

Organizational Social Capital and Commitment-Based HR Practices as the Determining Factors of Organizational Performance

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Abstract

The present study examined the relationship between commitment-based human resource practices (CBHRP), organizational performance and the mediating effect of organizational social capital (OSC). Data were gathered from a sample of 150 multi-national organizations by using survey questionnaire method. Response rate was encouraging as it achieved 95 percent. A relevant statistical analytical technique to test the hypotheses such as regression analysis was used. Findings supported the hypothesized relationships between commitment-based HR practices, organizational social capital and organizational performance. The results imply that commitment-based HR practices and organizational social capital are important factors for organizational growth and sustain a competitive, which result better organizational performance.

Keywords: Organizational performance, commitment-based human resource practices, organizational social capital

1. Introduction

Multi-national (MNC) organizations in Malaysia have been recognized as an important strategic sector in Malaysia for fostering growth, generating more incomes and increasing employment opportunities (MIDA, 2012). The majority of the MNCs in Malaysia are in the sub-industries that are consumer electronics, electronics components, industrial electronics and electrical goods. Semi-conductors, falling into category of electronics components, contribute the largest share in terms of export value of all the sub industries. In accordance to the report of Malaysia Investment Performance 2013 (MIDA, 2014), a total of 118 Electronics and Electric (E & E) projects with investment of RM9.8 billion were approved in 2013. Major sources of investments were from Japan (45 percent), US (35 percent) and Germany (20 percent) in the country, contribute 50 percent of value of total country's export and provide 41 percent of employment (MIDA, 2014). This cites that the establishment of MNCs organizations in the country is valuable as they are able to generate high economic growth.

However, MNCs organizations contribution to the country gross domestic product (GDP) is still somewhat lacking compared with other developed countries. MNCs in Thailand are 4.9 percent while MNCs in Indonesia productive grew by 4.2 percent which better than Malaysian MNCs which only 1.96 percent (MPC, 2013). Besides this, the current volatile external environment and escalating global competition have forced the MNCs organizations constantly trying to adapt, survive and perform. In addition, MNC's organization is entering a time characterized by a shortfall of skillful, knowledge and experience employees (Raida, 2009; Fathi, Mohmad, & Kamal, 2013). As a result, MNCs in Malaysia faced challenges which to keep their human resources for survive and continuous growth. There is no doubt that the organization success depend very much on human resources assets (i.e. skill, knowledge and experience) within the employees (Fathi et al., 2013).

To ensure the human resource assets continue foster in the organization, it is essential to develop stronger mechanism that push the development of resources and its capability within it (Buller & McEvoy, 2012). Hence, one of the assumptions in the literature is that organizational social capital is one of the functions that influence the social relationship in the organization. It is through the social relationship between employer and employees enhance innovation (Maurer, Bartsch, & Ebers, 2011; Subramaniam & Youndt, 2005), growth (Maurer et al., 2011) and knowledge sharing and accumulation (Leana & Phil, 2006) within the organization. An organization is able to gain great benefit from the inter-organizational relationship as organizational social capital emphasizes on the social quo 'together we stand' in the organization (Sendogdu & Erdirencelebi, 2014). In other words, the

establishment of organizational social capital enables the employees to cooperate and share the common objectives in the organization. Consequently, it leads to greater improvement of organizational performance and likelihood of success (Chuang & Chen, 2013, Wu, 2008). It is therefore the aim of this study is to discuss the potential of organizational social capital in the relationship between commitment-based human resource practices and organizational performance.

As cited before, organizational social capital is able to improve the social relationship among organizational members. To foster organizational social capital, organization must create opportunities for the employees to interact with each other's in order to build trust and shared the same vision (Adler & Kwon, 2002; Chuang et al., 2013). The interaction between the employees in the organization will create the development of new knowledge or in accessing of new ideas that may useful for the organization to enhance its position in the market. Therefore, in the literature, it has been documented the importance of well-designed HRM practices in developing of social relationship (Combs, Liu, Hall, & Ketchen, 2006; Collins & Clark, 2003). Specifically, Jackson et al. (2006) posited that whichever HRM practices being enforced, it has to support and facilitate knowledge management in the organization. By doing so, the organization is able to increase innovative capability as every organizational member would share and pursue the same objectives and goals. Subsequently, it contributes to organizational competitiveness and performance (Andrews, 2010; Chuang et al., 2013; Merlo, Bell, Menguc, & Whitwell, 2006; Submaniam & Youndt, 2005). Considering that the HRM's management focus on establishing stronger relationship among the employees and encourage frequent interaction with each other, the organizational social capital must hook to human resource management. In this regard, HRM practices serve as a potential tool to develop an in-depth and content of the organizational social capital (Kang, Morris, & Snell, 2007). Organizational social capital by its nature, emphasizes on social unit attribute that group the norms, identities, trust, beliefs and share vision hence it is impossible to exclude HRM process and practices (Goncaryk, 2011). On another hand, Gittell et al. (2010) cited that HRM practices are able to strengthen the coordination within the organizational members. HRM practices are said able to facilitate knowledge, interchange of resources and thus benefit the whole organization (Andrews, 2010; Leana & Phil, 2006; Maurer et al., 2011; Tsai & Ghoshal, 1998). Indeed, considering the importance of HRM practices on the development of OSC and organizational performance, many researchers wish to know more whether well-formulated HRM practices are able to facilitate behaviour change of organizational members and lead to improve performance (Combs et al., 2006; Chuang et al., 2013).

The discussion above considers commitment-based HR practices and organizational social capital as the factors that capable to influence organizational performance. Following this, this present study proposes that commitment-based HR practices play an important role to enhance organizational social capital. When the strong relationship is established, it helps to foster and support effective development of human and intellectual capital. This is to say that commitment-based HR practices support the development of organizational social capital and in turn affects organizational performance (Mahajan & Benson, 2013; Nahapiet & Ghoshal, 1998). Thus, the aim of this study is to analyze the relation between commitment-based HR practices and organizational social capital and its impact on organizational performance. Specifically, how selection, compensation and training and development contribute to the generation of organizational social capital. Then, how that relationship influences organizational performance. Firstly, researcher reviews the literature on the concept of organizational performance, commitment-based HR practices and organizational social capital. Secondly, based on the literature review, researcher proposes and test few hypotheses representing the relationships between commitment-based HR practices, organizational social capital and organizational performance using data collected from 150 MNCs organization. Finally, this study concludes by discussing the results and its implications.

2. Literature Review

2.1 Organizational Performance

Organizational performance (OP) is a tool that an organization uses to gauge its performance in terms of meeting the objectives and goals (Gharakhani & Mousakhani, 2012; Hamon, 2003). This definition is shared by Folan and Browne (2005) and Ho (2008) but added that organizational performance can only be measured through its own set of strategies and polices. Thus, these authors consider objectives and goals to be a fundamental aspect of OP and link it with strategies and polices used in the organization. On another hand, Ricardo and Wade (2001) emphasizes the performance measures is derived from result-oriented behaviour (criterion-based) and relative (normative) measures, training and development, education and learning capability including management development which are required to build skills and attitudes of performance management. Hence, from the above definitions, the term of OP is relatively board.

Many authors like Abu et al. (1989), Birdi et al. (2008), Davis et al. (2000) and Moideenkutty et al. (2011) also argued that OP should be measured through financial success (e.g. sales growth, net profit, profit growth and etc) while others like Schermerhorn et al. (2002) cited that non-financial performance such quality and quantity of individual productivity, services, good image of the organization also given a significant impact on organization performance. Delaney and Huselid (1996) however, proposed two ways to assess organizational performance and market performance. These two variables offer a broad assessment of perceptions of organizational performance, as the questions required the respondents to assess their OP against their competitors. The two variables as mentioned are described as follows.

1. Organizational performance covered the aspects of product quality, customer satisfaction, new product development, ability to attract employees, ability to retain employees and relations between management and employees.

2. Market performance covered the aspects of marketing of products or services, growth in sales, profitability and market share.

Burns and McKinnon (1993) pointed out that to measure OP, the measurement that comprises of financial and non-financial aspect is generally fair for the organization as it include different perspectives that in combination offer ways to transform strategies into a set of performance measures. Additionally, it provides a protection against the consequences of unforeseen outside events that may affect the organizational performance. Based on the above literature review, this study will focus on two variables as suggested by Delaney and Huselid (1996) to measure overall OP.

2.2 Commitment-Based HR Practices

HRM in today's management context has two distinguished roles: (1) to foster performance of an organization (Stavrou, Brewster, & Charalambousa, 2010; Delery & Doty, 1996; Nazlina, Siti Rohaida, & Aizzat, 2011; Singh, 2004; Zheng, O'Neill, & Morrison, 2009) and (2) to act as a support for achieving competitiveness through people (Collins & Smith, 2006; Huselid, 1995; Muhammad Asif, 2010; Wright, Dunford, & Snell, 2001). In this regard, emphasis has been given to the type of HRM practices that an organization can implement. According to Arthur (1992), Bourne et al. (2013), Collins and Smith (2006) and Tsui et al. (1995), two HRM practices have emerged in the literature: 1) emphasizes on the individual short-term exchange relationships which known as transaction-based HR practices and 2) focuses on long-term exchange and mutual relationship which known as commitment-based HR practices (CBHRP). In order to achieve better organizational performance, it is suggested that CBHRP will able to attract the employees' because it emphasize on combination of practices that aim to motivate employees to offer high degree of discretionary behaviours and combine their personnel and organization interest together (Arthur, 1992; Collins & Smith, 2006). To support this motion, many empirical evidences have showed that organizations, which implement CBHRP has a positive relationship with organizational performance than transaction-based HRM practices (Batt, 2002; Bourne et al., 2013; Collins & Smith, 2006; Huselid, 1995; Youndt et al., 1996).

Collins and Smith (2006) and Bourne *et al.* (2013) cited that the used of HR practices to create commitment-based atmosphere is varies across organizations. Fortunately, they agreed that three specific dimensions of HR practices that results commitment-based environment as follows,

- (1) Selection practices emphasizes on the opportunity of internal employment and selecting employees who match the organization set forth criteria instead of specific job requirements.
- (2) Compensation practices by all means emphasize on enhancing employees' commitment and thus encourage them to perform their job effectively to facilitate the accomplishment of organization's goals.
- (3) Training and development practices focus on the long-term development of organization specific knowledge and skills as well as team building.

Following the above definition, this study analyses the relation between CBHRP (selection, compensation and training and development) and organizational performance as well as organizational learning capability. The next section discuss in details of each dimension of CBHRP.

2.2.1 Selection

The definition of selection in CBHRP focus on selecting the internal employees to fill in the vacant position in the organization (Bourne et al., 2013; Collins & Smith, 2006). Additionally, selection process also involves collection, measuring and evaluating information of the selected candidates (Marwat, Arif, & Jan, 2009). By doing so, it ensures that the right candidates are being assigned to the positions where they can perform

efficiently and effectively. This process, it enables the organization to select candidate who meet the criteria that had been set forth. The closer the candidates who possess the characteristics of the organization's need, the higher their chances of being chosen to fill up the vacant position. Furthermore, when the best candidates are hired, it will potentially increase the productivity and boost organizational performance (Huselid, 1995). This condition showed that people is the most important resource in organization because they can either create or undermine an organization's reputation for quality in both products and service. In addition, an organization must response to change effectively in order to remain competitive. The right employee will assist their organization through a period of change and ensure its future success.

2.2.2 Compensation

The definition of compensation in CBHRP emphasize on the incentive package offered to the employees to increase their commitment (Bourne et al., 2013; Collins & Smith, 2006). This is agreeable by (Noe, Hollenbeck, Gerhant, & Wright, 2004) who cited that compensation originally designed to attract, retain and motives employees to enhance their outputs towards achieving organizational objectives and goals. Hence, compensation plays a key role as it is connected with employment relationship to both employers and employees. There is no deny that employees depends largely on the salaries and other financial benefits be it in terms of finance or non-finance to provide income for daily needs (Trevor, Barry, & Boudreau, 1997). In addition, compensation also has the influence on employee attitudes and behaviors towards their organization (Phillips, 1997). For employers, compensation is one of the significant impacts on the business operation costs and thus, their ability to increase the organizational performance.

2.2.3 Training and Development

Training and development of CBHRP focus on the development of organization specific knowledge and skills as well as team building. Specifically, training refers to the process to obtain or transfer knowledge and helping employee acquire the necessary skills and ability needed to perform their specific tasks assigned. Armstrong (2006) state that "is the use of systematic and planned instruction activities to promote learning". Sisson and Storey (2000) argued that employee perceive training as a symbol of employer's commitment towards them. Meanwhile, development provides the opportunity for the employees to move forward for another positions such as new tasks, new responsibility and so on which available within the organization in the future. Noe et al. (2004) reiterate that development opportunity is necessary for the employee, as it will increase the quality of performance of both parties—employee and organization. In a summary, if the organization is able to develop a training program which tie up with the development of skills needed, it is likely to result a higher organization performance derive from the productivity and efficiency factors.

2.3 Organizational Social Capital

Social capital is known as a grey zone in sociology field due to its unclear definition of the concept (Fukuyama, 2005). Therefore, many scholars tried to define social capital in more concrete ways such as Portes (1998) who cited that benefits are accruing to actors due to their insertion into broader social structures. Putnam (2000) on other hands defines social capital as the way of connections established among individuals known as social networks and certain norms of reciprocity and trustworthiness establish within the members. In the case of Coleman (1998), social capital refers to the specific relationship and interactions occur at different levels for example micro (individual), meso (group) and macro (society). Based on Coleman definition, there is two separate type of social capital exists namely organizational social capital and community social capital. This study focuses on organizational social capital.

Organizational social capital (OSC) is defined as a social relationship established within as well as boarder structure of the organization, which in turn improve organizational members performance and organizational performance (Andrews, 2010; Leana & Pil, 2006; Maurer et al., 2011; Merlo et al., 2006; Nahpiet & Ghoshal, 1998). Likewise, Adler and Kwon (2002) defined that OSC is inherent in the social relations within the organizations and could be considered as a critical asset in maximizing organizational advantage. By encouraging the interaction among organizational members, it enables the upper level management to receive knowledge and information that lead to accomplish collective objectives and goals (Andrews, 2010). Subsequently, social capital lead ways to the organization to create and nurture a social relationship that shapes the values, goals and expectations of organization members (Ghoshal & Moran, 1996; Houghton, Smith, & Hood, 2009). This, in turn enables the organization to achieve higher levels collaboration and goodwill among organization members, which in turn promotes innovation process (Maurer et al., 2011; Subramaniam & Youndt, 2005), organizational growth (Maurer et al., 2011) and to gain competitive advantage over its rivals (Adler & Kwon, 2002) which likelihood affects organizational performance (Wu, 2008).

3. Research Model and Hypotheses

3.1 Commitment-Based HR Practices and Organizational Social Capital

In the literature, the relationship between HRM practices and organizational social capital (OSC) has long existed. Leana and Van Buren (1999) as well as Sendogdu and Erdirencelebi (2014) understand OSC exists due to the social relationships among the employees, and making it possible to facilitate the cooperation and coordination in the organization. In addition, OSC also facilitates resource exchange and use of organizational knowledge that leads to the improvement of organizational productivity (Greve et al., 2010; Maurer et al., 2011). To ensure OSC well function, a set of specific HRM practices must be introduced to create opportunities among employees to develop social relationship and encourage their efforts to strengthen the relationship (Chung *et al.* 2013). In this regard, commitment-based HR practices (selection, compensation and training and development) play an important function in facilitating, accumulating as well as utilization of OSC (Kang et al., 2007; Morris et al., 2005). Selection practices emphasize on selecting the employees who share the common goals of the organization and offer internal promotion. By doing so, it offers growth opportunities to the employees but also enhance the development of OSC (Collins & Smith, 2006). Compensation practices based on attractive rewards may support sharing of information and facilitate collective goals orientation (Leana & Van Buren, 1999; Chung et al., 2013). Consequently, it strengthens cooperation and mutual understanding to create an environment that supports OSC (Chuang et al., 2013). Training and development practices are essential to develop employees' interpersonal skills to enhance social relationship within the organization. Therefore, the organization should focus on the programs that assist in relation building and teamwork (Collins & Smith, 2006; Jackson et al., 2006; Lopez-Cabrales et al., 2011). Based on this discussion, the first hypothesis as follows:

H1. Commitment-based HR practices influence organizational social capital.

3.2 Commitment-Based HR Practices and Organizational Performance

Empirical studies have largely proven the impact of commitment-based HR practices (CBHRP) on organizational performance with many authors assessing the relationship between CBHRP and organizational performance (Chen & Huang, 2009; Galvin & Chilingirian, 2010; Lopez-Cabrales et al., 2011; De Winne & Sels, 2010). CBHRP aim to implement various HR practices that work together to increase employee motivation and enhance their commitment to the organization (Ghosh & Gurunathan, 2015; Nadia & Yusliza, 2013). When the employees are highly motivated and committed, they usually deliver high-quality performance and in turn, it enables the organization to perform better. CBHRP consists of selection, compensation and training and development practices. Selection practices emphasizes on internal labour market and identifying the employees who have the needed knowledge and skills to fill in the vacant position in the organization (Bourne et al., 2013; Collins & Smith, 2006).

By doing so, it assists to establish stronger employer-employee relationship which in turn increasing their productivity and commitment (Collins & Smith, 2006; Ghosh & Gurunathan, 2015). The employees who are highly productive and committed are able to increase the performance of organization. Compensation practices focus on incentive package to encourage the employees to sharpen their knowledge and skills for better outputs, increase motivation and commitment. Thus, it enables the employees to achieve the objectives and goals of the organization (Collins & Smith, 2006; Delaney & Huselid, 1996; Jerez-Gomez et al., 2005). Training and development practices emphasize on employee growth create an atmosphere that encourages the development of employee-based capabilities such as the ability to migrate the knowledge and skills that in turn increase organizational performance (Collins & Smith, 2006; Lopez et al., 2006). These studies argued that the organizations that exercise commitment-based HR practices would result in significant improvement of organizational performance. Consistent with these findings, the next propose hypothesis is:

H2. A positive relationship exists between commitment-based HR practices and organizational performance.

3.3 Organizational Social Capital and Organizational Performance

In today's challenging business world, organizational social capital (OSC) is becoming a valuable asset because it associated with the social structure, which focuses on organization members' social relations and interaction (Ferrer, Bousono, Jorge, Lora, Miranda, & Natalizio, 2013). This is because OSC is able to influence the social networks in the organizations and acts as a supplier of information, knowledge and support. Therefore, many OSC scholars emphasize that the organizations which encourage the development of OSC will help to achieve its goals, such as better communication and coordination, sharing of information, enriched trust and commitment (Adler & Kwon, 2002; Chuang et al., 2013; Cunningham & MacGregor, 2000; Ferrer et al., 2013; Ofori & Sackey, 2010). Further, OSC is more valuable when the resources (e.g. information and knowledge sharing) flow

smoothly in the organization and this helps the organization to gain better productivity and higher performance (Ali, Nasseem, & Farooq, 2011; Kianto & Waajakoski, 2010; Maurer et al., 2011; Perez-Luno et al., 2011; van Wijk, Jansen, & Lyles, 2008). It is common to see how organizations handle the competitive environments that require quick access to information and coordinating the resources to achieve higher competitive advantage (Ofori & Sackey, 2010). This is so, because as business continuously moves to the forefront and growth, collective actions become essential as organizations seek for new knowledge (Maurer et al., 2011; Tsai & Ghoshal, 1998) and skill to enhance organizational innovation and performance (Chuang et al., 2013; Subramaniam & Youndt, 2005). Piskorski (2011) cited in his study that successful organization in the social network is the one that links the social needs that include development strategies that encourage the connection, knowledge sharing and collaboration between employees. In this regard, OSC encompasses structural (networks) and attitudinal (norms) features. The structural and attitudinal of OSC are expressed clearly in Nahapiet and Ghoshal's (1998) framework that serves as a guide to trace the antecedents of OSC and explores its impact on organizational performance. Nahapiet and Ghoshal (1998) specify structural (connections among actors), relational (trust among actors) and cognitive (shared goals and values among actors) dimensions. Each of the dimensions affects the organizational performance. Thus, the following hypothesis is that:

H3. Organizational social capital positively influences the organizational performance.

3.4 Commitment-Based HRM Practices, Organizational Social Capital and Organizational Performance

HRM is regarded as a strategic tool to manage organization's employees for future development of social relationship and organizational social capital (OSC), thus generating greater competitiveness and organizational performance. HRM practices can play an important role to facilitate, accumulate and utilize of OSC to pursue common goals can contribute to organizational performance (Andrews, 2010; Becker & Huselid, 1998; Kang et al., 2007; Leana & Van Buren, 1999; Morris et al., 2005).

In support of this argument, many researchers (e.g. Cabello-Medina, Lopez-Cabrales & Valle-Cabrera, 2011; Yang & Lin, 2009; Youndt & Snell, 2004) stated that HR practices which emphasize on mutual as well as long term-exchange relationship could lead to employees' ability to create value and the organizations can achieve its best performance. Therefore, it is generally agreed that commitment-based HR practices (e.g. selection, training and development and compensation) serve as mechanisms to support the long-term relationship between employer and employees within an organization (Arthur 1994; Batt, 2002; Collins & Smith, 2006; Horgan & Muhlau, 2006). This is because commitment-based HR practice (CBHRP) focuses on motivating employees to contribute high levels of discretionary behaviour and connecting their interest with organization to establish mutual and strong employer and employee relationship (Collins & Smith, 2006).

To enable for this long-term relationship to flourish, OSC serves as a bonding resource because it emphasizes on developing interpersonal relationship within an organization. In other words, OSC is a network that ties mutual support, trust, sharing common language and norms (Adler & Kwon, 2002; Cohen & Prusak, 2001; Mahajan & Benson, 2013; Ofori & Sackey, 2010). In addition, Nahapiet and Ghoshal (1998) as well as Leana and van Buren (1999) suggested that the development of OSC by organizations facilitates a distinctive organizational capability and become a source of competitive advantage and with a likelihood of success (Inkpen & Tsang, 2005; Wu, 2008). In simple words, OSC exists from individuals trying to help people to build relationships, trust and sharing a sense of vision which then enables them to pursue common goals that help to enhance organizational performance (Andrews, 2010). So, without OSC's structural dimension, it can be said that the social network will not exist in the organization and the employees are not able to share information, knowledge and common goals (Chuang et al., 2013; Veismoradi et al., 2012). Consequently, it will weaken the organization ability to move quicker than its rivals.

Based on the above, it can be concluded that OSC has demonstrated its function in the relationship between CBHRP and organizational performance. This implies that OSC enables the employees to access the resources that are embedded in them and facilitates the transfer of knowledge within a given network (Levin & Cross, 2004; Leana & Pil, 2006; Nahapiet & Ghoshal, 1998; Seiber, Kraimer, & Liden, 2001). Other scholars (e.g. Adler & Kwon, 2007; Faraj & Sproull, 2000; Gittell, 2000) have suggested that OSC for relation coordination in order to generate better quality communication supported by relationship of shared knowledge and mutual respects which enables the organization to achieve its desired performance outcome. To achieve this, Gittell (2000) and Collins and Smith (2006) posited that CBHRP such as selection, compensation and training and development could foster social interaction. Selection of the employees is the first step to build social relationship. Organizations have to select employees who share common norms, objectives and goals and contribute to OSC (Collins & Smith, 2006; Morris et al., 2005). Compensation on another hand may encourage

collective goal orientation and information sharing and this helps to foster the development of OSC (Chuang *et al.* 2013; Leana & van Buren, 1999). Organization must provide training and development to its employees in order to enhance their growth, improve relation building and retain social networks in the organizations (Collins & Smith, 2006; Jackson *et al.*, 2006; Lopez-Cabrales *et al.*, 2011; Swart & Kinnie, 2003). The following hypothesis was derived:

H4. Organizational social capital mediates the relationship between commitment-based HR practices and organizational performance.

Based on the literature review and hypotheses discussion, this study proposed the research as per figure 1.

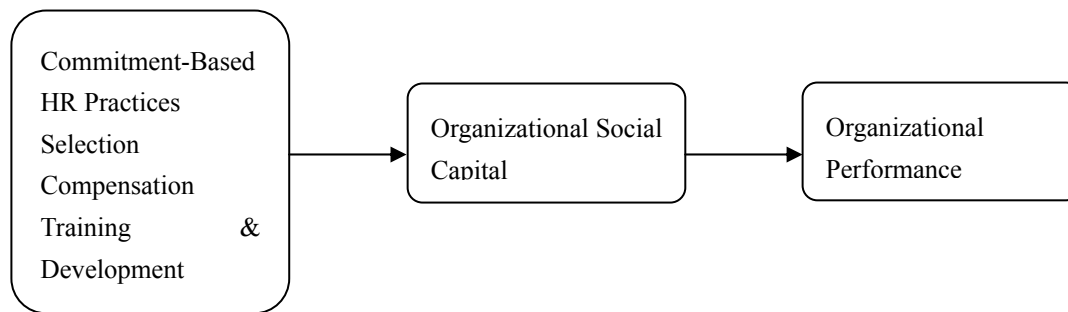


Figure 1. Research mode

4. Research Methodology

4.1 Scales

Each construct in this study is measured using established scales that have been widely used in previous studies. Commitment-based HR practices (CBHRP) were measured with ten items adapted from Collins and Smith (2006), organizational social capital (OSC) consists of eighteen items adapted from Leana and Pil (2006) and organizational performance ten items adapted from Singh (2004). Participants were asked to indicate their agreement on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

4.2 Data Collection and Sample

This present study employs a questionnaire survey approach to collect data for testing the research hypotheses. Variables in the questionnaire include background information, commitment-based HR practices (CBHRP), organizational social capital (OSC) and organizational performance. This study examined a sample of 150 multi-national organizations in Malaysia. The questionnaires were distributed to the participants via electronic mail. The author has specifically requested the questionnaire to be completed by HRM managers who are familiar with the topic of this study. The participants were given one week to complete the questionnaires. A total of 150 survey questionnaires returned, however, 4 are incomplete. The remaining 146 are valid and complete questionnaires are for the quantitative analysis.

4.3 Statistical Instruments

Upon gathering the data, the next step is to enter the data in Statistical Package of the Social Sciences (SPSS) version 20 to carry out the reliability analysis for all the scales. This study evaluated the reliability of scale by using measuring the internal consistency of the constructs through coefficient Cronbach's alpha, which emphasis on how well a set of variables measure a single uni-dimensional latent construct (Schwaninger *et al.*, 2006). Cronbach's Alpha measures the item-scale correlations and the analysis result will affect it values. Thus, when the inter-correlation among indicators increases, the Cronbach's alpha values also increase.

In this study, the author also accesses the mediator variable, which is organizational social capital in the relationship between commitment-based HR practices and organizational performance. Therefore, in this study, the mediation effect was tested in accordance to Hayes (2009) and Preacher and Hayes (2008) suggestion. Even though, the basic approach by Baron and Kenny (1986) for testing empirical evidence were widely used. The most widely-used method is the causal steps approach popularized by Baron and Kenny (1986) that requires the researcher to assess each of the paths in the model and then determine whether variable functions as a mediator by seeing if certain statistical criteria are fulfilled.

4.4 Findings

4.4.1 Reliability

To assess the reliability of the measurements in the survey, Cronbach's α method was used to gauge the internal consistency of the questionnaires items. According to Sekaran (2000) the minimum recommended level of 0.60 or higher can be regarded as the criterion of internally consistent established factors. The commitment-based HRM practices consists of selection 4 items ($\alpha = 0.773$), compensation 4 items ($\alpha = 0.852$) and training and development 8 items ($\alpha = 0.835$). The organizational social capital factor consists of ten items ($\alpha = 0.815$). The organizational performance factor consists of ten items ($\alpha = 0.814$).

4.5 Analysis and Results

4.5.1 Means, Standard Deviations and Correlations

Table 1. Means, standard deviations and correlations

Constructs	Mean	S.D.	1	2	3	4	5
1. Sel	3.88	0.70	1.00				
2. Com	3.75	0.87	0.65**	1.00			
3. T&D	3.91	0.82	0.57**	0.63**	1.00		
4. OSC	4.80	0.92	0.89**	0.75**	0.68**	1.00	
5. OP	3.70	0.91	0.63**	0.66**	0.62**	0.77**	1.00

Note. Significant at: * $p < 0.05$ and ** $p < 0.01$.

Sel = Selection; Com = Compensation; T&D = Training & Development; OLC = Organizational social capital; OP = Organizational Performance.

Table 1 provides the result means, standard deviations and correlations among the various dimensions of commitment-based HR practices, organizational social capital and organizational performance. As depicted in Table 1 above, the findings of correlation analysis has shown positive relationships between commitment-based HR practices (selection, compensation and training and development) with organizational social capital. This result showed that commitment-based HR practices leads to higher social relationship in the organization. The analysis also stated significant influence commitment-based HR practices with organizational performance. In addition, organizational social capital also positive influences the organizational performance. Having a strong organizational social capital assists organization growth and sustain its competitiveness, which in turn affects organizational performance. Finally, the correlation between commitment-based HR practices and organizational social capital on organizational performance also high, indicating that commitment-based HR practices and organizational social capital is the factors to influence organizational performance.

4.5.2 Multiple Regression Analysis/Correlation Analysis

Table 2. Results of regression analysis of commitment-based HR practices and organizational social capital

Constructs	Organizational social capital
	Standardized Beta
<i>Commitment-based HR practices</i>	
Selection	0.37**
Compensation	0.39**
Training & Development	0.42**
R^2	0.52
F	13.55**

Note. Significant at: * $p < 0.05$ and ** $p < 0.01$ (two-tailed test).

In order to test hypothesis H1, the result involved regressing commitment-based HR practices and organizational social capital as per above Table 2.

Selection, compensation and training development are positively related to organizational social capital ($\beta = 0.37$, $p < 0.01$ for selection; $\beta = 0.39$, $p < 0.01$ for compensation and $\beta = 0.42$, $p < 0.01$ for training and development).

These findings indicate that organization will achieve a high level of organizational social capital if commitment-based HR practices are implemented. Subsequently, this result strongly supports *H1* that states that commitment-based HR practices positively influence organizational social capital. Thus, *H1* is accepted.

Table 3. Results of regression analysis of commitment-based HR practices and organizational performance

Constructs	Organizational Performance <i>Standardized Beta</i>
<i>Commitment-based HR practices</i>	
Selection	0.31**
Compensation	0.40**
Training & Development	0.33**
R^2	0.54
F	18.94**

Note. Significant at: * $p < 0.05$ and ** $p < 0.01$ (two-tailed test).

Hypothesis *H2* was tested by regressing commitment-based HR practices and organizational performance and results as depicted in Table 3.

Coefficients of commitment-based HR practices are positive and significant for organizational performance ($p < 0.01$). This result showed that organization is able to increase its performance if they have well developed the commitment-based HR practices.

The coefficients result showed that commitment-based HR practices positive and significant for organizational performance but the author also run the correlation analysis between these two variables whether they tend to vary together or not. The result of the correlation analysis as per table 4 showed significant correlation (at the $p < 0.001$ level) between these variables. Therefore, *H2* is accepted.

Table 4. Results of correlation analysis of commitment-based HR practices and organizational performance

Commitment-based HR Practices		Organizational Performance
	Pearson Correlation	0.730**
	Sig. (2-tailed)	0.000
	N	146

*Correlation is significant at the 0.01 level (2-tailed).

Table 5. Results of regression analysis of organizational social capital and organizational performance

Constructs	Organizational Performance <i>Standardized Beta</i>
Organizational social capital	0.78**
R^2	0.93
F	20.35**

Note. Significant at: * $p < 0.05$ and ** $p < 0.01$ (two-tailed test).

To test hypothesis *H3*, a regression was run between organizational social capital and organizational performance as per above Table 5 and the relationship was found highly support *H3*. Thus, *H3* is accepted.

Table 6. Results of regression analysis of commitment-based HR practices, organizational social capital and organizational performance

Constructs	Organizational social capital (mediator)	Organizational Performance
<i>Standardized Beta</i>		
<i>Commitment-based HR practices</i>		
Selection		
Compensation		0.35**
Training & Development		0.37**
		0.36**
R^2		0.79
F		26.58**

Note. Significant at: * $p < 0.05$ and ** $p < 0.01$ (two-tailed test).

Hypothesis *H4* is to test the mediation effect of organizational social capital on the relationship between commitment-based HR practices and organizational performance. Table 6 showed the beta values of selection is significant ($\beta = 0.35$, $p < 0.01$ from $\beta = 0.31$, $p < 0.01$), compensation slightly declined ($\beta = 0.37$, $p < 0.01$ from $\beta = 0.40$, $p < 0.01$) and training and development beta value slightly increased ($\beta = 0.36$, $p < 0.01$ from $\beta = 0.33$, $p < 0.01$). This result suggested that organizational social capital has partially mediated the relationship. Therefore, hypothesis *H4* is acceptable.

5. Discussion and Conclusions

The aim of this study is to investigate the relationship between commitment-based HR practices (CBHRP), organizational social capital (OSC) and organizational performance. The findings indicate that CBHRP are able to facilitate, accumulate and utilize of OSC to pursue common goals can contribute to organizational performance. However, in the literature of business management, it is unclear which exact mechanism of specific HRM practices influences the organizational social capital and organizational performance. It is also mute whether HRM practices have directly influenced on OSC and organizational performance. Therefore, many scholars (Bowen & Ostroff, 2004; Chuang & Liao, 2010; Chuang et al., 2013; Lepak et al., 2006; Takeuchi et al., 2007) have urged more study to be done for purpose to understand better the relationship between specific HRM practices and organizational social capital which in turn influence organizational performance.

This study addresses this call by testing the role of CBHRP in influencing organizational performance with OSC as a mediator. Hence, the findings of this study as depicted in Table 2, 3, 4 and 5 proven that the relationship between CBHRP, OSC and organizational performance is positive and OSC is able to mediate the relationship between CBHRP and organizational performance. From the findings, it showed that if organization invest resources in CBHRP, it able to change employee's attitude or behaviour towards interact with their co-workers, influence their willingness to create stronger social relationship and leading them to better opportunities and thus facilitate the development of OSC in more regular context. By doing so, it leads to greater outputs and better performance of the organization. Additionally, high knowledge, skills and motivated employees enhance social relationship and organizational social capital within the organization. OSC becomes more value when the resources (e.g. information and knowledge sharing) flow smoothly in the organization and thus, assists the organization to gain better productivity and higher performance (Ali, Nasseem, & Farooq, 2011; Kianto & Waajakoski, 2010; Maurer et al., 2011; Van Wijk, Jansen, & Lyles, 2008). It is common to see how organizations handle the competitive environments that require quick assess to information and coordinating the resources to achieve higher competitive advantage (Ofori & Sackey, 2010). Finally, it is concluded that organizational social capital is able to mediate the relationship between commitment-based HR practices and organizational performance. The finding is consistent with the discussion in OSC literature and the relationship between OSC and commitment-based HR practices help to create the opportunities for employer-employees to build a social relationship (Chuang et al., 2013; Collins & Smith, 2006; Jackson et al., 2006).

In conclusion, this study has offered theoretical implication by offering a complementary test of commitment-based HR practices and organizational social capital research at the organizational level instead of employee-level. This is to understand that one implementation may not apply for all levels in the organization. Focusing on organizational level will helps to identify how commitment-based HR practices can facilitate organizational social capital in the organization. In addition, this study also provides valuable information to HR practitioners to formulate new approach in order to strengthen their HRM practices for the purpose to improve

organizational social capital and enhance organizational performance.

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