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by Arta Sundjaja
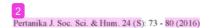

SOCIAL SCIENCES & HUMANITIES

HR Sustainability Practices Instrument Comparative Analysis in Malaysian SMEs

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ABSTRACT

This article discusses the impact of the implementation of HR sustainability practices through human resource policies on employee productivity of SMEs. Secondly, this article also discusses the results of a comparative analysis of the validity and reliability of two studies, namely pilot test and the actual research. Both analyses were conducted through an instrument used to measure the influence of human resource sustainability practice on employee productivity of SMEs through an HR policy. The instrument is based on a research model introduced by Gollan (2000), 'Model factors that influence HR sustainability'. This research does not only attempt to prove that the instrument is strong in terms of content validity (previous studies) but also in terms of construct validity, predictive validity and reliability. The analysis results show that all the variables used in the instruments have a high value of reliability and validity in both studies. In addition, this article indirectly proves that the Gollan (2000) model has empirical proof for future research. This is supported by the stakeholders and institutions theory.

Keywords: HR sustainability practice, human resources policy, employee productivity, small and medium enterprises

INTRODUCTION

The focus of this study was to examine the effects of human resources (HR) sustainability on employee productivity in the SMEs sector through an adequate HR policy. To ensure the quality and reliability of the results of the research, a validity and reliability analysis was carried out (2). The

Table 1

Variables Used in This Research (After Pilot Test – Factor Analysis is Conducted)

	Constructs of Research		
No	Original Construct (Gollan Model)	Pilot Test Constructs (Empirical)	Remarks
1	Career development and Organisational learning	• Career Development • Learning Opportunities	• 7 items • 6 items
2	Organisational change	Organisational Change	10 items
3	Workplace institution and systems	Facilities and Welfare	10 items
4	Work-Life balance	• Work Schedules Flexibility • Personal Flexibility	• 7 items • 6 items
5	Employee consultation and involvement	Employee Involvement	5 items
6	HR policy	HR Policy	17 items
7	Employee productivity	Employee Productivity	9 items

variables and instruments involved in this research are shown in Table 1.

Gollan's (2000) model for HR sustainability, 'Model factors that influence HR sustainability' listed five HR sustainability practices that increase productivity, commitment and satisfaction among employees through human resource policies. However, after a validity and reliability analysis was conducted, the HR sustainability practice was changed to seven variables as shown in Table 1. This situation is normal and variable content still refers to the same definition albeit with several differences and under a new name. Such a situation occurs when the constructs are more focussed in terms of items instead of on the constructs involved themselves (Meyer, 2006).

According to Ehnert (2006) and Wilkinson et al. (2001), the requirements of HR sustainability are increasing, especially to reduce issues in HR. This is because HR issues such as stress at work, increased turnover rates and low productivity

among employees have begun to plague organisations (Wilkinson et al., 2001). This is similar in the context of SMEs in Malaysia. The SMEs sector in Malaysia is facing a crisis with low productivity among employees compared to among employees of large firms (Croucher, 2010). The situation becomes worse when human resource issues are often ignored by owners and managers of SMEs (Spencer, 1986). In addition, the human resource policies practiced by SMEs are outdated and do not meet the current needs of employees (Barney & Wright, 1997). This situation can affect the growth of the Gross Domestic Product (GDP) of Malaysia because the SMEs sector is the biggest contributor to Malaysia's GDP (Chaudhry, 2013). According to the annual report (2013/2014) of Malaysian SMEs, the GDP of the SMEs sector was higher than Malaysia's GDP at around 6.3% compared to 4.7% (PKS, 2014) (Croucher, 2010). This is because employees are the main asset of an organisation and they are able to improve the competitiveness of

the organisation (Wilkinson et al., 2001). Therefore, Gollan (2000) suggested that HR sustainability practices be implemented within the organisation to address these various issues.

THEORY

To support Gollan's model (2000) in the context of this research, the institutional and stakeholder theory used as they are the most relevant theories for the context of this research. This is because when viewed in terms of the HR sustainability practices that have long been practised in organisations, some organisations still do not apply HR sustainability as their official practice (Yong, 2008). Institutional theory emphasises the importance of the role of the policy as a medium to ensure HR sustainability is the official practice of an organisation (Androniceanu, 2011). This is because the theory of the institution itself refers to a method in which normal and routine regulation is adopted as a guideline in social behaviour of an organisation (Phillips & Tracey, 2009).

In addition, the stakeholder theory is also seen as instrumental in supporting Gollan's model (2000), particularly in meeting the needs of employees to be more productive. Freeman et al. (2004) defined stakeholders as individuals or groups who can affect or who are affected by the scope of the objectives of the organisation, which includes actions, decisions, policies and goals of the organisation. For example, 'New Corporate Relations' is one of the stakeholder theory approaches

that emphasise collaboration between organisations at multiple levels, especially those involving the interests of employees (Freeman et al., 2004). Therefore, if an organisation wants to nurture a productive workforce, it must meet the needs of its employees through the implementation of HR sustainability practices delivered through HR policies. This is because employees are one of the stakeholders of an organisation who are very important in making the organisation more competitive (Mainardes et al., 2011).

Overall, this article illustrates how the model of HR sustainability practices functions in improving employee productivity through an adequate human resource policy especially in SMEs in Malaysia. In addition, this article shows how theory plays an important role in strengthening the basics of research and the model that it uses.

METHODOLOGY

IBM SPSS 22.0 was used as an analysis method for analysing construct validity, predictive validity and internal reliability. In addition, exploratory factor analysis (construct validity) technique was used to ensure that the specific measuring instrument such as questionnaire was in line with the theory and concept developed in the research. Reliability analysis was carried out for the purpose of ensuring that the variable of the research had quality and was reliable (Sekaran & Bougie, 2010). A correlation test was also conducted to obtain results for predictive validity. The sample for this

analysis involved 340 employees in the SME sector around Klang Valley. However, only 210 of them responded (61.8%). According to (Hair et al., 2010), in order to carry out an analysis factor test, a respondent sample of at least 60% is required.

RESULTS AND DISCUSSION

This section presents the comparison results of the exploratory factor analysis (construct validity), predictive and reliability (pilot test and actual) tests. The results of the analysis are as follows:

Factor Analysis

Based on the results of the factor analysis (contruct validity) as shown in Table 2, it was found that both studies met the indication requirements of the factor analysis. This can be seen through the KMO value, which exceeds the value of 0.7 for both studies, indicating that the sample was qualified to perform the factor analysis. Meanwhile, in terms of value, Barletts's Test of Sphericity also showed less of the value of p<0.001, which means that the variables were independent and appropriate for carrying out the factor analysis. Overall, the

Table 2

Comparison Results (Pilot Test vs Actual Research) – Factor Analysis

Research variables	Research Variable		Research Variable	
	Research Variable (Pilot test)		Research Variable (Actual research)	
	KMO	Barletts's Test of Sphericity value p<0.001	KMO	Barletts's Test of Sphericity value p<0.001
HR sustainability (7 independent variables)	0.862 (51 items)	0.000	0.850 (46 items)	0.000
HR policy	0.919 (17 items)	0.000	0.932 (17 items)	0.000
Employee Productivity	0.808 (9 items)	0.000	0.825 (9 items)	0.000

results of the factor analysis showed that the instrument was appropriate in both studies.

From Table 2 it can be seen that the results of the factor analysis for construct validity of the independent variable (human resource sustainability practices) shows only 46 balance of items compared to 51 items during the pilot test. However, the independent variable still retained the seven constructs even though there was a slight change in the value of KMO.

Predictive Validity

According to the results in Table 3, it can be deduced that all independent variables and intermediate variables had positive significant correlation with employee productivity (pilot test and actual research). Therefore, it can be concluded that the instrument used had sufficient predictive validity value.

Table 3
Correlation of Research Variables (Pilot Test and Actual Research)

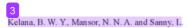| Research Constructs	Correlation Coefficient with Employee Productivity **p<0.01	
	Research Constructs (Pilot test)	Research Constructs (Actual research)
Career development	r = 0.363**	r = 0.388**
Employee involvement	r = 0.434**	r = 0.405**
Facilities and welfare	r = 0.346**	r = 0.279**
Work Schedules flexibility	r = 0.215**	r = 0.199**
Personal flexibility	r = 0.212**	r = 0.176*
Learning opportunities	r = 0.486**	r = 0.453**
Organisational change	r = 0.487**	r = 0.379**
Total 7 IV	r = 0.443**	r = 0.420**
HR policy	r = 0.270**	r = 0.244**

Reliability

According to the comparison results of the reliability analysis in Table 4, it can be seen that all eight variables had high reliability value of more than 0.7 (Svensen et al., 2007). However, employee involvement had a Cronbach Alpha value of below 0.7 but according to Piaw (2011), an Alpha value in the range of 0.6 is good and acceptable. Therefore, as a whole, after a reliability analysis was conducted, only 41 items out of 46 items were retained in the questionnaire for variables of HR sustainability. As for the intermediate variables 17 items were retained for further analysis.

Table 4
Results of Reliability Analysis

Research Variables	Reliability Value			
	Pilot test		Actual research	
	items	Cronbach's Alpha (α) (pilot test)**p<0.01	items	Cronbach's Alpha (α) (pilot test)**p<0.01
Career development	7 items	0.880	4 items	0.841
Employee involvement	5 items	0.690	5 items	0.674
Facilities and welfare	10 items	0.869	10 items	0.797
Work schedules flexibility	7 items	0.748	5 items	0.761
Personal flexibility	6 items	0.813	6 items	0.792
Learning opportunities	6 items	0.815	4 items	0.847
Organisational change	10 items	0.705	7 items	0.830
HR policy	17 items	0.941	17 items	0.945

CONCLUSION

Based on the results of all three analyses, it was discovered that the instrument had a high value of validity and reliability for both studies. Thus, the instrument was capable to measure the impact of HR sustainability practices on employee productivity in SMEs in Malaysia through HR policies. In addition, the analysis also proved that there was a significant relationship between the variables in both studies. The findings not only provide evidence through value of validity and reliability, but can help future research in this area.

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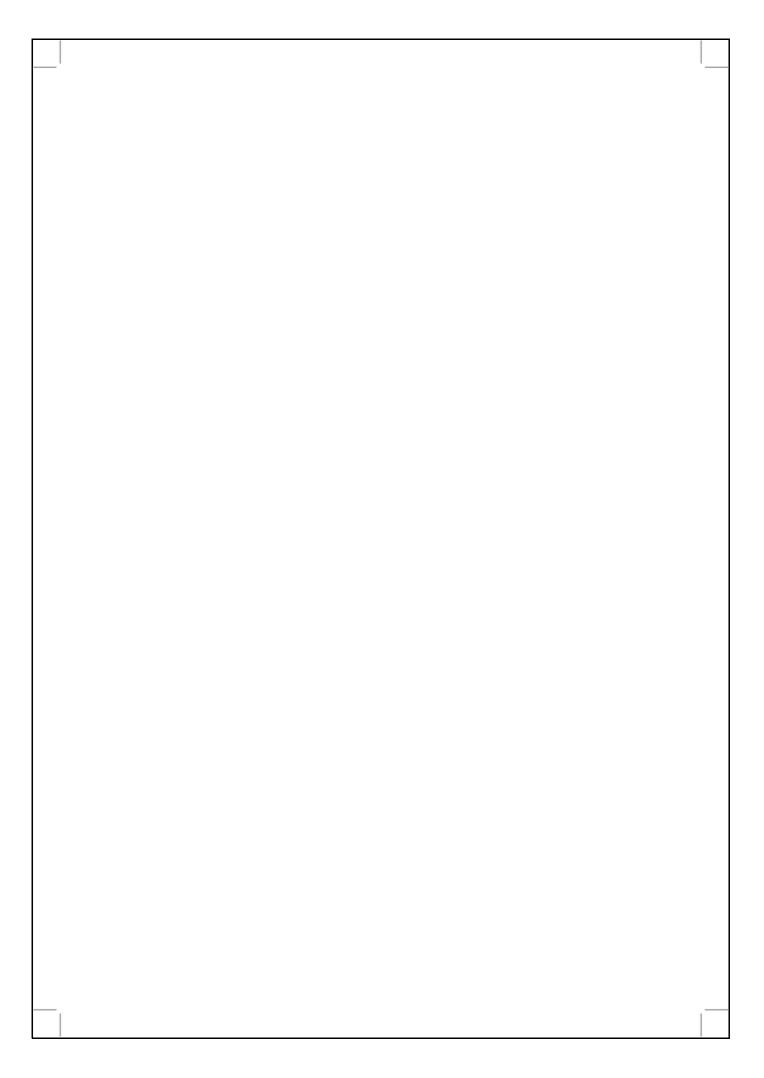
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