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THE EFFECT OF HUMAN RESOURCE DEVELOPMENT ACTIVITIES ON
INNOVATIVE WORK BEHAVIOUR AND THE MEDIATING ROLE OF
ENTREPRENEURIAL COMPETENCIES

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I declare that this project entitled “**The Effect of Human Resource Development Activities on Innovative Work Behaviour and The Mediating Role of Entrepreneurial Competencies**” is the result of my own research except as cited in the references. The project paper has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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Specially dedicated to Papa and Mama, thank you for your prayers

To Kakak, Boboy and Qila; thank you for your concerns

To Special Ones, thank you for your eternal support

For all the encouragement, big thanks to all my dear friends

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ABSTRACT

In today's world, there is increasing attention to innovation, which is a way to respond to the worldwide competition and pressures from the environment. Employees play a crucial role in the innovation process as they are the basis of all ideas. Therefore, innovative work behaviour (IWB) is of interest due to the fact that SMEs are lacking in terms of employees innovative work behaviour, so researcher wanted to get more insight in the innovation process. This study investigated the relationship of human resource development activities fostering IWB of employees and the way in which entrepreneurial competencies are related to HRD activities and IWB. This research will be conducted in SME's in Melaka focusing on the manufacturing sector. Data were collected from 50 respondents through questionnaires and data were analysed using SPSS (Statistical Package for Social Sciences) The study finds strong evidence for the hypothesis that human resource development facilitated by training and development are complementary to entrepreneurial competencies and innovation.

ABSTRAK

Dalam dunia hari ini, terdapat peningkatan perhatian kepada inovasi, yang merupakan cara untuk bertindak balas kepada persaingan di seluruh dunia dan tekanan dari persekitaran. Pekerja memainkan peranan penting dalam proses inovasi kerana mereka adalah asas semua idea. Oleh itu, tingkah laku kerja inovatif (IWB) adalah kepentingan kerana SME adalah kurang dari segi pekerja tingkah laku kerja yang inovatif, jadi pengkaji mahu mendapatkan gambaran yang lebih dalam proses inovasi. Kajian ini tentang hubungan aktiviti-aktiviti pembangunan sumber manusia memupuk IWB pekerja dan cara di mana kecekapan keusahawanan yang berkaitan dengan aktiviti-aktiviti Pembangunan Sumber Manusia dan IWB. Kajian ini akan dijalankan pada SME di Melaka memberi tumpuan kepada sektor pembuatan. Data telah dikumpulkan daripada 50 responden melalui soal selidik dan data dianalisis dengan menggunakan SPSS (back Sains Sosial) Kajian ini mendapati bukti kukuh untuk hipotesis bahawa pembangunan sumber manusia dibantu oleh latihan dan pembangunan adalah pelengkap kepada kecekapan dan inovasi keusahawanan

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LIST OF ABBREVIATIONS

HRD	Human Resource Development
IWB	Innovative Work Behaviour
SME	Small Medium Enterprise
PSMB	Perbadanan Sumber Manusia Berhad
T&D	Training and Development
HCD	Human Capital Development
OD	Organisation Development
GDP	Gross Domestic Product
HR	Human Resource

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CHAPTER 1

INTRODUCTION

1.1 Introduction

The power to continuously innovate and improve product, services and work processes nowadays crucial for organizations. Individual employees need to be both willing and able to innovate if a continuous flow or innovations is to be understood (e.g. Janssen, 2000). The thought that the natural processes of individual employees are of essential importance for continuous innovation and improvement is not merely found in academic literature on innovation (e.g. Van de Ven, 1986; Janssen, 2000), but also emphasized in work on several other popular management (McLoughlin & Harris, 1997) and corporate entrepreneurship (Sharma & Chrisman, 1999).

Individual innovation has been considered in conditions of personality characteristics, outputs, and behaviours. For instance, Hurt, Joseph, and Cook (1977) focus on generalized willingness to change, a personality-based aspect of individual innovation. West's (1987) amount of role innovation captures how many changes an individual has initiated in his or her business in comparison to the last role occupant. Similarly, Axtell et al.'s (2000) measure assesses individual's self-evaluations of

their suggestions and realized innovations. Both take an output-based view of individual innovation. Others conceptualize individual innovation as a set of discretionary employee behaviours (e.g. Scott & Bruce, 1994). Here, we also take this behavioural approach.

Innovative work behaviour (IWB) typically includes exploration of opportunities and the generation of new ideas (creativity related behaviour), but could also include behaviours directed towards implementing change, applying new knowledge or improving processes to enhance personal and/or business performance (implementation oriented behaviour). Most previous work concentrated on employee creativity and the genesis of creative ideas (Mumford, 2003; Zhou & Shalley, 2003). In line with this, the IWB is typically taken to encompass a broad lot of behaviours related to the generation of ideas, making support for them, and facilitating their implementation (e.g. Scott & Bruce, 1998; Jansen, 2000). However the available measures of IWB are mostly short and one-dimensional and empirical evidence of the validity of these measures is limited. Many surveys have relied exclusively on single source data, where individual employees provide the ratings of IWB as well as its correlates. The purpose of this work is to bestow to the study of individual innovation by building up and validating a measure of IWB and examining a partial and initial nomological network of IWB in the work.

This research explores the relationship between Human Resource Development (HRD) and the Innovative Work Behaviour (IWB) in the Small and Medium Enterprise (SME) in Malaysia. Many studies and articles can be found in the literature, which discuss and explore the relationship between Human Resource Development (HRD) toward Innovative Work Behaviour (IWB). Human Resource Development activities comprise of training and development. Nevertheless, only little research has concentrated on understanding the intervening variables between Human Resource and Employee Innovativeness (Christopher M. Lucarelli, 2004). “Also the supply of education, training and the reskilling of workers to take on higher value businesses are an intact component of extending the national talent base. In particular, the skills of the lower segment of the Malaysian working population must be upgraded through lifelong learning. When this goal is achieved, Malaysia can reach its full potential as a high income and advanced country.

1.2 Statement of the Problem

Firms spend a significant amount on human capital development without much understanding of its impact on innovative work behaviour. The resource-based aspect of the firm suggests the importance of intangible assets and in particular, the grandness of the human dimension such as capabilities and competencies for gaining competitive advantage. However, while prior researchers have clearly articulated their importance and benefit in the pertinent literature, to date, how firms develop and nurture these resources is not fully addressed. There are many theories and approaches pertaining to training and development activities in the related literature.

A study by Christopher M. Lucarelli (2004), only little research has focused on understanding the intervening variables between human capital development and firm performance. For this study, by placing capabilities and competencies in a knowledge management framework, we are able to dig into their creative activity and development through human capital growth. The concept of capabilities and competencies, therefore, acts as a bridge between the current thinking on the resource-based theory of the firm and human capital development. In this study, the research question that has been developed regarding the problem statement occurred. This research question can be answered through the research objective. The research questions are:

- i. What is the direct effect between Human Resource Development activities and Entrepreneurial Competencies?
- ii. What is the direct effect between Entrepreneurial Competencies and Innovative Work Behaviour?
- iii. What is the direct effect between Human Resource Development activities and Innovative Work Behaviour?
- iv. How Entrepreneurial Competencies as mediating role affect indirectly towards the relationship between Human Resource Development and Innovative Work Behaviour?

1.3 The Research Objectives

The aim of the study will be stated as below:

- i. To study the direct effect between Human Resource Development activities and Entrepreneurial Competencies
- ii. To study the direct effect between Entrepreneurial Competencies towards Innovative Work Behaviour
- iii. To study the direct effect between Human Resource Development and Innovative Work Behaviour
- iv. To study the indirect effects of Human Resource Development and Innovative Work Behaviour if mediated through Entrepreneurial Competencies

1.4 Hypotheses

For research purpose, null hypotheses are developed as follows:

1. Hypothesis 1

H_0 : There are no direct effect between human resource development activities and entrepreneurial competencies

H_0 : There are no direct effect between training and entrepreneurial competencies

H_0 : There are no direct effect between development and entrepreneurial competencies

2. Hypothesis 2

H_0 : There are no direct effect between entrepreneurial competencies and innovative work behaviour

3. Hypothesis 3

H_0 : There are no direct effect between human resource development activities and innovative work behaviour

H_0 : There are no direct effect between training and innovative work behaviour

H_0 : There are no direct effect between development and innovative work behaviour

4. Hypothesis 4

H_0 : There are no indirect effect of human resource development activities and innovative work behaviour if mediated through entrepreneurial competencies

1.5 Scope of Study

The scope of this research is to investigate the element of human resource development activities towards innovative work behaviour and the mediating effect of entrepreneurial activities towards the relationship of human resource development activities and innovative work behaviour. This study is primarily conducted in Melaka. This research is focused on SME's company in Melaka. The company is chosen based on active listings of SME from Perbadanan Sumber Manusia Berhad (PSMB) and mainly focusing on the manufacturing sector. The line management is chosen as research subject in this study.

1.6 Limitation of Study

The sample of this survey is chosen among the workers from an SME company in the manufacturing sector in Melaka. The results and findings may not be generalized to other types of industry and cluster groups. Based on the constraints of time, financial and personnel, the research will only be conducted in one state and in one industry.

This study will be based on quantitative analysis and used a survey method by using closed questionnaires. Study subjects based on the answers provided in Likert Scale ranging from 1-7. In summation, the measurement tools in this field consist of items adapted from previous researcher. The questionnaires are highly reliable, but it is limited to the context of this study. Other issues like honesty in answering the questionnaires given are beyond the control of the researcher.

1.7 Significance of the Study

This research is anticipated to provide new perspectives and perhaps reveals a different interpretation of the existing training and development activities approach since it is tested in a new environment, the SMEs, which is outside the western business culture. Many studies of the various facets of training and development activity can be found in the literature.

1.7.1 Contribution to Knowledge

The issues of human resource development are very wide issues that are often discussed in many organizations. Training has developed substantially in recent years with evidence indicating more organizational investment in training and development (Bernardin, 2010). The researcher feels that it is better to discover a specific context of the study. This study is anticipated to offer an understanding of the human resource development, innovative work behaviour and entrepreneurial competencies. Moreover, this study also is to increase and adds up the value of the existing research in human resource development, innovative work behaviour and entrepreneurial competencies. Throughout this study, researchers hope is to get more ideas, information and also as a reference in addition to the upcoming research.

1.7.2 Contribution to Practice

This study is expected to provide information about the linking of the mediating effects of the relationship between human resource development and innovative work behaviour of an employee and at the same time researcher need more information on to what extent human resource development activities will impact on the innovative work behaviour of an employee with the mediating effect of entrepreneurial competencies. Furthermore, it is important to the employees to have the awareness on the importance of competencies and practice it towards the development of an organization.

1.8 Definition of Concept and Operational

This section provides the operational definition for the purpose of clarification of the key terms, as contained in and related to the title of the book that will be used throughout the book. Detail discussions on the concepts are presented in the following chapter of this book.

1.8.1 Operational Definition of Human Resource Development (HRD)

HRD is a process for developing and unleashing human expertise through organizational development and personnel training and development for the purpose of improving performance. It is useful to recognize that alternative definitions of HRD have been presented over the years. For instance, a recent definition took an inclusive international perspective of HRD that finds HRD functioning as an agent of societal and internal evolution, not only focused on governing bodies. It reads as follows: “Human Resource Development is any process or activity that, either initially or over the long term, has the potential to develop adults’ work-based knowledge, expertise, productivity, and satisfaction, whether for personal or group/team gain, or for the benefit of an organization, community, nation, or, ultimately, the whole of humanity” (McLean & McLean, 2000).

In this study, HRD consist of Training and Development activities. Training and development (T&D) constitute the greatest realm of HRD activity. Training and development is defined as a process of systematically developing work-related cognition and expertise in people for the purpose of improving operation. Within personnel training and development, more effort is focused on training than on development. Also, training is more likely focused on new employees and those entering new job roles in contrast to long-term development. To be clear, the development portion of training and development is seen as “the planned growth and expansion of knowledge and expertise of people beyond the present job requirements” (Swanson, 1996b, p. 6). In the majority of instances, development opportunities are provided to people who are high potential contributors to the

organization. In all cases, people at all levels, in all organizations need to know how doing their work (expertise) and generally need help with their learning. Raymond A. Noe provides an explanation that helps frame this chapter: Training is the efforts by a company to facilitate employee's learning of job related competencies include knowledge, skills and behaviours that are critical for successful job performance. The goal of training is for employees to master the knowledge, skills and behaviours emphasized in training programs and to apply them to their day – to – day activities while Development refers to formal education, job experiences, relationships and assessments of personality and abilities that help employees perform effectively in their current or future job and company.

Finally, pulling from the various definitions of training and development concepts and terms that have been presented in the literature (Raymond A. Noe, Swanson, 1996b, p. 6) The following definitions are used in this study.

Training: Effort by a company to facilitate employee's learning of job related competencies. These competencies include knowledge, skills and behaviours that are vital for successful business performance.

Development: Refers to formal education, job experiences, relationships and assessments of personality and abilities that help employees perform effectively in their current or future job and company.

1.8.2 Operational Definition of Entrepreneurial Competency

Competencies arising from management "know-know" or technology and production skills while capabilities arising from managerial "know-what". As the outcome, we can recognize the different characteristics of the competencies and capacities. According to Collis (1996), competencies are functional knowledge to properly apply resources to perform the task or activity. Competencies include functional skills, emphasizing organizational efficiency while capabilities coordinate competencies and guide overall business strategic activities.