

EMPLOYEE ATTRIBUTIONS TOWARDS HUMAN RESOURCE PRACTICES:  
EMPLOYING SEM AND MULTILEVEL ANALYSIS

NAZRUL NIFKUZYAIRE BIN ZAINUDIN

Research report in partial fulfillment of the requirements for the degree of MBA  
2009

## **ACKNOWLEDGEMENTS**

Alhamdulillah, Praise to Allah Al-Mighty, Who has granted the strength to complete this study.

There are many individuals who have helped me develop during this journey to complete my Master business Administration (MBA). Although it is impossible to list down all the names here, my parents are always with all of you.

First of all, I would like to acknowledge the guidance and support provided by my supervisor, Associate Professor Dr Intan Osman. She was always patient and understanding as I slowly worked to complete the study. She also provides me with the combination of academic guidance and friendship, one which I realized is rare.

I also wish to thank to my best friend Kurram Ghani for his comments and guidance, and Prof Imam Ghozali for his online guidance on Sequential equation modeling. His book which taught me how to use the Amos Version 16 software was indeed awesome. I cannot forget My SEMNETers mailing friends especially Dr.Cameron McIntosh for helping me with SEM model and SPSS.

My family – Ibu and Ayah (Hanita Bt. Ali, Zainudin Bin Mohd Tahir), my brother and sister, my close adopt mother, adopted brothers and sisters, and Ustaz for their dua's prayer and encouragement.

Lastly, but definitely not the least, I would like to acknowledge my fiancée, Marliana Bt. Shamsir. We have journeyed through our Master .I always pray that she will also complete her study soon. Her encouragement, understanding and willingness to sacrifice played a key role in helping me to develop.

## TABLE OF CONTENTS

### Page

ACKNOWLEDGEMENTS	ii
TABLE OF CONTENTS	iii
LIST OF TABLE	ix
LIST OF FIGURES	x
ABSTRAK	xi
ABSTRACT	xiii
<b>CHAPTER ONE     INTRODUCTION TO RESEARCH</b>	
1.0     Introduction	1-2
1.1     Background of the study	2-4
1.2     Problem Statement	4-5
1.3     Research Objectives	6-6
1.3.1     Research Questions	7-7
1.3.2     Definition of Key Terms	8-9
1.4     Significance of study	9-9
1.5     Organization of Remaining Chapters.	11-12
<b>CHAPTER TWO     LITERATURE REVIEW</b>	
2.0     Introduction	13-15
2.1     Attribution	15-17
2.2     Affective Commitment dimension of Organisational Commitment	17-19

2.3	Job satisfaction	19-21
2.4	Organisational Citizenship Behaviour (OCB)	21-23
2.5	Multilevel analysis background	23-25
2.6	Aggregation of individual variables to group level	25-26
2.7	Composition model	26-27
2.8	Within group agreement and between group variability	27-28
2.9	A history of SEM	29-30
	2.9.1 Theoretical Framework.	30-31
	2.9.2 Hypotheses Testing	32-37

### **CHAPTER THREE      RESEARCH METHODOLOGIES**

3.0	Introduction	38-41
3.1	Research Design	41-42
3.2	Population and Sample	42-43
3.3	Sample Size	43-44
3.4	Procedure	44-44
3.5	Research Measurement Variables and Dimensions	45-45
	3.5.1 Individual Level Exogenous Variables	45-46
	3.5.1.1 HR attribution measures	46-46
	3.5.2 Individual Level Endogenous Variables	46-46
	3.5.2.1 Affective commitment measures	46-47
	3.5.2.2 Job Satisfaction measures	47-47
	3.5.3 Group-level Exogenous Variable	47-47
	3.5.3.1 Group level Employee Attitude	47-48
	(Composite latent variable)	

3.5.3.2	Group level Organization Citizenship behaviors variable	48-48
3.6	Data collection method	48-49
3.7	Pilot Study	49-50
3.8	Data Analysis	50-50
3.8.1	Sequential Equation Modeling (SEM)	50-51
3.8.2	Two steps approach in SEM modeling	52-52
3.8.3	Model Specification and identification	52-53
3.8.4	Model Fitting	53-54
3.9	Path Analysis	54-55
3.9.1	Multilevel Regression using Sequential Equation Modeling	55-55
3.9.2	Specifying structural models	55-56
<b>CHAPTER FOUR</b>	<b>DATA ANALYSES AND RESULTS</b>	
4.0	Introduction	57-57
4.1	Overview of Data Gathered	57-58
4.1.1	Missing Data	59-59
4.2	Data Analysis	59-60
4.2.1	Respondent Profiles	61-65
4.2.2	Assessment of Normality in SEM	66-69
4.3	Descriptive Statistics	69-72
4.4	Confirmatory Factor Analysis and Measurement Model	73-71
4.4.1	Construct Reliability	71-73
4.4.2	Model Fit	73-75

4.4.3	Second order construct of Employee Attitude	76-78
4.4.4	Revised Hypotheses after conducting Confirmatory Factor Analyses	81-82
4.5	Structural Model for individual level	83-84
4.6	Hypothesis Testing Results	86-87
4.7	Group level employee attitude construct	87-87
	Result of rWG(j) Statistic and ICC-1 Statistic for group-level employee attitudes.	
4.7.1	Result of rWG(j) Statistic and ICC-1 Statistic for group-level employee attitudes	88-89
4.8	Revised Theoretical Framework.	89-89
4.9	CFA of Organisational Citizenship Behaviour dimensions	89-90
<b>CHAPTER FIVE DISCUSSIONS AND CONCLUSIONS</b>		
5.0	Introduction	92-93
5.1	Overview of Findings	93-93
5.2	Hypotheses related to employee attributions towards HR practices	94-96
5.3	Theoretical contributions and implications and direction for future research.	96-97
5.4	Practitioners Implications	98-99
5.5	Future research	99-99
5.6	Limitations	100-100
5.7	Conclusion	101-101

REFERENCES	102-121
APPENDIX (ES)	121-165



## LIST OF TABLES

<b>Table</b>	<b>Title of Table</b>	<b>Page</b>
Table 1	Key Term and Definitions	7
Table 1.1	HR Attribution Typology for FMUTM	40
Table 3.1	Target population and sample	43
Table 4.1	Sample demographic properties for IUTA corporate Representatives	61
Table 4.2	Demographic Heterogeneity	63
Table 4.3	Descriptive statistic at Group level	64
Table 4.3.1	Descriptive statistic at individual level	60
Table 4.3.2	Partial Correlation: control variable functional groups.	65
Table 4.3.3	Correlation between group level latent variables	65
Table 4.4	Result of Fit Indices before measurement model is revised	69
Table 4.4.1	Result of Fit Indices after measurement model is revised	71
Table 4.4.2	Regression Weights: (Group number 1 - Default model)	72
Table 4.4.3	Standardized Regression Weights	73
Table 4.4	Result of fit indices after measurement model revised	77
Table 4.5	Standardized Regression Weights: (structural model)	85
Table 4.6	Hypotheses Testing Results	86
Table 4.7	Results of rWG(j) uu and rWG(j) for each attitude variables	88
Table 4.7.1	Results of ICC-1 for each attitude variables	89

## LIST OF FIGURES

Figure	Title	Page
Figure 2.0	Theoretical framework of current research	31
Figure 4.2	Assessment of Normality for multivariate data	62
Figure 4.4	Initial CFA Measurement model for HR attribution	67
Figure 4.4.1	Revised CFA Measurement model for HR attribution	69
Figure 4.4.2	CFA measurement model for employee attitude combination of two latent constructs.	77
Figure 4.4.3	Second order CFA measurement model for Employee attitude.	79
Figure 4.4.4	Employees attitude latent variable with composite latent variable “ACJSCOM”	81
Figure 4.5	Structural models for individual level	82
Figure 4.6	CFA Measurement model for OCB helping dimension and OCB conscientiousness	90 dimension

## ABSTRAK

Bertindak ke atas strategi-strategi sumber manusia tanpa terlebih dahulu menghalusi bagaimana para pekerja secara perseorangan membuat atribusi terhadap tujuan disebalik amalan sumber manusia, yang mana, pulangannya adalah berkait dengan tingkah laku pekerja, kemungkinan akan mencetus makna yang tidak diingini bahawa pihak pengurusan bercadang untuk mengurangkan kos atau memperguna para pekerja boleh menjurus kepada tingkah laku negatif. Kajian Pengurusan Strategik Sumber Manusia (PSSM) menyorot cahaya ke atas bagaimana satu set terperinci atribusi organisasi (amalan sumber manusia) boleh meningkatkan pemahaman bagaimana atribusi pekerja beraksi kepada tanda-tanda tersirat strategi sumber manusia di dalam beberapa amalan sumber manusia sekiranya para pengamal menginginkannya. Kajian strategik pengurusan sumber manusia menggunakan laporan persendirian bagi menerangkan atribusi pekerja tentang kontrak psikologikal banyak dicadangkan oleh pemikir-pemikir dalam domain kajian ini terutamanya di barat. Amalan sumber manusia menggambarkan tujuan masa hadapan organisasi serta mempengaruhi pembentukan dan penilaian kontrak psikologikal antara majikan atau pihak pengurusan dengan pekerja. Salah satu bukti empirikal setakat ini, telah mengkaji apakah atribusi atau anggapan pekerja tentang “ mengapa” pihak pengurusan mengadoptasi amalan sumber manusia manusia (Wright dan Niishi, 2007 dan Niishi et al., 2008) menjelaskan kewujudan konsep kontrak psikologikal. Dibawa ke konteks Malaysia, kertas kajian yang terkini ini cuma bertujuan akademiah ingin mencari bukti emperikal dari wakil-wakil koperat perbadanan penasihat amanah saham tentang atribusi-atribusi mereka mengapa pihak pengurusan

mereka mengadoptasi amalan sumber manusia. Seiringan dengan literatur-literatur pengurusan strategik sumber manusia, kertas kajian ini juga dilihat dari kanta makro dan mikro pengurusan strategik sumber manusia. Kajian ini mencadangkan kerangka diadaptasi daripada kerja terdahulu Nishii et al. (2008). Daripada pengamatan kajian sebelum ini, penerangan-persendirian atau atribusi pekerja dibuat terhadap persoalan mengapa pihak pengurusan mengadoptasi amalan sumber manusia boleh dibahagikan kepada beberapa fokus strategik ditunjukkan oleh tipologi sumber manusia yang diadaptasi dari Nishii et al. (2008). Tipologi sumber manusia dan analisa pelbagai peringkat kedua-duanya adalah teras metodologi kajian terkini. Pengkaji bergantung kepada data daripada wakil-wakil koperat dari Perbadanan Amanah Saham Malaysia dan setiap kumpulan fungsi mereka untuk menguji validitas atribusi-atribusi yang ditetapkan untuk lima lapangan amalan sumber manusia. Saiz sampel adalah berdasarkan saiz sampel yang diterima pemodelan jujukan rumusan iaitu 200 saiz sampel. 240 responden berstatus penasihat amanah saham menyertai kajian lapangan dan 6 kumpulan fungsi dikenalpasti sebagai unit analisa bagi kumpulan. Prosedur persampelan yang digunakan adalah campuran dua prosedur persampelan iaitu penilaian persendirian yang ditadbir dan sebahagiannya adalah prosedur jenis letak dan kutip. Penemuan utama kajian adalah atribusi pekerja mempunyai hubungan yang signifikan dengan kelakuan pekerja kecuali atribusi berkenaan Federasi Pengurus Amanah Saham Malaysia tidak mempunyai hubungan signifikan dengan kelakuan pekerja.

## ABSTRACT

Acting on human resource strategies without considering how the employees individually make their own attributions regarding human resource practices, which are, in turn, associated with employees' attitudes, might trigger unwanted employee attitudes. Strategic Human Resource Management (SHRM) research has shed light on how a specific set of organizational attributes (human resource practices) can enhance understanding of how employee attribution react to the signals of underlying human resource strategies (Wright and Lepak, 2007 and Nishii et al., 2008). Strategic human resource management research that uses employee self-report to explain why management adopts human resource practices is well grounded in attribution pertinent to how employees perceive such practices. This research seeks empirical evidence from local Institutional Unit Trust Adviser (IUTA) corporate representatives/employees about their attributions of why managements adopt human resource practices. This research proposes framework adapted from previous work of Nishii et al. (2008). Based on previous research, self-explanations or attributions employee makes of "what" the management adopts the human resource practices can be divided into several strategic foci depicted in human resource attribution typology adapted from Nishii et al. (2008). This human resource attribution typology and multilevel analyses are two core methodology of current research. The researcher relied on data from individual IUTA corporate representatives and each their functional groups to test the validity of the attributions specified for five human resource areas. The sample size is based on acceptable Sequential Equation Modeling sample size of 200 respondents. 240 respondents with title of Unit Trust Consultant took part in the survey and 6 functional groups were determined as

the unit of analyses for group. Sampling procedure used were a mixture of two type of sampling namely administered self-report and some sampling procedure was drop-off and pick-up. The main findings were employee attributions variables having significant relationships with employee attitudes variables except for Federation Malaysian Unit Trust Managers compliance attribution which resulted in non significance relationship with employee attitudes variable.

## **CHAPTER ONE**

### **INTRODUCTION TO THE RESEARCH**

#### **1.0 Introduction**

Organisational functioning depends on the behaviour and attitudes of people within a particular society. There is a theory about how we self-explain our self attitude and behaviour which is known as theory of attribution. When people ask us, “Why”, we provide either an internal attribution or an external attribution. An external attribution assigns causality to a situational or external force. An external attribution claims that some outside things motivated the event. By contrast, an internal attribution assigns causality to factors within the person. An internal attribution claims that the person was directly responsible for the event (Heider, 1958; Jones and Davis, 1965). An example of internal attribution is that, when we ask employee to attribute why he or she successfully attend training? He or she will attribute causality of their success for attending training with his good work spirit. In opposite, external attribution is made when she or he attributed causality of training excuses because they have to comply and not they themselves willing to attend. Some researches in the past (Koys, 1988, 1991) and recently Nishii et al. (2008) indirectly and directly did their studies on how employees respond attitudinally and behaviorally to HR practices based on the attributions employee makes on “Why?” management adopt HR practices. The main ideas behind their studies were based on perceived HR practices, employee will react differently attitudinally or behaviorally also known as employee reaction (Wright and Nishii, 2007).

The development of a HR strategy which seeks to design a HR practices that the decision makers believe will elicit employee desire sometimes to focus on intended HR

practices, mainly designed at the strategic level of the organization but some scholars in Strategic Human Resource Management (SHRM) research domains are interested in “employee attribution” (as cited in Nishii et al., 2008) which is related to perceived HR practices. The goals of designing and implementing HR practices are to do in a way that leads to positive attitudinal reactions, satisfying psychological contract (attribution) and positive behavior (discretionary behavior) which good for both employer and employee. Current research wanted to blend research on individual employee with organization level behaviors and seek empirical evidence on employee attribution towards HR practices in local context. Wright and Boswell (2002), as cited in Pauwee and Boselie (2005), argue about the importance of blending research on the individual employee level (typical Organisational Behaviour studies) with research at the organisational level (typical SHRM studies).

“If we want to know more about, for example, intended HR practices we have to look at the job or employee group level (Wright and Nishii, 2004) while if we to know more about how these practices are perceived by employees we are in need of data at the individual employee level” (Pauwee and Boselie, 2005, p. 18).

Research methodology using multilevel approach and typology appears to be at a nascent stage in Malaysia while this type of research is getting popular at international level. The current paper seeks an empirical evidence of strategic human resource management existence among Institutional Unit Trust Adviser (IUTA). Do the employers consider their IUTA corporate representative’s psychological contract? This psychological contract is underlying the attribution concept which researcher is trying to introduce.



## **1.1 Background of the study**

Rousseau and Greller (1994) suggest that one of the roles of Human Resource Management (HRM) should be the creation and maintenance of the psychological contract between organisations and their employees. They state that “HRM practices convey promises of future intent in exchange for contributions of employees, thus influence the forming and evaluation of the psychological contract”. Accordingly, they reason that each HRM practice represents a choice by the organisation about what they expect from its employees and what the employees can expect in reciprocal. The integration between aforementioned concepts of psychological contract with human capital concept within Strategic Human Resource Management (SHRM) is the state of art belonged to Human Resource (HR) attributions typology used by (Nishii et al., 2008). Using HR attribution typology; they provided empirical evidence of employee attribution towards five HR practices areas among employee in a local department store. The current research tested the HR attribution typology in Malaysian Strategic Human Resource Management (SHRM) context. The HR attribution typology was adapted from Nishii et al. (2008) as part of the current research methodology to study Institutional Unit Trust Advisers (IUTA) corporate representative’s attribution towards HR practices by their management. Malaysia introduced the unit trust concept relatively early compared to its Asian counterparts, when, in 1959, a unit trust was first established by a company called Malayan Unit Trust Ltd. The unit trust industry in Malaysia has therefore a history of more than four decades. Federation of Malaysian Unit Trust Managers (FMUTM) was formed on August 07, 1993 as a company limited by guarantee. It provides a common platform for unit trust management companies to discuss issue relating to the unit trust. IUTAs ranging from Unit Trust Management Companies (UTMCs), Investment Banks and Stocking companies are all members of the federation. The federation is assisting the recruitment and training of all Unit Trust Consultants (UTCs). In brief, they must register with FMUTM and pass the examination

conducted by FMUTM. The purpose of the examination is to have standard of professionalism into all unit trust community. This research adapts the (Nishii et al., 2008) framework to include FMUTM compliance as the external attribution. From now on readers should guard themselves the different between HR attribution and employee attribution. The HR attribution typology is just the methodology that goes in parallel with the proposed framework while employee attribution refers to phenomena that employees attribute differently to underlying HR strategies with regards to management adopted HR practices.

## **1.2 Problem Statement**

The motivation of current study is in the same vein of SHRM research domain that is to provide empirical evidence on employee attribution of why management adopts HR practices. Some common ground problems faced by HR department are the absence of strategic integration between business plans and HRM. Among HR practitioners, the term “strategic human resource management” is used broadly to signal the view that human resource management activities should contribute to business effectiveness. However, some local studies show the absence of strategic integration in current HR strategy by the HR department with the corporate plans (e.g. Abang, 2009 and Chew, 2005). Directions of HRM also grey and diffuse so slow which lead to major castigation of psychological contract problems among employee. There are two directions of HRM namely ‘hard’ and ‘soft’. Nexus between both versions is that ‘hard’ HRM leads in a different direction from ‘soft’ HRM. In her language, Legge (2005) remarks, the ‘soft’ normative model of HRM is depicted as individualistic with committed employees working flexibly and ‘beyond contract’ in pursuit of competitive advantage while the ‘hard’ model implies that employees are a resource to be used like any other, at management’s discretion, in whatever way best achieves strategic objectives. Despite its beautiful face of HRM, there is notion of employee alienation or exploitation contributed

by it due to slow diffusion of 'Soft' or 'Rethoric' HRM (e.g. Tonks and Nelson 2008; Willmott, 1993). The analogy of 'soft' HRM with time boom can be made because as remarked by Willmott (1993), "HRM can operate as a form of insidious 'control by compliance' when it emphasizes the need for employees to be committed to do what the organisation wants them to do. It preaches mutuality but the reality is that behind the rhetoric it exploits workers". Another common ground problems faced by HR department is central to Guest (1995, p.5), the conception human resource management reflected a management agenda to the neglect of workers' concerns. Further, Guest (2002, p. 335) is perceptive in his criticism that "a feature of both advocates and critics of HRM is their neglect of direct evidence about the role and reactions of workers". Lastly evidence on how employee perceives the underlying HR strategies attached to HR practices areas still lacking in American context as advocated by Nishii et al. (2008) in their working paper, nevertheless zero empirical evidence on same matter has been taken into consideration under Malaysian context study.

### **1.3 Research Objectives**

The main objectives of the research are:

- 1) To investigate the significant causal relationship of employee attribution toward the underlying Quality, Employee Enhancement, Cost reduction and Employee Exploitation HR strategies adopted by management towards affective commitment and job satisfaction
- 2) To investigate the significant causal relationship of employee/IUTA corporate representative's attribution toward underlying Federation of Malaysian Unit Trust Managers (FMUTM) compliance.

- 3) To identify within group homogeneity and between group variability score level in order to justify aggregation of individual employee attitude survey data composed of group level employee attitude construct.
- 4) To investigate the significant causal relationship of group-level employee attitude with group level Organisational Citizenship Behaviour (OCB) dimensions (helping and conscientiousness).

### **1.3.1 Research Questions**

This research is going to be conducted in order to get the answer for the following set of questions:

- 1) Do employee attributions of why management adopts HR practices reflecting underlying Quality, Employee Enhancement, Cost reduction and Employee Exploitation HR strategies associated significantly positive with affective commitment and job satisfaction?
- 2) Do employee attributions that HR practices specific to IUTA corporate representatives reflecting underlying FMUTM compliance associated significantly with affective commitment and job satisfaction or not?
- 3) Do within group agreement score and between group variability score higher than accepted cut-off points?
- 4) Do group level employee attitudes associated significantly positive with group-level OCB dimensions (helping and conscientiousness).

### 1.3.2 Definition of Key Terms

The definitions of key terms in use are listed in table 1 below.

Table 1 *Key Term and Definitions*

<b>Terms</b>	<b>Definition</b>
Employee Attribution	self-explanations or attributions employee makes of “why” the management adopts the HR practices (Nishii et al., 2008).
Psychological Contract	An individual's belief regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party (typically between employee and employer Rousseau (1989) or individual's belief, shaped by the organisation, regarding reciprocal obligations.
Soft HRM	It is people that make the difference; the workforce as vital asset; human resources are the sole, real, sustainable, competitive advantage or edge (Hoang Ho, 2007).
SHRM	the pattern of planned human resource deployments and activities intended to enable an organisation to achieve its goals Wright and McMahan (1992, p. 298) or a distinctive approach to employment management which

seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques (Storey, 2001 p. 6).

#### HR strategy

A concept which considers and integrates all HRM-practices in terms of ensuring an “internal fit” in order to achieve a certain goal (Miles and Snow 1984) or the result of a set of decisions a company makes about the humans with whom it does business Welbournce (2005).

#### Employee Attitude

Affective commitment and job satisfaction combined (Nishii et al., 2008).

#### Group-level employee attitudes

Aggregation of the employee attitudes scales to unit-level (Nishii et al., 2008).

#### Within Group Agreement

Strength of climate perceptions within groups (LeBreton and Senter, 2008).

#### Between Group Variability

Correlation between between-group homogeneity of focal construct (LeBreton and Senter, 2008).

#### **1.4 Significance of study**

Most management researches investigate phenomena by examining them at single level of analysis. As the field of management matures; however, researchers are developing more complex understandings of phenomena by using multilevel lens. Using a multilevel lens reveals the richness of social behaviour; it draws our attention to the context in which behaviour occurs and illuminates the multiple consequences of behaviour traversing levels of social organisation (organisational behaviour). This research is in the same vein of other Strategic Human Resource Management (SHRM) research domain which made use of HR multilevel lens. Purposes of usage of that multilevel lens of HR are first to make clear distinction between individual and group level unobserved constructs. To date, SHRM researchers have focused on examining true variance at the organisational level with relatively less attention being paid to variance at other levels of analysis. The implications for the reliability and validity of our science are two-fold as suggested by Wright and Nishii (2007). They argue, “First, with regard to reliability, unless we recognize the cross-level nature of these relationships and pay more attention to individual- and group-level responses (variance) within organisations, can we be confident about the reliability with which we are capturing these constructs in our research? Second, with regard to validity, can we adequately capture the constructs of primary interest without first considering the variance that exists surrounding each construct”. Further, using the HR attribution typology as research methodology allows us to check for individual attribution per se to run away from confounding problems. This research may become reference in future times by scholars and HR researchers especially in Malaysia who keen to combine both individual and group level constructs together.

## **1.5 Organisation of Remaining Chapters.**

This study is organized into three chapters. The first chapter is all about the research introduction, background of the study, and the problem statement of the study. Set of research objectives and questions are also outlined. Also included, is the significance of the study as starting point exploration of multilevel model and latent construct. The final section under chapter one is the definition of the key terms.

The second chapter review literature of previous studies on attribution theory, HRM system typologies, organisation commitment, job satisfaction organisational citizenship behaviour, multilevel analysis, composition model background, aggregation fundamentals. A proposed theoretical framework is constructed and displayed at the end of the chapter.

The third chapter discusses the research methodology. Research design or essential way of collecting and analyzing empirical evidence such as proposed method for the study also discussed. Level of the analysis versus setting of the study, the suitable measures and procedures as well as how data analyses are conducted also discussed. Introductory to SEM was included at the end of this chapter.

The Fourth chapter provides reader with statistic analyses results. This chapter covers frequency analysis and descriptive statistic analysis. Confirmatory Factor Analysis (CFA), assessment of normality for SEM, descriptive analysis and lastly not least path analysis. Also covered is the reliability check of each latent constructs. Preliminary CFA test suggested second-order CFA for a combined employee attitude construct. Upon conducting this second-order CFA we are confirmed to revise the research hypotheses given in prior. Convergent validity test conducted on each measurement models to make sure manifest indicators really measure each constructs. Furthermore, since only hypothesis 6 identified the group as the unit of analysis, the within group agreement and between group variability becomes crucial. To assess within-team agreement, researcher calculated the rWG(J) (James et al., 1984, 1993, as



cited in LeBreton and Senter 2008). Besides that, we must also calculate the between group variability. Both LeBreton and Senter noted that to assess between group variability researchers can, and should calculate the intra-class correlation coefficient (ICCs). In this chapter, the hypotheses testing on structural models of different levels and conditions were performed separately.

The fifth chapter provides readers with discussion of findings, theoretical contribution and implications as well as direction for future research. Practitioner's implications will also be touched before confronted with the research limitations. At the end, researcher of current research will conclude overall achievement of the study conducted.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

A new perspective strategic human resource management emerged during the 80s to take its place alongside the more traditional operational and programmatic perspectives as a major influence on the field (Lee and Cornell, 2007). Mahoney and Deckop's (1986) review began identifying a number of trends within the field, such as a move from personnel administration to human resource management and a move from human resource planning to strategy. The Déjà vu of the aforesaid statement dated back as early as 1961 when Peter Ducker (1967) wrote his constant worry of Human Resource Management (formerly personnel administrators/welfare secretaries). Despite so many critiques, HRM appears to be in permanent stage of significant when in 1970 personnel administration became professionalized (Nkomo and Ensley, 1999 p.339).

In 1980, the notion that a commitment HR strategy (SHRM) versus traditional HR strategy (At functional level, HR strategy is formulated and implemented to facilitate the business strategy goals) follows from a real or perceived 'added value' competitive strategy in which the most corporate HR planned for. According to Conference Board report written by Young (2006), strategic workforce planning is a new approach to traditional human resource (corporate HR) planning that involves analyzing and forecasting the talent required by organisations to meet the objectives of their business strategies. In short, according to the study, "Strategic Workforce Planning: Forecasting Human Capital Needs to Execute Business Strategy", strategic workforce planning is aimed at helping businesses ensure they have the

right people in the right place at the right time and at the right price. From then, the gravitation towards strategic human resource management (SHRM) represents the most recent attempt to claim a significance underlying human capital in both management discipline and the organisation themselves. It took only three years later, the scholars in SHRM domain started by Fisher (1989) further distinguished between the macro and micro wings of HRM. She noted the distinction between the concerns of top HR executives such as tying HR to strategy and dealing with strategic issues such as mergers and acquisitions, international HRM, and downsizing, and the nuts and bolts activities of operational HR managers such as selection, training, compensation, and performance appraisal (Mahoney and Deckop 1986; Fisher 1989, as cited in Wright and Boswell 2002).

The notion of multilevel HR lens is a significant change in perspective for a functional side where the focus on performance has traditionally has been at the micro level and the domain of strategy in contrast involves more macro level phenomena where value creation and superior turnaround. Symbiotic claims of SHRM have worked over variance at the cross-company level (Wright and Boswell, 2002) and (Wright and Nishii, 2004). Interestingly, they found that the dearth of research aimed at understanding how multiple (or systems of) HRM practices impact individuals within the organisation. Juxtaposed by those two macro and micro HR multilevel lens, various authors (Boxall, 2003; Ostroff, 2000; Lepak and Snell, 1999) proposed typologies of HRM based on the strategy of the organisation, thereby taking a contingency perspective and combined with a configurational perspective while (Wright and Nishii, 2004), focusing on the HR practice level of analysis, depict a theoretical model and distinguish between intended, actual and perceived practices. This “actual” dimension is introduced in order to recognize that “not all intended HR practices are actually implemented, and those that are may often be implemented in ways that differ from the initial intention” (p.11). Subsequent studies, Nishii et al. (2008) revealed scientific evidence that employee

commitment and satisfaction attribution vary with perceived HR practices. The “perceived” practices dimensions consist of how employees perceive the practices that they and their immediate co-workers have experienced. Workers in the group discussed above may perceive that there is no pay for performance, or that any differences in pay are attributable to something other than performance. Finally, employee reactions to the practices refer to how individual employees respond affectively and behaviorally to the practices with which they perceive they are being managed (Wright and Karina, 2007). Their proposed HR attribution typology is considered novel contributions to SHRM.

## **2.1 Attribution**

Scholars in Strategic Human Resource (SHRM) research domain have long recognized psychological construct in particular employee attribution as the part and parcel of HRM chain of links (Boxall and Macky, 2007) namely 1) intended HR practices 2) actual HR practices, which lead to 3) perceived HR practices and 4) employee reactions, and finally to 5) organisational performance. For example, Wright and Kehoe (2007) proved that employee commitment attribution can vary within the same HR practices. This is not a surprise because of the abstract nature of employee attribution sometimes not clearly determined and satisfied (Netemeyer et al., 2003). Upon abstraction, an employee might attribute internally or externally towards their organisations HR practices goals this is named as HR attributions according to (Nishii et al., 2008). This paper studies latent employee psychological constructs namely employee internal and external attribution. Wated and Sanchez (2005) in their paper explain Fundamental Attribution Error (FAE) which explains that observers have a biased tendency to use internal causes as the explanation for the actors’ behavior, whereas they rely on external causes when judging their own failure as extrapolation from a measured characteristic to an unrelated characteristic, Gladwell (2000, p. 72).

The attribution approach has made countless contributions to the literature such as helplessness and well-being research (e.g., Abramson, Seligman, and Teasdale, 1978; and Schwarz, and Clore, 1983, as cited in Malle, 2003). Theory and research on causal attribution have primarily focused on Western population samples. Attribution theory is the study of the process by which individuals make assessments of causality in response to the outcomes they observe. The theory is based on Heider's (1958) notion that people have an inherent tendency to be "naïve psychologists" that attempt to determine the causes of events that are important to them (Heider, 1958, as cited in Harvey and Daborough, 2006). A wide array of causal attributions can be made, but attributions of ability, effort, and luck and task difficulty are among the most common Weiner (1993). The foremost attribution theory expert, Weiner has established that perceptions of individual responsibility are influenced by variables such as freedom of choice, personal controllability, intentionality, foresight and the ability to follow societal norms, rules, and laws (distinguish right from wrong as determined by the society and governing bodies). As with all perceptions, however, attributions do not necessarily reflect one's objective reality. Different people have shown systematic tendencies, known as attribution styles, toward making certain attributions for outcomes across both time and situation (Abramson, Seligman, and Teasdale, 1978, as cited in Harvey and Dasbarough). In an extensive review of research on causal attributions in Western and East Asian cultures, Choi and collaborators (Choi, Nisbett, and Norenzayan, 1999) concluded that both cultures revealed a bias toward dispositionism (or internality), whereas East Asians, compared with Westerners, are more likely to correct this bias toward a more balanced causal attributions to internal and external causes, in particular when external determinants of behavior are made salient(Choi et al., 1999, as cited in Shirazi and Biel, 2005). Interestingly, based on attribution theory Heider (1958), Nishii et al. (2008) clearly explicated the underlying HR strategies behind management perceived HR practices. In their core HR attribution typology, the

internal attribution view as multi-dimensional rather than single dimension that imply two themes namely business goals or strategies and employee oriented philosophies both underlying HR practices. Service quality and employee well-being are commitment focused while cost reduction and employee exploitation are control-focused. Commitment rationales are in some ways analogous to attributions. In addition, attributions are not the performance itself but are the individual's self-explanation for why they performed the way they did (Weiner 1985, as cited in Wright and Kehoe 2000). Weiner also argues that despite the large number of perceived causes for any one event, the specific types of cause attributed to an event is less important than its latent dimensionality as expressed through the causal dimension (Ployhart and Harold, 2004).

## **2.2 Affective Commitment dimension of Organisational Commitment**

Klein et al. (In press) argued that an individual can have multiple rationales for a particular commitment, those rationales can change over time, and may be conscious or unconscious. However, employees do not necessarily perceive such "signals" similarly or react to them in a similar manner. Basically, there are two underlying themes of commitment to the literatures: 1) attitudinal and behavioral, and 2) single dimension or multiple commitments. Attitudinal perspective defines Organisational Commitment (OC) construct in terms of cognitive and affective responses attachment to an organisation. On the other hand, a behavioural perspective focuses on the behaviours that bind an individual to an organisation. Another theme explains whether the construct consists of a single dimension, as in a commitment to an organisation, or if there exist multiple commitments for an individual such as commitment to one's job or career as well as commitment to the organisation. Sheldon (1971) defines organisational commitment as an attitude or an orientation towards the organisations, which links or attracts the identity of the person to the organisation (Sheldon (1971), as cited in Noor

and Noor, 2006). Among initial studies on OC were centered on antecedents, correlates and organisation outcomes. Porter and his colleagues (Porter, Steers, Mowday and Boulian, 1974) dominated the early research of OC construct with their OC questionnaire (e.g. Chin, K.K., and Sheehan, B., 2004). Porter et al. (1974) viewed OC as a uni-dimensional construct focusing only on affective attachment. Subsequent stages of studies provided a platform for Meyer and Allen (1991) to prove to the academics world about their three-component model which they argue as more appropriate multidimensional of OC. According to Meyer and Allen the three dimension of OC construct are 1) Affective commitment 2) Continuance commitment and 3) Normative commitment. On the other hand, the theoretical roots of commitment can fall under multiple foci such foci as professions, unions and commitment to organisation (Morrow, 1983; Gouldner, 1958; Gouldon, Beauvais, and Ladd, 1984; Mowday et al., 1982, as cited in Lee and Olshfski, 2001). Affective commitment refers to an actor's attachment to, identification with, and involvement within the respective entity (Meyer and Allen 1991). It includes a feeling of belonging and sense of psychological attachment to the target of commitment (Hartmann and Bambacas 2000). Continuance commitment refers to the extent to which the employee perceives that leaving the organisation would be costly. Employees with strong continuance commitment remain because they have to do so. Finally, normative commitment refers to the employee's feelings of obligation to the organisation and the belief that staying is the "right thing" to do. Employees with strong normative commitment remain because they feel that they ought to do so (Meyer and Allen, 1991). The current research interested more on attitudinal or affective commitment assumes that an IUTA corporate representative identifies with a particular IUTA accepts its goals and values and is therefore committed to maintain membership with federation. The development of affective commitment is based on the exchange principle. The employees commit themselves to the organisation in return for the rewards received or the punishments avoided. Normative

commitment develops as a result of beliefs that are internalized through socialization processes, both familial and cultural, that occur both before and after entry into the organisation. Continuance commitment is expected to be related to anything that increases the cost associated with leaving the organisation (Meyer and Allen, 1997). Numerous researches have examined the consequences of affective commitment and have found it to be associated with behaviors such as in-role job performance and extra role behavior among white-collar workers and librarian in Malaysia (e.g., Kamarul and Raida, 2003 and Noor and Noor, 2008).

To relate with HRM performance, Guest (1999) noted that very little research focuses on employees' reactions to HRM (Guest, as cited in Den Hartog et al., 2004, p. 562). He suggested that the impact of HR practices on employees' commitment and performance depends on employees' perception of these practices. Underpinning this relationship is the view that employee attitudes and behaviours can be affected by HR perceived practices and it is this perspective which has been adopted by most HRM researchers Whitener (2001). An empirical study by Dorenbosch, Gubbels, De Reuver, Van Engen and Sanders (2005) shows that when HR practices are perceived to be more consistent, employees respond with more affective commitment. Individual level studies suggest HR practices lead to perceived organisational support which then results in feelings of affective commitment (Rhoades et al., 2001 and Meyer and Smith, 2000).

### **2.3 Job Satisfaction**

As indicated indirectly in a study of HR professionals (Rynes, Colbert, and Brown, 2002), the causes or employee attitude one of them is the positive or negative job satisfaction.

The most-used research definition of job satisfaction is by Locke (1976), who defined it as “. . . a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences” (p. 1304). Conceptually is defined as the extent to which employees like



(satisfaction) or dislike (dissatisfaction) of their jobs (Spector, 1997, as cited in Noor and Noor and Noor, 2008). Noor and Noor claim that the empirical literature on job satisfaction has revealed two types of measure for job satisfaction: a global and a facet measures. The importance of analyzing and enhancing the level of job satisfaction and motivation among employees, especially in the service industry, was highlighted by a report in the New Straits Times (9 April 2005, p. 10). The majority of the research examining the employee satisfaction-performance relationship has been conducted on the micro-level of analysis, otherwise known as the individual employee level. Empirically, individual job attitudes have been shown to exhibit group-level variance Pfeffer (1980). This group-level variance in job attitudes has been attributed to the effects of shared working conditions (Pfeffer, 1980, as cited in Mason, C. M. and Griffin, M. A., 2002). According to Mason and Griffin, as a group-level construct job satisfaction should be perfectly homogenous within groups. When measured through individual perceptions, there is likely to be variability in perceptions of group-level job satisfaction, due to the fact that judgments of group attitudes are subjective and therefore vulnerable to individual perceptual biases.

In a unique study conducted by Harter et al. (2002), the authors conducted a Meta analysis of studies previously conducted by The Gallup Organisation. The study examined aggregated employee job satisfaction sentiments and employee engagement, with the latter variable referring to individual's involvement with as well as enthusiasm for work. Since Organ's (1977) discussion of the connection between job satisfaction and extra-role dimensions of performance, researchers have found an association between an employee's overall job satisfaction and OCB in a variety of research settings (Organ and Ryan, 1995). Although some evidence suggests that individuals with higher job satisfaction has a greater propensity to engage in extra-role behavior because they tend to experience positive mood

states more frequently, the dominant explanation for the relationship between job satisfaction and OCB is social exchange (Organ et al., 2006).

## **2.4 Organisational Citizenship Behaviour (OCB)**

Employees with commitment always value their membership in the organisation and often develop expectations of continuity while good organisation citizens do extra works neither for promotion nor rewards. With regard to the former, analyses consistently indicate significant correlations between commitment and turnover behaviour (e.g., Dunham, 1987). With regard to the latter, further relationships have been predicted between Organisational Commitment attitudes (OC, e.g Meyer and Allen, 1991) and a range of discretionary and extra-role behaviours such as organisational citizenship behaviour . Organ (1988) termed such cooperative acts “Organisational Citizenship Behaviors” (OCBs) and defined them as “individual behavior[s] that [are] discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promote the effective functioning of the organisation” (p. 4). He points out: “in the aggregate” is the significant qualifier because most OCB actions, taken singly, would not make a dent in the overall performance of an organisation.

Organ and Ryan(1995) also argue that “while such traditional (or “in-role”) measures of performance as productivity show very weak links to satisfaction and commitment, OCBs show substantial relationships with (and appear to be caused by) satisfaction, commitment, leader supportiveness, and perceived fairness.” This may be due in part to the fact that OCB are less constrained by either individual ability or work process technology than are in-role performance indices. OCBs initially did not have a very substantial impact on the field (Podsakoff et al., 2000). According to Podsakoff’s survey (2000), only 13 papers were published on OCBs topics from 1983 to 1988. The interest has been on the increase, so during

the period from 1993 to 1998 more than 122 papers have been published on OCBs and related constructs. Furthermore, these papers show that the interest in OCB research has expanded from the field of organisational behavior to a variety of different domains and disciplines, including human resource management, marketing, hospital and health administration, community psychology, industrial and labor law, strategic management military psychology, economics, leadership and international management (Podsakoff et al., 2000). Most OCB studies have been conducted in the US so that ‘despite the voluminous and fruitful literature stemming from Organ’s (1988) seminal work in this area, we know little about citizenship behaviour in a global context’ (Farh, Early, and Lin, 1997, p. 421, as cited in Organ et al. (2005)). Research on OCB has benefited greatly from Organ’s (1988) conceptualization of OCB as consisting of five distinct factors: Altruism (e.g. helping behaviours directed at specific individuals), Conscientiousness (e.g. going beyond minimally required levels of attendance), Sportsmanship (e.g. tolerating the inevitable inconveniences of work without complaining), Courtesy (e.g. informing others to prevent the occurrence of work-related problems), and Civic Virtue (e.g. participating in and being concerned about the life of the company). More recent conceptualizations of OCB offer slightly different categorizations. However, two famous dimensions of OCB are namely conscientiousness and altruism. Altruism is the act of helping a specific other person with a work-related task for example, an employee who provides assistance to a coworker who is new to tasks or behind on work or works in areas where bottlenecks occur is demonstrating altruism by the organisation in the workplace or we say altruism or helping behaviour exemplify helping colleagues in the performance of their tasks. On the other side of coin, conscientiousness dimension is the act of carrying out duties beyond minimum required levels. A conscientious employee is punctual in performing job duties and follows the spirit of company policies and procedures in the absence of others for example, working after hours for the benefit of the organisation. Walz

and Niehoff (2000) studied the relationship between aggregated levels of OCB and a number of store-level performance measures, including profitability, operating efficiency, revenue-to-full-time-equivalent, and customer assessments of service quality in a chain of 30 fast food restaurants. They found the OCB dimension of helping to be positively related to operating efficiency. There is a view that OCB can exist in a collective form rather than merely in an individual form such as Tepper et al. (2004) and Rosenberg (2002). Exclusively Rosenberg (2002) provides empirical evidence of extra role behaviour defined at the group level. Thus, the theoretical idea behind GOCB is derived from the arena of group norms and atmosphere in the workplace (Ehrhart and Naumann, 2004). The major difference between the conventional OCB scale and the GOCB scale is that the former aggregates the individual evaluations of other people, whereas the latter aggregates the individual evaluations of the collective OCB atmosphere in the organisation, regardless of the behavior of a specific employee.

## **2.5 Multilevel analysis background**

Multilevel theory building presents a substantial challenge to organisational scholars trained, for the most part, to "think micro" or to "think macro" but not to "think micro and macro"-not, that is, to "think multilevel." Our goal is to explain fundamental issues, synthesize and extend existing frameworks, and identify theoretical principles to guide the development and evaluation of multilevel models (Kozlowski and Klein, 2000). In their work, they did describe the multilevel theoretical processes providing insight into and principles for the "thinking multilevel". According to them, multilevel theory is neither always needed nor always better than single-level theory. Micro theorists may articulate theoretical models capturing individual-level processes that are invariant across contexts, or they may examine constructs and processes that have no meaningful parallels at higher levels. Similarly, macro theorists

may develop theoretical models that describe the characteristics of organisations, distinct from the actions and characteristics of organisational subunits (groups, individuals).

They added as saying, a multilevel theoretical model must specify how phenomena at different levels are linked. Links between phenomena at different levels may be top-down or bottom-up. Many theories will include both top-down and bottom-up processes.

Despite the tradition and modern day relevance of organisational study which, few studies have tried to empirically grasp this multilevel idea of organisations. For the most part, organisations are sliced up into organisation, group, or individual levels, with little attempt to understand the dynamics between the levels (Kozlowski and Klein, 2000). Huselid's work (1995) on strategic human resource management provides an example. Huselid has documented organization level relationships among human resource practices, aggregate employee outcomes, and firm financial performance, but what are the cross-level and emergent processes-the linkages of individual responses to human resource practices-that mediate the relationship between organisational human resource practices and organisational performance. In new millennium, Ostroff and Brown (2000) have presented a multi-level framework for integrating organisational context, HR systems, organisational climate, employee attitudes and skills (individual and collective) and individual and organisational outcomes that understood as actual HR practices which missing of intended HR practices. Both actual and intended HR practices are in the language of (Wright and Nishii, 2004). Three years later, (Wright and Lepak, 2007) suggested to their target audience their conceptual work on SHRM and organisational behavior, integrating of multiple level of analysis. A sudden research followed a year after that provided evidence of emerging multiple level of analysis especially in the same vein of SHRM. At individual level, attributions employees make about the reasons why management adopts the HR practices (Nishii et al., 2008) that it do have

consequences for their attitudes and behaviors, and ultimately, unit performance. Tying HR practices to organisational commitment can be seen as “signals” of the organisation’s intentions towards its employees and are interpreted as such by individual employees (Den Hartog et al., 2004, p.563). They argued, in turn, unit-level study can explain employee attitude, for example job satisfaction has been consistently treated as an individual-level variable, there are both theoretical reasons and empirical evidence to suggest that individuals working in groups should develop a shared attitude toward its work and work environment. In real empirical study, Wright et al. (2003) found a positive relationship between HR practices and organisational commitment in a study of 50 business units from a large food service corporation (Wright et al., 2003, as cited in Wright and Kehoe, 2007). Evidence of previous works, Organisational commitment and OCB also represent desired employee responses to HR practices (e.g., Huselid, 1995 and Tsui, Pearce, Porter, and Tripoli, 1997) yet the level of analysis of the practices can be further distinguish between intended, actual and perceived practice (Wright and Nishii, 2004) viewed from multilevel HR lens (e.g., Gerhart et al., 2000; Wright and Boswell, 2002; and Wright and Nishii, 2004) claim that practically all studies in SHRM have worked over variance at the cross-company level, ignoring or assuming constancy at the others.

## **2.6 Aggregation of individual variables and group variables**

Early efforts to conceptualize and study organisations as multilevel systems were based in the interactionist perspective Lewin (1951) and focused on the construct of organisational climate. Those early efforts played a significant role in developing a "levels" perspective (Lewin ,1951; cited in Kozlowski and Klein, 2000). The keen way of conducting multilevel research has concerned the levels among constructs, measures, or analyses. It is important to know the classic example for the need of considering alternative methods when data are