

CHAPTER 3

METHODOLOGY

3.1 INTRODUCTION

This chapter describes the overall research methodology used to solve research problem. The model of study, measurement of variables, and hypotheses used in this study will be presented. Also illustrate the target population, the sample of study, the instrument used to collect the data, and questionnaire design. Finally, demonstrate of the statistical analysis technique utilized in this study.

3.2 MODEL OF THE STUDY

Numerous studies and researches that concern with the importance of small businesses and the methods of attention and sponsorship of small businesses have been conducted in the different countries of the world, due to the fact that small businesses from the foundation stone in the process of economic and social advancement. This study consists of two parts; the first part is devoted to examining the causal order of the relationship between HRM practices and organizational performance by illuminating the indirect influence of the mediating variables that is so-called employee outcomes. The second part of the study is dedicated to highlight the vital role of governmental support for small businesses,

through testing the direct relationship between governmental support and organizational performance. The model of this study had been adapted from the earliest model developed by Cornell University/ New York and Gevity institution (see figure 3.1). The model had been examined on a sample of small businesses in USA in 2005. In 2007 the model had been tested on a sample of small businesses by the researcher in Iraq.

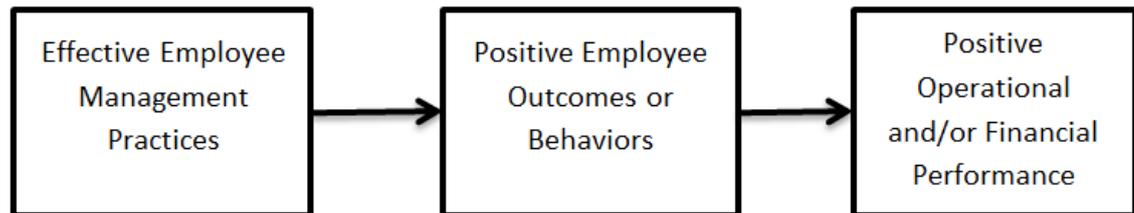


Figure 3.1: Basic Model of Cornell University

Source: Collins et al. (2005)

As there is no consensus about a standard set of HRM practices in the HRM literature, three groups of practices has been identified as one bundle that may affect firstly on employee outcomes, then indirectly effect on organizational performance. So in this study, three different HRM practices (sub- bundles of HRM practices) would be examined to clarify their effects on organizational performance. These sub- bundle of HRM practices are: selection practices, management practices, and retention and motivation practices.

Many previous researches examined the relationship between either the whole system of HRM practices and organizational performance or selected individual HRM practices and organizational performance. Becker and Huselid (1998) indicated that it is more suitable to study the influence of HRM practices on organizational performance simultaneously in one model, because examining the effect of each element in isolation from the rest HRM practices is not controlled. This study follows the same approach and examined a bundle of HRM practices with quite understanding that each individual of HRM practice would have a different effect on organizational performance, but jointly would influence organizational performance.

This study examines how HRM practices affect organizational performance. We do trace the causal order relationship between HRM practices and organizational performance, by inserting employee outcomes as mediating variables; with considering that HRM practices can enhance these outcomes (Guest, 1997; Becker et al., 1997; Delery and Shaw, 2001 and Edwards and Wright, 2001).

The general framework of mediating models indicates to an indirect relationship through employee outcomes, between HRM practices and organizational performance. Nevertheless, many direct relationships may be observed between individual HRM practices and organizational performance (Schuler and Jackson, 1999 and Harel and Tzafrir, 1999). But these relationships may not be simultaneously present, and even the possibility of the absence of these direct relationships; some practices positively enhance organizational performance through the intervening process.

The success of any organization (including small business) depends on number of factors. The special characteristics which small businesses have and the difficulties that hinder their progress make them in dire need of governmental support. In Malaysia, the government with its strong belief of the vital role of small businesses adopted many supporting programmes for backing up small business sector.

The review of literature related with governmental support revealed that there is a scarcity of empirical researches devoted to tracing the influence of governmental support on the organizational performance of small businesses. So, to clarify the extent of the utilization of small businesses for the governmental support, the sub-model of this study concerned to demonstrate the relationship between governmental support and organizational performance. The general conceptual model for this study is as follow: