training and performance appraisal did not correlate with better firm performance.

Inmaculada Beltrán-Martín, Vicente Roca-Puig, Ana Escrig-Tena and Juan Carlos Bou-Llusar (2008) Much of the human resource management literature has demonstrated the impact of high performance work systems (HPWS) on organizational performance. A new generation of studies is emerging in this literature that recommends the inclusion of mediating variables between HPWS and organizational performance. The increasing rate of dynamism in competitive environments suggests that measures of employee adaptability should be included as a mechanism that may explain the relevance of HPWS to firm competitiveness. Data were collected from a sample of 226 Spanish firms through the administration of structured questionnaires to the commercial managers in the companies, with 63 per cent of responses coming from the industrial sectors. Regarding organizational size, 49% of the companies were medium sized (100 to 249 employees) and 51% were large companies (250 employees or more).

The following hypotheses were developed. Firstly, HPWS will have a positive effect on organizational performance. Second, HR flexibility will mediate the relationship between HPWS and organizational performance.

The study results confirm that HPWS have a positive influence on firm performance. They also confirm that HPWS influences performance through its impact on the firm's human resource (HR) flexibility.

Jonathon R.B. Halbesleben and Anthony R. Wheeler (2008) Both work engagement and job embeddedness have seen dramatic growth in research interest

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over the past few years. Briefly, work engagement can be defined as a positive, fulfilling state of mind, most commonly characterized by vigour, dedication, and absorption. Job embeddedness, in contrast, captures components of an individual's attachment to their job and can be said to consist of links, perceptions of personenvironment fit, and the sacrifices involved in quitting. Despite some strong similarity in the constructs in their theoretical bases, there has been no attempt to distinguish them empirically. Thus, the primary research question driving this study was whether work engagement and job embeddedness were empirically distinct constructs. Study involved a sample of US employees from a wide variety of industries and occupations (n=587), their supervisors, and their closest co-worker. Confirmatory factor analysis and usefulness analysis were also used.

Thus, the following hypotheses were developed. Firstly, work engagement and job embeddedness represent empirically distinct constructs. Second, both embeddedness and engagement will be associated with, and share unique variance with, job performance (rated by participant, supervisor, and coworker). Third, both embeddedness and engagement will be negatively associated with, and share unique variance with, intention to leave.

The results were that engagement and embeddedness were unique constructs.

Moreover, researchers found that engagement and embeddedness each shared unique variance with in-role performance and intention to leave.

Ruwan Abeysekera (2007) This study empirically evaluated six Human Resource (HR) practices (realistic job information, job analysis, work family balance, career development, compensation and supervisor support) and their likely impact on the Marketing Executive Intention to Leave (MEIL) in the Sri Lankan leasing companies. The sample consisted of hundred marketing executives working for 10 different leasing companies in Sri Lanka. The data were gathered by administering questionnaires.

The following hypothesis was developed, which is that realistic job information, job analysis, work family balance, career development, compensation and supervisor support are negatively correlated with Marketing Executive Intention to Leave (MEIL).

The results showed that job analysis, career development, compensation, realistic job information variables were negatively and significantly correlated with

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MEIL. The work family balance was not negatively correlated with MEIL. Results of regressing the HR practices on MEIL showed that compensation and job analysis are strong predictors of MEIL.

Komal Khalid Bhatti and Tahir Masood Qureshi (2007) The main intention of this study was to find out relationship among employee participation, job satisfaction, employee productivity and employee commitment. 34 organizations from Oil and Gas, Banking and Telecommunication sectors were contacted, of which 15 responded back.

The following hypotheses are formed, which are that firstly, employee participation has direct positive effect on job satisfaction. Second, employee participation has direct positive effect on employee productivity. Third, employee participation has positive effect on employee commitment.

Findings for the study show that employee participation is not the only important determinant of job satisfaction components. In addition, increasing employee participation will have a positive effect on employee's job satisfaction, employee commitment and employee productivity.

Lila Lenoria Carden (2007) The purpose of this study was to test a career development model examining the path of relationships amongst autonomy/prestige, career path, training and learning, job satisfaction, career commitment, and performance for moderately defined career professionals. Based on a systematic categorization of careers, from well-defined to less well defined, project managers were determined to have moderately defined careers. The researcher employed a survey resulting in 644 project manager respondents. Path analysis was effectuated as a modeling technique to determine whether there was a pattern of intercorrelations among variables.

A career development model framing the relationship between project managers' perceptions of their career paths on their respective performance was explored. The direct path relationships included: (a) frequency of participation in training and learning activities was negatively related to performance, (b) career path was positively related to performance, (c) autonomy/prestige was positively related to performance, and (d) career commitment was negatively related to performance. The indirect path relationships included (a) autonomy/prestige was mediated by career

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commitment and performance; (b) the connection between career path and performance was mediated by frequency of participation in training and learning (c) career path to performance, was mediated by job satisfaction and career commitment, and (d) career path to performance was mediated by job satisfaction, career commitment, and autonomy/prestige.

Findings supported the tested model and contributed to increased understanding regarding the importance of career paths to individual job satisfaction, career commitment, and performance.

Steven H. Appelbaum, Jacques Adam, Nadeem Javeri, Michel Lessard, Jean-Pascal Lion, Michel Simard and Silvana Sorbo (2005) The authors conducted a survey to measure employee satisfaction and to determine the correlation between employee satisfaction and productivity. Interviews were conducted within the company. Sample consisted of 19 of the 26 employees from the production crew. For management, 16 out of 21 employees including supervisors (foreman and assistant-supervisors), managers responsible for production and maintenance, and the support engineers.

The following hypotheses are formed, which are that firstly, low productivity is a direct result of low job satisfaction and low motivation. Second, low productivity is a direct result of poor communication between management, supervisory and employee levels and its vertically integrated management. Third, low productivity is a direct result of poor corporate citizenship and low attachment to the organization. Fourth, low productivity is a direct result of undefined new corporate culture and isolation of the Montreal plant from the European head office.

The study found a correlation between average job satisfaction, low motivation and the resulting low productivity. A direct correlation was also found between low productivity and poor communication between management, supervisors and employees. Evidence was found for declining corporate citizenship from plant employees and low attachment to the organization for the supervisors, since this effects productivity. No evidence, however, was found that the acquisition by a French corporation and the isolation from the head office have an impact on productivity. Lastly, the existing secretive, reactionary corporate culture does affect negatively productivity at the plant.

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Yao-Sheng Liao (2005) Purpose of study was to illuminate how the alignment of HRM control and business strategy affects firm performance. Empirical data were collected from computer and peripheral equipment industries via questionnaire. The measures included business strategy, HRM control, and performance. The major analytical technique used in this study was moderated hierarchical regression analysis. The value of any approach to HRM control can be augmented or diminished by simultaneously matching the HRM to the type of business strategy adopted by firms. It is unknown how the selection of industries and geographical areas would affect this study's findings. Firms should use an appropriate combination of HRM control systems aligned with their strategic goals in order to improve business performance. This paper identified the match between HRM control and business strategy and offers practical help to a firm when they are used in combination effectively.

The following hypotheses are formed, which are that firstly, HRM based on behavior control is positively related to performance for firms emphasizing cost-reduction as business strategy. Second, HRM based on input control is positively related to performance for firms emphasizing innovation as business strategy. Third, HRM based on output control is positively related to performance for firms emphasizing quality-enhancement as business strategy.

Results show that when firms use cost-reduction strategy as business-level strategy and behavior control based HRM methods, performance can be facilitated. In contrast, when firms adopt cost-reduction strategy with the emphasis on input control as HRM approach, performance tends to suffer. Furthermore, when a firm emphasizes innovation strategy, the use of input control will make performance better. In contrast, when behavior control is emphasized, the use of innovation strategy will make the firm performance suffer.

Steve Bradley, Alina Petrescu and Rob Simmons (2004) This study investigated the relationship between Human Resource Management (HRM) practices and workers' overall job satisfaction and their satisfaction with pay. To investigate these issues the researchers used British data from the 'Changing Employment Relationships, Employment Contracts and the Future of Work Survey' and the 'Workplace Employment Relations Survey'. After controlling for personal, job and firm characteristics, it was shown that several HRM practices raise workers overall job satisfaction and their satisfaction with pay, but these effects are only significant

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for non-union members. Satisfaction with pay is higher where performance-related pay and seniority-based reward systems are in place. A pay structure that is perceived to be unequal is associated with a substantial reduction in both non-union members' overall job satisfaction and their satisfaction with pay. Although HRM practices can raise worker job satisfaction, if workplace pay inequality widens as a consequence then non-union members may experience reduced job satisfaction.

Deanne N. Den Hartog and Robert M. Verburg (2004) The HRM literature emphasizes the importance of people in enhancing firm performance or even creating competitive advantage. This study provided further evidence on the link between so-called high performance work systems and firm performance and related these to organizational culture. In total, 175 organizations from different sectors in the Netherlands participated. Senior HR managers were questioned on HRM practices and chief executives on organizational culture. Three different groups of personnel were distinguished in the measures: core employees, managers and specialist professional staff. One high performance work system could be distinguished, consisting of a combination of practices with an emphasis on employee development, strict selection and providing an overarching goal or direction.

Results of regression analyses controlling for sector, firm size and age show a significant impact of this system on several performance outcomes (perceived economic outcomes, beyond contract and absenteeism), as well as positive relationships with three organizational culture orientations. Practices that are not part of this combination also show some positive (but limited) links with culture and outcomes.

Jeongkoo Yoon (2001) Built on the empowerment literature, this study developed and tested two hypotheses: the structural-approach and the motivation-approach hypothesis. The structural-approach hypothesis predicts that the structural opportunities and constraints embedded in jobs and organizations are the main factors explaining empowerment outcomes (e.g., proactivity and fatigue). In contrast, the motivational-approach hypothesis predicted that one of the key motivational constructs in the psychological literature, self-efficacy, mediates the structural effects of organizations and jobs to empowerment outcomes. The two hypotheses in this study were tested with a sample drawn from two large organizations in Korea.

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Overall, the motivational hypothesis received more support in explaining proactive behavior. With few exceptions, most direct effects of the structural conditions on proactive behavior are mediated by the employees' self-efficacy. In support of the structural approach, however, some direct effects of structural conditions decreased the level of fatigue more than the indirect effects through self-efficacy.

Jack Williams Cushman (2000) The purpose of this exploratory study was to investigate the effects of the construct of empowerment and the moderating effect of organizational citizenship behaviors on personal hygiene practices of entry-level student food service workers employed in an on-site university food service system. Empowerment, personal hygiene practices, and demographic data were self-reported by subjects employed in three Midwestern on-site food service facilities at the same university. Supervisors reported organizational citizenship behaviors scores for each subject. An instrument to measure personal hygiene practices was developed, validated, pilot tested, and tested for reliability.

Hypotheses are that, firstly, there is a positive relationship between select empowerment factors and personal hygiene practices. Second, there is a positive relationship between empowerment and organizational citizenship behaviors factors. Third, organizational citizenship behaviors had a moderating effect on the relationship between empowerment and personal hygiene practices.

Overall, results of the study supported the hypothesis that there is a positive relationship between select empowerment factors and personal hygiene practices. Correlations were found between personal hygiene practices and the empowerment factors of meaningfulness ($r=.174$; $p=.015$), competence ($r=.196$; $p=.005$), and impact ($r=.146$; $p=.042$). Support was also found for a positive relationship between empowerment and organizational citizenship behaviors factors. The aggregate correlations between these two constructs were found to be positive and significant ($r=.215$; $p=.003$). The results did not support the hypothesis that organizational citizenship behaviors had a moderating effect on the relationship between empowerment and personal hygiene practices.

Peter Cappelli and Nikolai Rogovsky (1998) Using data from surveys of employees and their supervisors in eight companies in 1992, the authors examined

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how each of two forms of employee involvement affected an important dimension of individual performance, organizational citizenship behavior (OCB), defined as individual discretionary behavior that promotes the organization and is not explicitly rewarded. A survey was done on employees and supervisors in eight companies concerning public utilities in 1992 in the US. A total of 561 responses from employees were collected, 512 of which were usable for the purpose of analysis, and 342 of these responses were available to match list-wise with the responses of 91 supervisors.

Results showed that involvement in work organization increased OCB both indirectly, by changing the job characteristics of individual tasks, and directly, independent of such changes. In contrast, involvement in decisions governing employment practices had only small indirect effects on OCB and no direct effect. These results inform the contemporary debate in labor law concerning the appropriate scope for employee involvement plans as well as the debate about the mechanism through which new production systems affect employee performance.

Casey Ichniowski, Kathryn Shaw, and Giovanna Prennushi (1997) Study investigated the productivity effects of innovative employment practices using data from a sample of 36 homogeneous steel production lines owned by 17 companies. The productivity regressions demonstrated that lines using a set of innovative work practices, which include incentive pay, teams, flexible job assignments, employment security, and training, achieved substantially higher levels of productivity than do lines with the more traditional approach, which included narrow job definitions, strict work rules, and hourly pay with close supervision.

Study results are consistent with recent theoretical models which stress the importance of complementarities among work practices. For example, production lines will achieve a much higher level of productivity if training is complemented with other work practices.

Rajiv D. Banker, Joy M. Field, Roger G. Schroeder and Kingshuk K. Sinha (1996) This was a longitudinal field study examining the impact of work teams on manufacturing performance. An electromechanical assembly plant was the authors' research site from April 1992 through December 1993; work teams were formed on its four production lines in August 1992.

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Results show that both quality and labor productivity improved over time after the formation of the teams. Researchers offer qualitative insights into the functioning of these teams and their evolution over time, leading to workplace transformation.

Mark A. Huselid (1995) This study comprehensively evaluated the links between systems of High Performance Work Practices and firm performance. Sample was drawn from Compact Disclosure, a database containing comprehensive financial information from 10-K reports on nearly 12,000 publicly held US firms. Firms were included in the sample if they had more than a hundred employees and excluded if they were foreign-owned, holding companies, or publicly held divisions or business units of larger firms. These criteria yielded 3,452 firms representing all major industries. Firm-level data on High Performance Work Practices were collected with a questionnaire mailed to the senior human resources professional in each firm.

The hypotheses are that, firstly, systems of High Performance Work Practices will diminish employee turnover and increase productivity and corporate financial performance. Furthermore, employee turnover and productivity will mediate the relationship between systems of High Performance Work Practices and corporate financial performance. Second, complementarities or synergies among High Performance Work Practices will diminish employee turnover and increase productivity and corporate financial performance. Third, alignment of a firm's system of High Performance Work Practices with its competitive strategy will diminish employee turnover and increase productivity and corporate financial performance.

Results are based on a national sample of nearly one thousand firms, which indicate that these practices have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance. Also, support for predictions that the impact of High Performance Work Practices on firm performance is in part contingent on their interrelationships and links with competitive strategy was limited.

Jeffrey B. Arthur (1994) Using an empirical taxonomy identifying two types of human resource systems, "control" and "commitment", this study tested the strategic human resource proposition that specific combinations of policies and practices are useful in predicting differences in performance and turnover across steel

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"minimills". Questionnaires were sent to human resource managers in 30 US steel mini-mills. Data were gathered between November 1988 and March 1989.

The following hypotheses are developed, which are firstly, plants with commitment human resource systems will have better manufacturing performance than plants with control human resource systems. Second, turnover will be higher in control human resource systems than in commitment human resource systems. Third, there will be a stronger negative relationship between turnover level and manufacturing performance in commitment human resource systems than in control human resource systems.

Results have shown that the mills with commitment systems had higher productivity, lower scrap rates, and lower employee turnover than those with control systems. Turnover was over twice as high in control human resource systems than in commitment human resource systems. There are also significant, positive correlations between turnover and both labor hours and scrap rate for minimills with commitment systems. As manufacturing performance gets worse, the higher the turnover. For mills with control systems, the correlations are negative and insignificant. Lastly, human resource system moderated the relationship between turnover and manufacturing performance.

2.11 Conceptual Framework and Analysis of Relationship between the Variables

Researcher was able to analyze and synthesize the effect of variables after reviewing the literatures. The following models and conceptual model were shaped through these variables, as follows:

HRM Practices, as the exogenous variable, are represented by five factors, which are Employee Participation, Compensation and Benefits and Reward System, Career Planning System, Training and Development and Employee Empowerment.

Human Resources Intervening, as the exogenous variable of mediating variable, consists of five comprehensive observed variables, which are Organizational Citizenship Behaviors, Job Satisfaction, Employee Engagement, Employee Motivation and HR Flexibility.

The endogenous Dependent variable consists of three observed variables, which are Employee Attrition, Employee Retention and Employee Performance.

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All these variables were extracted from the review of academic literatures. Furthermore, the linkages between the variables were developed based on the theoretical framework. Figure 2.2 presents the theoretical model for this study.

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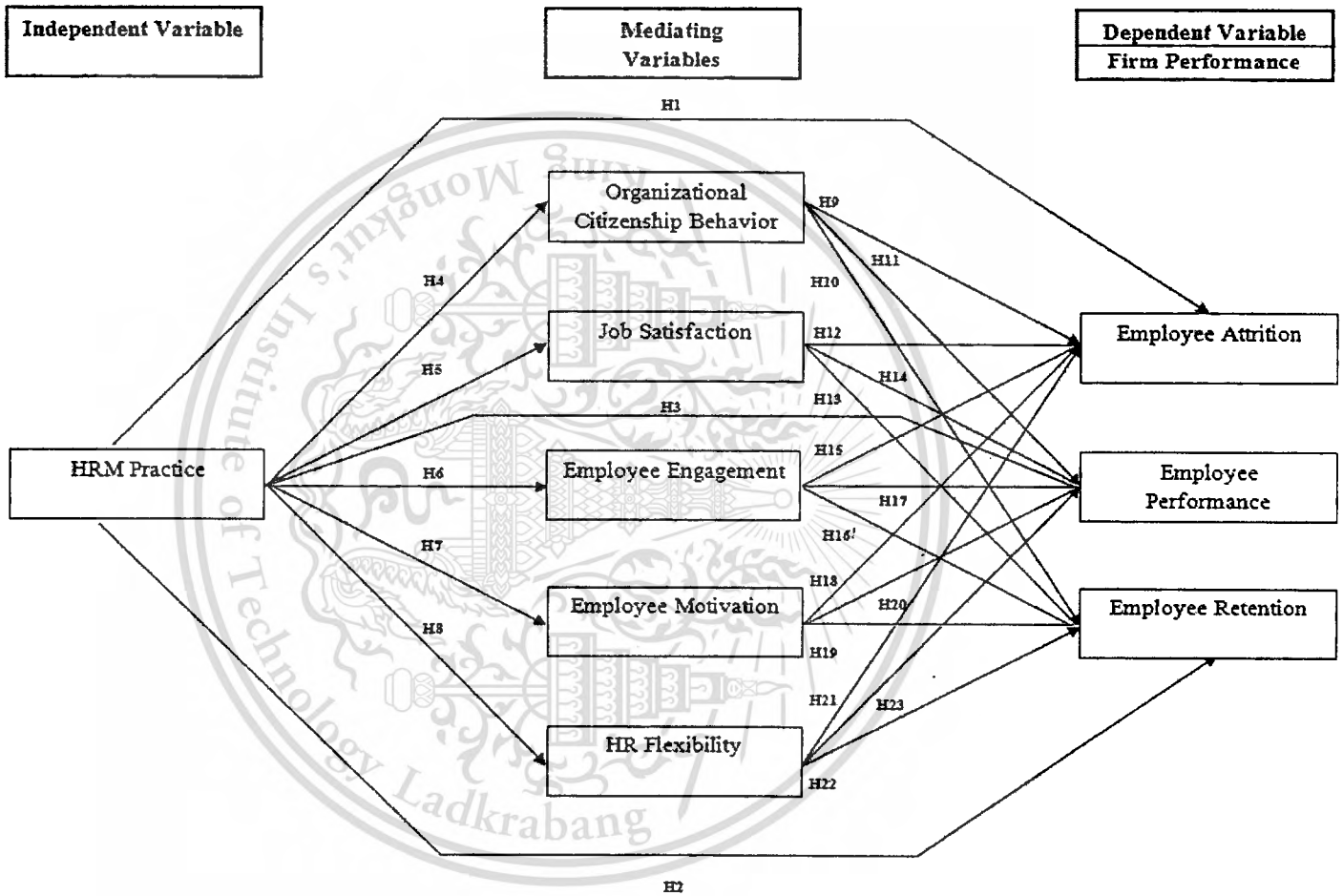

Figure 2.2 Conceptual Framework

2.12 Hypotheses

In this study, there are a total of 23 hypotheses.

Hypothesis 1. HRM Practices affect Employee Attrition

Hypothesis 2. HRM Practices affect Employee Retention

Hypothesis 3. HRM Practices affect Employee Performance

Hypothesis 4. HRM Practices affect Organizational Citizenship Behaviors

Hypothesis 5. HRM Practices affect Job Satisfaction

Hypothesis 6. HRM Practices affect Employee Engagement

Hypothesis 7. HRM Practices affect Employee Motivation

Hypothesis 8. HRM Practices affect HR Flexibility

Hypothesis 9. Organizational Citizenship Behaviors affect Employee Attrition

Hypothesis 10. Organizational Citizenship Behaviors affect Employee Retention

Hypothesis 11. Organizational Citizenship Behaviors affect Employee Performance

Hypothesis 12. Job Satisfaction affects Employee Attrition

Hypothesis 13. Job Satisfaction affects Employee Retention

Hypothesis 14. Job Satisfaction affects Employee Performance

Hypothesis 15. Employee Engagement affects Employee Attrition

Hypothesis 16. Employee Engagement affects Employee Retention

Hypothesis 17. Employee Engagement affects Employee Performance

Hypothesis 18. Employee Motivation affects Employee Attrition

Hypothesis 19. Employee Motivation affects Employee Retention

Hypothesis 20. Employee Motivation affects Employee Performance

Hypothesis 21. HR Flexibility affects Employee Attrition

Hypothesis 22. HR Flexibility affects Employee Retention

Hypothesis 23. HR Flexibility affects Employee Performance

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CHAPTER III

RESEARCH DESIGN AND METHODOLOGY

This research aims to study the direct relation of firm performance in MNCs, effected by HRM practices through the five mediating variables, which are Job Satisfaction, Employee Engagement, Organizational Citizenship Behaviors, Employee Motivation and HR Flexibility, and to develop and examine a causal model of Path Analysis with effects of HRM practices on firm performance of MNCs in the Eastern Seaboard Industrial Estate, Rayong province. This is a quantitative research, where data is collected by using a questionnaire. The research design and methodology are as follows:

3.1 Population and Group Sample
3.2 Research Plan
3.3 Variables used in Research
3.4 Research Instrument
3.5 Creating a Measurement Scale
3.6 Quality of Instrument
3.7 Data Collection
3.8 Statistical Data Analysis
3.9 Statistics to use for Analysis

3.1 Population and Group Sample

3.1.1 Population used in the Study

The population being studied are from corporations with FDI, in which MNCs have been promoted under BOI (FDI: Foreign Direct Investment of BOI) to invest in the industrial Zone 2 of Thailand's Eastern Seaboard Industrial Estate, Rayong province (Hemaraj Land and Development Public Company Limited, 2006; Industrial Estate Authority of Thailand, 2012). There are a total of 255 companies within the industrial estate. The population used in this study are MNCs that were operational in

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2013. 765 managers, which comprised of Top Management, HR Leader and Line Manager, were randomly selected from 255 companies in the Eastern Seaboard Industrial Estate, Rayong province.

Table 3.1 Types of Business in FDI-MFG in the Eastern Seaboard, Rayong Province (as of June 2013)

	Types of Business	Total	Percent
1	Automotive and Automotive parts	110	43.14
2	Plastic and Rubber	34	13.33
3	Electronic Part and telecommunication	21	8.24
4	Healthcare and Medical Equipment	19	7.45
5	Chemical and Petrochemical ,smelting	23	9.01
6	Food and Beverage and packaging	9	3.53
7	Machinery and Equipment/engineering Maintenance	7	2.75
8	Lease/Rent/Sales	5	1.96
9	Material Construction	5	1.96
10	Logistics provider	5	1.96
11	Motorcycle and Motorcycle Service	4	1.57
12	Textile	4	1.57
15	Adhesive and Label	1	0.39
16	Aerial Part	1	0.39
17	Home Appliance	1	0.39
18	Construction, Metallurgyand Steel	4	1.57
19	Sports Equipment	1	0.39
20	Timber	1	0.39
Total		255	100.00

3.1.2 Group Sample

Group sample, which comprised of Top Management, HR Leader and Line Manager, were randomly selected from 255 companies in the Eastern Seaboard industrial estate, Rayong province.

For this study, researcher used the non-probability sampling of purposive sampling, where there would be three managers, comprising of Top Management, HR Leader and Line Manager, in each organization. They were chosen in this study because they set and implement policies, including human resource practices, in organizations.

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3.2 Research Plan

Research methodology is presented in this chapter and forms an important part of this study because it allows the researcher to achieve the quality, the standard and academic validity in their work. By reviewing the literature and forming a research framework, presented in Chapter 2, researcher conducted their analysis through quantitative research to achieve their research objective. There are two steps in the research process.

The first step is studying the preliminary information in the form of secondary data by using the concepts, theories, articles, academic journals and information online. The researcher then began synthesizing the different variables from each research that has been published in international journals and dissertations. The aim is to synthesize these variables that can be used correctly and with quality in the present research framework. Therefore, having reviewed the concepts, theories and previous researches, it is possible to synthesize one observed independent variable, which consists of 5 factors, 5 mediating variables and has 3 observed dependent variables. The second step involves quantitative research, which is used in the research process, research instrument and data statistical analysis. The two steps can be summarized in Figure 3.1.

3.3 Variables Used in Research

HRM Practices, as the independent variable, have five factors which are 1) Employee Participation 2) Compensation and Benefits Management and Reward System 3) Career Planning System 4) Training and Development and 5) Employee Empowerment. There are 5 mediating observed variables, which are 1) Organizational Citizenship Behaviors 2) Job Satisfaction 3) Employee Engagement 4) Employee Motivation and 5) HR Flexibility. The dependent variable has 3 observed variables, which are 1) Employee Attrition 2) Employee Retention and 3) Employee Performance.

This research used Path Analysis to explain the relationships between the Independent Variable, passing through the Mediating Variables, and the Dependent Variable.

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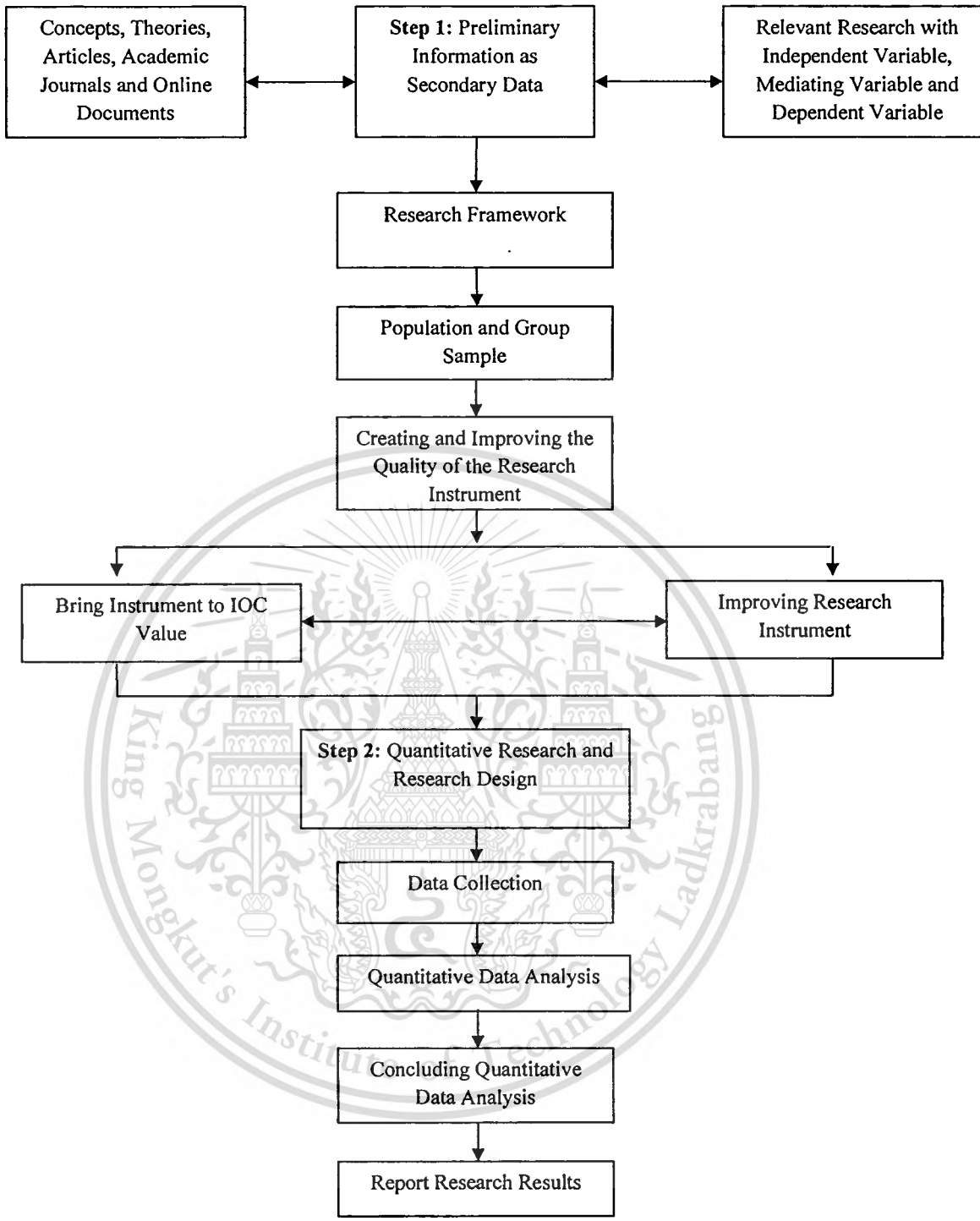

Figure 3.1 Research Steps

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3.4 Research Instrument

In carrying out this study, researcher has chosen the following instrument to collect quantitative data. Instrument used to collect the data is in the form of a questionnaire, which corresponded to the conceptual framework in this study. The conceptual framework represents the structure for this research and the basis on which the hypotheses are developed.

Questionnaire is designed based on the research methodology approach in social science by Prasith-rathasint (1997) and the research methodology approach in behavioral science by Taweerat (2000).

The questionnaire was then brought to the advisor and co-advisor for the last time to check and provided suggestions on doing the complete version of the questionnaire before being used to gather information. The complete questionnaire can be found in Appendix B.

Research instrument for this study is a questionnaire. Group sample includes Top Management, HR Leader and Line Manager in 255 organizations. The questionnaire is a self-assessment divided into ten parts.

Part One contains eight items, asking for information about the organization, such as (1) sector of the industry (2) direct investment from overseas (3) country of origin (4) international joint venture (5) investment promotion (BOI) in Thailand (6) quality certification (7) number of employees (as of June 2013) and (8) human resource department. These questions are part of the selection process to find out which organizations are relevant to this study.

Part Two contains six items, concerning personal information, such as (1) gender (2) age (3) current title/position (4) name of organization (5) level of education and (6) years of work experience.

Part Three has a total of twenty-eight items, consisting of the five observed variables of HRM practices: (1) Employee Participation with five items (2) Compensation and Benefits Management and Reward System with six items (3) Career Planning System with six items (4) Training and Development with six items and (5) Employee Empowerment with five items. These items were developed from Carden (2007), Chew (2004), Cushman (2000), Ferguson (2006), Huselid (1993), Kgomo (2010) and Martin (2011).

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To reduce the possibility of key information bias, a set of questions in the survey contained revert questions for some of the variables, such as Employee Attrition and Job Satisfaction. This ensured that the respondents were confident about answering the questions (Cannon and Perreault, 1999). The questionnaire was first written in English and then translated into Thai. In order to ensure linguistic consistency, it was then translated back into English by an experienced translator, and the necessary corrections were made in the Thai version. The Thai version was then distributed to the respondents.

Example HRM Practices Questionnaire

The aim of the questionnaire is to know the view concerning human resource practices. Please choose only one appropriate answer for each question.

	Priority Level				
Employee Participation	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 Your organization often shares information from manager's meeting about policy issues with its employees.					
Compensation Management and Reward	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 In your organization, employees are given positive recognition when they perform well to achieve their targets.					

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Example HRM Practices Questionnaire (continue)

Career Planning System	Priority Level				
	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 Your organization has a career planning program.					
Training and Development	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 You have been given training and development so that you are able to perform your duty in the organization.					
Employee Empowerment	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 Your organization gives you significant autonomy in determining how you do your job.					

Part Four to Part Eight involves the mediating variables, which are (1) OCBs with eight items (2) Job Satisfaction with six items (3) Employee Engagement with eight items (4) Employee Motivation with seven items and (5) HR Flexibility with eight items. These were adapted from Bhattacharya (2000), Carden (2007), Cushman (2000), Kgomo (2010), Rose (2012) and Springer (2010).

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Example OCBs, Job Satisfaction, Employee Engagement, Employee Motivation and HR Flexibility Questionnaire

The aim of the questionnaire is to know the view regarding OCBs, Job Satisfaction, Employee Engagement, Employee Motivation and HR Flexibility. Please choose only one appropriate answer for each question.

Organizational Citizenship Behaviors	Priority Level				
	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 You tend to help others with their work when they are not able to do it themselves.					
Job Satisfaction	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 You are satisfied with your present job.					
Employee Engagement	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 Your supervisor cares about the work that you do.					
Employee Motivation	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 Being comfortable at work is more important than getting ahead.					

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Example OCBs, Job Satisfaction, Employee Engagement, Employee Motivation and HR Flexibility Questionnaire (continue)

HR Flexibility	Priority Level				
	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 Employees at your organization have the ability to perform multiple jobs.					

Part Nine has a total of sixteen items that are made up of three observed variables of Firm Performance, namely (1) employee attrition with six items (2) employee retention with five items and (3) employee performance with five items. These were developed from Bhattacharya (2000), Carden (2007), Chew (2004), Ferguson (2006), Kgomo (2010), Martin (2011), Rose (2012) and Springer (2010).

Example Firm Performance Questionnaire

The aim of the questionnaire is to know the view concerning firm performance. Please choose only one appropriate answer for each question.

Employee Retention	Priority Level				
	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 You plan to work at your organization for as long as possible.					

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Example Firm Performance Questionnaire (continue)

Employee Attrition	Priority Level				
	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 You intend to look for a new job in a year's time.					
Employee Performance	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
0 The quality of your work is just as you expect.					

The last allows the respondents to tick about the questionnaire whether they intend to use this study, once the data has been analyzed, to manage HR in their organizations.

To reduce the possibility of key information bias, a set of questions in the survey contained revert questions for some of the variables, such as Employee Attrition and Job Satisfaction. This ensured that the respondents were confident about answering the questions (Cannon and Perreault, 1999).

3.5 Creating a Measurement Scale

To create a measurement scale for this study, researcher designed a questionnaire to be used as a tool for quantitative analysis. Researcher had brought the tool in from various international journals, presented in Table 3.2.

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Table 3.2 Measurement Scale and Developing Questionnaire from Previous Research

Variables	Developing Questionnaire from Previous Research	Number of Questions
Independent Variable		
Human Resource Practices		
Employee Participation	Ferguson (2006)	5
Compensation Management and Reward	Kgomo (2010); Chew (2004); Huselid (1993); Martin (2011); Ferguson (2006)	6
Career Planning System	Carden (2007)	6
Training & Development	Carden (2007); Chew (2004); Huselid (1993); Martin (2011); Ferguson (2006)	6
Employee Empowerment	Cushman (2000)	5
Mediating Variables		
Organizationship Behavior	Cushman (2000); Rose (2012)	8
Job Satisfaction	Carden (2007); Springer (2010)	6
Employee Engagement	Kgomo (2010)	8
Employee Motivation	Springer (2010)	7
HR Flexibility	Bhattacharya (2000)	8
Dependent Variable		
Firm Performance		
Employee Attrition		6
Employee Retention	Huselid (1993); Martin (2011)	5
Employee Performance	Kgomo (2010); Chew (2004) Rose (2012); Springer (2010); Ferguson (2006)	5
Total		81

Table 3.2 summarizes the independent variable, the mediating variables and the dependent variable, and develops the questionnaires by reviewing the literature. Questionnaires for human resource practices have been developed from previous

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research, as follows: Employee Participation from Ferguson (2006), Compensation Management and Reward from Kgomo (2010); Chew (2004); Huselid (1993); Martin (2011); Ferguson (2006), Career Planning System from Carden (2007), Training and Development from Carden (2007); Chew (2004); Huselid (1993); Martin (2011); Ferguson (2006), and Employee Empowerment from Cushman (2000). Questionnaires for the mediating variables have been developed from previous research, as follows: OCBs from Cushman (2000); Rose (2012), Job Satisfaction from Carden (2007); Springer (2010), Employee Engagement from Kgomo (2010), Employee Motivation from Springer (2010), and HR Flexibility from Bhattacharya (2000). Questionnaires for Firm Performance have been developed from previous research, as follows: Employee Attrition for Huselid (1993); Martin (2011), Employee Retention for Kgomo (2010); Chew (2004), and Employee Performance for Rose (2012); Springer (2010); Ferguson (2006).

From Part Three to Part Nine of the questionnaire, respondents were asked to make personal judgments according to the 5-point Likert type scale.

Strongly Agree	5	5 points
Moderately Agree	4	4 points
Agree	3	3 points
Disagree	2	2 points
Strongly Disagree	1	1 point

Interpretation of different opinions range from Strongly Agree to Strongly Disagree, and the average score had the following criteria (Best, 1977; Best and Kahn, 1998; Safdar and Riasat, 2010), as follows:

Table 3.3 Positive Impact Level of Opinion

Average	Priority Level	Interpretation
4.51-5.00	Strongly Agree	Opinion of management strongly agree for HRM Practices in their organization
3.51-4.50	Moderately Agree	Opinion of management moderately agree for HRM Practices in their organization
2.51-3.50	Agree	Opinion of management agree for HRM Practices in their organization

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Table 3.3 (continue)

Average	Priority Level	Interpretation
1.51-2.50	Disagree	Opinion of management disagree for HRM Practices in their organization
1.00-1.50	Strongly Disagree	Opinion of management strongly disagree for HRM Practices in their organization

3.6 Quality of Instrument

Researcher brought the questionnaire to the 5 experts in human resource and management to check for context validity, examined the materials covered and language use.

This is done by finding the index value of consistency between the items and objective (Index of item – objective congruence: IOC). Items with an IOC value from 0.5 are chosen. The researcher then proceeded with finding their discriminates power by testing the questionnaire with 30 samples, similar to the real group sample. This was to check their discriminates power by finding the item-total correlation. Only items with discriminates power of more than 0.20 are chosen because they have the quality, the suitability and reliability through Cronbachs' alpha coefficient with a value higher than 0.70, the latter of which is considered to be highly reliable (Vanichbancha, 2011; Naowarat, 2012).

1 = Consistent

0 = Unsure

-1 = Inconsistent

Formula is as follows:

$$IOC = \frac{\sum R}{N}$$

R= Consistency Value

N= Number of Experts

IOC has a value between -1 and 1. Therefore, a good item should have a value closer to 1. Item with IOC value below 0.50 will require improvement.

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Researcher used Cronbach's alpha coefficient to measure reliability or consistency within the questionnaire, where data was drawn from the Likert scale (Vanichbancha, 2011). Formula used for calculation is as follows:

$$\alpha = \frac{k\bar{r}}{1+\bar{r}(k-1)}$$

k = Number of Items

$\bar{r}$ = Average Item Correlation

α has value from 0.70 upwards means high reliability

α has value between 0.50-0.65 means moderate reliability

α has value below 0.50 means low reliability

Researcher will now conclude the reliability of the research instrument.

To assess the accuracy of the questionnaire, researcher went to find the IOC value from 5 experts: 3 are lecturers at universities and 2 are HR professionals working in firms (see Table 3.4). In this study, items with IOC value of 1 were chosen from all 81 items. Having examined the IOC value, the questionnaire was brought to assess the reliability using Cronbach's alpha coefficient. This was used to measure the reliability of the questionnaire. If the value is greater than 0.70, it means that reliability is high. Reliability results are presented in Chapter 4.

3.7 Data Collection

There are three channels for distributing the questionnaire. The first was a trip to meet the target sample at their workplace, the second was sent electronically via email and third was distributed to all target respondents by post; but before doing so, the HR departments—the departments that most often responded to it—were contacted by telephone to allow them to coordinate with other line managers and top management. It was also sent with a cover letter that explained the purpose of the study. To encourage participation, respondents were promised that they would receive a summary of the findings after the fieldwork was completed. Within 12 weeks, all of the questionnaires were collected and received. A total of 765 questionnaires were

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distributed and 443 were returned (58% of response rate), of which only 411 were adequately completed.

Table 3.4 List of IOC Experts

Name	Position	Workplace
1. Assist. Prof. Dr. Methawut Peerapornvitoon	Lecturer for Human Resources and Organizational Management	Faculty of Accountancy and Commerce, Thammasart University
2. Dr.Benjawan Boonjaipeth	Director and Human Resources and Business Management Consultancy	The Center for Human Resources Development, Chiangmai, Thailand
3. Mr. Dhanadol Harn-Amornset	Human Resources professional and expertise, Deputy Managing Director-Human Resources Development department, and Former SEA HR Leader	Standard Charter Bank, Thailand, and Former Chevron Exploration South East Asia
4. Dr. Teerawet Titsrisaeng	Lecturer, Administration and Management College	King Mongkut Institute of Technology Ladkrabang, Thailand
5. Dr. Chalita Srinuan	Lecturer, Administration and Management College	KingMongkut Institute of Technology Ladkrabang, Thailand

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3.8 Statistical Data Analysis

This research analyzed the data by using SPSS for windows version21 (Statistical Package for the Social Science) and IBM SPSS AMOS version21. The processes for data analysis are as follows:

1) Examine the questionnaires that were returned from the respondents to check the answers and number them.

2) Bring the questionnaires and record them into the SPSS for windows by using the five Likert Scale measurements that have a positive impact level of opinion.

3.8.1 SPSS AMOS for Path Analysis

This research used Path Analysis to study and find a causal relation of firm performance in MNCs, effected by HRM practices through the five mediating variables, which are Job Satisfaction, Employee Engagement, Organizational Citizenship Behaviors, Employee Motivation and HR Flexibility, and to develop and examine a causal model with effects of HRM practices on firm performance. In other words, to find the causal relation between the independent variable and the dependent variable through the five mediating variables.

Path Analysis is an appropriate way to test the conceptual model. It is a flexible, powerful and robust statistical method that is used to examine the relationships between the measured (observed) variables that also require a highly flexible and comprehensive statistical methodology.

3.8.2 Data Analysis Step

A two-step approach was taken to analyze the data (Anderson and Gerbing, 1988). First, the measurement model was evaluated using confirmatory factor analysis, followed by the estimation of theoretical (structural) models.

3.8.3 Measurement Model

Confirmatory factor analysis (CFA) was applied in the first part of data analysis to assess the convergent validity and discriminant validity of the multi-item scales measure of constructs. Research analysis results provided CFA measure results, the correlation between construct matrix and square roots of average variance extracted (AVE), as well as the Model Fit Indices.

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3.8.4 Construct Validity and Reliability

The evaluation of construct validity and reliability was assessed by confirmatory factory analysis using AMOS

The convergent validity refers to "the degree to which two measures designed to measure the same construct are related" (Netemeyer, Bearden and Sharma, 2003). It is established that if the score gathered by two different instruments measure the same construct, then they are highly correlated (Sekaran, 2003).

All the items were then submitted to reliability analysis via Cronbach's alpha coefficient using SPSS 13.0 program to analyze. "Coefficient alpha is concerned with the degree of interrelatedness among a set of items designed to measure a single construct" (Netemeyer et al., 2003). The variances in a set of items consisted of "true" variance and "error" variance. Computing alpha is "a means of partitioning variance of the total score into these true and error components" (Netemeyer et al., 2003). In other words, alpha represents the proportion of a scale's total variance that cause a common source, which is true score of latent variable being measured (Netemeyer et al., 2003).

Cronbach's alpha for all constructs are above the recommended value of 0.70 (Nunnally, 1978).

Similar to Cronbach's alpha coefficient, composite reliability (CR) which is used to confirm the internal validity of the measurement model (Yang and Peterson, 2004), is a measure of the item's internal consistency in a scale. The composite reliability of a construct can be calculated by using the following formula (Fornell and Larcker, 1981; Netemeyer et al., 2003).

$$CR = \frac{(\Sigma_{i=1}^{p} \lambda_i)^2}{(\Sigma_{i=1}^{p} \lambda_i)^2 + \Sigma_i^p V(\delta)}$$

λ_i = the completely standardized loading for the i^{th} indicator

$V(\delta)$ = variance of the error term for the i^{th} indicator

p = the number of indicator

The composite reliability of all constructs ranges from 0.72 to 0.95, which is higher than the minimum criteria of 0.60 (Bagozzi and Yi, 1988).

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3.9 Statistics to use for Analysis

Statistics to use for this research are as follows:

3.9.1 Percentage

3.9.2 Arithmetic Mean

3.9.3 Standard Deviation

3.9.4 Pearson's product –moment correlation coefficient analyzes the leaner relation between the constructs. The correlation coefficient shows the relationship between two or more variables by using the symbol r that has a relationship value between +1 and -1. The plus and subtract signs of r each has different meaning. The relationship value can be divided into 3 groups.

1) r that has a value closer to +1 means there is a strong positive relationship between the variables.
2) r that has a value closer to -1 means there is a strong negative relationship between the variables.
3) r that has a value closer to 0 means there is no relationship between the variables.

Table 3.5 Correlation Level

Correlation Coefficient (r)	Relationship Level
0.90 – 1.00	Very strong positive relationship
0.70 – 0.90	Strong positive relationship
0.50 – 0.70	Moderate positive relationship
0.30 – 0.50	Weak positive relationship
0.00 – 0.30	Very weak positive relationship

Table 3.5 presents the level of relationship between the variables. The relationship value should not be higher than +0.8 since that would mean both variables have the same meaning or use the same measurement. If that is the case, one of them should be removed from the model.

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3.9.5 Statistical Criteria to use for Research Analysis, the Goodness of Fit Test for Path Analysis Model and Hypothesis Testing, and Confirmatory Factor Analysis Model Fit

Table 3.6 Goodness-of-Fit Statistics

Goodness – of – Fit Statistics	Statistic value
Chi – Square (χ^2)	
Probability Level (p)	> 0.05
χ^2 / df	< 2.00
RMSEA	< 0.05
RMR	< 0.05
GFI	≥ .90
Comparative Fit Index (CFI)	≥ .90

Statistics for Model Fit - Theory and Principle

AMOS output provides a statistical value to test the validity of the hypothesis model by assessing the goodness-of-fit indices, using the following indicators.

Overall Model Fit Test

The model fit shows whether data collected for the variables are suited to the model. It also indicates the level of reliability for the model. The overall model fit testing can be divided into 3 groups.

Group 1: Absolute Fit Indices

For this group of indices, AMOS will assess the model capability of creating a set of data from the original data (Hair, Black et al. 2005). Statistically, it is a test of implied variances and covariance (Ê), and whether they are different from empirical sample variances and covariance (S). Indicators that are used for this assessment are as follows.

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- Chi-square (χ^2) The chi-square or χ^2 includes degree of freedom (df) and probability (p) (Hoyle 1995), which are used to determine the level of model fit. It is a test of the hypothesis in the form of alternative hypothesis (difference between $\hat{E}$ and S), instead of null hypothesis (no difference between $\hat{E}$ and S). If χ^2 is not statistically significant (p-value > 0.05), it can be concluded that there is no difference between the data collected (rejected hypothesis in the form of alternative hypothesis and confirm that there is no difference between $\hat{E}$ and S). It can also be stated that there is no difference (or very low difference) between implied variances and covariance. For the empirical sample variances and covariance, therefore, the data collected are used to test the model fit in this study.

Note: If the test of χ^2 produces a value that is not significant (p-value > 0.05), it means the data collected can be used well with the hypothesis model.

Kline (2005) stated that χ^2 is a badness-of-fit index. This means a high p-value represents a high model fit. The recommended value is p-value > 0.05.

A word of caution, however, regarding χ^2 that will change depending on the amount of data. A large amount of data may lead to a significant division between the hypothesis model and the collected data. A lack of data can result in AMOS being unable to specify the suitability of the data with the hypothesis model (Kline, 2005).

- Root Mean Square Error of Approximation (RMSEA) RMSEA represents a badness-of-fit index. A value of zero represents a very good model fit and a high RMSEA shows that there is no model fit. RMSEA should be between 0.05-0.08 (Kline 2005).
- Standardized Root Mean Square Residual (SRMR) SRMR should be between 0.05-0.08, which is acceptable. Zero represents the best value.
- Goodness of Fit Index (GFI) GFI is similar to the Squared Multiple Correlation, which forms part of Observed Covariance. This can be explained through the Covariance of the model (Kline, 2005). GFI should be between 0 and 1, with 1 indicating the best model fit.

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Group 2: Comparative (Incremental) Fit Indices

This is a test comparing the hypothesis model with the null model, which has the hypothesis that states there is no relationship between the variables. Furthermore, it has no influence from the amount of studied data (McDonald and Marsh, 1990). Comparison result will produce a value between 0 and 1 (Arbuckle and Wothke, 1999; Kline, 2005). Lattin et al. (2003) suggests the index value 0.90 is the level at which the model will be accepted. Indicators are as follows.

- The Tucker Lewis Index (TLI) TLI calculates the amount that has been changed as a result of comparing the hypothesis model with the null model to the number of degree of freedom divided by the freedom model (Hu and Bentler, 1998).
- Comparative Fit Index (CFI) CFI is a comparison index that partly improves the overall fit with the null model (Kline, 2005).

Group 3: Miscellaneous Measures

This consists of the following.

- Chi-square statistic comparing the tested model and the independent model with the saturated model (CMIN/DF) CMIN/DF is χ^2 divided by degrees of freedom. Generally, value less than 3 is good, and the value closer or equal to 1 is the best (Arbuckle and Wothke, 1999; Byrne, 2001).

Component Fit Testing

The model fit test consists of the following:

- Factor loading is the weight of the variables that should have a value between 0.3-1.0.
- Standard error is the discrepancy of the measured variables.
- Squared multiple correlations : R^2 is the model percentage result.

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- Modification indices shows the percentage that χ^2 can improve by once there are more connections between the variables and the latent factors.
- Standardized residual covariance examines the discrepancy between the variables that must have a value not more than +2 and -2.

Table 3.7 Summaries of Model Fit Indicators and Assessment Criteria

Level	Statistical Value	Assessment Criteria
1	Chi-square (χ^2)	p-value > 0.05 means there is goodness-of-fit and consistent with the data.
2	Factor loading	Weight of the variable should be between 0.3-1.0.
3	Root Mean Square Error of Approximation (RMSEA)	Between 0.05-0.08, with the value closer to 0 being the best value.
4	Standardized Root Mean Square Residual (SRMR)	Between 0.05-0.08, with the value closer to 0 being the best value.
5	Goodness of Fit Index (GFI)	Between 0 and 1, with 1 being the best model fit.
6	The Tucker Lewis Index (TLI)	Comparison result between 0 and 1. Index value of 0.90 is the level at which the model is accepted.
7	Comparative Fit Index (CFI)	Comparison result between 0 and 1. Index value of 0.90 is the level at which the model is accepted.
8	Chi-square statistic comparing the tested model and the independent model with the saturated model (CMIN/DF)	Value less than 3 is good, and the value closer or equal to 1 is the best.
9	Correlation	Value should not be too high and not more than +0.8.
10	Standardized residual covariance	Examines the discrepancy between the variables that must have a value not more than +2 and -2.

Results of the model fit test by using AMOS should have all the key indicators, mentioned above, within the specified range for the model to be accepted. Nevertheless, in cases where some indicator values are not within the specified range

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and researchers need to use that model, it is necessary to amend the model and start a new test.

For this study, researcher found some of the missing assessment criteria of model fit indicators of Chi-square (χ^2), where p-value < 0.05 means there is badness-of-fit because the sample number was big, as well as being a complex model. On the other hand, where small samples are used, the Chi-square statistic lacks power and because of this it may not discriminate between good fitting models and poor fitting models (Kenny and McCoach, 2003). Due to the restrictiveness of the model Chi-square, researchers have sought alternative indices to assess the model fit. One example of a statistic that minimizes the impact of sample size on the model Chi-square is Wheaton et al. (1977) relative/normed chi-square (χ2/df). Thus, the researcher uses other assessment criteria of model fit indicators to confirm model fit win an acceptance, such as CMIN/DF, RMSEA, GFI, CFI, RMR.

The χ2=0.00, which should be > 0.05, can be accepted due to χ2 is sensitive and is strongly influenced by sample size. With a large number of participants, the Chi-square values will be overestimated (statistically significant), which might inaccurately imply a poor data-to-model fit (Schumacker and Lomax, 2004). Chi-Square statistic nearly always rejects the model when large samples are used (Bentler and Bonnet, 1980; Jöreskog and Sörbom, 1993). According to Kenny and McCoach (2003), even with a small size, the Chi-square statistics lack strength because they are unable to distinguish between good and poor fitting models.

Chi-square is a "badness-of-fit" index, smaller values indicate better fit. Other fit indices, for example, CMIN/DF, RMSEA, RMR, CFI, NFI, are "goodness-of-fit" indices where larger values mean better fit (Vanichbancha, 2013). To illustrate, Wheaton et al. (1977) have used a method to lower the impact of sample size on model Chi-square, which is their relative/normed chi-square (χ^2/df). The recommended range is from 5.0 (Wheaton et al, 1977) to 2.0 (Tabachnick and Fidell, 2007).

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CHAPTER IV

DATA ANALYSIS

This research presents a numerical measurement of the data under investigation through quantitative methodology (Creswell, 2007; Jorgensen, 1997). This chapter provides a detailed description of the methods and procedures used during the study. It includes a description of the research design, site selection, participant selection, data collection, and data analysis.

The purpose of this study is to examine the causal relation regarding the effects of human resource practices on firm performance as an organizational effectiveness of multinational corporations. To be more specific, the objectives of this study are:

1) To study the direct causal relation of firm performance in MNCs, effected by HRM practices through the five mediating variables, which are Job Satisfaction, Employee Engagement, Organizational Citizenship Behaviors, Employee Motivation and HR Flexibility

2) To develop a causal model of Path Analysis with effects of HRM practices on firm performance of MNCs in the Eastern Seaboard Industrial Estate, Rayong province.

As for the instrument quality (See Chapter 3), researcher brought the questionnaire to the 5 experts in human resource management to check for context validity, examine the materials covered and language use. This is done by finding the index value of consistency between the items and objective (Index of item – objective congruence: IOC). Items with an IOC value from 0.5 are chosen. The researcher then proceeded with finding their discriminates power by testing the questionnaire with 30 samples, similar to the real group sample of finding the item-total correlation. Only items with discriminates power of more than 0.20 are chosen because they have the quality, the suitability and reliability through Cronbachs' alpha coefficient with a value higher than 0.70, the latter of which is considered to be highly reliable (Vanichbancha, 2011; Naowarat, 2012). IOC has a value between -1 and 1. Therefore,

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a good item should have a value closer to 1. Item with IOC value below 0.50 will require improvement. Researcher uses Cronbachs' alpha coefficient to measure reliability or consistency within the questionnaire, where data is drawn from the Likert scale (Vanichbancha, 2011).

To assess the accuracy of the questionnaire, researcher found the IOC value from 5 experts: 3 are lecturers at universities and 2 are HR professionals working in firms (see Table 3.4). In this study, items with IOC value of 1 were chosen from 81 items. Having examined the IOC value, the questionnaire was brought to assess reliability using Cronbachs' alpha coefficient. This is to measure the reliability of the questionnaire. If the value is greater than 0.70, it means that reliability is high. Reliability results are presented in Chapter 4.

In relation to data collection, researcher distributed the questionnaire to the group sample via three channels. The first was a trip to meet the target samples at their workplace, the second was sent electronically via email and third was distributed to the respondents by post; but before doing so, the HR departments—the departments that most often responded to it—were contacted by telephone to allow them to coordinate with other line managers and top management. It was also sent with a cover letter that explained the purpose of the study. To encourage participation, respondents were promised that they would receive a summary of the findings after the fieldwork was completed. Within 12 weeks, all of the questionnaires were collected and received. A total of 765 questionnaires were distributed and 443 were returned (58% of response rate), of which only 411 were adequately completed.

As for the statistical data analysis, this research analyzed the data by using SPSS for windows version21 (Statistical Package for Social Science) and AMOS. The processes for data analysis are as follows:

1) Examine the questionnaires that were returned from the respondents to check the answers and number them.

2) Bring the questionnaires and record them into the SPSS for windows by using the five Likert scale measurements that have a positive impact level of opinion.

This research uses Path Analysis to find the causal relation between the independent variable and the dependent variable through the five mediating variables.

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Data Analysis Step

A two-step approach was taken to analyze the data (Anderson and Gerbing, 1988). First, the measurement model was evaluated using confirmatory factor analysis, followed by the estimation of theoretical (structural) models.

Measurement Model

Confirmatory factor analysis (CFA) was applied in the first part of data analysis to assess the convergent validity and discriminant validity of the multi-item scale construct measures. The analysis results of this research provided the CFA measure results, the correlation between construct matrix and square roots of average variance extracted (AVE), as well as the Model Fit Indices.

Construct Validity and Reliability

The evaluation of construct validity and reliability was assessed by confirmatory factory analysis using AMOS. The convergent validity refers to "the degree to which two measures designed to measure the same construct are related" (Netemeyer, Bearden and Sharma, 2003). If the scores gathered by two different instruments measure the same construct, then they are highly correlated (Sekaran, 2003). All the items were then submitted for reliability analysis via Cronbach's alpha coefficient, Using SPSS for windows version21 (Statistical Package for Social Science) and IBM SPSS AMOS version21. Cronbach's alpha for all constructs are above the recommended value of 0.70 (Nunnally, 1978). Similarly, the composite reliability (CR), which is used to confirm the internal validity of the measurement model (Yang and Peterson, 2004), is a measure of the item's internal consistency on a scale.

Analysis results are as follows:

4.1 Analysis Results

Results of the analysis, presented in this section, are divided into 11 parts, as follows:

4.1.1 Part 1 Frequency and Percentage of Organizational Characteristics

4.1.2 Part 2 Frequency and Percentage of Personal Characteristics

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4.1.3 Part 3 - 9 Means and Standard Deviations

4.1.3.1 Part 3 Human Resource Practices

4.1.3.2 Part 4 Organizational Citizenship Behaviors

4.1.3.3 Part 5 Job Satisfaction

4.1.3.4 Part 6 Employee Engagement

4.1.3.5 Part 7 Employee Motivation

4.1.3.6 Part 8 HR Flexibility

4.1.3.7 Part 9 Firm Performance

4.1.4 Part 10 Results of Confirmatory Factor Analysis (CFA), Measurement Model and Goodness of Fit, Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

4.1.5 Part 11 Hypotheses Results

4.1.6 Conclusion

4.1.1 Part 1 Frequency and Percentage of Organizational Characteristics

Frequency and percentage of organizational characteristics concern the types of industry, foreign direct investment firms, country of origin, investment promotion firm, and quality certification/standard system.

Table 4.1 Sample Frequency and Percentage of Organizational Characteristics

Variable	Frequency	Percent
Types of Industry		
Automotive/Automotive Parts	176	42.82
Chemical/Petroleum/Fuel Energy	51	12.40
Electronic/Electronic Parts	44	10.70
Foods/Beverages/consumer goods	25	6.08
Engineering/Maintenance	7	1.70
Others (e.g. steel, material construction)	108	26.28
Total	411	100.0

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Foreign Direct Investment Firm			
	Total	411	100.0

Table 4.1 (continue)

Variable		Frequency	Percent
Country of Origin			
Asia Pacific		241	58.6
North America		85	20.7
Europe		77	18.7
Australia		2	0.5
Middle East and Africa		3	0.7
Others (e.g. South America)		3	0.7
	Total	411	100.0
Foreign Joint Venture			
Yes		274	66.7
No (100% FDI)		137	33.3
	Total	411	100.0
Investment Promotion (BOI)			
	Total	411	100.0
Quality Certification/Standard System*			
ISO 9000		355	32.9
ISO 14001		347	32.2
TS 16949		134	12.4
ISO 18000		175	16.2
ISO 13458		9	0.8
ISO 50001		12	1.1
ISO 17025		18	1.7
Others(HACCP, GMP, BRC, SA)		29	2.7
	Total	1079	100.0

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Note * (more than one answer can be provided)

From Table 4.1, it is possible to provide the following information about the organizations, totaling 411, in this study by explaining each of the variables.

The types of industry that respondents are from are mostly in the automotive/automotive parts businesses, totaling 176 organizations and amounts to 42.82 per cent. There are 108 organizations from other industries, such as consumer goods, packaging and motorcycle, which account for 26.28 per cent. There are 411 organizations that involve foreign investment, which amounts to 100 per cent. The country of origin for most of these organizations comes from Asia, totaling 241, which is 58.6 per cent. Below that is Europe and North America, which account for 18.7 per cent and 18.5 per cent, respectively. There are 270 organizations with foreign joint ventures, amounting to 65.7 per cent. The other 137 organizations have no foreign joint ventures, which accounts for 33.3 per cent. Organizations provided with investment promotion under the Board of Investment (BOI) in Thailand have a total of 411, which amounts to 100 per cent.

In relation to quality certification or standard system, more organizations tend to be certified under ISO 9000, totaling 355, which is 32.9 per cent. Below that there are 347 organizations that have been certified under ISO 14001, which amounts to 32.2 per cent. There are 29 organizations that have been provided with other types of certification, such as GMP/HACCP/BRC/IOP, which accounts for 2.7 per cent. In June 2013, there are 411 organizations with more than 100 employees, amounting to 100 per cent. All of these organizations have human resource departments.

4.1.2 Part 2 Frequency and Percentage of Personal Characteristics

Frequency and percentage of personal characteristics concern the gender of respondents, age, position/title, educational background, and work experience.

Table 4.2 Sample Frequency and Percentage of Personal Characteristics

Variable	Frequency	Percent
Gender		
Male	257	62.5
Female	154	37.5
Total	411	100.0

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Table 4.2 (continue)

Variable	Frequency	Percent
Age		
21-30	49	11.9
31-40	205	49.9
41-50	146	37.0
51 and above	11	2.7
Total	411	100.0
Current Position / Title		
Top Management	45	8.5
HR Leader	93	22.6
Line Manager	283	68.9
Total	411	100.0
Education Level		
Diploma or below	32	7.8
Bachelor's Degree or equivalent	273	66.4
Above Bachelor's Degree	106	25.8
Total	411	100.0
Work Experience		
0-10 years	99	24.1
11-20 years	247	60.1
21-30 years	55	13.4
31 years and above	10	2.4
Total	411	100.0

From Table 4.2, it is possible to provide the following information about the personal characteristics of respondents, totaling 411, in this study by explaining each of the variables.

There are more male respondents, totaling 257, that amount to 62.5 per cent. There are 154 female respondents, which accounts for 37.5 per cent.

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Most respondents are aged between 31 - 40 years, totaling 205, which amounts to 49.9 per cent. Below that are respondents aged between 41-50 years, totaling 141, with 34.3 per cent.

Respondents in the current job position are mainly line managers, totaling 283, with 68.9 per cent. Below that are HR leader, totaling 93, with 22.6 per cent.

In terms of their education levels, most respondents have graduated with a Bachelor's Degree or equivalent, totaling 273, amounting to 66.4 per cent. Below that are respondents who have graduated higher than a Bachelor's Degree, totaling 106, which accounts for 25.8 per cent.

Most of the respondents have a work experience of 11 – 20 years, totaling 247, and amounts to 60.1 per cent. Below that are respondents with work experiences of 0 - 10 years, totaling 99, with 24.1 per cent.

4.1.3 Part 3 – 9 Means and Standard Deviations

4.1.3.1 Part 3 Human Resource Practices

Basic Statistic of Variables

Researcher proposes the basic statistic of variables, in which the study focuses on the research conceptual framework that includes the Independent Variable: (1) HRM Practices (2) The Five Mediating Observed Variables are 1) Employee Engagement, 2) Organizational Citizenship Behavior 3) Employee Motivation 4) HR Flexibility and 5) Job Satisfaction; (3) The Dependent Variable as an endogenous variable which are 1) Employee Attrition, 2) Employee Retention and 3) Employee Performance. The results of basic statistic of variables are as follows:

Table 4.3 Mean and Standard Deviation of Human Resource Practices

No.	Human Resource Practices	Priority Level		
		$\overline{X}$	S.D.	Level
	Employee Participation			
1	Your organization often shares information from manager's meeting about policy issues with its employees.	4.08	0.67	Moderately Agree

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Table 4.3 (continue)

No.	Human Resource Practices	Priority Level		
		$\overline{X}$	S.D.	Level
	Employee Participation			
2	Part of your organization's policies and procedures comes from suggestions made by employees.	3.81	0.79	Moderately Agree
3	Your organization has a command structure that is favorable to employees in terms of providing suggestions for improvement at work.	3.95	0.71	Moderately Agree
4	Your organization offer activities to encourage employees to express their views that are beneficial for work management.	3.89	0.69	Moderately Agree
5	When there is opportunity you tend to make new suggestions in order to improve your organization.	4.02	0.57	Moderately Agree
	Overall	3.95	0.53	Moderately Agree
	Compensation Management and Reward			
1	In your organization, employees are given positive recognition when they perform well to achieve their targets.	3.94	0.70	Moderately Agree
2	Your organization provides good benefits compared to other organizations in the same industry, or close to the same industry.	3.91	0.67	Moderately Agree
3	Your organization provides appropriate compensation for the amount of work or quality of work that you do.	3.84	0.71	Moderately Agree
4	The benefits that you receive from the organization are equitable.	3.80	0.69	Moderately Agree
5	Your organization provides rewards to employees who perform well at work.	3.83	0.71	Moderately Agree

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Table 4.3 (continue)

No.	Human Resource Practices	Priority Level		
		$\overline{X}$	S.D.	Level
	Compensation Management and Reward			
6	Your organization provides rewards to employees with strong work ethics (e.g. work consistently and on time, helping others).	3.82	0.73	Moderately Agree
	Overall	3.86	0.56	Moderately Agree
	Career Planning System			
1	Your organization has a career planning program.	3.66	0.84	Moderately Agree
2	Career planning in your organization is long term.	3.70	0.83	Moderately Agree
3	There is a plan in your organization to create individual development.	3.41	0.88	Agree
4	There is a vertical career planning in your organization, allowing you to grow within your job.	3.67	0.78	Moderately Agree
5	There is a horizontal career planning in your organization, allowing you to grow between jobs (Cross Functional).	3.30	0.87	Agree
6	Your organization creates opportunity for career advancement.	3.80	0.77	Moderately Agree
	Overall	3.59	0.65	Moderately Agree
	Training and Development			
1	You have been given training and development so that you are able to perform your duty in the organization.	3.95	0.68	Moderately Agree
2	Your organization often keeps track of your progress after the training.	3.84	0.72	Moderately Agree
3	Employees in your organization have been given the knowledge and skills in a timely manner.	3.86	0.72	Moderately Agree
4	Employees at your organization have been given effective training.	3.89	0.72	Moderately Agree

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Table 4.3 (continue)

No.	Human Resource Practices	Priority Level		
		$\overline{X}$	S.D.	Level
	Training and Development			
5	There is often staff training and development in your organization to create career opportunities.	3.87	0.72	Moderately Agree
6	In your view, training and development will lead to good job performance.	4.17	0.61	Moderately Agree
	Overall	3.93	0.55	Moderately Agree
	Employee Empowerment			
1	Your organization gives you significant autonomy in determining how you do your job.	3.85	0.65	Moderately Agree
2	You are confident in your ability to do your job.	4.08	0.56	Moderately Agree
3	Your job brings you confidence, value and meaning to your life.	4.06	0.56	Moderately Agree
4	You have the necessary expertise and skills for your job to be able to make the right decision.	4.07	0.56	Moderately Agree
5	You have control over what happens in your department.	3.99	0.63	Moderately Agree
	Overall	4.01	0.44	Moderately Agree
Overall Human Resource Practices		3.86	0.73	Moderately Agree

Table 4.3 presents the mean and standard deviation of Human Resource Practices, which were calculated by obtaining the data from 411 respondents, and have shown that their overall view on Human Resource Practices is 'Moderately Agree' ($\overline{X}$ = 3.86, S.D. = 0.73).

When considering each of the Human Resource Practices, Employee Empowerment is shown to have the highest level of 'Moderately Agree' ($\overline{X}$ = 4.01, S.D. = 0.44). This is due to the fact that three of its questions all have high level of

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'Moderately Agree', particularly the question "You are confident in your ability to do your job" that has the highest mean of 'Moderately Agree' ($\overline{X}$ = 4.08, S.D. = 0.56).

In relation to the other four Human Resource Practices, they may not have a high mean value, but they are still within the mean level of 'Moderately Agree'. Some of them also have questions that are high values. For instance, Employee Participation has two questions that are high values, particularly the question "Your organization often shares information from manager's meeting about policy issues with its employees" with the highest mean of 'Moderately Agree' ($\overline{X}$ = 4.08, S.D. = 0.67). Training and Development has one question that is high value, which is "In your view, training and development will lead to good job performance", with a mean of 'Moderately Agree' ($\overline{X}$ = 4.17, S.D. = 0.61).

4.1.3.2 Part 4 Organizational Citizenship Behaviors

For Organizational Citizenship Behaviors, as one of the mediating variables, includes 8 questions. The table of results below shows the basic statistic of the mean and standard deviation, and priority level.

Table 4.4 Mean and Standard Deviation of Organizational Citizenship Behaviors

	Organizational Citizenship Behaviors	Priority Level		
		$\overline{X}$	S.D.	Level
1	You tend to help others with their work when they are not able to do it themselves.	4.15	0.49	Moderately Agree
2	You are willing to help others with problems that are related to your line of work.	4.24	0.53	Moderately Agree
3	You agree to take part in activities that are not your main line of work, but will help the organizational image.	4.14	0.56	Moderately Agree
4	You defend your organization.	4.13	0.56	Moderately Agree
5	You tend to show pride in your organization when you are in public.	4.05	0.60	Moderately Agree

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Table 4.4 (continue)

	Organizational Citizenship Behaviors	Priority Level		
		$\overline{X}$	S.D.	Level
6	When there is a chance you tend to offer new ideas to improve the functioning of your organization.	4.14	0.56	Moderately Agree
7	You express loyalty towards your organization.	4.14	0.55	Moderately Agree
8	You never reveal internal changes of the organization to the public.	3.89	0.79	Moderately Agree
	Overall	4.11	0.42	Moderately Agree

Table 4.4 presents the mean and standard deviation of Organizational Citizenship Behaviors, which were calculated by obtaining the data from 411 respondents, and have shown that their overall view on Organizational Citizenship Behaviors is 'Moderately Agree' ($\overline{X}$ = 4.11, S.D. = 0.42). This is considered to be a high value since seven of its questions all have high mean value of 'Moderately Agree', including the question "You are willing to help others with problems that are related to your line of work" that has the highest mean of 'Moderately Agree'($\overline{X}$ = 4.24, S.D. = 0.53).

4.1.3.3 Part 5 Job Satisfaction

For Job Satisfaction, as one of the mediating variables, includes 6 questions. The table of results below shows the basic statistic of mean and standard deviation, and priority level.

Table 4.5 Mean and Standard Deviation of Job Satisfaction

	Job Satisfaction	Priority Level		
		$\overline{X}$	S.D.	Level
1	You are satisfied with your present job.	4.12	0.66	Moderately Agree

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Table 4.5 (continue)

	Job Satisfaction	Priority Level		
		$\overline{X}$	S.D.	Level
2	You like to work with your colleagues in your present job.	4.10	0.72	Moderately Agree
3	You sometimes feel that your job is meaningless.	3.38	1.02	Moderately Agree
4	You feel a sense of pride in the work that you do.	4.03	0.66	Moderately Agree
5	You feel that your work is not appreciated by others.	2.98	0.94	Agree
6	You enjoy doing your job.	4.08	0.62	Moderately Agree
	Overall	3.78	0.52	Moderately Agree

Table 4.5 presents the mean and standard deviation of Job Satisfaction, which were calculated by obtaining the data from 411 respondents, and have shown that their overall view on Job Satisfaction is 'Moderately Agree' ($\overline{X}$ = 3.78, S.D. = 0.52). This is not a high value, but still within the 'Moderately Agree' range. Four of its questions have high value, particularly the question "You are satisfied with your present job", which has the highest mean of 'Moderately Agree' ($\overline{X}$ = 4.12, S.D. = 0.66).

4.1.3.4 Part 6 Employee Engagement

For Employee Engagement, as one of the mediating variables, includes 8 questions. The table of results below shows the basic statistic of mean and standard deviation, and priority level.

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Table 4.6 Mean and Standard Deviation of Employee Engagement

	Employee Engagement	Priority Level		
		$\overline{X}$	S.D.	Level
1	Your supervisor cares about the work that you do.	3.95	0.68	Moderately Agree
2	Your supervisor regularly encourages your learning for you to develop and grow at work.	3.89	0.78	Moderately Agree
3	Your work colleagues are one of the things that make you feel part of the organization.	3.99	0.66	Moderately Agree
4	The mission and purpose of your organization make you feel that what you do at work has to be up to standard.	4.16	0.61	Moderately Agree
5	Customers and suppliers of your organization knew that you represent the organization in performing business transactions.	3.94	0.74	Moderately Agree
6	You are satisfied with your organization as a place to work in.	4.06	0.61	Moderately Agree
7	When there is an opportunity you tend to express loyalty toward your organization.	4.10	0.56	Moderately Agree
8	You often feel that your organization plays an important part in your life.	4.12	0.59	Moderately Agree
	Overall	4.03	0.48	Moderately Agree

Table 4.6 presents the mean and standard deviation of Employee Engagement, which were calculated by obtaining the data from 411 respondents, and have shown that their overall view on Employee Engagement is 'Moderately Agree' ($\overline{X}$ = 4.03, S.D. = 0.48). This is a high value attained by the four questions also possessing high values of 'Moderately Agree. In particular, the question "The mission and purpose of your organization make you feel that what you do at work has to be up to standard" has the highest mean of 'Moderately Agree' ($\overline{X}$ = 4.16, S.D. = 0.61).

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4.1.3.5 Part 7 Employee Motivation

For Employee Motivation, as one of the mediating variables, includes 5 questions. The table of results below shows the basic statistic of mean and standard deviation, and priority level.

Table 4.7 Mean and Standard Deviation of Employee Motivation

	Employee Motivation	Priority Level		
		$\overline{X}$	S.D.	Level
1	You like to make improvements at work to the way that your organization would want.	4.14	0.56	Moderately Agree
2	Lack of efficiency at work makes you feel unhappy.	4.10	0.70	Moderately Agree
3	You limit your recreational and social activities in order to work more effectively at your organization.	3.48	1.05	Moderately Agree
4	You are an ambitious person.	3.99	0.66	Moderately Agree
5	Days pass by without you having done much at work.	3.89	0.77	Moderately Agree
	Overall	3.92	0.51	Moderately Agree

Table 4.7 presents the mean and standard deviation of Employee Motivation, which were calculated by obtaining the data from 411 respondents, and have shown that their overall view on Employee Motivation is 'Moderately Agree' ($\overline{X}$ = 3.92, S.D. = 0.51). This is not a high value, but still within the mean level of 'Moderately Agree'. Two of its questions have high levels, especially the question "You like to make

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improvements at work to the way that your organization would want", which has the highest mean of 'Moderately Agree' ($\overline{X}$ = 4.14, S.D. = 0.56).

4.1.3.6 Part 8 HR Flexibility

For HR Flexibility, as one of the mediating variables, includes 8 questions. The table of results below shows the basic statistic of mean and standard deviation, and priority level.

Table 4.8 Mean and Standard Deviation of HR Flexibility

	HR Flexibility	Priority Level		
		$\overline{X}$	S.D.	Level
1	Employees at your organization have the ability to perform multiple jobs.	3.59	0.80	Moderately Agree
2	Employees at your organization can learn new skills within a short period of time.	3.41	0.84	Agree
3	Your organization tends to hire employees with multiple skills.	3.57	0.81	Moderately Agree
4	Employees at your organization can switch to new job roles within a short period.	3.54	0.72	Moderately Agree
5	Your organization encourages its employees to learn a variety of skills.	3.54	0.77	Moderately Agree
6	Your organization regularly rotates its employees to new or different jobs.	3.40	0.85	Agree
7	Employees at your organization can change the way they work when necessary.	3.73	0.66	Moderately Agree
8	Employees at your organization respond to changing situations within a short time.	3.53	0.79	Moderately Agree
	Overall	3.54	0.56	Moderately Agree

Table 4.8 presents the mean and standard deviation of HR Flexibility, which were calculated by obtaining the data from 411 respondents, and have shown that their overall view on HR Flexibility is 'Moderately Agree' ($\overline{X}$ = 3.54, S.D. = 0.56). This

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is not a high value, but is nevertheless within the 'Moderately Agree' range. One of the questions "Employees at your organization can change the way they work when necessary" has the highest mean of 'Moderately Agree' ($\overline{X}$ = 3.73, S.D. = 0.66).

4.1.3.7 Part 9 Firm Performance

For Firm Performance, as the endogenous variable, includes 3 observed variables. Employee Retention has 5 questions, Employee Attrition has 5 questions, and Employee Performance has 5 questions. The table of results below shows the basic statistic of mean and standard deviation, and priority level.

Table 4.9 Mean and Standard Deviation of Firm Performance

	Firm Performance	$\overline{X}$	S.D.	Priority Level
				Level
	Employee Retention			
1	You plan to work at your organization for as long as possible.	3.80	0.85	Moderately Agree
2	You tend to think about the survival of your organization.	3.95	0.76	Moderately Agree
3	You are loyal to your organization.	4.13	0.53	Moderately Agree
4	You often tell your friends that your organization is a good place to work in.	3.94	0.67	Moderately Agree
5	You are confident that your organization is a good place to work for.	4.01	0.68	Moderately Agree
	Overall	3.97	0.54	Moderately Agree
	Employee Attrition			
1	You intend to look for a new job in a year's time.	3.95	1.02	Moderately Agree
2	You are committed to leaving your present job.	3.99	0.98	Moderately Agree
3	As soon as you can find a better job, you will leave the organization.	3.62	1.12	Moderately Agree

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Table 4.9 (continue)

	Firm Performance	Priority Level		
		$\overline{X}$	S.D.	Level
	Employee Attrition			
4	There is no reason in your decision to leave the organization.	3.81	0.96	Moderately Agree
5	The rate of employees leaving your organization is low.	3.80	1.02	Moderately Agree
	Overall	3.83	0.80	Moderately Agree
	Employee Performance			
1	The quality of your work is just as you expect.	4.37	0.56	Moderately Agree
2	You often perform better at work than can be expected from yourself.	3.83	0.68	Moderately Agree
3	You often perform better at work than the acceptable level in your department.	3.66	0.69	Moderately Agree
4	You tend to finish your assigned work.	3.92	0.57	Moderately Agree
5	You respond to the changing nature of your job to help your organization remain competitive.	4.17	0.59	Moderately Agree
	Overall	3.59	0.65	Moderately Agree
Overall Firm Performance		3.63	0.82	Moderately Agree

Table 4.9 presents the mean and standard deviation of Firm Performance, which were calculated by obtaining the data from 411 respondents, and have shown that their overall view on Firm Performance is 'Moderately Agree' ($\overline{X}$ = 3.63, S.D. = 0.82).

When considering each aspect of Firm Performance, while Employee Retention may not have a high level of 'Moderately Agree', it is still higher than Employee Attrition and Employee Performance with the level for 'Moderately Agree'

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($\overline{X}$ = 3.97, S.D. = 0.54). This is helped, in part, by two of its questions that have high mean values, particularly the questions "You are loyal to your organization" that has the highest mean of 'Moderately Agree' ($\overline{X}$ = 4.13, S.D. = 0.53).

As for Employee Attrition and Employee Performance, they may not have a high mean value, but they are still within the 'Moderately Agree' range. Employee Performance also has two questions that are high values, especially the question "The quality of your work is just as you expect" with the highest mean of 'Moderately Agree' ($\overline{X}$ = 4.37, S.D. = 0.56).

4.1.4 Part 10 Nine Components of Confirmatory Factor Analysis Measurement Model

This part shows the results of CFA Goodness of Fit Statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis.

4.1.4.1 Human Resource Management Practices

As for the results of Confirmatory Factor Analysis, construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis of Human Resource Management Practices. The following tables and diagrams are presented below.

Table 4.10 Goodness of Fit Test for Confirmatory Factor Analysis Model in Human Resource Practices

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		395.195
Probability Level (p)	> 0.05	0.000
χ^2 / df	< 2.00	395.195/273=1.448
RMSEA	< 0.05	0.033
RMR	< 0.05	0.024
GFI	≥ .90	0.935
Comparative Fit Index (CFI)	≥ .90	0.981

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Table 4.10 and Figure 4.1 show the consistent statistical measure of the second stage of Confirmatory Factor Analysis model in relation to the research hypotheses and the empirical data on Human Resource Practices. The model fit presents statistical values that are within the stated level, as follows: $\chi^2 = 395.195$ with degrees of freedom (df) of 265, and $\chi^2 / df = 1.448$, which is < 2 . This is in accordance with the stated level and has *p*-value = 0.00, which should be > 0.05. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.

The $\chi 2$=0.00, which should be > 0.05, can be accepted due to $\chi 2$ being sensitive and is strongly influenced by sample size. With a large number of participants, the Chi-square values will be overestimated (statistically significant), meaning they might inaccurately imply a poor data-to-model fit (Schumacker and Lomax, 2004). Chi-square statistic nearly always rejects the model when large samples are used (Bentler and Bonnet, 1980; Jöreskog and Sörbom, 1993). According to Kenny and McCoach (2003), even with a small size, the Chi-square statistics lacks strength because they are unable to distinguish between good and poor fitting models.

Chi-square is a "badness-of-fit" index, where smaller values indicate better fit. Other fit indices, for example, RMSEA, RMR, CFI, NFI, are "goodness-of-fit" indices where larger values mean better fit. To illustrate, Wheaton, Alwin, and Summers (1977) have used a method to lower the impact of sample size on the model Chi-square, which is their relative/normed Chi-square (X2/df). The recommended range is from 5.0 (Wheaton et al, 1977) to 2.0 (Tabachnick and Fidell, 2007).

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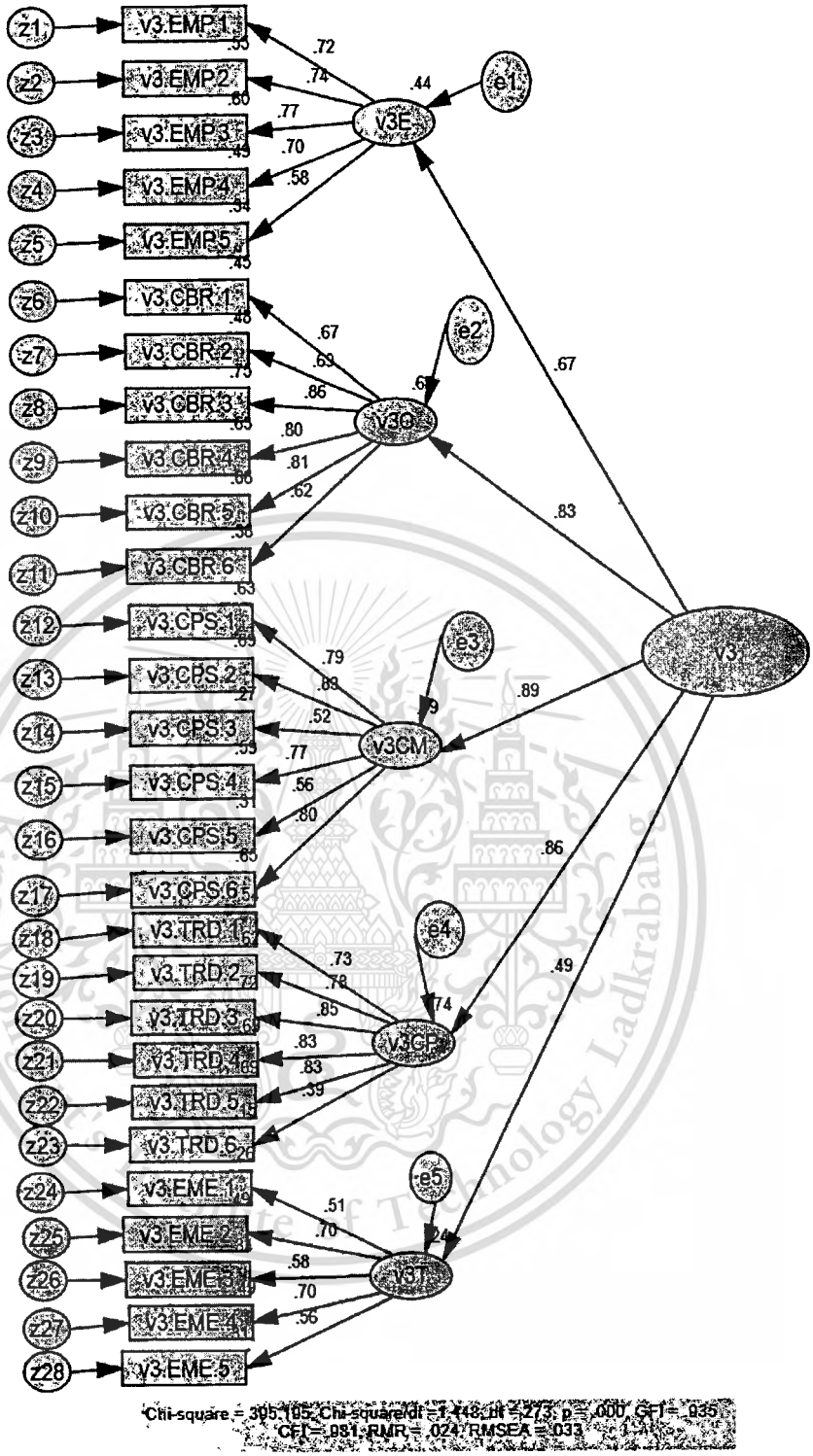

Figure 4.1 Confirmatory Factor Analysis Model in Human Resource Practices

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Table 4.11 Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Human Resource Practices		0.98	0.90
Employee Participation		0.67***	0.92	0.69
1	Your organization often shares information from manager's meeting about policy issues with its employees.	0.72***		
2	Part of your organization's policies and procedures comes from suggestions made by employees.	0.74***		
3	Your organization has a command structure that is favorable to employees in terms of providing suggestions for improvement at work.	0.78***		
4	Your organization offer activities to encourage employees to express their views that are beneficial for work management.	0.70***		
5	When there is opportunity you tend to make new suggestions in order to improve your organization.	0.58***		
Compensation Management and Reward		0.83***	0.94	0.72
1	In your organization, employees are given positive recognition when they perform well to achieve their targets.	0.67***		
2	Your organization provides good benefits compared to other organizations in the same industry, or close to the same industry.	0.69***		
3	Your organization provides appropriate compensation for the amount of work or quality of work that you do.	0.87***		
4	The benefits that you receive from the organization are equitable.	0.80***		

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Table 4.11 (continue)

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Human Resource Practices		0.98	0.90
Compensation Management and Reward		0.83***	0.94	0.72
5	Your organization provides rewards to employees who perform well at work.	0.81***		
6	Your organization provides rewards to employees with strong work ethics (e.g. work consistently and on time, helping others).	0.62***		
Career Planning System		0.86***	0.90	0.61
1	Your organization has a career planning program.	0.79***		
2	Career planning in your organization is long term.	0.83***		
3	There is a plan in your organization to create individual development.	0.52***		
4	There is a vertical career planning in your organization, allowing you to grow within your job.	0.77***		
5	There is a horizontal career planning in your organization, allowing you to grow between jobs (Cross Functional).	0.56***		
6	Your organization creates opportunity for career advancement.	0.81***		
Training and Development		0.49***	0.94	0.74
1	You have been given training and development so that you are able to perform your duty in the organization.	0.73***		
2	Your organization often keeps track of your progress after the training.	0.79***		
3	Employees in your organization have been given the knowledge and skills in a timely manner.	0.85***		
4	Employees at your organization have been given effective training.	0.83***		

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Table 4.11 (continue)

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Human Resource Practices		0.98	0.90
Training and Development		0.49***	0.94	0.74
5	There is often staff training and development in your organization to create career opportunities.	0.83***		
6	In your view, training and development will lead to good job performance.	0.39***		
Employee Empowerment		0.89***	0.90	0.64
1	Your organization gives you significant autonomy in determining how you do your job.	0.52***		
2	You are confident in your ability to do your job.	0.70***		
3	Your job brings you confidence, value and meaning to your life.	0.58***		
4	You have the necessary expertise and skills for your job to be able to make the right decision.	0.70***		
5	You have control over what happens in your department.	0.56***		

*** $p < .001$

Table 4.11 presents Factor Loading, Composite Reliability (CR) of latent variables and Average Variance Extracted (AVE) from component variables, which show the measures of the second order of Confirmatory Factor Analysis in relation to Human Resource Practices. They consist of five components. Human Resource Practices have a high Composite Reliability (CR) of 0.98, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Human Resource Practices. Results are representative of the observed variables with a value of 0.90, higher than 0.50. Factor Loading has a positive value ranging from 0.49 to 0.89 with a statistical significance of .001 for all of them, which indicates that there are 5 variables used to measure the component. Each of these variables is presented, as follows:

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1) Employee Participation has a high Composite Reliability (CR) of 0.92, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Employee Participation. Results are representative of the observed variables with a value of 0.69, higher than 0.50. Factor Loading has a positive value ranging from 0.58 to 0.78 with a statistical significance of .001 for all of them, which indicates that there are 5 variables used to measure the component.

2) Compensation Management and Reward has a high Composite Reliability (CR) of 0.94, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Compensation Management and Reward. Results are representative of the observed variables with a value of 0.72, higher than 0.50. Factor Loading has a positive value ranging from 0.62 to 0.87 with a statistical significance of .001 for all of them, which indicates that there are 6 variables used to measure the component.

3) Career Planning System has a high Composite Reliability (CR) of 0.90, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Career Planning System. Results are representative of the observed variables with a value of 0.61, higher than 0.50. Factor Loading has a positive value ranging from 0.52 to 0.83 with a statistical significance of .001 for all of them, which indicates that there are 6 variables used to measure the component.

4) Training and Development has a high Composite Reliability (CR) of 0.94, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Training and Development. Results are representative of the observed variables with a value of 0.74, higher than 0.50. Factor Loading has a positive value ranging from 0.39 to 0.85 with a statistical significance of .001 for all of them, which indicates that there are 6 variables used to measure the component.

5) Employee Empowerment has a high Composite Reliability (CR) of 0.90, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Employee Empowerment. Results are representative

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of the observed variables with a value of 0.64, higher than 0.50. Factor Loading has a positive value ranging from 0.52 to 0.70 with a statistical significance of .001 for all of them, which indicates that there are 5 variables used to measure the component.

4.1.4.2 Organizational Citizenship Behaviors

This part shows the results of CFA Goodness of Fit Statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis and Factor Loading, Composite Reliability (ρ_c) of Latent Variables (CR), and Average Variance (ρ_v) Extracted from Component Variables (AVE) of Organizational Citizenship Behaviors. The following tables and diagrams are presented below.

Table 4.12 Goodness of Fit Test for Confirmatory Factor Analysis Model in Organizational Citizenship Behaviors

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		14.7
Probability Level (p)	> 0.05	0.00
χ^2 / df	< 2.00	14.7/12=1.225
RMSEA	< 0.05	0.023
RMR	< 0.05	0.006
GFI	≥ .90	0.991
Comparative Fit Index (CFI)	≥ .90	0.995

Table 4.12 and Figure 4.2 show the consistency statistical measure of Confirmatory Factor Analysis model in relation to the research hypotheses and the empirical data on Organizational Citizenship Behaviors. The model fit presents statistical values that are within the stated level, as follows: $\chi^2 = 14.7$ with degrees of freedom (df) of 12, and χ^2 / df = 1.225, which is < 2. This is in accordance with the stated level and has *p*-value = 0.00, which should be > 0.05. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.

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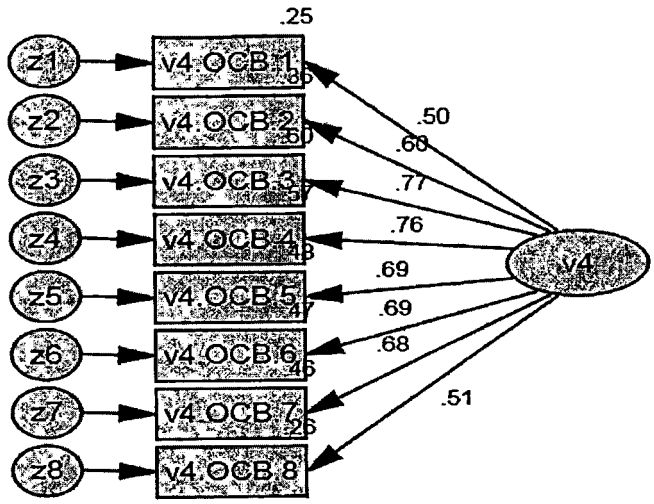

Chi-square = 14.700, Chi-square/df =1.225, df = 12, p = .258, GFI = .991
CFI = .998, RMR = .006, RMSEA = .023

Figure 4.2 Confirmatory Factor Analysis Model in Organizational Citizenship Behaviors

Table 4.13 Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Organizational Citizenship Behaviors		0.94	0.68
1	You tend to help others with their work when they are not able to do it themselves.	0.50***		
2	You are willing to help others with problems that are related to your line of work.	0.60***		
3	You agree to take part in activities that are not your main line of work, but will help the organizational image.	0.77***		
4	You defend your organization.	0.76***		
5	You tend to show pride in your organization when you are in public.	0.69***		
6	When there is a chance you tend to offer new ideas to improve the functioning of your organization.	0.69***		
7	You express loyalty towards your organization.	0.68***		

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Table 4.13 (continue)

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Organizational Citizenship Behaviors		0.94	0.68
8	You never reveal internal changes of the organization to the public.	0.51***		

*** $p < .001$

Table 4.13 presents Factor Loading, Composite Reliability (CR) of latent variables and Average Variance Extracted (AVE) from component variables, which show the measures of Confirmatory Factor Analysis in relation to Organizational Citizenship Behaviors that has a high Composite Reliability (CR) of 0.94, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Organizational Citizenship Behaviors. Results are representative of the observed variables with a value of 0.68, higher than 0.50. Factor Loading has a positive value ranging from 0.51 to 0.77 with a statistical significance of .001 for all of them, which indicates that there are 8 variables used to measure the component.

4.1.4.3 Job Satisfaction

This part shows the results of CFA Goodness of Fit Statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis and Factor Loading, Composite Reliability (ρ_c) of Latent Variables (CR), and Average Variance (ρ_v) Extracted from Component Variables (AVE) of Job Satisfaction. The following tables and diagrams are presented below.

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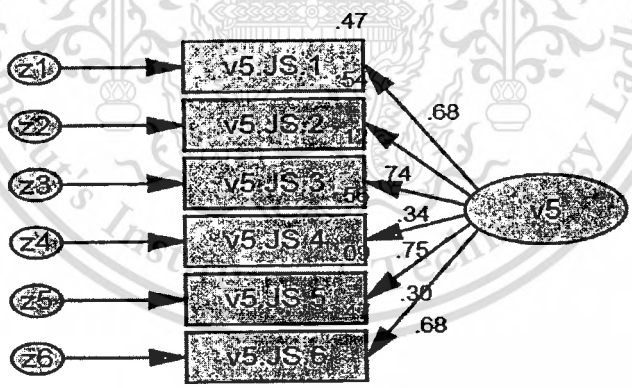
Table 4.14 Goodness of Fit Test for Confirmatory Factor Analysis Model in Job Satisfaction

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		1.809
Probability Level (p)	> 0.05	0.613
χ^2 / df	< 2.00	1.809/3=0.603
RMSEA	< 0.05	0.000
RMR	< 0.05	0.006
GFI	≥ .90	0.999
Comparative Fit Index (CFI)	≥ .90	1.000

Table 4.14 and Figure 4.3 show the consistency statistical measure of Confirmatory Factor Analysis model in relation to the research hypotheses and the data on Job Satisfaction. The model fit presents statistical values that are within the stated level, as follows: χ^2 = 1.809 with degrees of freedom (df) of 3, and χ^2 / df = 0.613, which is < 2. This is in accordance with the stated level and has *p*-value = 0.613, also within the stated level. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.



Chi-square = 1.809, Chi-square/df =.603, df = 3, p = .613, GFI = .999
CFI = 1.000, RMR = .006, RMSEA = .000

Figure 4.3 Confirmatory Factor Analysis Model in Job Satisfaction

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Table 4.15 Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Job Satisfaction		0.87	0.56
1	You are satisfied with your present job.	0.69***		
2	You like to work with your colleagues in your present job.	0.74***		
3	You sometimes feel that your job is meaningless.	0.34***		
4	You feel a sense of pride in the work that you do.	0.75***		
5	You feel that your work is not appreciated by others.	0.30***		
6	You enjoy doing your job.	0.68***		

*** $p < .001$

Table 4.15 presents Factor Loading, Composite Reliability (CR) of latent variables and Average Variance Extracted (AVE) from component variables, which show the measures of Confirmatory Factor Analysis in relation to Job Satisfaction that has a high Composite Reliability (CR) of 0.87, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Job Satisfaction. Results are representative of the observed variables with a value of 0.56, higher than 0.50. Factor Loading has a positive value ranging from 0.30 to 0.75 with a statistical significance of .001 for all of them, which indicates that there are 6 variables used to measure the component.

4.1.4.4 Employee Engagement

This part shows the results of CFA Goodness of Fit Statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis and Factor Loading, Composite Reliability (ρ_c) of Latent Variables (CR), and Average Variance (ρ_v) Extracted from Component Variables (AVE) of Employee Engagement. The following tables and diagrams are presented below.

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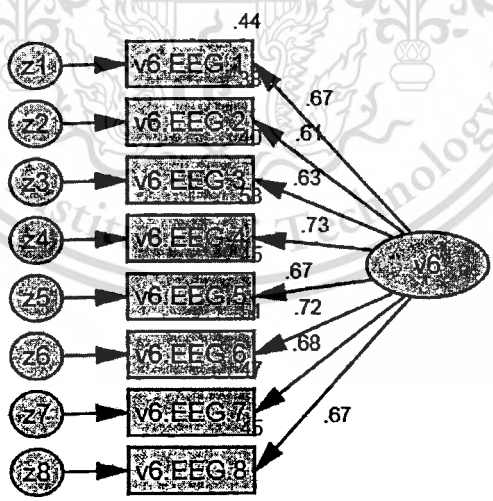
Table 4.16 Goodness of Fit Test for Confirmatory Factor Analysis Model in Employee Engagement

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		8.278
Probability Level (p)	> 0.05	0.218
χ^2 / df	< 2.00	8.278/6= 1.38
RMSEA	< 0.05	0.03
RMR	< 0.05	0.006
GFI	≥ .90	0.995
Comparative Fit Index (CFI)	≥ .90	0.999

Table 4.16 and Figure 4.4 show the consistency statistical measure of Confirmatory Factor Analysis model in relation to the research hypotheses and the data on Employee Engagement. The model fit presents statistical values that are within the stated level, as follows: $\chi^2 = 8.278$ with degrees of freedom (df) of 6, and χ^2 / df = 1.38, which is < 2 . This is in accordance with the stated level and has *p*-value = 0.218, also within the stated level. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.



Chi-square = 8.278, Chi-square/df =1.380, df = 6, p = .218, GFI = .995
CFI = .999, RMR = .006, RMSEA = .030

Figure 4.4 Confirmatory Factor Analysis Model in Employee Engagement

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Table 4.17 Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Employee Engagement		0.94	0.66
1	Your supervisor cares about the work that you do.	0.67***		
2	Your supervisor regularly encourages your learning for you to develop and grow at work.	0.61***		
3	Your work colleagues are one of the things that make you feel part of the organization.	0.63***		
4	The mission and purpose of your organization make you feel that what you do at work has to be up to standard.	0.73***		
5	Customers and suppliers of your organization knew that you represent the organization in performing business transactions.	0.67***		
6	You are satisfied with your organization as a place to work in.	0.72***		
7	When there is an opportunity you tend to express loyalty toward your organization.	0.68***		
8	You often feel that your organization plays an important part in your life.	0.67***		

*** $p < .001$

Table 4.17 presents Factor Loading, Composite Reliability (CR) of latent variables and Average Variance Extracted (AVE) from component variables, which show the measures of Confirmatory Factor Analysis in relation to Employee Engagement that has a high Composite Reliability (CR) of 0.94, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Employee Engagement. Results are representative of the observed variables with a value of 0.63, higher than 0.50. Factor Loading has a

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positive value ranging from 0.61 to 0.73 with a statistical significance of .001 for all of them, which indicates that there are 8 variables used to measure the component.

4.1.4.5 Employee Motivation

This part shows the results of CFA Goodness of Fit Statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis and Factor Loading, Composite Reliability (ρ_c) of Latent Variables (CR), and Average Variance (ρ_v) Extracted from Component Variables (AVE) of Employee Motivation. The following tables and diagrams are presented below.

Table 4.18 Goodness of Fit Test for Confirmatory Factor Analysis Model in Employee Motivation

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		2.809
Probability Level (p)	> 0.05	0.245
χ^2 / df	< 2.00	2.809/2= 1.405
RMSEA	< 0.05	0.031
RMR	< 0.05	0.001
GFI	≥ .90	0.997
Comparative Fit Index (CFI)	≥ .90	0.998

Table 4.18 and Figure 4.5 show the consistency statistical measure of Confirmatory Factor Analysis model in relation to the research hypotheses and the data on Employee Motivation. The model fit presents statistical values that are within the stated level, as follows: $\chi^2 = 2.809$ with degrees of freedom (df) of 2, and χ^2 / df = 1.405, which is < 2. This is in accordance with the stated level and has *p*-value = 0.245, also within the stated level. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.

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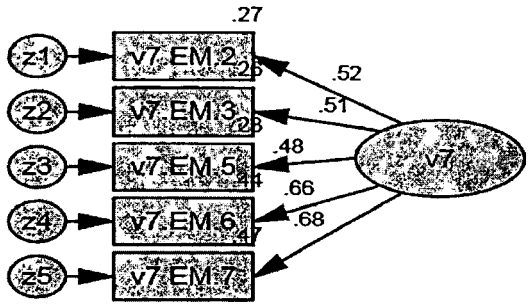

Chi-square = 2.809, Chi-square/df =1.405, df = 2, p = .245, GFI = .997
CFI = .998, RMR = .007, RMSEA = .031

Figure 4.5 Confirmatory Factor Analysis Model in Employee Motivation

Table 4.19 Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Employee Motivation		0.84	0.51
1	You like to make improvements at work to the way that your organization would want.	0.52***		
2	Lack of efficiency at work makes you feel unhappy.	0.51***		
3	You limit your recreational and social activities in order to work more effectively at your organization.	0.48***		
4	You are an ambitious person.	0.66***		
5	Days pass by without you having done much at work.	0.68***		

*** $p < .001$

Table 4.19 presents Factor Loading, Composite Reliability (CR) of latent variables and Average Variance Extracted (AVE) from component variables, which show the measures of Confirmatory Factor Analysis in relation to Employee Motivation that has a high Composite Reliability (CR) of 0.84, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Employee Motivation. Results are representative of the

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observed variables with a value of 0.51, higher than 0.50. Factor Loading has a positive value ranging from 0.48 to 0.68 with a statistical significance of .001 for all of them, which indicates that there are 5 variables used to measure the component.

4.1.4.6 HR Flexibility

This part shows the results of CFA Goodness of Fit Statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis and Factor Loading, Composite Reliability (ρ_c) of Latent Variables (CR), and Average Variance (ρ_v) Extracted from Component Variables (AVE) of HR Flexibility. The following tables and diagrams are presented below.

Table 4.20 Goodness of Fit Test for Confirmatory Factor Analysis Model in HR Flexibility

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		14.607
Probability Level (p)	> 0.05	0.102
χ^2 / df	< 2.00	14.607/9= 1.623
RMSEA	< 0.05	0.039
RMR	< 0.05	0.011
GFI	≥ .90	0.991
Comparative Fit Index (CFI)	≥ .90	0.996

Table 4.20 and Figure 4.6 show the consistency statistical measure of Confirmatory Factor Analysis model in relation to the research hypotheses and the data on HR Flexibility. The model fit presents statistical values that are within the stated level, as follows: χ^2 = 14.607 with degrees of freedom (df) of 9, and χ^2 / df = 1.623, which is < 2. This is in accordance with the stated level and has *p*-value = 0.102, also within the stated level. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.

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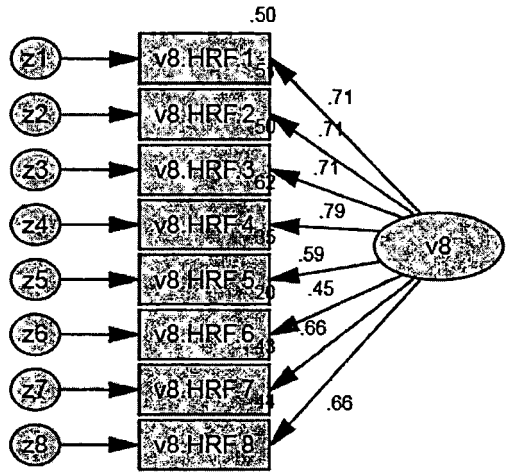

Chi-square = 14.607, Chi-square/df =1.623, df = 9, p = .102, GFI = .991
CFI = .996, RMR = .011, RMSEA = .039

Figure 4.6 Confirmatory Factor Analysis Model in HR Flexibility

Table 4.21 Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

	Constructs, Sources and Scale Item	Loading	CR	AVE
	HR Flexibility		0.91	0.56
1	Employees at your organization have the ability to perform multiple jobs.	0.71***		
2	Employees at your organization can learn new skills within a short period of time.	0.71***		
3	Your organization tends to hire employees with multiple skills.	0.71***		
4	Employees at your organization can switch to new job roles within a short period.	0.79***		
5	Your organization encourages its employees to learn a variety of skills.	0.59***		
6	Your organization regularly rotates its employees to new or different jobs.	0.45***		
7	Employees at your organization can change the way they work when necessary.	0.66***		

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Table 4.21 (continue)

	Constructs, Sources and Scale Item	Loading	CR	AVE
	HR Flexibility		0.91	0.56
8	Employees at your organization respond to changing situations within a short time.	0.67***		

*** $p < .001$

Table 4.21 presents Factor Loading, Composite Reliability (CR) of latent variables and Average Variance Extracted (AVE) from component variables, which show the measures of Confirmatory Factor Analysis in relation to HR Flexibility that has a high Composite Reliability (CR) of 0.91, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of HR Flexibility. Results are representative of the observed variables with a value of 0.56, higher than 0.50. Factor Loading has a positive value ranging from 0.45 to 0.79 with a statistical significance of .001 for all of them, which indicates that there are 8 variables used to measure the component.

4.1.4.7 Employee Retention

This part shows the results of CFA Goodness of Fit Statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis and Factor Loading, Composite Reliability (ρ_c) of Latent Variables (CR), and Average Variance (ρ_v) Extracted from Component Variables (AVE) of Employee retention. The following tables and diagrams are presented below.

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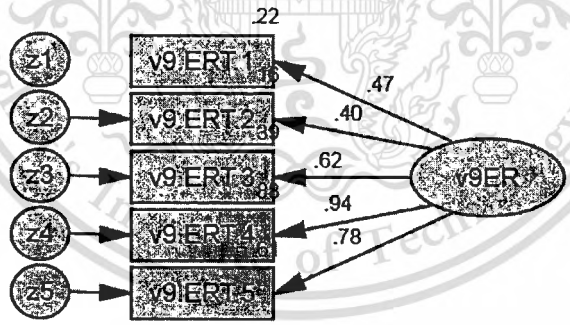
Table 4.22 Goodness of Fit Test for Confirmatory Factor Analysis Model in Employee Retention

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		1.865
Probability Level (p)	> 0.05	0.172
χ^2 / df	< 2.00	1.865/1= 1.865
RMSEA	< 0.05	0.005
RMR	< 0.05	0.046
GFI	≥ .90	0.998
Comparative Fit Index (CFI)	≥ .90	0.999

Table 4.22 and Figure 4.7 show the consistency statistical measure of Confirmatory Factor Analysis model in relation to the research hypotheses and the data on Employee Retention. The model fit presents statistical values that are within the stated level, as follows: χ^2 = 1.865 with degrees of freedom (df) of 1, and χ^2 / df = 1.865, which is < 2. This is in accordance with the stated level and has *p*-value = 0.172, also within the stated level. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.



Chi-square = 1.865, Chi-square/df =1.865, df = 1, p = .172, GFI = .998
CFI = .999, RMR = .005, RMSEA = .046

Figure 4.7 Confirmatory Factor Analysis Model in Employee Retention

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Table 4.23 Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Employee Retention		0.88	0.61
1	You plan to work at your organization for as long as possible.	0.47***		
2	You tend to think about the survival of your organization.	0.40***		
3	You are loyal to your organization.	0.63***		
4	You often tell your friends that your organization is a good place to work in.	0.94***		
5	You are confident that your organization is a good place to work for.	0.78***		

*** $p < .001$

Table 4.23 presents Factor Loading, Composite Reliability (CR) of latent variables and Average Variance Extracted (AVE) from component variables, which show the measures of Confirmatory Factor Analysis in relation to Employee Retention that has a high Composite Reliability (CR) of 0.88, above the stated level of 0.61. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Employee Retention. Results are representative of the observed variables with a value of 0.61, higher than 0.50. Factor Loading has a positive value ranging from 0.40 to 0.94 with a statistical significance of .001 for all of them, which indicates that there are 5 variables used to measure the component.

4.1.4.8 Employee Attrition

This part shows the results of CFA Goodness of Fit Statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis and Factor Loading, Composite Reliability (ρ_c) of Latent Variables (CR), and Average Variance (ρ_v) Extracted from Component

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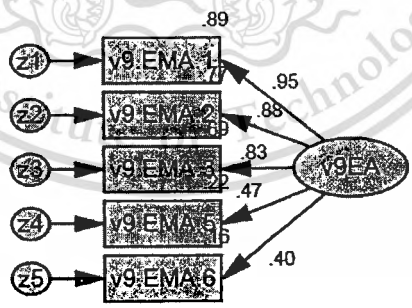
Variables (AVE) of Employee Attrition. The following tables and diagrams are presented below.

Table 4.24 Goodness of Fit Test for Confirmatory Factor Analysis Model in Employee Attrition

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		3.128
Probability Level (p)	> 0.05	0.372
χ^2 / df	< 2.00	3.128/3= 1.043
RMSEA	< 0.05	0.01
RMR	< 0.05	0.01
GFI	≥ .90	0.997
Comparative Fit Index (CFI)	≥ .90	1.000

Table 4.24 and Figure 4.8 show the consistency statistical measure of Confirmatory Factor Analysis model in relation to the research hypotheses and the data on Employee Attrition. The model fit presents statistical values that are within the stated level, as follows: $\chi^2 = 3.128$ with degrees of freedom (df) of 3, and χ^2 / df = 1.043, which is < 2. This is in accordance with the stated level and has *p*-value = 0.372, also within the stated level. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.



Chi-square = 3.128, Chi-square/df =1.043, df = 3, p = .372, GFI = .997
CFI = 1.000, RMR = .010, RMSEA = .010

Figure 4.8 Confirmatory Factor Analysis Model in Employee Attrition

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Table 4.25 Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Employee Attrition		0.84	0.54
1	You intend to look for a new job in a year's time.	0.95***		
2	You are committed to leaving your present job.	0.88***		
3	As soon as you can find a better job, you will leave the organization.	0.83***		
4	There is no reason in your decision to leave the organization.	0.47***		
5	The rate of employees leaving your organization is low.	0.40***		

*** $p < .001$

Table 4.25 presents Factor Loading, Composite Reliability (CR) of latent variables and Average Variance Extracted (AVE) from component variables, which show the measures of Confirmatory Factor Analysis in relation to Employee Attrition that has a high Composite Reliability (CR) of 0.84, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Employee Attrition. Results are representative of the observed variables with a value of 0.54, higher than 0.50. Factor Loading has a positive value ranging from 0.40 to 0.95 with a statistical significance of .001 for all of them, which indicates that there are 5 variables used to measure the component.

4.1.4.9 Employee Performance

This part shows the results of CFA Goodness of Fit Statistics, where construct validity is used to check for consistency between the structural components through Confirmatory Factor Analysis and Factor Loading, Composite Reliability (ρ_c) of Latent Variables (CR), and Average Variance (ρ_v) Extracted from Component Variables (AVE) of Employee Performance. The following tables and diagrams are presented below.

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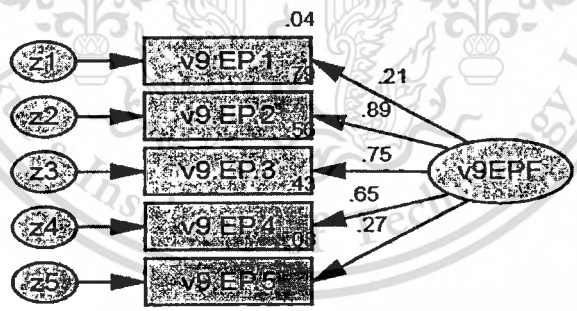
Table 4.26 Goodness of Fit Test for Confirmatory Factor Analysis Model in Employee Performance

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		1.108
Probability Level (p)	> 0.05	0.293
χ^2 / df	< 2.00	1.108/1= 1.108
RMSEA	< 0.05	0.019
RMR	< 0.05	0.004
GFI	≥ .90	0.999
Comparative Fit Index (CFI)	≥ .90	1.000

Table 4.26 and Figure 4.9 show the consistency statistical measure of Confirmatory Factor Analysis model in relation to the research hypotheses and the data on Employee Performance. The model fit presents statistical values that are within the stated level, as follows: χ^2 = 1.108 with degrees of freedom (df) of 1, and χ^2 / df = 1.108, which is < 2. This is in accordance with the stated level and has *p*-value = 0.293, also within the stated level. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.



Chi-square = 1.108, Chi-square/df =1.108, df = 1, p = .293, GFI = .999
CFI = 1.000, RMR = .004, RMSEA = .016

Figure 4.9 Confirmatory Factor Analysis Model in Employee Performance

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Table 4.27 Factor Loading, Composite Reliability (ρ_c) of Latent Variables, and Average Variance (ρ_v) Extracted from Component Variables

	Constructs, Sources and Scale Item	Loading	CR	AVE
	Employee Performance		0.87	0.63
1	The quality of your work is just as you expect.	0.21***		
2	You often perform better at work than can be expected from yourself.	0.89***		
3	You often perform better at work than the acceptable level in your department.	0.75***		
4	You tend to finish your assigned work.	0.65***		
5	You respond to the changing nature of your job to help your organization remain competitive.	0.28***		

*** $p < .001$

Table 4.27 presents Factor Loading, Composite Reliability (CR) of latent variables and Average Variance Extracted (AVE) from component variables, which show the measures of Confirmatory Factor Analysis in relation to Employee Performance that has a high Composite Reliability (CR) of 0.87, above the stated level of 0.60. It also provides the Average Variance Extracted (AVE) from each component, which reflects the total variance of the observed variables used to measure the latent variable of Employee Performance. Results are representative of the observed variables with a value of 0.63, higher than 0.50. Factor Loading has a positive value ranging from 0.21 to 0.89 with a statistical significance of .001 for all of them, which indicates that there are 5 variables used to measure the component.

4.1.5 Part 11 Hypotheses Results

This part tests the hypotheses by finding the level of relationships between the variables. The relationship value should not be higher than +0.8 since that would mean both variables have the same meaning or use the same measurement. If that is the case, one of them should be removed from the model.

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Table 4.28 Correlation Results

	HRMP	OCB	JS	EE	EM	HRF	ER	EA	EP
HRMP	1								
OCB	0.530**	1							
JS	0.450**	0.505**	1						
EE	0.565**	0.646**	0.604**	1					
EM	0.341**	0.456**	0.303**	0.578**	1				
HRF	0.520**	0.229**	0.115*	0.243**	0.150**	1			
ER	0.524**	0.442**	0.493**	0.585**	0.412**	0.326**	1		
EA	0.302**	0.263**	0.434**	0.341**	0.331**	0.025	0.284**	1	
EP	0.380**	0.327**	0.334**	0.383**	0.335**	0.287**	0.405**	0.362**	1

N=411. Notes: **

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

According to Table 4.28, correlation results are significant at the 0.01 level (2-tailed). Hypotheses results show the level of relationship between the variables value are not higher than +0.8 since that would mean both variables have the same meaning or use the same measurement.

The Goodness of Fit Test for Path Analysis model hypotheses tests (see Table 4.29) shows the consistent statistical measure of Path Analysis model in relation to the research hypotheses and the empirical data. The model fit presents statistical values that are within the stated level, as follows: probability level (p) $\chi^2 / df < 2$, values for RMSEA < 0.05, RMR < 0.05, GFI ≥ 0.90 and CFI ≥ 0.90

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Table 4.29 Goodness of Fit Test for Path Analysis Model Hypotheses Tests

Goodness – of – Fit Statistics	Levels	Statistics
Chi – Square (χ^2)		2.71
Probability Level (p)	> 0.05	0.607
χ^2 / df	< 2.00	2.71/4= 0.677
RMSEA	< 0.05	0.000
RMR	< 0.05	0.004
GFI	≥ .90	0.999
Comparative Fit Index (CFI)	≥ .90	1.000

Table 4.29 shows the consistent statistical measure of Path Analysis model in relation to the research hypotheses and the empirical data on Human Resource Practices. The model fit presents statistical values that are within the stated level, as follows: $\chi^2 = 2.71$ with degrees of freedom (df) of 4, and χ^2 / df = 0.677, which is < 2. This is in accordance with the stated level, and has *p*-value = 0.607, which should be > 0.05. Values for RMSEA, RMR, GFI and CFI are in line with the stated levels.

4.1.5.1 Results of Path Analysis Model

For the model test results, researcher tested the hypotheses in relation to the variables. For the variables, there are the Independent Exogenous Variables, which include HRM Practices. The Mediating Observed Variables are 1) Employee Engagement 2) Organizational Citizenship Behavior 3) Employee Motivation 4) HR Flexibility and 5) Job satisfaction. The Endogenous Dependent Variable consists of three observed variables, which are 1) Employee Attrition 2) Employee Retention and 3) Employee Performance.

There are six processes in this study, which are as follows:

1. Researcher determined the significance of the problem, research question, research objective, hypotheses, scope of research, expected benefits from research, and variable terms of definitions. These are all explained in Chapter 1.

2. Literature review processes contain high impact factor international journals that researcher was able to synthesize in creating the conceptual framework, shown in Chapter 2.

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3. The research design and methodology section includes research instrument, measurement scale, instrument quality, data collection, and statistical data analysis. First, the measurement model was evaluated using confirmatory factor analysis, followed by the estimation of theoretical (structural) models, the correlation between construct matrix and square roots of average variance extracted (AVE), as well as the Model Fit Indices. The evaluation of the constructs validity and reliability were assessed by confirmatory factory analysis using AMOS. All of these are in Chapter 3.

4. The sample and population section includes population that were from MNCs with FDI that had been promoted under BOI (FDI: Foreign Direct Investment of BOI) to invest in the industrial Zone 2 of Thailand's Eastern Seaboard industrial estate, Rayong province. There were a total of 255 companies within the industrial estate. There were a total sample of 765 managers, comprising of Top Management, HR Leader and Line Manager. By using the non-probability sampling of purposive sampling, there would be 3 managers, comprising of Top Management, HR Leader and Line Manager, in each organization. The sample for this study (765) is in line with Schumacker and Lomax (2004); Kelloway (1998) and Stevens (1986), who described that the appropriate same size was 20 times of the variables in the conceptual model, which also consisted of the running of statistics by AMOS to ensure the result estimation was correct. The ideal sample for this study is 260. A total of 765 questionnaires were distributed and 443 were returned (58% of response rate), of which only 411 were adequately completed (Stevens, 1986; Anderson and Gerbing, 1988; Kelloway, 1998; Schumacker and Lomax, 2004; Hair et al., 2006). All of these are in Chapter 3.

5. This process concerns the input of 411 samples used for statistical testing to support and confirmed the validity and reliability of the research instrument, so as to be in line with international research standard. Statistical tests include 1) Frequency and Percentage of Organizational Characteristics 2) Frequency and Percentage of Personal Characteristics 3) Mean and Standard Deviation 4) Confirmatory Factor Analysis (CFA) Measurement Model 5) Goodness of Fit, Factor Loading, Composite Reliability of Latent Variables (CR), and Average Variance Extracted from Component Variables (AVE) and 6) Results of Hypotheses - Correlation, Chi-square, Degree of freedom, CMIN/df, GFI, CFI, RMR, and RMSEA.

6. A causal Path Analysis structural model and the testing of results should show not only direct relation between the variables, according to the hypotheses tests

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and conceptual frame work, but also the indirect effect, and total effect, presented in Figure 4.10.

Figures 4.10 to 4.13 present the model test results. Figure 4.10 is an overview of the structural model, and Figures 4.11 to 4.13 are breakdowns for each structural model, categorized by each endogenous dependent variable.

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4.1.5.2 Test Results

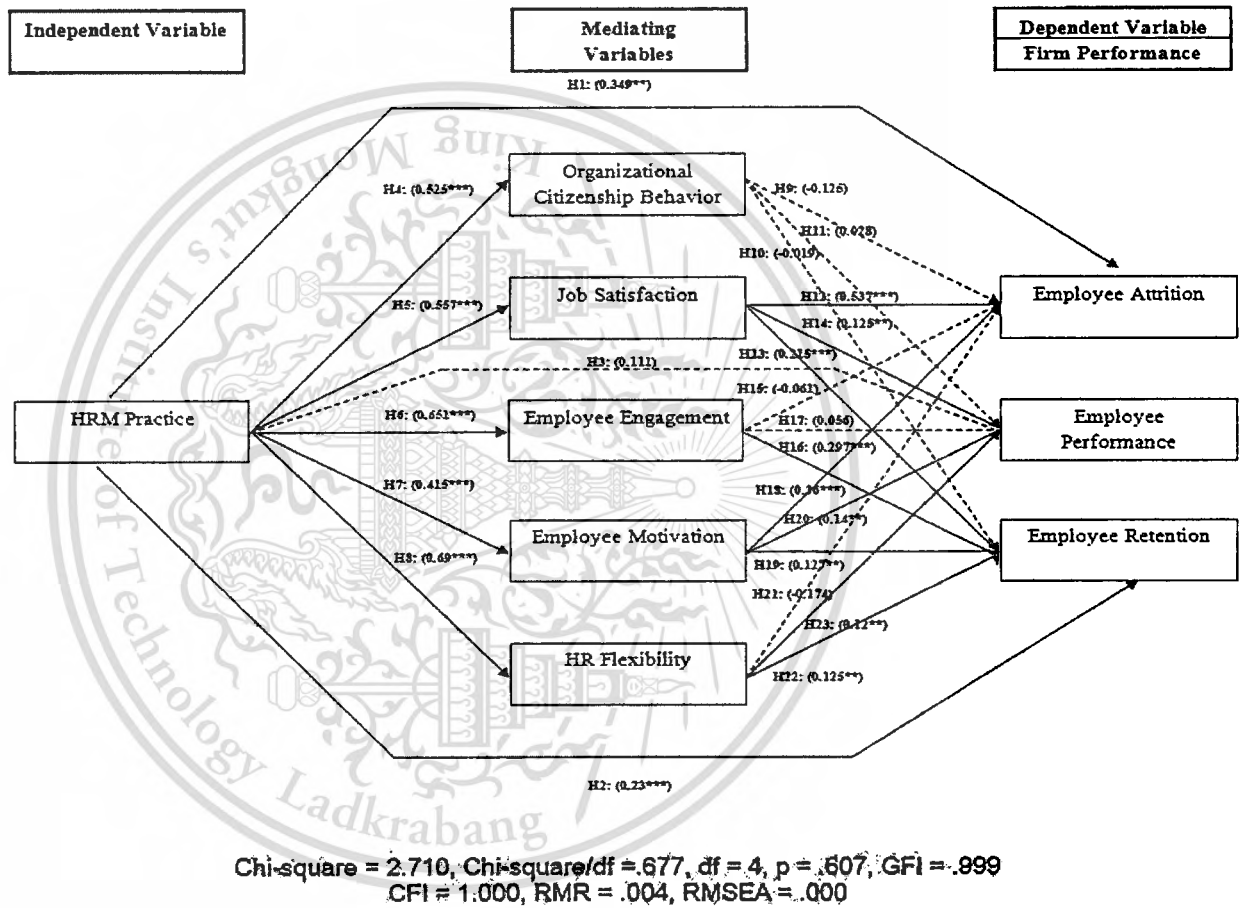

Figure 4.10 Test Results of the Causal Path Analysis Model of Human Resource Management Practices and Employee Attrition, Employee Retention and Employee Performance

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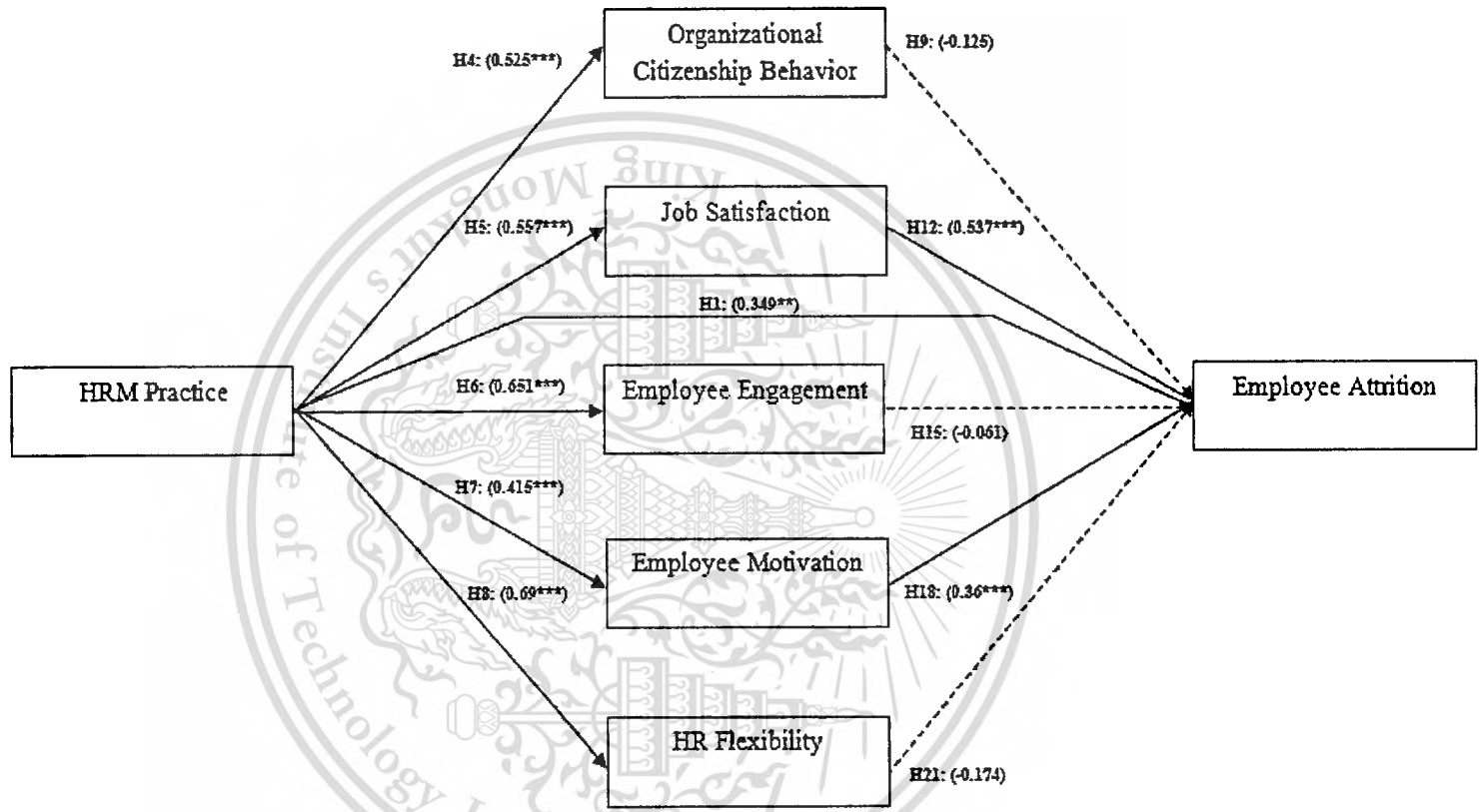

Figure 4.11 A Causal Path Analysis Model of Human Resource Management Practices and Employee Attrition

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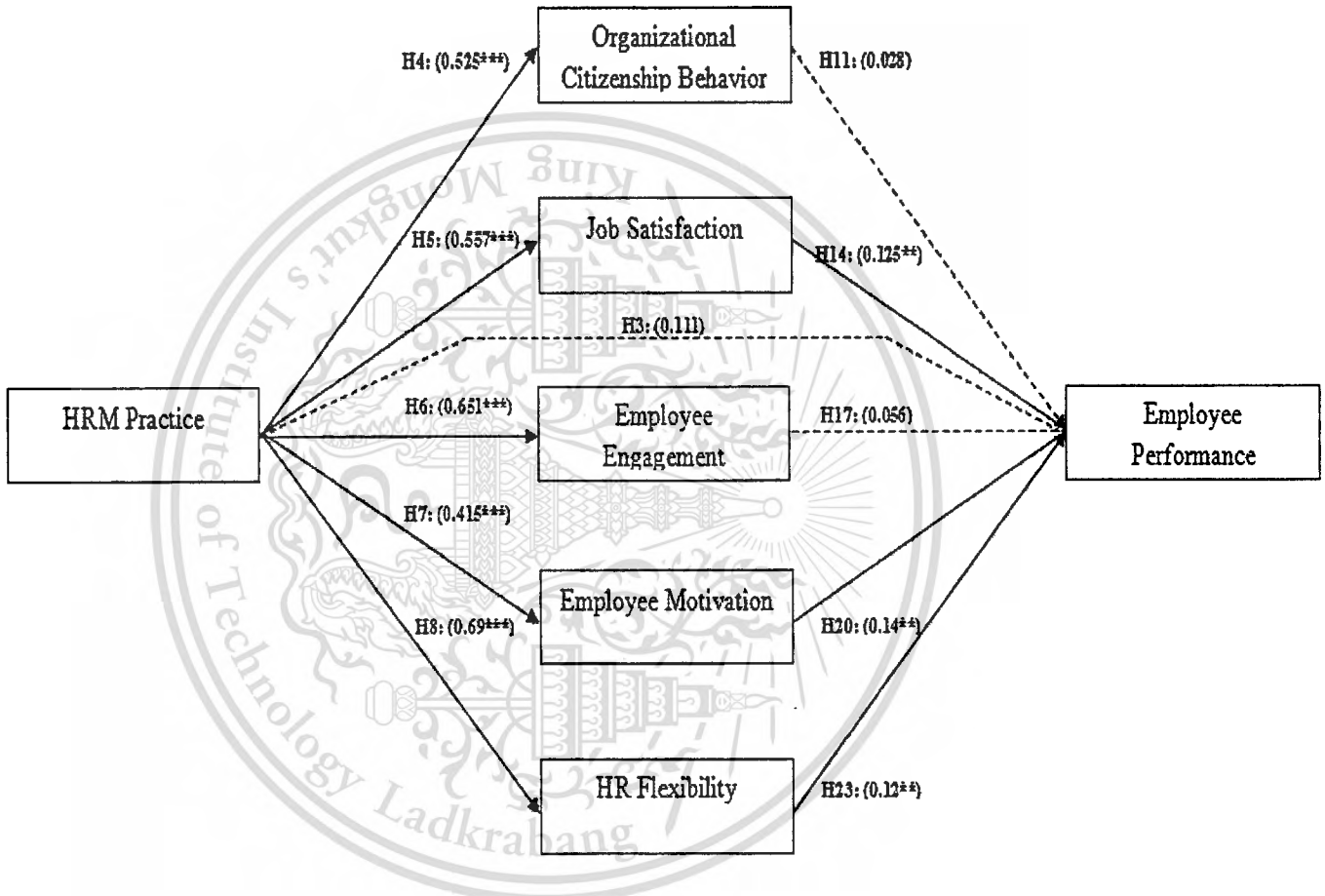

Figure 4.12 A Causal Path Analysis Model of Human Resource Management Practices and Employee Performance

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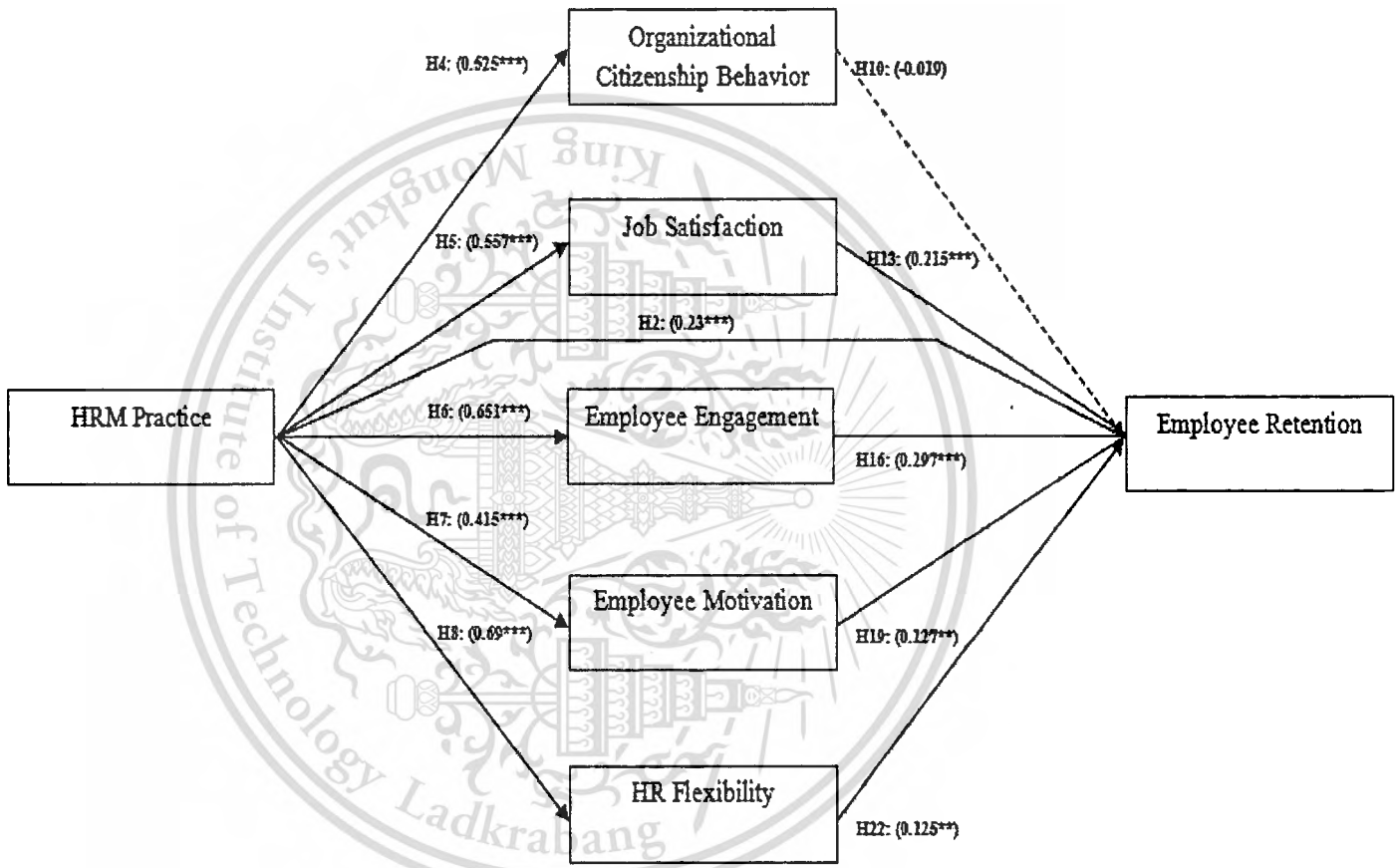

Figure 4.13 A Causal Path Analysis Model of Human Resource Management Practices and Employee Retention

Table 4.30 Hypotheses Test Results – Relationship Path Coefficients

Dependent Variables	Independent Variables					
	V3HRMP	V4OCB	V5JS	V6EEG	V7EM	V8HRF
V4OCB	0.525***	-	-	-	-	-
V5JS	0.557***	-	-	-	-	-
V6EEG	0.651***	-	-	-	-	-
V7EM	0.415***	-	-	-	-	-
V8HRF	0.69***	-	-	-	-	-
V9ER	0.23***	-0.019	0.215***	0.297***	0.127**	0.125**
V9EA	0.349**	-0.125	0.537***	-0.061	0.36***	-0.174
V9EP	0.111	0.028	0.125**	0.056	0.14**	0.12**

*** $p < .001$

** $p < .01$

Table 4.31 Hypotheses Test Results

Hypothesis	Path Coefficients	t value	Result
H1 : V3HRMP → V9EA	0.349**	3.042	Supported
H2 : V3HRMP → V9ER	0.23***	3.422	Supported
H3 : V3HRMP → V9EP	0.111	1.857	Not Supported
H4 : V3HRMP → V4OCB	0.525***	12.654	Supported
H5 : V3HRMP → V5JS	0.557***	10.243	Supported
H6 : V3HRMP → V6EEG	0.651***	13.857	Supported
H7 : V3HRMP → V7EM	0.415***	7.354	Supported
H8 : V3HRMP → V8HRF	0.69***	12.336	Supported
H9 : V4OCB → V9EA	-0.125	-1.102	Not Supported
H10 : V4OCB → V9ER	-0.019	-0.285	Not Supported
H11 : V4OCB → V9EP	0.028	0.467	Not Supported
H12 : V5JS → V9EA	0.537***	6.296	Supported
H13 : V5JS → V9ER	0.215***	4.289	Supported

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Table 4.31 (continue)

Hypothesis	Path Coefficients	t value	Result
H14 : V5JS → V9EP	0.125**	2.805	Supported
H15 : V6EEG → V9EA	-0.061	-0.53	Not Supported
H16 : V6EEG → V9ER	0.297***	4.399	Supported
H17 : V6EEG → V9EP	0.056	0.929	Not Supported
H18 : V7EM → V9EA	0.36***	4.354	Supported
H19 : V7EM → V9ER	0.127**	2.62	Supported
H20 : V7EM → V9EP	0.14**	3.242	Supported
H21 : V8HRF → V9EA	-0.174	-2.41	Not Supported
H22 : V8HRF → V9ER	0.125**	2.962	Supported
H23 : V8HRF → V9EP	0.12**	3.168	Supported

** $p < 0.01$, t value > 2.576, *** $p < 0.001$, t value > 3.291

Figure 4.10 presents the test results analysis and a summary table of the hypotheses test results concerning a causal Path Analysis model of human resource management practices and employee attrition, employee retention and employee performance. Researcher found that the degree of freedom (CMIN/df) is 0.677, p-Value =0.607, GFI = 0.999, CFI= 1.000, RMR=0.004, and RMSEA= 0.000. These are in line with the conceptual and theoretical model fit, according to Wheaton et al. (1977), and Joreskog and Sorbom, (1984), Byrne (1989), Bentler (1990), Browne and Cudeck (1993), and Hair et al. (1999).

Therefore, to conclude, the model fit of causal Path Analysis model of human resource management practices and organizational effectiveness, and theories, is consistent.

4.1.5.3 Description of Model Fit Analysis

According to the path coefficient, all of the observed variables in the hypotheses test results have shown the following relationships:

Hypothesis 1: HRM practices have a direct, significant and positive influence for Employee Attrition. (β=0.349**, $\rho < 0.01$).

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Hypothesis 2: HRM practices have a direct, significant and positive influence for Employee Retention (β=0.23***, $\rho < 0.001$).

Hypothesis 3: There is no direct influence of HRM Practices for Employee Performance.

Hypothesis 4: HRM practices have a positive influence on Organizational Citizenship Behaviors (β=0.525***, $\rho < 0.001$).

Hypothesis 5: HRM practices have a positive influence on Job Satisfaction (β=0.557***, $\rho < 0.001$).

Hypothesis 6: HRM practices have a positive influence on Employee Engagement (β=0.651***, $\rho < 0.001$).

Hypothesis 7: HRM practices have a positive influence on Employee Motivation (β=0.415***, $\rho < 0.001$).

Hypothesis 8: HRM practices have a positive influence on HR Flexibility (β=0.69***, $\rho < 0.001$).

Hypothesis 9: There is no direct influence of Organizational Citizenship Behaviors on firm performance for Employee Attrition.

Hypothesis 10: There is no direct influence of Organizational Citizenship Behaviors on firm performance for Employee Retention.

Hypothesis 11: There is no direct influence of Organizational Citizenship Behaviors on firm performance for Employee Performance.

Hypothesis 12: Job Satisfaction has a direct, significant and positive influence on firm performance for Employee Attrition (β=0.537***, $\rho < 0.001$).

Hypothesis 13: Job Satisfaction has a direct, significant and positive influence on firm performance for Employee Retention. (β=0.215***, $\rho < 0.001$).

Hypothesis 14: Job Satisfaction has a direct, significant and positive influence on firm performance for Employee Performance. (β=0.125**, $\rho < 0.01$).

Hypothesis 15: There is no direct influence of Employee Engagement on firm performance for Employee Attrition.

Hypothesis 16: Employee Engagement has a direct, significant and positive influence on firm performance for Employee Retention (β=0.297***, $\rho < 0.001$).

Hypothesis 17: There is no direct influence of Employee Engagement on firm performance for Employee Performance.

Hypothesis 18: Employee Motivation has a direct, significant and positive influence on firm performance for Employee Attrition (β=0.36***, $\rho < 0.001$).

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Hypothesis 19: Employee Motivation has a direct, significant and positive influence on firm performance for Employee Retention. (β=0.127**, $\rho < 0.01$).

Hypothesis 20: Employee Motivation has a direct, significant and positive influence on firm performance for Employee Performance. (β=0.14**, $\rho < 0.01$).

Hypothesis 21: There is no direct influence of Human Resource Flexibility on firm performance for Employee Attrition.

Hypothesis 22: HR Flexibility has a direct, significant and positive influence on firm performance for Employee Retention. (β=0.12**, $\rho < 0.01$).

Hypothesis 23: HR Flexibility has a direct, significant and positive influence on firm performance for Employee Performance. (β=0.125**, $\rho < 0.01$).

Furthermore, this study is able to show the indirect effect, and the total effect as stated in Table 4.32.

Table 4.32 Direct Effect, Indirect Effect, and Total Effect of HRM Practices and Employee Attrition, Employee Retention and Employee Performance

Exogenous Variable	Endogenous Variable								
	V9ER			V9EA			V9EP		
	DE	IE	TE	DE	IE	TE	DE	IE	TE
V3HRMP	0.23	0.44	0.67	0.35	0.22	0.57	0.11	0.26	0.37
V4OCB	-0.02	-	-0.02	-0.13	-	-0.13	0.03	-	0.03
V5JS	0.22	-	0.22	0.54	-	0.54	0.13	-	0.13
V6EEG	0.30	-	0.30	-0.06	-	-0.06	0.06	-	0.06
V7EM	0.13	-	0.13	0.36	-	0.36	0.14	-	0.14
V8HRF	0.23	-	0.13	-0.17	-	-0.17	0.12	-	0.12

Test Results of a Causal Path Analysis Model

From Table 4.32, the direct effect, indirect effect, and total effect of HRM practices and Employee Attrition, Employee Retention and Employee Performance can be described as follows:

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1) V9ER = 0.23*** V3HRMP + 0.22*** V5JS + 0.30*** V6EEG + 0.13** V7EM + 0.13** V8HRF

   Employee Retention is the result of direct effects of Human Resource Management Practices on Job Satisfaction, Employee Engagement, Employee Motivation, and HR Flexibility, with path coefficients equaling 0.23, 0.22, 0.30, 0.13 and 0.13, respectively. These are all statistically significant.

2) V9EA = 0.35** V3HRMP + 0.54*** V5JS + 0.36***V7EM

   Employee Attrition is the result of direct effects of Human Resource Management Practices on Job Satisfaction and Employee Motivation, with path coefficients equaling 0.35, 0.54 and 0.36, respectively. These are all statistically significant.

3) V9EP = 0.13** V5JS + 0.14** V7EM + 0.12** V8HRF

   Employee Performance is the result of the direct effects of Job Satisfaction, Employee Motivation and HR Flexibility, with path coefficients equaling 0.13, 0.14 and 0.12, respectively. These are all statistically significant.

4) V4OCB = 0.53*** V3HRMP

   Organizational Citizenship Behaviors have a direct effect on Human Resource Management Practices with path coefficient equaling 0.53, which is statistically significant.

5) V5JS = 0.56*** V3HRMP

   Job Satisfaction has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.56, which is statistically significant.

6) V6EEG = 0.65*** V3HRMP

   Employee Engagement has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.65, which is statistically significant.

7) V7EM = 0.42*** V3HRMP

   Employee Motivation has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.42, which is statistically significant.

8) V8HRF = 0.69*** V3HRMP

   HR Flexibility has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.69, which is statistically significant.

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4.1.6 Conclusion

For the Conclusion section, according to the research analysis, 411 samples of MNCs with FDI that have been promoted under BOI (FDI: Foreign Direct Investment of BOI) to invest in the industrial Zone 2 of Thailand's Eastern Seaboard industrial estate, Rayong province, were received. The ideal number of sample for this study is 260. A total of 765 questionnaires were distributed and 443 were returned (58% of response rate), of which only 411 were adequately completed. 411 samples were well over ideal. These were then used for statistical testing to support and confirmed the validity and reliability of the research instrument, so as to be in line with international research standard. Statistical testing includes 1) Frequency and Percentage of Organizational Characteristics 2) Frequency and Percentage of Personal Characteristics 3) Mean and Standard Deviation 4) Confirmatory Factor Analysis (CFA) Measurement Model 5) Goodness of Fit, Factor Loading, Composite Reliability of Latent Variables (CR), and Average Variance Extracted from Component Variables (AVE) and 6) Results of Hypotheses - Correlation, Chi-square, Degree of freedom, CMIN/df, GFI, CFI, RMR, and RMSEA.

Results of a causal Path Analysis structural model and the test results that show the direct relationship between the variables, according to the hypotheses tests and conceptual frame work, are provided as follows: 1) V9ER = 0.23*** V3HRMP + 0.22*** V5JS + 0.30*** V6EEG + 0.13** V7EM + 0.13** V8HRF : Employee Retention is the result of direct effects of Human Resource Management Practices on Job Satisfaction, Employee Engagement, Employee Motivation, and HR Flexibility, with path coefficients equaling 0.23, 0.22, 0.30, 0.13 and 0.13, respectively. These are all statistically significant. 2) V9EA = 0.35** V3HRMP + 0.54*** V5JS + 0.36***V7EM : Employee Attrition is the result of direct effects of Human Resource Management Practices on Job Satisfaction and Employee Motivation, with path coefficients equaling 0.35, 0.54 and 0.36, respectively. These are all statistically significant. 3) V9EP = 0.13** V5JS + 0.14** V7EM + 0.12** V8HRF : Employee Performance is the result of the direct effects of Job Satisfaction, Employee Motivation and HR Flexibility, with path coefficients equaling 0.13, 0.14 and 0.12, respectively. These are all statistically significant. 4) V4OCB = 0.53*** V3HRMP : Organizational Citizenship Behaviors have a direct effect on Human Resource Management Practices with path coefficient equaling 0.53, which is statistically significant. 5) V5JS = 0.56*** V3HRMP : Job Satisfaction has a direct effect on

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Human Resource Management Practices, with path coefficient equaling 0.56, which is statistically significant. 6) V6EEG = 0.65*** V3HRMP : Employee Engagement has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.65, which is statistically significant. 7) V7EM = 0.42*** V3HRMP : Employee Motivation has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.42, which is statistically significant. 8) V8HRF = 0.69*** V3HRMP : HR Flexibility has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.69, which is statistically significant.

According to the analysis test results and the summary table of hypotheses test results on the causal Path Analysis model of human resource management practices and employee attrition, employee retention and employee performance, researcher found that degree of freedom (CMIN/df) is 0.677, p- Value = 0.607, GFI = 0.999, CFI= 1.000, RMR=0.004, and RMSEA= 0.000. These are in line with the conceptual and theoretical model fit. Thus, to conclude, the model fit of causal Path Analysis model of human resource management practices and organizational effectiveness, and theories, is consistent.

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CHAPTER V

CONCLUSION AND DISCUSSION

Researcher had provided quantitative data analysis in Chapter 4. Study involved the causal relation of Path Analysis model and described the hypotheses tests, as well as variable consistency in the conceptual model. In this chapter, researcher shall conclude the study results and provides the following recommendations.

5.1 Analysis of Results and Discussions of Research Questions
5.2 Hypotheses Test Results Analysis Discussions
5.3 Implications and Recommendations

5.1 Analysis of Results and Discussions of Research Questions

For this study, there are two research questions, as follows:

5.1.1 Research Question 1

How do HRM Practices, Job Satisfaction, Employee Engagement, Organizational Citizenship Behaviors, Motivation and HR Flexibility have an effect on Firm Performance of MNCs, in terms of Employee Attrition, Employee Retention, and Employee Performance?

5.1.2 Research Question 2

How is a causal model of Path Analysis that is consistent with the empirical data of HRM practices affects firm performance, in terms of Employee Attrition, Employee Retention, and Employee Performance, of MNCs in the Eastern Seaboard industrial estate, Rayong province?

According to Table 4.29, Goodness of Fit Test for Path Analysis model hypotheses tests and the causal model of Path Analysis of human resources management practices and organizational effectiveness, researcher has found that

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degree of freedom (CMIN/df) is 0.677, p- Value = 0.607, GFI = 0.999, CFI= 1.000, RMR=0.004, and RMSEA= 0.000.

These are in line with the conceptual and theoretical model fits. Therefore, to conclude, the model fit of causal Path Analysis model of human resource management practices and organizational effectiveness, and theories, is consistent.

5.2 Hypotheses Test Results Analysis Discussions

The conceptual model for this study derived from the literature review. In doing so, researcher had determined 23 hypotheses. According to Table 4.31, the hypotheses test results had provided new insight into the relationships between the variables. There are 23 hypotheses in this study. Results show 16 positive relationships between the variables and only 7 hypotheses are unsupported. Each of the hypotheses test results are shown in Chapter 4.

5.2.1 Analysis of the Hypotheses Test Results

Hypotheses test results and literature reviews for each of the hypothesis are as follows:

H1 - H3 : Category of relationships between HRM Practices and Employee Attrition, Employee Retention, and Employee Performance

Hypothesis 1: HRM Practices have a direct, significant and positive influence on Employee Attrition. (β=0.349**, $\rho < 0.01$).

Hypothesis 2: HRM Practices have a direct, significant and positive influence on Employee Retention (β=0.23***, $\rho < 0.001$).

Hypothesis 3: There is no direct influence of HRM Practices on Employee Performance.

The relationships between HRM practices and Employee Attrition, Employee Retention and Employee Performance have been mixed. Findings confirmed that there is a positive relationship between HRM practices and employee attrition H1 (β=0.349**, $\rho < 0.01$). This is reinforced by Dhiman and Mohanty (2010), and Arthur (1994), thus emphasizing the importance of having HRM practices to reduce the number of employees leaving the organization.

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Similarly, findings have shown that there is a positive relationship between HRM practices and employee retention H2 (β=0.23***, $\rho < 0.001$), further supporting Ryan (2010). This means that organizations must use HRM practices to retain employees.

However, this study was unable to verify the connections between HRM practices and employee performance H3. This is contrary to Qureshi et al. (2010), where data was collected from the cement industry in Pakistan and included low level employees. Nevertheless, there are also the mediating variables that can influence the relationship between HRM practices and firm performance. From the results, HRM practices are indirectly related to employee performance through the mediating variables; there are still significant positive relationships between HRM practices and firm performance.

H4 - H8 : Category of relationships between HRM Practices and the mediating variables. There are five hypotheses related to HRM practices and human resource mediating variables.

Hypothesis 4: HRM Practices have a positive influence on Organizational Citizenship Behaviors (β=0.525***, $\rho < 0.001$).

Hypothesis 5: HRM Practices have a positive influence on Job Satisfaction (β=0.557***, $\rho < 0.001$).

Hypothesis 6: HRM Practices have a positive influence on Employee Engagement (β=0.651***, $\rho < 0.001$).

Hypothesis 7: HRM Practices have a positive influence on Employee Motivation (β=0.415***, $\rho < 0.001$).

Hypothesis 8: HRM Practices have a positive influence on HR Flexibility (β=0.69***, $\rho < 0.001$).

In relations to HRM practices and the mediating variables, results suggest an overall positive relationship. HRM practices are positively correlated to OCBs H4 (β=0.525***, $\rho < 0.001$), thus supporting Babaei et al. (2012), Cappelli and Rogovsky (1998), Cushman (2000) and Gong et al. (2010). This means that HRM practices should be implemented to build a workforce that is willing to perform more than the standard duties.

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H5: HRM practices have a positive relationship with job satisfaction (β=0.557***, $\rho < 0.001$), thus confirming Absar et al. (2010), Bhatti and Qureshi (2007), Carden (2007), Rehman et al. (2010), and Swarnalatha and Sureshkrishna (2012). HRM practices are, therefore, shown to leave employees feeling increasingly satisfied with their jobs.

H6: There is a positive relationship between HRM practices and employee engagement (β=0.651***, $\rho < 0.001$). This is further supported by Ngxumalo (2010), Ram and Prabhakar (2011), and Shafer (2010). By using HRM practices will create engaged employees.

H7: HRM practices have a positive correlation with employee motivation (β=0.415***, $\rho < 0.001$). This is confirmed by Al-Nsour (2011), Ali and Ahmed (2009), Gawali (2009), Mwanje (2010) and Yoon (2001), thereby showing how HRM practices can motivate employees to work hard and strive for success.

H8: There is a positive relationship between HRM practices and HR flexibility (β=0.69***, $\rho < 0.001$), further supporting Beltrán-Martín et al. (2008) and confirming many of the views held by authors who considered HR practices an appropriate mechanism with which to increase flexibility (Dyer and Shafer, 2002; Sparrow, 1998). Through HR practices, employees were found to be able to perform a variety of tasks effectively.

H9 - H23: The relationships between Five Mediating Variables and Employee Attrition, Employee Retention, and Employee Performance

Hypothesis 9: There is no direct influence of Organizational Citizenship Behaviors on Employee Attrition.

Hypothesis 10: There is no direct influence of Organizational Citizenship Behaviors on Employee Retention.

Hypothesis 11: There is no direct influence of Organizational Citizenship Behaviors on Employee Performance.

Hypothesis 12: Job Satisfaction has a direct, significant and positive influence on Employee Attrition (β=0.537***, $\rho < 0.001$).

Hypothesis 13: Job Satisfaction has a direct, significant and positive influence on Employee Retention. (β=0.215***, $\rho < 0.001$).

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Hypothesis 14: Job Satisfaction has a direct, significant and positive influence on Employee Performance. (β=0.125**, $\rho < 0.01$).

Hypothesis 15: There is no direct influence of Employee Engagement on Employee Attrition.

Hypothesis 16: Employee Engagement has a direct, significant and positive influence on Employee Retention (β=0.297***, $\rho < 0.001$).

Hypothesis 17: There is no direct influence of Employee Engagement on Employee Performance.

Hypothesis 18: Employee Motivation has a direct, significant and positive influence on Employee Attrition (β=0.36***, $\rho < 0.001$).

Hypothesis 19: Employee Motivation has a direct, significant and positive influence on Employee Retention. (β=0.127**, $\rho < 0.01$).

Hypothesis 20: Employee Motivation has a direct, significant and positive influence on Employee Performance. (β=0.14**, $\rho < 0.01$).

Hypothesis 21: There is no direct influence of Human Resource Flexibility on Employee Attrition.

Hypothesis 22: HR Flexibility has a direct, significant and positive influence on Employee Retention. (β=0.12**, $\rho < 0.01$).

Hypothesis 23: HR Flexibility has a direct, significant and positive influence on Employee Performance. (β=0.125**, $\rho < 0.01$).

H9, H10, H11 : With regards to the HR mediating variables, results find no correlation between OCBs and firm performance. Compared to Appelbaum et al. (2005), that study was conducted in just one industry, which was the production of copper rod. Study also had a small sample, consisting of just 35 employees.

Instead, this study shows a strong relationship between job satisfaction and firm performance H12, H13 and H14, regarding employee attrition (β=0.537***, $\rho <$ 0.001), employee retention (β=0.215***, $\rho < 0.001$), and employee performance (β=0.125**, $\rho < 0.01$), which is further supported by Halkos and Bousinakis (2010). This suggests that when employees are satisfied with their jobs they will work harder and they will not leave the organizations.

H14, H15, H16: Employee engagement seems to have a weaker relationship, compared to job satisfaction, with firm performance. It only has one positive relationship with employee retention (β=0.297***, $\rho < 0.001$), further supported by

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Gibbons (2006). This implies that as employees become more engaged, they will stay longer with the organization. But results do not indicate any relationship with employee attrition and employee performance. This is in contrast to Halbesleben and Wheeler (2008), in which the study was conducted in a variety of industries, not just the manufacturing industry, and it was done in the US.

As for employee motivation (H18, H19, H20), results indicate a strong positive relationship with firm performance in terms of employee attrition (β=0.36***, $\rho < 0.001$), employee retention (β=0.127**, $\rho < 0.01$), and employee performance (β=0.14**, $\rho < 0.01$). This was confirmed by Solomon et al. (2012). This means that motivated employees are less likely to leave the organization and they will work harder.

Results of H21, H22, and H23 confirm that HR flexibility does have some effects on firm performance, regarding employee retention (β=0.12**, $\rho < 0.01$) and employee performance (β=0.125**, $\rho < 0.01$), thus confirming Beltrán-Martín et al. (2008). This shows that employees with functional flexibility are more productive in the organizations. But results do not show any connection between HR flexibility and employee attrition, which is contrary to Kelliher and Riley (2003).

5.2.2 Analysis of the Hypotheses Test Results for Unsupported Hypotheses

H3 HRM Practices have no effect on Employee Performance, contrary to Qureshi et al. (2010).

In Qureshi et al. (2010), data was collected from the cement industry in Pakistan and included 140 low level employees. Techniques of rank correlation coefficient and multiple regression analysis were used to analyze the data.

H9 Organizational Citizenship Behaviors have no effect on Employee Attrition, contrary to George and Bettenhausen (1990), and MacKenzie et al. (1998).

In George and Bettenhausen (1990), study was conducted from a sample of 33 stores belonging to a national retail organization in the US. Sample population included sales associates and store managers. ANOVA (analysis of variance) and Common Method Variance were used to analyze the data. There are different from this study on both of industrial research, and research methodology and statistic technical

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In MacKenzie et al. (1998), study was conducted from 672 sales agents working for a large national insurance company in the US. Structural equations methodology and LISREL 8's maximum likelihood method were used to analyze the data.

H10 Organizational Citizenship Behaviors have no effect on Employee Retention, contrary to Podsakoff et al. (1997).

In Podsakoff et al. (1997), study was conducted on 218 workers in a paper mill producing bond and catalog paper located in the Northeastern part of the United States. ANOVA (analysis of variance) and Principal-components factor analysis with varimax rotation were used for data analysis.

H11 Organizational Citizenship Behaviors have no effect on Employee Performance, contrary to Appelbaum et al. (2005).

In Appelbaum et al. (2005), study was conducted in just one industry that produces copper rod in Canada. Study also had a small sample, consisting of just 35 personnel, which included employees from the production crew and managers. Data analysis was conducted by using value index and priority matrix.

H15 Employee Engagement has no effect on Employee Attrition, contrary to Halbesleben and Wheeler (2008).

In Halbesleben and Wheeler (2008), study was conducted in a variety of industries, such as education, healthcare, and banking, not just the manufacturing industry, and it was done in the US. Sample included 573 respondents, consisting of employees, their supervisors, and their closest co-workers. Confirmatory factor analysis and usefulness analysis were used to analyze the data.

H17 Employee Engagement has no effect on Employee Performance, contrary to Halbesleben and Wheeler (2008).

In Halbesleben and Wheeler (2008), study was conducted in a variety of industries, such as education, healthcare, and banking, not just the manufacturing industry, and it was done in the US. Sample included 573 respondents, consisting of employees, their supervisors, and their closest co-workers. Confirmatory factor analysis and usefulness analysis were used to analyze the data.

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H21 HR Flexibility has no effect on Employee Attrition, contrary to Kelliher and Riley (2003).

In Kelliher and Riley (2003), study was conducted in the UK, involving four case studies. Study sample consists of both employees and employers.

5.2.3 Summary of the Test Results for the Causal Path Analysis Concept

According to Table 4.32, the direct effect, indirect effect and total effect of HRM practices and employee attrition, employee retention and employee performance can be described as follows:

The summary of results for causal Path Analysis model and the test results show the direct relationships between the variables, as presented in the hypotheses tests and conceptual framework.

1) V9ER = 0.23*** V3HRMP + 0.22*** V5JS + 0.30*** V6EEG + 0.13** V7EM + 0.13** V8HRF

   Employee Retention is the result of direct effects of Human Resource Management Practices on Job Satisfaction, Employee Engagement, Employee Motivation, and HR Flexibility, with path coefficients equaling 0.23, 0.22, 0.30, 0.13 and 0.13, respectively. These are all statistically significant.

2) V9EA = 0.35** V3HRMP + 0.54*** V5JS + 0.36***V7EM

   Employee Attrition is the result of direct effects of Human Resource Management Practices on Job Satisfaction and Employee Motivation, with path coefficients equaling 0.35, 0.54 and 0.36, respectively. These are all statistically significant.

3) V9EP = 0.13** V5JS + 0.14** V7EM + 0.12** V8HRF

   Employee Performance is the result of the direct effects of Job Satisfaction, Employee Motivation and HR Flexibility, with path coefficients equaling 0.13, 0.14 and 0.12, respectively. These are all statistically significant.

4) V4OCB = 0.53*** V3HRMP

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Organizational Citizenship Behaviors have a direct effect on Human Resource Management Practices with path coefficient equaling 0.53, which is statistically significant.

5) V5JS = 0.56*** V3HRMP

Job Satisfaction has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.56, which is statistically significant.

6) V6EEG = 0.65*** V3HRMP

Employee Engagement has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.65, which is statistically significant.

7) V7EM = 0.42*** V3HRMP

Employee Motivation has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.42, which is statistically significant.

8) V8HRF = 0.69*** V3HRMP

HR Flexibility has a direct effect on Human Resource Management Practices, with path coefficient equaling 0.69, which is statistically significant.

9) Employee Retention (ER) is positively and directly affected by HRMP with path coefficient of 0.23, and has an indirect effect with path coefficient of 0.44. The total effect is 0.67.
10) Employee Attrition (EA) is positively and directly affected by HRMP with path coefficient of 0.35, and has an indirect effect with path coefficient of 0.22. The total effect is 0.57.
11) Employee Performance (EP) is positively and directly affected by HRMP with path coefficient of 0.11, and has an indirect effect with path coefficient of 0.26. The total effect is 0.37.

5.3 Implications and Recommendations

This study has created a new model of HRM Practices and three endogenous variables, which are Employee Attrition, Employee Retention, and Employee

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Performance. They can help persuade both organizations and academics to reassess the importance of HRM practices.

5.3.1 Organization and Business Implications

Study results confirm important human resources management practices in MNCs to represent any businesses that can use the conceptual model of this study in their organizations. Many organizations have been trying to create new management tools, including new HR management tools that basically ignore the use of human resource management practices. However, this study is able to show that HRMP is still acceptable to all firms and that they should realize the importance of HRMP. The summary of results for a causal Path Analysis model and the test results show the direct relationships between the variables, as presented in the hypotheses tests and conceptual framework (see section 5.2.3).

According to the summary of results for a causal Path Analysis model and the test results, they show the direct relationships between the variables.

HRM practices have a directly significant and positive influence on firm performance, measured in terms of employee attrition, retention and performance.

The results for this study suggest a strong correlation between HRM practices, and employee attrition and employee retention.

This proves useful to firms that aim to keep employees and avoid high turnover in their organizations. By employing the five specified HRM practices, which are Employee Participation, Compensation and Benefits and Reward System, Career Planning System, Training and Development and Employee Empowerment, managers can ensure that their employees will remain loyal to their organizations and work there for as long as possible. But there needs to be full employee participation in the organization, where information concerning policy issues is shared with employees. What is more, employees should be allowed to make suggestions concerning policies and procedures through a command structure that welcomes employee/employer interaction, and activities should be aimed at encouraging employees to express their views. Managers should construct a system of compensation, benefits and rewards in which employees are given positive recognition and rewards for good performance. Furthermore, there should be a competitive benchmark that considers the amount and quality of work that employees do. Within this system, the benefits should be equitable. Organizations should

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institute a career planning system to help employees map out their visions of the future; it should be long-term and focused on individual development. Career planning in organizations must be both vertical and horizontal, allowing employees to not only grow within the scope of their jobs but also to function and succeed in other roles. It is the duty of the organization to create the opportunity for employees to advance in their careers. This can be done through effective and timely training and development. Once training is complete, organizations should track employee progress both to ensure proper development and to monitor workforce satisfaction. In that sense, organizations must empower employees, giving them autonomy over their jobs.

While the results clearly show a strong direct and positive relationship between HRM practices, and employee attrition and employee retention — both good indicators of firm performance—there is an indirect relationship between HRM practices and the other indicator of employee performance.

HRM practices affect the five mediating variables that, in turn, have a positive influence on firm performance. Out of these five variables, the one that has the strongest influence on firm performance is employee motivation. Managers should develop a program that reduces the level of employee attrition (employees leaving their jobs and looking for new ones) and increases employee performance. Managers should connect with their employees and care about the work they do. In fact, the entire organizational mission should make employees feel that their work has to be up to standard. Customers and suppliers should also know that employees represent the organization in performing business transactions. The work environment has to be a positive environment, a place in which employees feel satisfied—a place that plays an important role in their lives. To create such an environment, employees must be encouraged to seek out and make acceptable improvements that will help them advance in their careers and come closer to fulfilling their ambitions.

HRM practices have a strong and positive influence on three endogenous variables, whether directly or indirectly. This discovery is beneficial for managers who intend to overhaul their human resources and want to increase performance in their organizations.

This study has created a model that persuades both organizations and academics to reassess the importance of HRM practices. It is precisely these practices that will help firms find ways to better implement HRM practices that are in line with

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their business strategies. Furthermore, the five mediating variables play a crucial role in the relationship between HRM practices and firm performance. Organizations should develop human resource activities to enhance firm performance, particularly those that increase employee motivation and engagement. According to previous studies, employee engagement has a positive effect on organizational performance outcomes, such as employee turnover and employee retention (Gibbons, 2006; Kgomo, 2010). Engaged employees have also been linked to better performance (Harter et al., 2002; Towers Perrin, 2007). Therefore, it strongly correlates to numerous individual, group and corporate outcomes, which include recruitment, retention, turnover, production, customer service, customer loyalty, growth in operating margins, increased profit margins and revenue growth.

As well as helping local Thai companies of all sizes to introduce HRM practices more effectively, the results also have larger implications for Thailand, where the country has taken a key role in shaping the global economy. MNCs willing to adapt their HR practices to facilitate the changing global labor conditions will be able to attract, develop and retain the right talent, increasing their chances of succeeding in global competition (Kapoor, 2011). This will bring success to the organizations, ultimately leading to sustainable growth for the country and the region as a whole.

5.3.2 Academic Implications and Recommendations

As stated earlier, this study has created a new model of HRM Practices and firm performance with three observed variables, which are Employee Attrition, Employee Retention, and Employee Performance that persuades both organizations and academics to reassess the importance of HRM practices. Furthermore, the five mediating variables play a crucial role in the relationship between HRM practices and firm performance.

5.3.2.1 Recommendations for Curriculums

Academics should use this new model to create curriculums consistency with empirical results by focusing on five factors of HRMP variables and four mediating variables, which are Job Satisfaction, Employee Engagement, Employee Motivation and HR Flexibility. Organizational Citizenship Behaviors (OCBs) should not be included since it has no effect on any variables of organizational effectiveness.

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5.3.2.2 Recommendations for Research Methodology

For academics, in terms of quantitative research study, researcher conducted the test by comparing it with 3 important international research criteria. These are reliability, validity and first-order CFA. The second stage involved the causal model of Path Analysis using AMOS version 21. Results presented by the researcher contain statistics that are appropriate and acceptable under international research standards. Thus, researcher has presented the following statistics to be used in the study. These are CFA, Factor Loading, Composite Reliability, Average Variance Extracted, Chi-square, Degree of Freedom, CMIN/df, p-value, GFI, CFI, RMR, and RMSEA. Furthermore, researcher has assessed the model fit with the empirical data, the structural equation according to the theoretical research, and tests the research hypotheses.

By testing the research hypotheses, researcher found that there is a model fit between the empirical data and the theoretical model. The influences between the variables are statistically significant ($p < 0.001$). This means that the model used in this research is robust and reliable. However, this study also shows that there are certain variables that are not statistically significant and do not support some of the hypotheses. These are explained in Chapter 4.

Therefore, researcher has suggested using other methods or programs to conduct data analysis. Comparative data analysis using AMOS is another option. But due to the complexity of achieving model fit as a result of limitations involving Path Analysis model, future studies can use SEM, which can run a better model fit and can easily identify the direction for the relationship of each variable.

In addition, even though researcher recommended the use of SEM to run for this study, there are also some limitations in using AMOS. These are: 1) There should be at least two variables used to test the relationship for each model. But there should not be too many variables. Otherwise, the model will not be accepted since there might be more than one variable that has the same characteristic. 2) Factors that have been used in the test should only come from theories that clearly show the relationship between the variable and the latent factors. 3) Data variables should be data from questionnaire using Likert scale. 4) Results of the model analysis using AMOS should be in the form of a statistical answer and researcher should rely on theoretical reasoning to support that answer.

Due to the limitations of using AMOS and conducting quantitative research, as

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well as finding in this study that one of the mediating variables, which is Organizational Citizenship Behaviors, is not statistically significant in its relationships with firm performance of MNCs, researcher has decided future studies should include qualitative research. This involves in-depth interviews with managers as group sample to confirm the quantitative study results.

5.3.2.3 Recommendations for Research Variables

As there are five factors variables within HRM Practices, it is not clear which of these variables has the highest influence on firm performance. Therefore, future research should focus on a particular variable, such as Compensation and Benefits and Reward system, Employee Engagement and HR Flexibility, and its effect on employee attrition, employee retention, and employee performance.

Furthermore, there are lots of HRMP variables, and future research can extract these variables from previous studies, as well as finding new HRMP that is consistent with the AEC context. There are also many interesting types of HRM practices to conduct future research, such as HR diversity management, HR credibility, HR leadership, recruitment and selection, manpower planning, human resource development, talent management and succession planning.

5.3.3 Summary of Recommendations for Businesses in Implementing HRM Practices

According to the results, researcher suggests the following HRM Practices Programs for businesses.

Employee Participation

Organizations should create this channel to deploy company policy for their employees to ensure that they have a clear direction on the company's policy, vision, and mission. Organizations should create employee suggestion programs to encourage employee participation, and to become part of the firm. Organizations should have a clear structure and chains of command to make sure that employees are able to bring their ideas for improvement in their work. In addition, organizations should have programs to encourage employees to express their views that are beneficial for work management.

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Compensation Management and Reward system

Organizations should create a culture, where employees are given positive recognitions by their superiors when they have achieved their targets. Organizations, through the HR department, should have an annual salary and benefits survey to improve salary, and compensation and benefits programs in line with the market, both of which are attractive when compared with market pay. Researcher recommends that firms pay their employees according to the fairness pay policy, and also depending on the quality of their work, as well as organizations should make sure that benefits given to employee are equitable. In addition, organizations should have a reward program for employees, who possess high work performance, should have a program that provides rewards to employees with strong work ethics, perfect attendance etc.

Career Planning System

Organizations should initiate programs for career planning, vertical and cross functional career planning, long terms career planning, and career advancement programs that will lead to employee retention and productivity.

Training and Development

Organizations should provide professional training and development programs for employees that are able to perform their jobs, develop their skills, and manage to keep on training and develop in line with their career growth. This will allow them to perform well consistently.

Employee Empowerment

Organizations should create a work environment for employees, where they can decide how to do their work. The culture of organizations should support the abilities of employees to do their jobs, and should create confidence, value and meaning in their employees' jobs. Reference from training and development module combined with empowerment for employees' autonomous decision-making, so that they have the necessary skills to do their jobs and can make the right decisions.

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5.3.3.1 Other Recommendations for Businesses

Researcher suggests that top management, HR leader and line managers realize the importance of HRM practices within organizations by strongly supporting activities of human resource management practices with five key factors through HRM policies, programs, and activities.

In addition, organizations should initiate another specific program of HR Flexibility to create job rotation, multi-tasking for employees in their career opportunity, and programs to create an environment for job engagement, which will lead to Organizational Citizenship Behaviors, Job Satisfaction, Employee Engagement, Employee Motivation, and finally have an effect on Employee Retention, Employee Performance, and Employee Attrition.

Whenever any organizations can keep their employees, there will be retention, meaning they are able to stop employees from leaving their firms. This will allow organizations to be successful in businesses by maintaining their knowledge base. There will be no brain drain, and firm performance will continue to improve, allowing for a competitive advantage and long-term sustainable growth.

5.3.4 Further Research Recommendations

Although this study is successful in showing that HRM practices have a positive effect on employee retention, employee attrition, and employee performance, it does have limitations.

First, the study was conducted in Thailand and was limited to one industrial zone, particularly in the eastern seaboard industrial estate, which is the largest for FDI industrial estate with automotive as the key industry, as well as other industries. And so, the conclusions are only representative of that context. Those who intend to do further research on the topic should include other industrial estates in Thailand.

Future research could consider particular FDI from locations of origin, such as the United States, Europe and Asia. Special attention could be paid to Japanese investment firms, the largest group of foreign investors in Thailand (http://thailand.prd.go.th). While the present study uses sample that focuses on management level, sample used in future research can be different in terms of staff level. Finally, it would be beneficial to research industries other than manufacturing, such as service, hospitality and airline, as well as specific industry such as FMCG, automotive and electronics.

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Furthermore, the fact that globalization now has a huge impact on the world with MNCs crossing borders into other countries, those who intend to do further research on the topic should include other countries, particularly those in Southeast Asia that are going to be involved in the AEC (ASEAN Economic Community). Doing this will bolster studies on HRM practices by adding diverse and cross-cultural contexts.

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APPENDIX

Appendix A Abbreviation

Appendix B Research Instrument Assessment

Appendix C Questionnaire

Appendix D Company Participants

Appendix E Model Fit Summary

Appendix F Estimates(Group number1-Defult model), REGRESSION WEIGHTS

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APPENDIX A

ABBREVIATION

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Abbreviation	
HRMP	Human Resource Management Practices
OCB	Organizational Citizenship Behavior
JS	Job Satisfaction
EEG	Employee Engagement
EM	Employee Motivation
HRF	Human Resource Flexibility
EA	Employee Attrition
EP	Employee Performance
ER	Employee Retention

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APPENDIX B

RESEARCH INSTRUMENT ASSESSMENT

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ข้อคิดเห็นโดยสรุปของท่าน (กรุณาทำเครื่องหมาย √)

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(ดร. ชลิต ศรีนวล)
วันที่ 28 มิ.ย. 56

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APPENDIX C

QUESTIONNAIRE

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Questionnaire

Subject **A Causal Model of human resource management practices on firm performance**

Researcher Mr. Sorasak Tangthong

Course Degree of Doctor of Philosophy in Industrial Business Administration
King Mongkut's Institute of Technology Ladkrabang, Bangkok

Explanation

1. **Questionnaire Objective**

   This research aims to study **A Causal Model of** HRM practices on Firm Performance.
   Thus, the study concerns top management in the organization, HR Managers and Line/Functional Managers from other departments.

2. **Questionnaire consists of 10 parts**

   Part 1 Organization Information

   Part 2 Personal Information

   Part 3 Human Resource Management Practices Information

   Part 4 Organizational Citizenship Behaviors Information

   Part 5 Job Satisfaction Information

   Part 6 Employee Engagement Information

   Part 7 Employee Motivation Information

   Part 8 HR Flexibility Information

   Part 9 Firm Performance Information

3. Questionnaire is designed to follow the research framework for the doctorate degree. Answers to the questionnaire are strictly confidential. Conclusion

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derived through statistical processing of the results is the overall average of all the respondents, and will not affect the status of the staff nor the departments.

Part 1 Organization Information (for selection purpose)

Please tick √ the appropriate box ☐

1. Please select the category that best reflects your factory/organization.

☐ Aerospace/Aerospace Parts
☐ Automotive/Automotive Parts
☐ Chemical/Petroleum/Fuel Energy
☐ Engineering/Maintenance
☐ Foods and Beverages
☐ Medicine/Medical Supplies
☐ Consumer
☐ Garment/Apparel
☐ Electronics/Electronic Parts
☐ Others (please specify).....

2. Does your organization provide direct investment from oversea?

☐ Yes ☐No

3. What is your organization's country of origin?

☐ North America ☐atin America ☐urope ☐stralasia
☐ Middle East and Africa ☐Asia Pacific
☐ Others (please specify.....)

4. Is there any Joint Venture with other countries?

☐ Yes ☐No (if " NO" because .....(Please identify)

5. Has your organization received investment promotion (BOI) in Thailand?

☐ Yes ☐No

6. Which quality certification have you obtained? (please select all that apply)

	ISO 9000		ISO 14001
	TS 16949		ISO 18000
	ISO 13458		ISO 50001
	ISO 17025		Others (please specify.....)

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7. Number of employee within your organization as of June 2013 (including contractual employees).

☐ < 100 ☐ > 100 (please specify.....)

8. Is there any human resources department in your organization?

☐ Yes ☐ No

Part 2 Personal Information

Please tick √ the appropriate box ☐

1. **Gender**
   ☐ Male ☐ Female
2. **Age**
   ☐ 21-30
   ☐ 31-40
   ☐ 41-50
   ☐ 51 and above
3. **Current title/position**

   ☐ Top Management (please specify title.....)
   ☐ HR Manager (please specify title.....)
   ☐ Functional Manager (please specify title.....)
4. **Name of factory/organization**.....
5. **Level of education**
   ☐ Diploma or below
   ☐ Bachelor's degree or equivalent
   ☐ Above Bachelor's degree
6. **Years of work experience (from start to present)**
   ☐ 0-10 years ☐ 11-20 years
   ☐ 21-30 years ☐ 31 years and above

Part 3 Human Resources Management Practices Information

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Employee Participation	**Priority Level**				
	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. Your organization often shares information from manager's meeting about policy issues with its employees.					
2. Part of your organization's policies and procedures comes from suggestions made by employees.					
3. Your organization has a command structure that is favorable to employees in terms of providing suggestions for improvement at work.					
4. Your organization offer activities to encourage employees to express their views that are beneficial for work management.					
5. When there is opportunity you tend to make new suggestions in order to improve your organization.					

Compensation Management and Reward	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. In your organization, employees are given positive recognition when they perform well to achieve their targets.					
2. Your organization provides good benefits compared to other organizations in the same industry, or close to the same industry.					
3. Your organization provides appropriate compensation for the amount of work or quality of work that you do.					
4. The benefits that you receive from the organization are equitable.					
5. Your organization provides rewards to employees who perform well at work.					
6. Your organization provides rewards to employees with strong work ethics (e.g. work consistently and on time, helping others).					

Career Planning System	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. Your organization has a career planning program.					
2. Career planning in your organization is long term.					

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3. There is a plan in your organization to create individual development.					
4. There is a vertical career planning in your organization, allowing you to grow within your job.					
5. There is a horizontal career planning in your organization, allowing you to grow between jobs (Cross Functional).					
6. Your organization creates opportunity for career advancement.					

Training and Development	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. You have been given training and development so that you are able to perform your duty in the organization.					
2. Your organization often keeps track of your progress after the training.					
3. Employees in your organization have been given the knowledge and skills in a timely manner.					
4. Employees at your organization have been given effective training.					
5. There is often staff training and development in your organization to create career opportunities.					
6. In your view, training and development will lead to good job performance.					

Employee Empowerment	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. Your organization gives you significant autonomy in determining how you do your job.					
2. You are confident in your ability to do your job.					
3. Your job brings you confidence, value and meaning to your life.					
4. You have the necessary expertise and skills for your job to be able to make the right decision.					
5. You have control over what happens in your department.					

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Part 4 Organizational Citizenship Behaviors Information

Organizational Citizenship Behaviors	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. You tend to help others with their work when they are not able to do it themselves.					
2. You are willing to help others with problems that are related to your line of work.					
3. You agree to take part in activities that are not your main line of work, but will help the organizational image.					
4. You defend your organization.					
5. You tend to show pride in your organization when you are in public.					
6. When there is a chance you tend to offer new ideas to improve the functioning of your organization.					
7. You express loyalty towards your organization.					
8. You never reveal internal changes of the organization to the public.					

Part 5 Job Satisfaction Information

Job Satisfaction	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. You are satisfied with your present job.					
2. You like to work with your colleagues in your present job.					
3. You sometimes feel that your job is meaningless.					
4. You feel a sense of pride in the work that you do.					
5. You feel that your work is not appreciated by others.					
6. You enjoy doing your job.					

Part 6 Employee Engagement Information

Employee Engagement	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. Your supervisor cares about the work that you do.					

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2. Your supervisor regularly encourages your learning for you to develop and grow at work.					
3. Your work colleagues are one of the things that make you feel part of the organization.					
4. The mission and purpose of your organization make you feel that what you do at work has to be up to standard.					
5. Customers and suppliers of your organization knew that you represent the organization in performing business transactions.					
6. You are satisfied with your organization as a place to work in.					
7. When there is an opportunity you tend to express loyalty toward your organization.					
8. You often feel that your organization plays an important part in your life.					

Part 7 Employee Motivation Information

Employee Motivation	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. Being comfortable at work is more important than getting ahead.					
2. You like to make improvements at work to the way that your organization would want.					
3. Lack of efficiency at work makes you feel unhappy.					
4. You can forget about your work outside of normal working hours.					
5. You limit your recreational and social activities in order to work more effectively at your organization.					
6. You are an ambitious person.					
7. Days pass by without you having done much at work.					

Part 8 HR Flexibility Information

HR Flexibility	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. Employees at your organization have the ability to perform multiple jobs.					

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2. Employees at your organization can learn new skills within a short period of time.					
3. Your organization tends to hire employees with multiple skills.					
4. Employees at your organization can switch to new job roles within a short period.					
5. Your organization encourages its employees to learn a variety of skills.					
6. Your organization regularly rotates its employees to new or different jobs.					
7. Employees at your organization can change the way they work when necessary.					
8. Employees at your organization respond to changing situations within a short time.					

Part 9 Firm Performance Information

Employee Retention	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. You plan to work at your organization for as long as possible.					
2. You tend to think about the survival of your organization.					
3. You are loyal to your organization.					
4. You often tell your friends that your organization is a good place to work in.					
5. You are confident that your organization is a good place to work for.					
Employee Attrition	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. You intend to look for a new job in a year's time.					
2. You are committed to leaving your present job.					
3. As soon as you can find a better job, you will leave the organization.					
4. You are not worried at all if you have to leave the organization.					
5. There is no reason in your decision to leave the organization.					
6. The rate of employees leaving your organization is low.					

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Employee Productivity / Performance	Strongly Disagree (1)	Disagree (2)	Agree (3)	Moderately Agree (4)	Strongly Agree (5)
1. The quality of your work is just as you expect.					
2. You often perform better at work than can be expected from yourself.					
3. You often perform better at work than the acceptable level in your department.					
4. You tend to finish your assigned work.					
5. You respond to the changing nature of your job to help your organization remain competitive.					

Do you wish to use this study, after the data has been assessed and analyzed before being published in international journals, in managing human resource in your organization?

☐ Yes
☐ No

Thank you for taking part in answering the questionnaire.
Researcher

June, 2013

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APPENDIX D

COMPANY PARTICIPANTS

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	Company Research Participants
1	AandG Technology Co., Ltd.
2	Adeka Fine Company (Thailand) Co., Ltd.
3	AI Tech Co., Ltd.
4	AMAT (Thailand) Co., Ltd.
5	American Axle and Manufacturing (Thailand) Co., Ltd.
6	Ammon and L'Aquatech (Thailand) Co., Ltd.
7	Ampacet (Thailand) Co., Ltd.
8	ANC Manufacturing (Thailand) Co., Ltd.
9	Aoyama Thai Co., Ltd.
10	Aperio Group (Thailand) Co., Ltd.
11	APT Advanced Polymer Tech Corporation Ltd.
12	Aquafil Asian Pacific Ltd.
13	Asno Horie (Thailand) Co., Ltd.
14	Auto Alliance (Thailand) Co., Ltd. (Ford and Mazda)
15	Auto Interior Products Co., Ltd.
16	Autrans (Thailand) Co., Ltd.
17	Avery Dennison (Thailand) Co., Ltd.
18	Bangkok Eastern Coil Center Co., Ltd.
19	Barbe (Thailand) Ltd.
20	Basell Advance Polyolefins (Thailand) Co., Ltd.
21	BASF (Thai) Ltd.
22	Behn Meyers Chemcial (Thailand) Co., Ltd.
23	BHKT (Thailand) Co., Ltd.
24	Bridgestone Metalpha (Thailand) Co., Ltd.
25	Brose Delloyd Automotive Co., Ltd.
26	Carparo Vehicle Products (Thailand) Co., Ltd.
27	Cataler (Thailand) Co., Ltd.
28	CCI Automotive Parts (Thailand) Co., Ltd.
29	Changhuat Plastic Industries (Rayong) Co. Ltd.
30	Chassis Breaks International (Asia-Pacific) Co., Ltd.
31	Chevrolet Sales (Thailand) Limited
32	Chunichi Mold Co., Ltd.
33	CNK Manufacturing (Thailand) Co., Ltd.
34	Cofely (Thailand) Co., Ltd.
35	Coremax (Thailand) Co., Ltd.
36	D-Ron (Thailand) Co., Ltd.
37	Daido SP (Thailand) Co., Ltd.
38	Dana Spicer (Thailand) Co., Ltd.
39	Danieli Far East Co., Ltd.
40	Delphi Automotive Systems (Thailand) Limited
41	Dong Kwang (Thailand) Co., Ltd.
42	Dongbu Thai Steel Co., Ltd.

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	Company Research Participants
43	Dongwon (Thailand) Co., Ltd.
44	Dowa Thermatech (Thailand) Co., Ltd.
45	DSI Corporation Co., Ltd
46	Eastern Hobas Pipes Co., Ltd.
47	Eftec (Thailand) Co., Ltd.
48	Emerson Electric (Thailand) Co., Ltd./Copeland - Thailand
49	Emission Control Technologies Co., Ltd.
50	Enginetech (Thailand) Co., Ltd.
51	Eurokera (Thailand) Co., Ltd.
52	Fast Auto Drive (Thailand) Co., Ltd.
53	Faurecia Emission Control Technologies (Thailand) Co., Ltd.
54	Fine Components (Thailand) Co., Ltd.
55	Flying South (Thailand) Co., Ltd.
56	FMP Group (Thailand) Ltd./Bendix
57	Ford Sales and Service (Thailand) Co., Ltd.
58	Fukuju Industry (Thailand) Co., Ltd.
59	Furukawa Unic (Thailand) Co., Ltd.
60	Futuris Automotive (Thailand) Co., Ltd.
61	G-Tech Eastern Co., Ltd.
62	Gates Unitta (Thailand) Co., Ltd.
63	Gaza Industries Company (Thailand) Ltd.
64	GE Elano Asia Limited
65	General Motors (Thailand)
66	General Motors Powertrain (Thailand)
67	Getriebe Schaefer (Thailand) Co., Ltd.
68	GKN Driveline (Thailand) Co., Ltd.
69	GKN Driveline Toyoda Manufacturing Ltd.
70	Glow IPP Co., Ltd.
71	Goldensea Sanki (Thailand) Co., Ltd.
72	Grand Tech Precision Manufacturing. (Thailand)
73	Green One Food Industrial Co., Ltd
75	Hakueisya (Thailand) Co., Ltd.
76	Halla Visteon Climate Control (Thailand) Co., Ltd.
77	Hanil Forging (Thailand) Co., Ltd.
78	Hannifin (Thailand) Co., Ltd.
79	Harrington Industries (Thailand) Co., Ltd.
80	Hicom Automotive Plastic (Thailand) Ltd.
81	Hiroshima Aluminum Industries Co., Ltd.
82	Hirouchi Technologies Co., Ltd.
83	Hitachi Tochigi Electrontics (Thailand) Ltd.
84	Honeywell Electronic Materials (Thailand) Company
85	Hori Glass (Thailand) Co., Ltd.

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	Company Research Participants
86	Horiuchi Technologies (Thailand) Co., Ltd.
87	Hydro Engineering (Asia) Ltd.
88	I.C.T. Automobile Co.,Ltd.
89	I+MED Laboratories Co., Ltd.
90	IDS Logistics (Thailand) Co Ltd
91	Inergy Automotive Systems (Thailand) Ltd.
92	Infastech Co., Ltd.
93	Ingress Autoventrues Co., Ltd.
95	Ito-Thai Metal Work Co., Ltd.
96	J-C Sala Thai Ltd.
97	Jelly Belly Candy Company (Thailand) Limited.
98	Jideco (Thailand) Co., Ltd.
99	Johnson Controls and Sumit Interiors Ltd.
100	JTEKT Automotive (Thailand) Co., Ltd.
101	K.W. Metal Work Co., Ltd. (KPT-Group)
102	Ka Shin Manufacturing (Thailand) Co., Ltd.
103	Kanemitsu Pulley Co., Ltd.
104	Kansai Resin (Thailand) Co., Ltd.
105	Katoen Natie (Thailand) Ltd.
106	KC Altech (Thailand) Co., Ltd.
107	KDAC (Thailand) Co., Ltd.
108	Kellogg (Thailand) Co., Ltd.
109	Kiriu (Thailand) Co., Ltd.
110	Kishimoto Kogyo Co., Ltd.
111	Kloeckner Pentaplast (Thailand) Co., Ltd.
112	Kobatech (Thailand) Co., Ltd.
113	Kobayashi High Precision Co., Ltd.
114	Koide (Thailand) Co., Ltd.
115	Komatsu Seiki (Thailand) Co., Ltd.
116	Lear Automotive (Thailand) Co., Ltd.
117	Li Tai Alloy Co., Ltd.
118	Linde (Thailand) Pcl.
119	Lion Tyres (Thailand) Co., Ltd.
120	Logistics Alliance (Thailand) Co., Ltd.
121	MandT Allied Technologies
122	Mariani (Thailand) Co., Ltd.
123	Marinescape (Thailand) Limited
124	Maruyasu Industry (Thailand) Co., Ltd.
125	Max (Thailand) Co., Ltd.
126	Maxxis International (Thailand) Co., Ltd.
127	Mazda Sales (Thailand) Limited
128	McCormick (Thailand) Ltd.

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	Company Research Participants
129	McLaren Industries (Thailand)
94	Meiko Trans (Thailand) Co., Ltd.
130	Mikasa (Thailand) Co., Ltd.
131	Mitsui Hygiene Materials (Thailand) Co., Ltd.
132	Miyasaka Components (Thailand) Co., Ltd.
133	MSD (Thailand) Ltd.
134	MSM (Thailand) Co.,Ltd.
135	Mungmai Chromium Co., Ltd.
136	Nakagawa Sangoyo (Thailand) Co., Ltd.
137	Nalco Industrial Services (Thailand) Ltd.
138	Natural Gas Cylinder (Thailand) Co., Ltd
139	Nex Coating Co., Ltd.
140	Nippon Express (Thailand) Co., Ltd
141	Nippon Paint (Thailand) Co., Ltd
142	Nippon Steel Bar CH Wire (Thailand) Co., Ltd
143	Nissan Spring (Thailand) Co., Ltd
144	Nissei Plastic Machinery (Thailand) Co., Ltd
145	Nisshinbo Somboon Automotive Co., Ltd.
146	NK-Axis(Thailand) Co., Ltd (Nippon Kako Kizai)
147	Nordi Plastic (Thailand) Co., Ltd.
148	NRB Bearing Ltd.
149	NT Seimitsu (Thailand) Co., Ltd.
150	NTN Manufacturing (Thailand) Co., Ltd.
151	Off Road Accessory Limited
152	Okagawa (Thailand) Co., Ltd.
153	OMI Asia Co., Ltd.
154	Omni Plastics (Thailand) Co., Ltd.
155	ONDO Corporation
156	OYT Co., Ltd.
157	Parker Hannifin (Thailand) Co., Ltd.
158	PEC Manufacturing Ltd.
159	Piolax (Thailand) Ltd.
160	Plasess (Thailand) Co., Ltd.
161	Precision valve (Thailand) Ltd.
162	Prixcar Services (Thailand) Co., Ltd.
163	Property Value Plus Co., Ltd
164	PTT Precision Tools (Thailand) Co.,Ltd
165	Rayong Galvanizing Co., Ltd.
166	ROHM Mechatech (Thailand) Co., Ltd.
167	Rondex (Thailand) Co., Ltd.
168	RTP Asia Ltd.
169	Ryoko Sangyo Co., Ltd.

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	Company Research Participants
170	SABIC Innovative Plastic (Thailand) Co., Ltd.
171	Saiden (Thailand) Co., Ltd.
172	Saint Gobain Sekurit (Thailand) Co., Ltd.
173	Sakura Tech (Thailand) Ltd.
174	Sang Ah (Thai) Co., Ltd.
175	Sankei (Thailand) Ltd.
176	Sanko Gosei Technology (Thailand) Ltd.
177	Sankyu Laem Chabang (Thailand) Ltd.
178	Sanyo Engineering Co., Ltd.
179	Seikisui S-Lec (Thailand) Co., Ltd.
180	Seimitsu Thai Co., Ltd.
181	Shin Steel Co., Ltd.
182	Siam Chuyo Co., Ltd.
183	Siam CM Electronics (Thailand) Co., Ltd.
184	Siam Lotus Co., Ltd
185	Siam Metal Technologies Co., Ltd.
186	Siam Yamamori Co., Ltd.
74	Siam Chuyo CO., Ltd.
187	SIG Combibloc Ltd.
188	SMAT (Thailand) Co., Ltd.
189	Software company Tech International Limited.
190	Software Technology Group International Ltd.
191	Somboon Advance Technology (Plc)
192	Somboon Somic Manufacturing Co., Ltd.
193	Spheric Trafalgar Ltd.
194	Star Technologies Industrial Ltd.
195	Starutama (Thailand) Co., Ltd.
196	STB Textile Industry Co., Ltd.
197	Steel Processing (Thailand) Co., Ltd.
198	Sterigenics (Thailand) Ltd.
199	Sugino Press (Thailand) Co., Ltd.
200	Summit Fujikiko Kurata Manufacturing Co. Ltd.
201	Summit Laemchabang Auto Body Work Co., Ltd.
202	Suruga Seiki Co., Ltd.
203	Tak Spring Industry Co., Ltd.
204	Takeda Industry (Thailand) Co., Ltd.
205	Tanaka Ai Industries (Thailand) Co., Ltd.
206	Technic Asia Pacific Engineering, Ltd.
207	Tetra Pak (Thailand) Co., Ltd.
208	Tez Manufacturing Co., Ltd.
209	Thai Asakawa Co., Ltd.

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	Company Research Participants
210	Thai Bunka Harness Co.,Ltd.
211	Thai Fine Sinter Co., Ltd.
212	Thai Industrial Gases Public Co.,Ltd
213	Thai Kansia Paint (Thailand) Co., Ltd.
214	Thai Kobelco Construction Machinery Ltd.
215	Thai Kohwa Precision Co. Ltd.
216	Thai Showa Paxx Co., Ltd.
217	Thai Summit Eastern Seaboard Autoparts Industry Co. Ltd.
218	Thai VMI Services Co., Ltd. (Dolphin Logistics Co., Ltd.)
219	TICON Industrial Connection Public Company Limited
220	Tinfish (Thailand) Ltd.
221	Togo Seisakusyo (Thailand) Co., Ltd.
222	Tokai Eastern Rubber (Thailand) Ltd.
223	Top Glass FRP International Co., Ltd.
224	Toyoda Boshoku Filtration System (Thailand) Co., Ltd.
225	Toyoda Seiko (Thailand) Co., Ltd.
226	Toyu Industries (Thailand) Co., Ltd.
227	TRW Steering and Suspension Co., Ltd.
228	TSTT Co., Ltd.
229	Tsushiyoshi Somboon Coated Sand Co., Ltd.
230	TT Techno Park (Thailand) Co. Ltd.
231	TTandT Public Co., Ltd.
232	Typhoon Fruit Co., Ltd.
233	Tyrolit Thai Diamond Co., Ltd.
234	TYTEX Group (Thailand) Co., Ltd.
235	U-Shin (Thailand) Co., Ltd.
236	Umetoku (Thailand) Co., Ltd.
237	V-Build Engineering and Construction Co., Ltd.
238	Visteon (Thailand) Ltd.
239	Wabco (Thailand) Co., Ltd.
240	Wear Tek International Corporation
241	Wendt Grinding Technologies Ltd.
242	Yajima Giken (Thailand) Co., Ltd.
243	Yamasei (Thailand) Co., Ltd.
244	Yanagawa Techno Forge (Thailand) Co., Ltd.
245	Yokohama Rubber (Thailand) Co., Ltd.
246	Yokoyama Kogyo (Thailand) Co., Ltd.
247	Yoo Won Electronics Co., Ltd.
248	Yorozu (Thailand) Co., Ltd.
249	Yoshimoto Flexo Printing (Thailand) Co., Ltd.
250	Youngsin Metal Industrial Co., Ltd.

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	Company Research Participants
251	Yuan Da Electrontics (Thailand) Co., Ltd.
252	Zexel Clutch (Thailand) Co., Ltd.
253	Zexel Valeo Compressor (Thailand) Co., Ltd.
254	ZF Lemforder (Thailand) Co., Ltd.
255	Zoma EMS Asia Productions Co., Ltd.

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APPENDIX E

MODEL FIT SUMMARY

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MODEL FIT SUMMARY

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	41	2.710	4	.607	.677
Saturated model	45	.000	0		
Independence model	9	1426.384	36	.000	39.622

RMR, GFI

Model	RMR	GFI	AGFI	PGFI
Default model	.004	.999	.984	.089
Saturated model	.000	1.000		
Independence model	.093	.429	.286	.343

Baseline Comparisons

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.998	.983	1.001	1.008	1.000
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Parsimony-Adjusted Measures

Model	PRATIO	PNFI	PCFI
Default model	.111	.111	.111
Saturated model	.000	.000	.000
Independence model	1.000	.000	.000

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NCP

Model	NCP	LO 90	HI 90
Default model	.000	.000	6.390
Saturated model	.000	.000	.000
Independence model	1390.384	1270.573	1517.572

FMIN

Model	FMIN	F0	LO 90	HI 90
Default model	.007	.000	.000	.016
Saturated model	.000	.000	.000	.000
Independence model	3.479	3.391	3.099	3.701

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.000	.000	.062	.893
Independence model	.307	.293	.321	.000

AIC

Model	AIC	BCC	BIC	CAIC
Default model	84.710	86.760	249.472	290.472
Saturated model	90.000	92.250	270.837	315.837
Independence model	1444.384	1444.834	1480.551	1489.551

ECVI

Model	ECVI	LO 90	HI 90	MECVI
Default model	.207	.210	.225	.242
Saturated model	.220	.220	.220	.225
Independence model	3.523	3.231	3.833	3.524

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HOELTER

Model	HOELTER .05	HOELTER .01
Default model	1436	2009
Independence model	15	17

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APPENDIX F

ESTIMATES(Group number 1-Default model)

REGRESSION WEIGHTS

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Estimates (Group number 1 - Default model)

Scalar Estimates (Group number 1 - Default model)

Maximum Likelihood Estimates

Regression Weights: (Group number 1 - Default model)

			Estimate	S.E.	C.R.	P	Label
V4OCB	<---	V3HRMP	.525	.042	12.654	***	par_1
V5JS	<---	V3HRMP	.557	.054	10.243	***	par_2
V6EEG	<---	V3HRMP	.651	.047	13.857	***	par_3
V7EM	<---	V3HRMP	.415	.056	7.354	***	par_4
V8HRF	<---	V3HRMP	.690	.056	12.336	***	par_5
V9ERT	<---	V3HRMP	.230	.067	3.422	***	par_6
V9EMA	<---	V3HRMP	.349	.115	3.042	.002	par_7
V9EP	<---	V3HRMP	.111	.060	1.857	.063	par_8
V9EP	<---	V4OCB	.028	.059	.467	.641	par_9
V9EMA	<---	V4OCB	-.125	.113	-1.102	.270	par_10
V9ERT	<---	V4OCB	-.019	.067	-.285	.776	par_11
V9EP	<---	V5JS	.125	.045	2.805	.005	par_12
V9EMA	<---	V5JS	.537	.085	6.296	***	par_13
V9ERT	<---	V5JS	.215	.050	4.289	***	par_14
V9EP	<---	V6EEG	.056	.060	.929	.353	par_15
V9EMA	<---	V6EEG	-.061	.115	-.530	.596	par_16
V9ERT	<---	V6EEG	.297	.068	4.399	***	par_17
V9EP	<---	V7EM	.140	.043	3.242	.001	par_18
V9EMA	<---	V7EM	.360	.083	4.354	***	par_19
V9ERT	<---	V7EM	.127	.049	2.620	.009	par_20
V9EP	<---	V8HRF	.120	.038	3.168	.002	par_21
V9EMA	<---	V8HRF	-.174	.072	-2.410	.016	par_22
V9ERT	<---	V8HRF	.125	.042	2.962	.003	par_23

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Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
V4OCB	<---	V3HRMP	.530
V5JS	<---	V3HRMP	.451
V6EEG	<---	V3HRMP	.565
V7EM	<---	V3HRMP	.341
V8HRF	<---	V3HRMP	.520
V9ERT	<---	V3HRMP	.179
V9EMA	<---	V3HRMP	.185
V9EP	<---	V3HRMP	.113
V9EP	<---	V4OCB	.028
V9EMA	<---	V4OCB	-.065
V9ERT	<---	V4OCB	-.015
V9EP	<---	V5JS	.157
V9EMA	<---	V5JS	.350
V9ERT	<---	V5JS	.206
V9EP	<---	V6EEG	.066
V9EMA	<---	V6EEG	-.037
V9ERT	<---	V6EEG	.266
V9EP	<---	V7EM	.174
V9EMA	<---	V7EM	.232
V9ERT	<---	V7EM	.120
V9EP	<---	V8HRF	.161
V9EMA	<---	V8HRF	-.122
V9ERT	<---	V8HRF	.129

Covariances: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
e3 <--> e4	.095	.011	8.999	***	par_24
e3 <--> e1	.070	.008	8.988	***	par_25
e2 <--> e3	.087	.010	8.635	***	par_26
e2 <--> e1	.057	.008	6.667	***	par_27
e4 <--> e1	.059	.009	6.616	***	par_28
e2 <--> e5	-.026	.010	-2.707	.007	par_31
e2 <--> e4	.039	.011	3.513	***	par_32
e7 <--> e8	.054	.012	4.376	***	par_29
e6 <--> e8	.020	.007	2.828	.005	par_30

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Correlations: (Group number 1 - Default model)

	Estimate
e3 <--> e4	.496
e3 <--> e1	.495
e2 <--> e3	.468
e2 <--> e1	.346
e4 <--> e1	.346
e2 <--> e5	-.117
e2 <--> e4	.175
e7 <--> e8	.219
e6 <--> e8	.138

Variances: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
V3HRMP	.177	.012	14.318	***	par_33
e2	.214	.015	14.366	***	par_34
e3	.160	.011	14.318	***	par_35
e4	.231	.016	14.318	***	par_36
e5	.227	.016	14.318	***	par_37
e1	.125	.009	14.318	***	par_38
e6	.164	.011	14.318	***	par_39
e7	.475	.033	14.318	***	par_40
e8	.130	.009	14.331	***	par_41

Squared Multiple Correlations: (Group number 1 - Default model)

	Estimate
V8HRF	.271
V7EM	.117
V6EEG	.319
V5JS	.204
V4OCB	.281
V9EP	.238
V9EMA	.249
V9ERT	.441

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Matrices (Group number 1 - Default model)

Factor Score Weights (Group number 1 - Default model)

Total Effects (Group number 1 - Default model)

	V3HRMP	V8HRF	V7EM	V6EEG	V5JS	V4OCB
V8HRF	.690	.000	.000	.000	.000	.000
V7EM	.415	.000	.000	.000	.000	.000
V6EEG	.651	.000	.000	.000	.000	.000
V5JS	.557	.000	.000	.000	.000	.000
V4OCB	.525	.000	.000	.000	.000	.000
V9EP	.373	.120	.140	.056	.125	.028
V9EMA	.572	-.174	.360	-.061	.537	-.125
V9ERT	.673	.125	.127	.297	.215	-.019

Standardized Total Effects (Group number 1 - Default model)

	V3HRMP	V8HRF	V7EM	V6EEG	V5JS	V4OCB
V8HRF	.520	.000	.000	.000	.000	.000
V7EM	.341	.000	.000	.000	.000	.000
V6EEG	.565	.000	.000	.000	.000	.000
V5JS	.451	.000	.000	.000	.000	.000
V4OCB	.530	.000	.000	.000	.000	.000
V9EP	.379	.161	.174	.066	.157	.028
V9EMA	.303	-.122	.232	-.037	.350	-.065
V9ERT	.523	.129	.120	.266	.206	-.015

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Direct Effects (Group number 1 - Default model)

	V3HRMP	V8HRF	V7EM	V6EEG	V5JS	V4OCB
V8HRF	.690	.000	.000	.000	.000	.000
V7EM	.415	.000	.000	.000	.000	.000
V6EEG	.651	.000	.000	.000	.000	.000
V5JS	.557	.000	.000	.000	.000	.000
V4OCB	.525	.000	.000	.000	.000	.000
V9EP	.111	.120	.140	.056	.125	.028
V9EMA	.349	-.174	.360	-.061	.537	-.125
V9ERT	.230	.125	.127	.297	.215	-.019

Standardized Direct Effects (Group number 1 - Default model)

	V3HRMP	V8HRF	V7EM	V6EEG	V5JS	V4OCB
V8HRF	.520	.000	.000	.000	.000	.000
V7EM	.341	.000	.000	.000	.000	.000
V6EEG	.565	.000	.000	.000	.000	.000
V5JS	.451	.000	.000	.000	.000	.000
V4OCB	.530	.000	.000	.000	.000	.000
V9EP	.113	.161	.174	.066	.157	.028
V9EMA	.185	-.122	.232	-.037	.350	-.065
V9ERT	.179	.129	.120	.266	.206	-.015

Indirect Effects (Group number 1 - Default model)

	V3HRMP	V8HRF	V7EM	V6EEG	V5JS	V4OCB
V8HRF	.000	.000	.000	.000	.000	.000
V7EM	.000	.000	.000	.000	.000	.000
V6EEG	.000	.000	.000	.000	.000	.000
V5JS	.000	.000	.000	.000	.000	.000
V4OCB	.000	.000	.000	.000	.000	.000
V9EP	.261	.000	.000	.000	.000	.000
V9EMA	.223	.000	.000	.000	.000	.000
V9ERT	.442	.000	.000	.000	.000	.000

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Standardized Indirect Effects (Group number 1 - Default model)

	V3HRMP	V8HRF	V7EM	V6EEG	V5JS	V4OCB
V8HRF	.000	.000	.000	.000	.000	.000
V7EM	.000	.000	.000	.000	.000	.000
V6EEG	.000	.000	.000	.000	.000	.000
V5JS	.000	.000	.000	.000	.000	.000
V4OCB	.000	.000	.000	.000	.000	.000
V9EP	.266	.000	.000	.000	.000	.000
V9EMA	.118	.000	.000	.000	.000	.000
V9ERT	.344	.000	.000	.000	.000	.000

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Profession	Human Resource Management, Business Consultancy
Work Experience	**1987-2004**: Group HR Director, Senior HR Manager, HR Manager, Recruiting Manager and Employee Relation Manager with various Multinational Organizations, such as KCE Electronics PLC group of company Auto Alliance (Thailand) JV FORD and Mazda Corporation, ECCO (Thailand), Big C Super Center PLC, and TOA Group **2004 - Present**: Probiz Solutions Co., Ltd. Run Own Human Resources Consulting and Executive Search Firm in Thailand as a Managing Director and Senior Principal

Past Research

Tangthong, S., Trimetsoontorn, J. and Rojniruttikul, N. 2014."The Effects of Human Resource Practices on Firm Performance in Thailand's Manufacturing Industry." **Journal for A Global Business Advancement** (ISSN (Online) : 1746-9678 - ISSN (Print) : 1746-966X (www.inderscience.com/jgba).

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