



THE IMPACT OF HUMAN RESOURCE MANAGEMENT BUNDLES ON EMPLOYEE PERFORMANCE IN MALAYSIA

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Abstract:

This study demonstrated the applicability of the ability-enhancing, motivation-enhancing and empowerment-enhancing (AME) human resource management bundles in a non-Western setting like Malaysia. It also demonstrated the direct and mediated impacts of the bundles. The two mediators in this study are human capital and perceived organization support (POS). The variables of age, tenure and years of education are included as control variables. This study has been carried out on 192 managers in eight Malaysian firms. Hypotheses testing using Hayes' PROCESS macro showed that both empowerment-enhancing HRM and ability-enhancing HRM is related positively to human capital. Both empowerment-enhancing HRM and ability-enhancing HRM have direct effects on employee performance, however the former relationship is negative and the latter positive. Only empowerment-enhancing HRM has a mediated effect on employee performance through human capital. Human capital has a direct and positive impact with employee performance. Both motivation-enhancing and empowerment-enhancing HRM has direct and positive impacts on POS.

Keywords: human resource management bundles, human capital, perceived organization support, employee performance

1. Introduction

Many previous studies have demonstrated the impact of human resource management (HRM) either by focusing on a particular human resource function like compensation (Gerhart and Milkovich, 1990), or recruitment and selection (Terpstra and Rozell, 1993) or on a range of human resource practices (Singh, 2013; Gould-Williams and Mohamed, 2010). These studies have measured the impact of human resource management on many different dependent variables ranging from attitudinal changes among

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employees to productivity and even profitability of the organization. The relationships have been generally positive but not always conclusive.

There is now agreement that there is a need to perform three essential objectives to better understand the impact of HRM on organizations. The first objective is to decompose HRM into bundles, such as ability-enhancing, motivation-enhancing and empowerment-enhancing (AME) human resource practices to understand the differential impacts of these bundles on organizational outcomes (Subramony, 2009). Ability-enhancing HRM will enhance the capacity of employees to perform, whereas motivation-enhancing HRM will provide the right incentives and environment for performance. Finally, empowerment-enhancing HRM ensures that the employee in a position or supported to perform well. There is broad agreement that bundles of human resource practices are more effective than just introducing them individually (MacDuffie, 1995; Barney, 1995; Guest, Conway and Dewe, 2004)

However, almost all of the studies which decompose HRM into three separate but related bundles have been conducted in a Western setting. The second objective is therefore to test the applicability of the HRM bundles in a non-Western setting. This study tests the applicability of the AME framework on 192 managers in selected Malaysian firms.

The third objective is to study both direct and mediated impacts of human resource bundles. This requires the identification of suitable mediators. The two mediators identified in this study are human capital and perceived organization support (POS). The demographic variables of age, tenure and years of education are included as control variables. Employee performance is the dependent variable. Reliability analyses, factor analyses and correlation analyses are conducted using SPSS before hypotheses testing. The hypotheses of the study are tested using Hayes' PROCESS macro.

2. HRM in Malaysia

Malaysia has a population of 32.9 million in 2018. The per capita income of the country was US 10,268. It had a labor force of 14.9 million with a participation rate of 67.8 per cent. The unemployment rate was around 3.4 per cent (Malaysian Employers' Federation, 2018). The government has established a Human Resources Development Fund (HRDF) in 1992 under the Ministry of Human Resources. This agency's objective is to ensure that employers retrain and upgrade the skills of the workforce in Malaysia (Human Resource Development Fund, 2018). The industrial relations climate is generally harmonious with few strikes due to enforcement of legislation such as the Employment Act 1955, the Industrial Relations Act 1967 and the Trade Unions Act, 1959. The HRM practices are influenced by a combination of English laws, inherited from the country's colonial past and the cultures, beliefs and work practices of Malays, Chinese, Indians and numerous indigenous peoples, who form the major ethnic groups in the country. Previous research on Malaysian HRM have demonstrated the

importance of HRM practices to organizational outcomes (Abdullah, Ahsan and Alam, 2011; Subramaniam, Shamsudin and Ibrahim, 2011; Osman, Ho and Galang, 2011).

3. HRM and Outcomes

While human resource management has assumed greater prominence in today's turbulent business environment as organizations face challenges of increased global competition, internationalization of technology and productivity of labour (Bratton and Gold, 2007), its importance goes way back to the early work of economists like Shultz (1961) and Becker (1975). They had laid the foundations concerning the importance of investments in human capital to bring positive benefits to individuals, organizations and society. Schultz and Becker emphasized that investments in human capital were just as important as investment in physical assets for the economic growth of the nation and provided evidence to support it.

The resource-based theory (RBV) has also provided strong support for the key role of human resources in organizational performance (Barney, Wright and Ketchen, 2001) due to the inimitability of HRM systems and routines, which can contribute to organizational performance, instead of individual human resource practices. This was also emphasized by Wright, Dunford and Snell (2001) who proposed that people management skills could be combined with knowledge, skills and abilities to produce employee behaviors that could be linked to the strategy of the organization.

Other researchers have also demonstrated the links between HRM and organizational performance. Arthur (1994) developed and tested two types of human resource systems, *control* and *commitment*. He found that steel companies that had *commitment* human resource systems had higher productivity, lower scrap rates and lower employee turnover than those with control human resource systems.

MacDuffie (1995) found in a study on the automobile industry, that bundles of internally consistent human resource practices contributed most to productivity and quality. The human resource bundles such as compensation and training, combined with such manufacturing policies as team-based work systems and low inventory and repair buffers, produced higher performance than individual human resource practices.

Huselid (1995) found broad evidence that investments in high performance work practices resulted in lower employee turnover, greater productivity and better financial performance. Ichnowski (1990) found that businesses that employed a human resource management system with the human resource characteristics of flexible job design, formal training and workplace communication mechanisms have the highest levels of economic performance.

West, Borrill, Dawson, Scully, Carter, Anelay, Paterson and Waring (2002) found that human resource management practices predicted a significant proportion of the variation in patient mortality, controlling for hospital size, number of doctors per bed and local health needs in 81 hospitals in England. Singh (2003) found a direct significant

relationship between strategic HR orientation and firm performance in a study of 84 Indian firms.

Rogg, Schmidt, Shull and Schmidt (2001) concluded that the impact of human resource practices on customer satisfaction was mediated by organizational climate. Collins and Smith (2006) found that the impact of HRM practices on firm performance was mediated by factors such as social climate and knowledge exchange and combination.

Juhdi, Pa'wan and Hansaram (2013) in a Malaysian study, found that HRM practices significantly impacted organizational commitment and organizational engagement, both of which in turn partially mediated the relationship between HRM practices and turnover intention. Zhong et al. (2016) concluded that human resource practices impacted employee engagement and work outcomes positively.

Gooderham, Parry and Ringdal (2008) studied the relationship between HRM practices and perceived firm performance in more than 3,000 European companies. They studied both *calculative* HRM practices, which focused on the efficient use of human resources and *collaborative* HRM practices, which aims at promoting interests of both employers and employees. They found that the *calculative* rather than the *collaborative* practices impacted firm performance. However, the impact of the HRM practices was rather small. Calculative and collaborative may be considered two different HRM bundles.

Gould-Williams and Mohamed (2010) found evidence of the effectiveness of human resource bundles in a comparative study of Malaysian and English local governments on five outcomes. Ceylan (2013) concluded that bundles of *commitment-based* human resource bundles had positive impacts on innovative activities in a study of 103 Turkish firms.

The meta-analytic investigation of human resource management practices by Jiang et al. (2012) emphasized the differentiation of human resource practices into three types or bundles: skill-enhancing, motivation-enhancing and opportunity-enhancing in line with the ability-motivation-opportunity (AMO) model. They also highlighted the role of mediating mechanisms in the form of human capital, employee motivation, turnover and operational outcomes like productivity and customer satisfaction, in measuring financial outcomes like market performance and return on assets.

Their study demonstrated that skill-enhancing human resource practices were more positively related to the mediator of human capital than the mediator of employee motivation. On the other hand, motivation-enhancing and opportunity-enhancing practices were more positively related to the mediator of employee motivation than human capital. Moreover, all three bundles of HRM had positive relationships with financial outcomes, both directly and indirectly through human capital, employee motivation, turnover and operational outcomes.

Bello-Pintado (2015) in an analysis of 150 manufacturing firms, highlighted the existence of a hierarchy among HRM bundles, with motivation-enhancing bundles the most important to explain enhanced manufacturing outcomes. However, motivation-

enhancing human resource practices had synergistic interactions with ability and opportunity bundles of human resource management practices.

Beltar-Martin and Bou-Llusar (2018) in a study of managers and employees of Spanish firms found that the skill-enhancing and opportunity-enhancing HRM practices increase both employee abilities and motivation whereas the opportunity-enhancing practices also increased employees' opportunities to participate.

Vermeeren (2015) studied the impact of human resource practices on various performance outcomes. This author concluded that all three types of human resource practices are relevant to enhancing efficiency. However, motivation-enhancing human resource practices did not enhance fairness. She explained that the public sector background of her sample weakened the link between motivation-enhancing HRM and the outcome of fairness.

Rauch and Hatak (2016) had found that ability-enhancing, motivation-enhancing and empowerment-enhancing HRM affected the performance of SMEs in a meta-analysis. Saridakis et al. (2017) in a meta-analysis of longitudinal studies and came to the conclusion that a combination of human resources practices produced better firm performance than individual practices.

The central idea behind the approach of *bundles of human resource management practices* is that the practices are complementary to each other and have additive effects when they are bundled together. Thus, their effects are estimated using the average scores of all the three bundles in the study.

4. HRM Bundles, Human Capital and Employee Performance

The link between HRM and human capital is well established. For example, Liao, Toya, Lepak and Hong (2009) found that employee human capital and perceived organization support fully mediated the relationship between employee-high performance work systems and employee performance. Crook et al. (2011) in their meta-analysis of 66 studies, found a strong relationship between the human capital and firm performance. Takeuchi, Lepak, Wang and Takeuchi (2007) found that high performance work systems (HPWS) had a positive relationship on human capital and degree of social exchange in Japanese organizations. They also found that human capital and social exchange mediated the impact of HPWS on organizational performance. Yang and Lin (2009) found positive relationships between the five human resource practices of recruitment and selection, training and development, performance appraisal, compensation and safety and health and the dependent variable of organizational performance, mediated by human, relational and organizational capital. Cabello, Lopez and Valle (2011) found that it was the uniqueness of human capital, rather than its value, that contributed to firm innovativeness. However, studies have also found direct relationships between HRM and firm effectiveness (Singh, 2007; West et al., 2002; Huselid, 1995; Gould-Williams and Davies, 2005).

As such, we suggest the following hypotheses:

- **H1:** Ability-enhancing, motivation-enhancing and empowerment-enhancing HRM will each have direct and positive impacts on human capital (Paths H1a, H1b and H1c in Figure 1).
- **H2:** Ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have direct and positive impacts on employee performance (Paths H2a, H2b and H2c in Figure 1).
- **H3:** Ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have positive impacts on employee performance mediated by human capital (Paths H1a x H4, H1b x H4 and H1c x H4 respectively in Figure 1).
- **H4:** Human capital has a direct and positive impact on employee performance (Path 4 in Figure 1).

5. HRM Bundles, Perceived Organization Support (POS) and Employee Performance

Social exchange theory provides a theoretical foundation for understanding how the human resource practices are perceived by and impact organizational members. In social exchange theory, the norm of reciprocity (Blau, 1964) makes employees contribute or repay the organization because they have received benefits from their organization. Failure to reciprocate can lead to social sanctions.

One of the most well-known social exchange variables is perceived organizational support (POS). POS refers to the support given by the organization to its employees. Employees perceive that the organization cares about them and this perception leads to reciprocation on the part of the employee in the form of higher work effort (Eisenberger et al., 1986). Rhoades and Eisenberger (2002) in their review of the literature on POS reported three major categories of benefits enjoyed received by employees through POS: fairness, supervisor support and organizational rewards and favorable work conditions. POS was also related to such outcomes as employee job satisfaction, positive mood, performance, commitment and lessened withdrawal behavior.

Butts, Vandenberg, Dejoy, Schaffer and Wilson (2009) found that POS moderated the relationship between empowerment and the outcomes of organizational commitment, job performance and job stress. Erturk and Vurgun (2015) reported that POS fully mediates the relationship between psychological empowerment and turnover intentions. De Coninck (2010) found in his study that POS served as a mediator between procedural justice and organizational trust.

It is predicted that human resource management bundles will impact POS to produce effects on employee performance. For instance, the motivation-enhancing bundle of HRM will strengthen employees' belief that the organization values them and therefore reciprocate by performing better. The-empowerment-enhancing bundle, puts more authority in the hands of those who are given important positions in organization, causing their performance to improve. In short, the three human resource management bundles should have positive direct effects on employee performance. Moreover, the

three HRM bundles should also cause higher employee performance through POS. As such, we propose the following hypotheses:

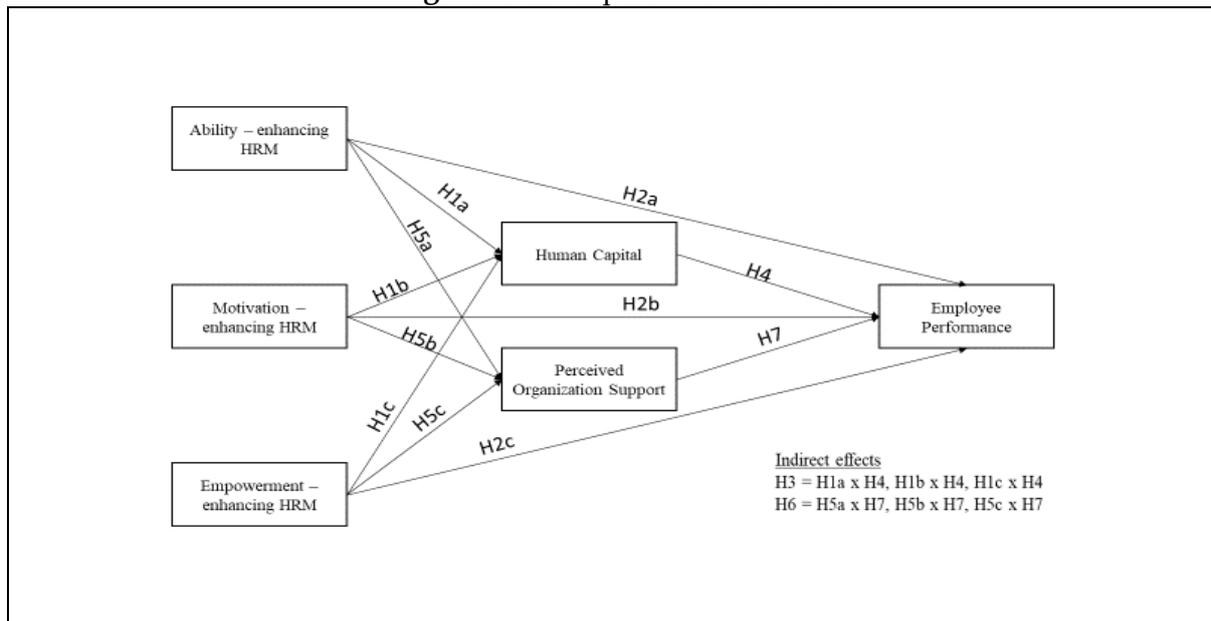
- **H5:** Ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have direct and positive impacts on POS (Paths H5a, 5b and 5c in Figure 1).
- **H6:** Ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have positive impacts on employee performance, mediated by POS (Paths H5a x H7, H5b x H7 and H5c x H7 respectively in figure 1).
- **H7:** POS has a direct and positive impact on employee performance (Path H7 in Figure 1).

6. HRM Bundles and Control Variables

The three demographic variables that have been included as control variables are age, tenure and education. On age, Ng and Feldman (2008) did not find significant differences in core task performance due to age. Moreover, older employees displayed enhanced citizenship behaviors and decrease in counterproductive work behaviors. Insofar as tenure is concerned, Ng and Feldman (2013) has examined how tenure affects job performance from two competing theories, human capital and job design. While the former theory supports higher performance due to increase in skills and knowledge as the employee stays longer in the job, the latter theory proposes that the longer tenured employee will display lower performance due to boredom and decrease in motivation with the passage of time. Ng and Feldman concluded in their study that performance declined with tenure. Finally, on education, Collins et al. (2001) in a survey of high-technology firms, found that years of education interacted with information combination and exchange and employee motivation, to produce higher sales growth. Gardner, Wright and Moynihan (2011) found that education had a positive relationship with affective commitment. Ng and Feldman (2013) in their study came to the conclusion that education positively influences core task performance. Thus, we expect that age and years of education to have positive impacts on employee performance and tenure to be negatively related to employee performance.

The conceptual framework used in our study is shown in figure 1. As shown in the figure, the three human resource bundles are the independent variables, human capital and POS are the mediating variables and employee performance is the dependent variable. All variables are studied at the individual level.

Figure 1: Conceptual Framework



7. Methodology

7.1 Data Collection

A structured survey with two sections was distributed to 270 respondents in 8 firms, who were entry-level, mid-level and senior-level managers. The first section of the survey form consisted of demographic variables like age, gender, tenure, years of education and managerial grade. The second section contained Likert 5 point scale items on the three bundles of HRM, human capital, POS and employee performance.

The sampling used was non-probability convenient sampling. A total of 201 completed forms was received. During the editing phase, it was discovered that a total of 9 survey forms contained many omissions and some illogical answers, to be of use in analysis. They were excluded from analysis. The final number of respondents included in the analysis was 192.

7.2 Measures

Measures were taken from published sources. The first section of the survey form consisted of demographic variables like age, gender, tenure, years of education and managerial grade. The remaining questions contained Likert 5 point scale items on the three bundles of HRM, human capital, employee performance and POS. The items for the three HRM bundles were taken from Subramony (2009). The items on human capital are from Youndt and Snell (2004), the employee performance items are from Williams and Anderson (1997) and the items on POS are from Eisenberger et al. (1986)

7.3 Factor and Reliability Analysis

Exploratory factor analysis with SPSS version 23 was conducted on the dataset to ensure that its underlying factor structure conforms to what was being measured. All 43

Likert scale items which was used in the survey were factor analyzed using the method of Principal Axis Factoring. The rotation used was Promax since the variables were known to be correlated to each other (Meyers et al., 2013).

The KMO Measure of Sampling Adequacy was 0.83 and Bartlett's Test of Sphericity was significant ($p < 0.01$). The total variance explained was 67.3 percent. The six factors extracted were empowerment-enhancing, skill-enhancing and motivation-enhancing HRM, human capital, employee performance and POS.

The Cronbach's alpha came to 0.72 for the three items of empowerment-enhancing HRM, 0.72 for the four items of the ability-enhancing HRM and 0.84 for the three items in the motivation-enhancing HRM. The Cronbach's alpha for the five items on human capital was 0.90. The five items on for employee performance had a Cronbach's alpha of 0.91. The Cronbach's alpha for the 5 items on POS was 0.93.

7.4 Common Method Bias

To reduce common method bias since data are collected from one group of respondents, respondents were informed in the survey form that the survey was anonymous and confidential and to answer as honestly as possible. Secondly, items used to measure variables are taken from published sources with high reliability. Thirdly, a Harman single factor test was carried out, which showed that one factor explained only 35.8 percent of the variance in the dependent variable (Chang, Witteloostuijn and Eden, 2010).

8. Results

8.1 Data Analysis

SPSS version 23 was used to compute means, standard deviations and Pearson's correlations. The PROCESS macro (Hayes, 2013) was used to test the hypotheses developed for this study.

8.2 Means, Standard Deviations and Pearson's Correlations

Means, standard deviations and correlations are shown in Table 1. There were 106 females and 86 males in the sample. The mean age is 37.1 years with an average job tenure of 9.2 years. The average years of education for the sample was 15.2 years. The mean scores on the remaining variables shown in the table, from skill-enhancing HRM to employee performance, range from 3.44 to 4.16, which means that the mean score is well above average to good, since we have measured these five variables on a 5-point Likert scale.

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Table 1: Means, standard deviations and correlations

	Mean	SD	1	2	3	4	5	6	7	8
1 Age	37.07	8.67								
2 Tenure	9.22	7.73	0.82**							
3 Education (in years)	15.24	1.66	-0.08	-0.21**						
4 Ability - enhancing HRM	3.49	0.71	-0.14*	-0.27**	0.05					
5 Empowerment - enhancing HRM	3.81	0.67	-0.30**	-0.05	0.04	0.47**				
6 Motivation - enhancing HRM	3.44	0.96	-0.14	-0.21**	-0.09	0.55**	0.34**			
7 Human capital	3.75	0.63	0.11	0.10	-0.00	0.33**	0.45**	0.22**		
8 Perceived organization support	3.48	0.81	-0.14*	-0.26**	0.05	0.51**	0.48**	0.60**	0.36**	
9 Employee performance	4.16	0.59	0.30**	0.21*	0.08	0.28**	0.16*	0.14	0.48**	0.16*

N=192; *p<0.05; **p<0.01

There are low to high correlations between variables 4 to 9 in the table, which are the main variables of interest in the study, ranging from 0.16 to 0.60. There was also one very high correlation between age and tenure at 0.82. We can expect that the independent variables would be able to explain the dependent variables in our study. We also checked the Variance Inflation Factor (VIF) of the variables used for our hypotheses tests. Researchers are divided on the cut-off points for VIF to establish multicollinearity. In fact, the cut-off values range from a high of 10 all the way down to 4 (O'Brien, 2007). Our VIF values are between 1.10 to 3.57. We now examine the results of the relationships between the independent, mediating and dependent variables by examining the results of our hypotheses tests.

8.3 Results of Hypotheses Tests

The results of our hypotheses tests are shown in Table 2.

Table 2: Results of regression analysis

	Model 1 Human Capital		Model 1 POS		Model 1 Employee Performance		Model 2 Employee Performance	
	B	β	B	β	B	β	B	β
1 Age	ns	ns	ns	ns	0.01*	0.30*	0.02**	0.30**
2 Tenure	ns	ns	ns	ns	ns	ns	ns	ns
3 Education (in years)	ns	ns	ns	ns	ns	ns	ns	ns
4 Ability - enhancing HRM	0.16*	0.18*	ns	ns	0.27**	0.32**	0.20**	0.24**
5 Empowerment - enhancing HRM	0.34**	0.36**	0.33**	0.28**	ns	ns	-0.14*	-0.16*
6 Motivation – enhancing HRM	ns	ns	0.35**	0.42**	ns	ns	ns	ns
7 Human Capital							0.42**	0.45**
8 Perceived organization support							ns	ns
9 R ²	0.25		0.47		0.21		0.36	
10 F	10.18**		27.77**		8.04**		12.61**	

*p<0.05; **p<0.01: POS = Perceived Organization Support; B = Unstandardized beta coefficients; β= Standardized beta coefficients

Model 1 is the total effect model and model 2 the direct effects model. Bootstrap results to show indirect effects (Preacher and Hayes, 2008), are shown in Table 3.

Table 3: Bootstrap results based on Hayes' macro

	Employee Performance				
	Effect	SE	Boot LLCI	Boot ULCI	
Ability - enhancing HRM	Total	0.27**	0.07	0.12	0.41
	Direct	0.20**	0.07	0.01	0.30
	Indirect ^a	0.07	0.04	-0.01	0.25
	Indirect ^b	-0.00	0.01	-0.03	0.02
Empowerment - enhancing HRM	Total	-0.01	0.07	-0.14	0.12
	Direct	-0.14*	0.07	-0.27	-0.01
	Indirect ^a	0.14	0.05	0.11	0.40
	Indirect ^b	-0.01	0.04	-0.09	0.05
Motivation - enhancing HRM	Total	0.02	0.05	-0.08	0.12
	Direct	0.02	0.05	-0.08	0.12
	Indirect ^a	0.01	0.03	-0.04	0.07
	Indirect ^b	-0.01	0.02	-0.04	0.06

Note: ^a mediated through Human Capital; ^b mediated through Perceived Organisation Support; *p<0.05; **p<0.01

Bootstrap results indicate that empowerment-enhancing HRM has both direct and indirect effects, through human capital, on employee performance

All unstandardized regression coefficients. Table 4 summarizes the results of our hypotheses tests. All beta values used are unstandardized.

Table 4: Results of Hypotheses Tests

Hypothesis	Effect	p-value/BC CI	Decision
H1: Ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have direct and positive impacts on human capital.	Both empowerment-enhancing HRM and ability-enhancing HRM is related to human capital, with beta of 0.34 and 0.16, explaining 25% of the variance in human capital	p < 0.01 for empowerment - enhancing and p < 0.05 for ability-enhancing HRM	Supported for empowerment-enhancing and ability-enhancing HRM. See Table 2.
H2: Ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have direct and positive impacts on employee performance.	Both empowerment-enhancing HRM and ability-enhancing HRM have direct effects on employee performance, with betas of -0.14 and 0.20 respectively.	p < 0.05 for empowerment - enhancing HRM and p < 0,01 for ability-enhancing HRM	Supported only for empowerment and ability-enhancing HRM. See Table 2.
H3: Ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have positive impacts on employee performance mediated by human capital.	Only empowerment-enhancing HRM has a mediated effect on employee performance through human capital with beta of 0.14.	BC CI 0.07, 0.24	Supported only for empowerment-enhancing HRM. See Table 3.
H4: Human capital has a direct and positive impact on employee performance	Human capital has a direct and positive impact with employee performance with beta of 0.42.	p < 0.01	Supported. See Table 2.
H5: Ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have direct and positive impacts on POS.	Both motivation-enhancing and empowerment-enhancing HRM has direct and positive impacts on POS, with betas of 0.35 and 0.33 respectively, explaining 47% of the variance in POS.	p < 0.01	Supported for motivation-enhancing and empowerment-enhancing HRM. See Table 2.
H6: Ability-enhancing, motivation enhancing and empowerment-enhancing HRM have positive impacts on employee performance, mediated by POS	No significant relationships found		Unsupported. See Table 3.
H7: POS has a direct and positive impact on employee performance.	No significant relationship found.		Unsupported. See Table 2.

9. Discussion

Hypothesis H1 proposed that ability-enhancing, motivation-enhancing and empowerment-enhancing HRM (Paths H1a, H1b and H1c respectively in figure 1) will have direct and positive impacts on human capital. Our results show that both ability-enhancing and empowerment-enhancing HRM is related to human capital with betas of 0.16 and 0.34 (H1a and H1c). Jiang et al. (2012) had found direct positive impacts between all three bundles and human capital.

Hypothesis H2 suggested that ability-enhancing, motivation-enhancing and empowerment-enhancing HRM would have direct and positive impacts on employee performance (Paths 2a, 2b and 2c in figure 1). Our results show that ability-enhancing HRM has direct and positive impact on employee performance with a beta of 0.20 (H2a) whereas empowerment-enhancing HRM has a negative impact on employee performance with beta of -0.14 (H2C). This finding is an important one because previous findings like those of Rauch and Hatak (2016) had found direct and positive impacts between all three bundles and the outcome. The negative relationship between empowerment-enhancing HRM and employee performance is most likely due to the inability of both managers and employees to fully engage in the process of empowerment. Managers may lack the skills to empower employees and employees may feel stressed from being empowered since it involves greater responsibility (Cheong, Spain, Yammarino and Yun, 2016).

Hypothesis H3 proposed that ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have positive impacts on employee performance mediated by human capital (Paths H1a x H4, H1b x H4, H1c x H4 respectively in figure 1). Our findings showed that only empowerment-enhancing HRM has a mediated effect on employee performance through human capital with beta of 0.14 (Path H1c x H4).

Hypothesis H4 suggested that human capital has a direct and positive impact on employee performance (Path H4 in figure 1). Our findings showed that human capital has a direct and positive impact with employee performance with beta of 0.42.

Hypothesis H5 predicted that ability-enhancing, motivation-enhancing and empowerment-enhancing HRM have direct and positive impacts on POS (Paths H5a, H5b and H5c respectively in figure 1). Our results show that motivation-enhancing and empowerment-enhancing HRM have a direct positive impact on POS, with betas of 0.35 and 0.33 respectively (Paths H5b and H5c respectively) and accounting for 47 percent of its variance. These findings are in line with those of Crook et al. (2001).

Hypothesis H6 suggested that ability-enhancing, motivation enhancing and empowerment-enhancing HRM have positive impacts on employee performance, mediated by POS (Paths H5a x H7, H5b x H7 and H5c x H7 respectively in figure 1). No such relationships were found.

Hypothesis H7 predicted that POS would have a direct and positive impact on employee performance. No such relationship was found.

Finally, the control variable of age has a positive relationship with employee performance, as shown in Table 2. Previous research by Ng and Feldman (2008) did not find significant differences in core task performance due to age.

Previous research on Malaysian HRM has demonstrated the importance of HRM practices to outcomes (Subramaniam et al., 2011; Osman et. al., 2011). Their findings generally support the results of this study.

10. Conclusion

This study has made five contributions. Firstly, it shows that the Ability-Motivation-Empowerment (AME) framework can be applied in a non-western setting. Secondly, mediators do provide a more nuanced understanding of employee performance. Thirdly, it is a much needed addition to the Malaysian HRM literature. Fourthly, it has highlighted the negative, rather than the often expected positive, impact of empowerment-enhancing HRM. This is an important finding because empowerment does not always produce positive impacts. There are conditions that must be met before empowerment produces positive impacts, which may include competencies of managers to empower and capabilities of employees to take on heavier responsibilities. Finally, human capital is more important than organization support in generating employee performance.

This study has certain limitations. The first is the sample size of 192. A much bigger sample could perhaps bring out more significant relationships. Secondly, the study has employed a cross-sectional design. It would certainly be beneficial to conduct studies with longitudinal designs to improve the validity of results. This is especially true in studies like the present one, where human resource impacts take time for their impacts to be felt. Thus, pre-post studies would help to strengthen validity of findings.

It may be helpful to make comparisons among sectors, such as manufacturing versus service and non-profit sectors in studying impacts of HRM bundles. Sector could be included as a control variable in future studies. Furthermore, contextual variables like leadership, culture, structure, strategy and technology could be included as additional independent variables. It is possible that these contextual variables are more important than the three HRM bundles in Malaysia and be able to explain a greater percentage of the variance in the dependent variable (Jackson and Schuler, 1995; Rees and Johari, 2010).

Previous research on Malaysian HRM has demonstrated the importance of HRM practices to outcomes. For example, Abdullah et al. (2009) found that training and development, teamwork, HR planning and performance appraisal to be related to business performance, explaining 45 percent of its variance. Subramaniam et. al. (2011) concluded that compensation policy, training and development and information sharing explained 46.5 percent of the variance in organizational performance. Osman et. al. (2011) found that out of nine HRM variables, only three, employee relations and communication, job/work design and career planning explained 45 percent of the

variance in organizational performance. Their findings are generally in line with those in this study.

Overall, the findings in this study underscore the need to pay careful attention to human resources because of its linkage to organizational performance. Research will provide heuristics for practicing managers, who need guidance on how to manage effectively and efficiently in the twenty first century. Indeed, recent research underscores the continuing importance of the strategic HRM-performance link in research on human resource management (Markoulli, Lee, Byington and Felps, 2017).

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