ISO CERTIFICATION AND HUMAN RESOURCE MANAGEMENT

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The paper empirically examines the employees’ perception of human resource (HR) practices in ISO and non-ISO certified companies in Malaysia. A sample of 238 employees drawn from eight companies, four of them ISO-certified, responded to a questionnaire, which measured the adequacy of several HRM systems. The ISO-certified companies received higher endorsements on managing career systems, conducting contextual analysis for goal setting, and quality orientation. In the rest of the cases, the differences were not significant. The findings suggest that organisations need to go beyond quality assurance to organisation-wide quality management through improvement in HR systems and practices.

I. INTRODUCTION

Many organisations today are facing numerous environmental challenges. These include the advent of an information age environment, with the rise of e-business and the Internet revolution, rapid technological advancement and globalisation, to name a few. The changes are very rapid, volatile and complex in terms of dimension. Human resources are almost always at the heart of an effective response to these challenges. Therefore, human resource programmes and policies must show how the organisations have geared themselves up to meet the challenges. Examples of successful organisations demonstrate that they have gone a long way towards designing effective human resource systems. These include effective manpower planning, recruitment and selection processes, realistic performance plans, and development-oriented performance appraisal, effective learning systems providing ample learning opportunities with the help of training, performance guidance, and other mechanisms such as mentoring. This also consists of mechanisms to inculcate a sense of pride in the work, a high degree of organisational commitment, introducing such organisational development systems as personal growth laboratories, creativity workshops, quality circles, kaizen, and team-building exercises, to name just a few. Further, an examination of their Human Resource Development (HRD) climate, work values such as openness, trust, delegation and decentralisation, quality orientation, a system of reward and recognition, quality of organisational communication, and the empowerment of employees amply demonstrate that successful organisations have gone a long way towards bringing about revolutionary changes in their HR systems and practices (Becker, et al., 2001; Zairi, 1998).

However, there are not many organisations using innovative HR practices. In fact, a majority of them have yet to realise the strategic importance of HR, and HR professionals

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have yet to be recognised as their strategic partners (Sikula, 2001; Becker, et al., 2001). In his Foreword to the book entitled *HR Scorecard*, written by Becker, et al., (2001), David Norton wrote that a typical executive has a high degree of awareness and consensus around financial strategy, as well as priorities for operational process improvement. Also he has limited consensus around customer strategies (that is, who are the target segments, what is the value proposition). But the worst grades are reserved for his understanding of strategies for developing human capital. There is little consensus, little creativity, and no real framework for thinking about the subject. Worse yet, we have seen little improvement in this over the years.

In this backdrop, the present study proposes to: (a) Examine how far concerns for human resources have come to the centre-stage in Malaysian companies while dealing with the challenges of global competitiveness in the new millennium. Fey and Björkman (2000) maintain that as compared to the developed economies, human assets may be even more critical determinants of the performance of firms in a developing economy. (b) Since a growing number of organisations are trying to obtain ISO certifications in order to ensure the quality of their products or services, this paper examines if the concern for quality and standardisation, such as ISO certifications, are linked to improvement in human resource management systems and practices.

II. LITERATURE REVIEW

1. HRM and Organisational Effectiveness

Several models of HRM specify a range of practices which, if pursued, are likely to contribute to human capital accumulation on which organisations may build their competitive advantages (De Geus, 1997; Currie, 1998; McCracken and Wallace, 1997; Willis, 1997). These models basically advocate that investment in HR by organisations and individuals is necessary for a number of reasons—to build and retain that resource in the future, and to retain that resource in the present.

The perspective on human capital considers human competencies as one of the resources available to organisations. The origins of this notion can be attributed to the work of Prahalad and Hamel (1990), which analysed the competitiveness of organisations and attributed it to the possession of core competencies. They postulated that an organisation can possess a unique cluster of factors that allows it to be competitive, and human capital is one of these. This resource-based view represents a current paradigm on a firm’s competitiveness and conceptualises the organisation as a collection of competencies, while drawing attention to learning issues, HRD investment, knowledge accumulation and experience. Valuing human resources results in several positive individual and organisational outcomes such as higher performance (Sandberg, 2000); high quality of individual and organisational problem-solving (Schroder, 1989); enhanced career plans and employability (Weick, 1996; Raider and Burt, 1996); a sustainable competitive advantage (Winterton and Winterton, 1996; Nordhaug, 1994); higher organisational commitment (Iles, et al., 1990) and enhanced organisational retention (Robertson, et al., 1991).
The relationship between HR practices and business results is built on the premise that a better deployment and use of HR practices should correlate with better business performance (Ulrich, 1997). On the basis of a literature review, Pfeffer (1994) concluded that employee participation and empowerment, job design including team-based production systems, extensive employee training, and a performance-contingent reward system are widely believed to improve the performance of the firm. Huselid (1995), on the basis of his study of 968 publicly-traded firms, found that a one standard deviation increase (about 25 per cent) in work performance reduces turnover by 7.05 per cent on a per employee basis, increases productivity by 16 per cent (measured by sales per employee), and yields a $3,814 increase in profits. Based on a study of 74 firms, Huselid and Becker (1995) created an index of each firm’s HRM system reflecting the degree to which a firm has deployed the high-performance work system (HPWS), and consistently found that firms with higher values on this index, other things being equal, have economically and statistically higher levels of firm performance. Youndt, et al. (1996) found that an HR system that was focused on human capital management was directly related to multiple dimensions of operational performance like employee productivity, machine efficiency and customer alignment. Huselid, et al. (1997) found that firm effectiveness was associated with the capabilities and attributes of HR staff. Further, they concluded that the relationship between HR management effectiveness, on one hand, and productivity, cash flow and market value, on the other, was positive.

Becker, et al. (2001) ranked organisations on the High Performance Work Index (HPWS) and compared their HR system and practices. The HPWS index included the organisation’s system of building and maintaining a stock of talented human capital through:

1. Linking its selection and promotion decisions to validated competency models;
2. Developing strategies that provide timely and effective support for the skills demanded by the firms’ strategy implementation; and
3. Enacting compensation and performance management policies that attract, retain, and motivate high-performance employees.

Based on the HPWS ranks Becker, et al. (2001) compared the top 10 per cent companies with the bottom 10 per cent on a number of measures. The results indicated a substantial difference between the two groups. The top HPWS group adopted HR management practices, which were very different from the findings of the bottom HPWS group of organisations. The former, which devoted more resources to recruiting and selection, employed a more vigorous training regime, established better performance management and linked it to the compensation system, and used teams to a much greater extent, had roughly double the number of HR professionals per employee. The HR outcomes associated with this system demonstrated that as compared to the poor, the best HPWS organisations developed a clear strategic intent and communicated it effectively to employees, and that their HR professionals were rated more positively and developed a comprehensive measurement system for communicating non-financial information to employees. Finally, organisations with the most effective HR management system exhibited a most dramatically better performance: the employee turnover was closer to half, the sales per employee were four times as great, and the ratio of the
organisation’s market value to the book value of assets—a key indicator of management quality, as it indicates the extent to which management has increased shareholders’ initial investment—was more than three times as large in the high-performing organisations.

Singh (2003) conducted a survey of 84 Indian firms representing major domestic business sectors to examine their HR practices and it’s the latter’s relationship with performance. Each firm was asked to indicate the percentage of employees covered under the final HR practices that consisted of: (a) use of employment tests before selection; (b) a formal performance appraisal system; (c) compensation based on performance appraisal; (d) formal job description (e) non-entry jobs filled within the recent three years, (f) employees covered under a formal information system, (g) employees administered an attitude survey on a regular basis, (h) employee participation in the quality of work life programmes, quality circles, or labour management participation teams, and (i) the average number of days of training received by an employee during the last 12 months. Singh reported large variations in the HR practices across organisations. It was also found that the combined effect of the HR performance index was significant in predicting both a firm’s performance as well as its employee turnover and productivity.

The management of businesses in the 1990s seems to rely more and more on people recognition, people creativity and productivity, and people synergy based on working together as teams, multi-disciplinary contributions and sharing a common goal. Most leading companies have recognised that if proper attention is devoted to the human resource issues, then it very often leads to high productivity and better competitiveness. The importance of people is often highlighted in mission statements, quality policies and strategies.

2. HRM in Malaysian Companies

The adoption of the concepts of HRM and development has been slow and cautious in the Malaysian corporate sector (Cheah-Law et al., 2003). As the technical competence and the exposure among local practising managers increased, the general competence in managing HR increased accordingly. Multinational companies (MNCs) operating in Malaysia have had the benefit of importing HR policies from their distant head offices. In order to ensure their success, such plans and policies have to be adapted locally. Malaysian managers realised that HRM had to be effective to bring organisational success, stability and harmony. The diversity of the composition of modern workforce in Malaysia requires more appropriate and imaginative solutions (Cheah-Law, et al., 2003).

Evaluative studies of HR practices in Malaysian organisations are not many and do not encompass all aspects of HRM. However, the available evidences are not quite encouraging. Othman et al. (2001) conducted a study on HR capabilities in 108 manufacturing companies by using a mailed questionnaire asking each CEO about his perception of his organisation’s current HR capabilities in several areas and the degree of importance that he gave to each of these areas. The result indicated significant gaps. For example, while CEOs perceived that HR should play important roles in educating line managers in HR issues, develop executive development programmes, organise training programmes, and develop effective
work teams, they also reported that the HR personnel lacked adequate competencies to accomplish these tasks.

More recently, Rowley and Abdul-Rahman (2007) compared the locally owned companies with an MNC operating in Malaysia on HR policies and practices, and found that the former do not place a high priority on their HR practices, and certainly cannot be used as a benchmark against the HR practices of MNCs. They found low commitment to HR by top the management. Employees were still treated as “variable, rather than fixed assets, and...priorities were centred upon financial control and profit maximisation of the operations” (p. 445).

3. ISO Certification, Quality and HRM

ISO 9000 is an international quality certification system. It is a set of worldwide standards—two guidelines and three quality assurance models (Halim and Manogran, 1999). Unlike product standards, these standards are meant for the operation of a quality management system. The purpose is to ensure that a certified organisation has a quality system that would enable it to meet its published quality standards (Rabbitt and Berg, 1994). Certification of whether the organisation meets the ISO standard is established by an independent third party.

Organisations demonstrate different levels/stages of movement through quality management initiatives (Garvin, 1988; Holmegaard, 1990). These stages show whether the organisation has adopted a hard process-oriented approach or has opted for an employee involvement and development-oriented approach to ensure improvement in quality. The former ‘traditional’ or ‘process-oriented’ approaches often neglect the human resource issues. However, quality experts, researchers, and practitioners argue that people issues are at the centre of the quality philosophy. Unless employees’ involvement and commitment are taken care of, the success of any quality improvement programme cannot be guaranteed. It is widely accepted that total quality management (TQM) has a high human resource content. There is evidence to suggest that as TQM plans are implemented, organisations experience changes in their respective cultures. The culture of an organisation embodies elements of participation, trust, responsibility, etc. (Lawler, 1994; Morhman, et al., 1995).

Organisations introducing quality management pass through several stages. It usually begins with inspection, through statistical quality control and quality assurance, and ends in strategic quality management (Garvin, 1988). Kufidu and Vouzas (1998) identify four commonly seen stages of quality improvement efforts in an organisation. They are detailed below.

Stage One: Evidence of a specialist and separate function. At this stage, organisations have a strong and rather traditional quality control department. Quality is in the hands of the quality experts and final inspection is the prevailing quality practice.

Stage Two: Introduction of organisation-wide special initiatives. The initiatives taken up at this stage include quality circles, the adoption of the ideas and approaches of one of the ‘quality gurus’, the implementation of various continuous improvement teams and programmes, quality awareness sessions, etc. In order to move from quality control into
TQ initiatives, the first step that organisations usually take is to introduce and implement various quality programmes. In a majority of the cases, however, these initiatives are short-term and are oriented towards production floor activities.

Stage Three: Integration of quality into organisational processes. This involves the implementation of quality assurance systems (such as the ISO 9000 series) and a preoccupation with the ‘hard’ aspects of quality. Often, applying for certification and writing procedures are the steps taken by organisations at this stage. New quality techniques and methods are implemented, and quality education and training for employees on the shop floor are introduced.

Stage Four: Quality as the core organisational principle—total quality management. During this stage, all the above stages are present, but they are integrated and form part of a core organising principle. At this stage, organisations exhibit exceptional quality management practices and make quality the prevailing organisational culture.

Kufidu and Vouzas (1998) maintain that quality management is not a fixed approach. It is rather a holistic endeavour, which “embodies a commonly espoused philosophy and draws from a set of practices for improving the performance of the organisation” (Mohrman, et al., 1995). The levels of quality management initiatives do provide a basis for examining the relationship between quality management and human resource management issues.

There is research evidence to suggest that when organisations are at the initial stage of quality management plans, the focus is more on the process (technical) aspects of quality rather than on the human aspects (Marchington, et al., 1993). At this stage, organisations do not allow for employee contributions and training is targeted only towards people involved in the production process. The HR department has only a peripheral role. In fact, there is evidence to suggest that organisations adopting the process approach to quality tend to exclude the human resource department from the design and implementation of quality assurance systems such as the ISO 9000 series. In most cases, its role is limited to increasing awareness of the quality standards and handling the administrative aspects of the quality efforts (IPM, 1993).

When organisations move from quality assurance to an organisation-wide approach to quality, a shift occurs in the involvement of HR management. HR professionals participate in the various phases of quality initiatives and play a facilitative role in these efforts (IPM, 1993; Vloeberghs and Bellens, 1996). A more productive and constructive approach to management is then taken up. This includes employee development and training, establishing a reward and recognition programme to promote quality, and building employee relations.

The involvement of the HR function in quality, as outlined by Kufidu and Vouzas (1998), includes: (a) participating in the design, introduction, and maintenance of various quality initiatives; (b) changing traditional personnel practices to support a total quality culture; and (c) establishing a quality orientation within the function itself.

There are not many studies examining the differences between companies that have and that do not have ISO 9000 certifications in terms of HR practices. Most of the studies have examined the benefits of the certification. Some have provided evidence to suggest that ISO certification brings about higher productivity and export sales (Elmuti and Kathawala,
1995), better control of business, reduced costs, fewer customer complaints (McAdam and McKeown, 1999), improved quality of work life, increased customer preference, improved company quality image and competitiveness in the marketplace, streamlined procedures and documentation, and increased awareness for preventive and corrective actions (Quazi and Padibjo, 1998), improved competitiveness, and a better relationship with customers (Quazi and Jacobs, 2004). However, in the context of small business organisations, Brown and Van Der Wiele (1995) contest the fact that ISO certification is a necessary evil, which is forced upon these business organisations by large purchasers such as large organisations and government departments. Terziovski, et al. (1997) found that quality certification does not have a significant positive relationship with business performance. Likewise, Simmons and White (1999) reported that ISO-certified companies had no operational advantage over non-ISO certified ones. Sun (1999) found that ISO 9000 certification had little influence on employee satisfaction and environment protection.

Renuka and Venkateshwara (2005) made a comparison between ISO-certified and non-ISO certified small and medium enterprises (SMEs) in India on the adoption of HRM practices and found few significant differences. The former were found to be better in terms of using professional services in recruitment, in organising training and development programmes and in conducting regular performance appraisal. For example, among ISO-certified firms, 88 per cent conducted training need analysis as compared to 60 per cent of the SMEs that did not have ISO certification.

III. METHODOLOGY

Most of the studies on HRM practices examine only the employers’ perspectives and ignore employees’ perceptions. As rightly observed by Legge (1998, p.14): “When reading accounts of HRM practice in UK and North America it is noticeable the extent to which the data are (literally) the voices of management”. Similar concern was shown by Guest (1999), who argued for examining employees’ perceptions of HRM practices. According to him “…from its conception human resource management reflected management agenda to the neglect of workers’ concerns” (p. 5).

Edgar and Geare (2005) measured HRM practices in three ways in order to examine their relationship with employees’ attitude. This included: (a) additive measures of numbers of HRM practices; (b) employers’ reports; and (c) employees’ reports of strength of practices. Employee attitude was measured by using organisational commitment, job satisfaction, and organisational fairness scales. The findings indicated significant relationships between HRM practices and employees’ attitudes. However, the results were significant only when employee reports of the strength of HRM practices were used to measure HRM. This study highlighted that there are perceptual differences over the strength of HRM practices and emphasised the importance of allowing employees’ voice in HRM research.

It was for this reason that the present study measured the employees’ rather than the employers’ perspective on HRM practices.
1. Organisations and the Sample
The study was conducted in Malaysia. The sample consisted of 238 employees drawn from eight organisations located in and around Kuala Lumpur. The selected organisations represented different industries, size of operations, and technology. The sample represented both managerial and non-managerial staff and belonged to several departments including HR. The respondents had, on an average, served in the organisations for 4.31 years, and 56 per cent of them were males.

The organisations were selected for study through personal contacts and with the help of students registered for the executive MBA programme. The selection of the organisation was based on convenience and the readiness of the organisations for such an exercise. In all, the data were collected from eight organisations, out of which four had obtained ISO certifications. They included an IT company, one of which was engaged in water management, one telecommunication company, and one multinational firm having business in power and automation.

The organisations that did not have ISO certification consisted of one local bank, one firm engaged in property development, investment holding, and sub-leasing, one firm registered as an IT company developing interactive multimedia, and web-based courseware and computerised training programmes, and one five-star hotel.

2. Research Instruments
A modified and shorter version of Rao’s (1997) HRD audit questionnaire was used for data collection. This questionnaire has been extensively used and validated by Rao and his associates in conducting HRD audits in a variety of organisations (see Rao, 2000, for details). It measured the following HRD systems and practices, and the responses were collected on a five-point scale (1 = not at all true; 5 = very much true).

(i) Career System: An 11-item questionnaire measured the career system. The information related to: (1) manpower planning and recruitment; (2) potential appraisal and promotion; and (3) career planning and development. The employees rated manpower planning and the recruitment process, the mechanism to appraise and promote potential employees’ from within, and career planning and a development system that emphasised the importance of establishing career development policies and programmes in the organisation.

(ii) Work System: A 19-item questionnaire collected information about the work system. This included: (1) role analysis; (2) contextual analysis; and (3) performance appraisal systems. The items measured the system of identifying the key functions of various roles, developing special annual (or periodic) objectives under each key function in a team/or in supervisor-employee dyads, identifying a few common attributes for all, and a few specific attributes relevant to a team/department for individual effectiveness, self-assessment of own performance and attributes, assessment by the superiors/colleagues/subordinates, performance review and feedback, and linking review with development.
(iii) **Development System:** This was concerned with the planned development of competencies and included: (1) training and learning; (2) performance guidance and development; and (3) other mechanisms of knowledge sharing and competency development. A total of 24 items were taken out from Rao’s HRD questionnaire to measure the variables in this category. The items intended to measure the employees’ satisfaction through: training at transitional points, strategic planning of training, involvement of line departments in training, training policy and strategy, on-the-job training, evaluation of training, follow-up, and training curriculum improvements, variety in training methodology, multi-skill training, use of other ways of training like seminars, mentoring and coaching, self-study, etc.

(v) **Self-renewal System:** This measure included organisational practices on building the employees’ roles: (1) role efficacy; (2) effectiveness of OD systems such as quality circles, suggestion schemes, team building, etc.; and (4) frequency of action-oriented research and feedback provided to employees.

(v) **HRD System:** This system measured the: (1) HRD climate; (2) organisational values such as openness, trust, collaboration and teamwork, etc.; (3) quality orientation; and (4) reward and recognition.

### IV. RESULTS

Table 1 presents the mean ratings of HR practices seen in the organisations included in the sample. The rating was done on a five-point scale (1 = extremely inadequate/not at all true; 5 = excellent/very much true).

As shown in Table 1, in general, the HR system and practices obtained low to moderate endorsement from the employees. Some of the facets of HR management which obtained relatively higher scores were recruitment and selection system, role analysis, and role efficacy. Measures which obtained less than adequate ratings included action research, organisational development, reward and recognition, the human resource development climate, other mechanisms of employee development such as mentoring, guidance and development, and the learning and training system. Inter-organisational differences were significant in all the measures of HR systems and practices (for details, please see Hassan, *et al.*, 2006).

**Mean Difference between ISO and Non-ISO Certified Companies on HR Systems**

Tables 2 to 6 present the mean scores of the two groups of companies on HR systems as perceived by the employees of the respective organisations.

(i) **Career System**

The career system included the manpower planning and recruitment process, the mechanism to appraise and promote the potential of employees from within, and a career planning and development system that laid emphasis on establishing career development policies and programmes in the organisation.
Table 1
Mean and SD of HRM Systems (N = 238)

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Career System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recruitment</td>
<td>3.35</td>
<td>0.77</td>
</tr>
<tr>
<td>Potentials Assessment</td>
<td>3.12</td>
<td>0.81</td>
</tr>
<tr>
<td>Career Development</td>
<td>2.92</td>
<td>0.93</td>
</tr>
<tr>
<td>B. Work System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role Analysis</td>
<td>3.26</td>
<td>0.84</td>
</tr>
<tr>
<td>Contextual Analysis</td>
<td>3.03</td>
<td>0.97</td>
</tr>
<tr>
<td>Performance Appraisal System</td>
<td>3.08</td>
<td>0.99</td>
</tr>
<tr>
<td>C. Development System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Learning and Training</td>
<td>2.96</td>
<td>0.86</td>
</tr>
<tr>
<td>Guidance and Development</td>
<td>2.89</td>
<td>0.84</td>
</tr>
<tr>
<td>Other Mechanisms of Development</td>
<td>2.78</td>
<td>0.81</td>
</tr>
<tr>
<td>D. Self-renewal System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role Efficacy</td>
<td>3.17</td>
<td>0.76</td>
</tr>
<tr>
<td>Organisational Development</td>
<td>2.60</td>
<td>0.91</td>
</tr>
<tr>
<td>Action Research</td>
<td>2.40</td>
<td>0.92</td>
</tr>
<tr>
<td>E. HRD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRD Climate</td>
<td>2.84</td>
<td>0.76</td>
</tr>
<tr>
<td>Organisational Values</td>
<td>2.98</td>
<td>0.78</td>
</tr>
<tr>
<td>Quality Orientation</td>
<td>3.02</td>
<td>0.80</td>
</tr>
<tr>
<td>Reward and Recognition</td>
<td>2.68</td>
<td>0.93</td>
</tr>
</tbody>
</table>

Table 2 shows a significant mean difference between ISO and non-ISO certified companies in terms of parameters such as manpower planning, and systems to assess the employees’ potentials and to promote their potentials. However, no significant difference was obtained on career systems, which measured the degree to which employees were helped in identifying their career paths in the organisation, supervisors’ assistance in providing career-related assistance, and succession planning.

(ii) Work Planning

Work planning included role analysis, contextual analysis, and the performance appraisal system. Items measuring work planning included the system of identifying the key functions of various roles, developing special annual (or periodic) objectives under each key function
in a team or in supervisor-employee dyads, identifying a few common attributes for all, and a few specific attributes relevant to a team/department for individual effectiveness, self-assessment of own performance and attributes, assessment by the superiors/colleagues/subordinates, performance review and feedback, and linking review with development. Table 3 compares the two groups on the work planning system. The result indicated no significant difference in terms of the total work planning score. However, ISO-certified organisations obtained a significantly higher score on the contextual analysis aspect of work planning. This suggested that they were relatively better in terms of developing realistic and challenging plans, which were widely shared with all departments or sections, and that the planning exercise was seriously taken care of and was based on a thorough and systematic analysis of the external and internal environment. As regards the two other facets of work planning, the mean differences were not significant. This included role analysis and the performance appraisal system. Role analysis indicated the adequacy of identifying Key Performance Indicators (KPIs), adequacy of assistance given to employees in planning their work effectively, and participation and feedback provided to them in their goal setting and clarity of performance-related tasks. The performance appraisal system measured the employees’ satisfaction with the measures intended to provide them with a clear understanding of their roles and responsibilities, a system that encouraged open communication and feedback during performance reviews, with the appraisal process leading to the identification of employees’ development needs, and a mechanism for corrections of bias in appraisal.

Table 3

<table>
<thead>
<tr>
<th>Parameter</th>
<th>ISO (n = 91)</th>
<th>Non-ISO (n = 147)</th>
<th>t-value</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>B1. Role Analysis</td>
<td>3.37 0.79</td>
<td>3.19 0.79</td>
<td>1.58</td>
<td>0.11</td>
</tr>
<tr>
<td>B2. Contextual Analysis</td>
<td>3.22 0.92</td>
<td>2.91 0.98</td>
<td>2.42</td>
<td>0.01</td>
</tr>
<tr>
<td>B3. Performance Appraisal</td>
<td>3.17 0.83</td>
<td>3.02 1.07</td>
<td>1.19</td>
<td>0.23</td>
</tr>
<tr>
<td>Total Work Planning</td>
<td>3.23 0.75</td>
<td>3.05 0.91</td>
<td>1.55</td>
<td>0.12</td>
</tr>
</tbody>
</table>

(iii) Development System

The developmental system included learning and training issues, performance guidance and development, and other mechanisms of coaching and development available to employees. The items were included to measure employees’ satisfaction through: training at transitional points, strategic planning of training, involvement of line departments in training, training policy and strategy, on-the-job training, evaluation of training, follow-up, and training curriculum improvements, variety in training methodology, multi-skill training, use of other ways of training like seminars, mentoring and coaching, self-study, etc. The overall mean scores were quite moderate, indicating inadequacy of the development system in both ISO and non-ISO companies. No significant difference was obtained between the two groups on any of the facets of the development system. Table 4 displays the mean values for the two groups.
(iv). Self-renewal System

This system was concerned with ways of self-renewing and transforming the organisation. It included organisational diagnosis, organisational development interventions, role efficacy status, and action research. The mean scores show that the self-renewal mechanisms were not functioning well in the organisations from where the samples were drawn. It was found that both action research and organisational development programmes obtained below average ratings. Action research involved periodic surveys on various aspects of the functioning of an organisation, feedback of surveys given to employees, and implementation of the findings of research and survey studies being conducted. The organisational development items included rating of quality circles, suggestion system/kaizen, diagnostic studies, team-building exercises, internal customer orientation, management of role stress, and other developmental programmes. Items on role efficacy measured the degree of opportunity that employees had in doing something significant that they felt proud of, taking initiatives, trying out new ideas, etc. Table 5 displays the means of ISO and non-ISO groups of companies on this dimension.

The mean values indicated that endorsement for the self-renewal system was quite low, particularly for the action research and organisational development system. This was the case for both groups of companies, that is, the ISO and non-ISO certified companies, and the mean differences between them were not significant.

<table>
<thead>
<tr>
<th>Parameter</th>
<th>ISO (n = 91)</th>
<th>Non-ISO (n = 147)</th>
<th>t-value</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1. Learning/Training System</td>
<td>3.06 0.91</td>
<td>2.88 0.82</td>
<td>1.46</td>
<td>0.14</td>
</tr>
<tr>
<td>C2. Performance Guidance</td>
<td>2.99 0.87</td>
<td>2.81 0.83</td>
<td>1.58</td>
<td>0.11</td>
</tr>
<tr>
<td>C3. Other Development Systems</td>
<td>2.80 0.87</td>
<td>2.76 0.77</td>
<td>0.35</td>
<td>0.72</td>
</tr>
<tr>
<td>Total Development System</td>
<td>2.95 0.83</td>
<td>2.83 0.69</td>
<td>1.06</td>
<td>0.29</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Parameter</th>
<th>ISO (n = 91)</th>
<th>Non-ISO (n = 147)</th>
<th>t-value</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>D1. Role Efficacy</td>
<td>3.21 0.81</td>
<td>3.14 0.73</td>
<td>0.69</td>
<td>0.49</td>
</tr>
<tr>
<td>D2. Organisational Development</td>
<td>2.61 0.95</td>
<td>2.59 0.88</td>
<td>0.22</td>
<td>0.82</td>
</tr>
<tr>
<td>D3. Action Research</td>
<td>2.42 0.91</td>
<td>2.38 0.92</td>
<td>0.26</td>
<td>0.79</td>
</tr>
<tr>
<td>Total Self-renewal System</td>
<td>2.78 0.78</td>
<td>2.75 0.70</td>
<td>0.37</td>
<td>0.71</td>
</tr>
</tbody>
</table>
(v) HRD System

Measures of the HRD system included a 21-item HRD climate scale, 14-item values in the organisational scale, a 9-item quality orientation scale, a 5-item scale to examine the reward and a recognition system in the organisation.

The HRD climate questionnaire asked employees to rate several aspects of the organisation such as the top management’s concern for making work a pleasant experience, humane treatment and the value of human resources, emphasis on employees’ growth and development, a cooperative work climate, a fair reward system, freedom of experimenting with new ideas, team spirit, open communication, etc.

The respondents were asked to rate organisational values and practices such as openness, trust, initiative, freedom, collaboration and teamwork, creativity, respect for authority, conformity, quality, decentralisation, the humane treatment of employees, and individual recognition.

The perception of quality orientation was measured in terms of customer orientation (internal-external) quality consciousness, monitoring of quality improvement and feedback, emphasis on continuous improvement in quality, and the organisational mechanisms to inculcate the value of quality among employees.

The scale to measure the employees’ perception of the reward and recognition system solicited opinion about the degree to which rewards and recognition in the organisation were based on merit and not on any other consideration, adequacy of the number of rewards given, etc. Table 6 presents the results. As shown in Table 6, no significant difference was found between the ISO and non-ISO groups on the overall HRD system. Also, the mean differences were not significant on the HRD climate, organisational values, and the reward and recognition system. Both groups obtained low ratings on these dimensions. However, ISO-certified companies obtained a significantly higher score on quality orientation, which was quite expected.

Table 6
Mean Difference in the HRD System

<table>
<thead>
<tr>
<th>Parameter</th>
<th>ISO (n = 91)</th>
<th>Non-ISO (n = 147)</th>
<th>t-value</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>E1. HRD Climate</td>
<td>2.88 0.79</td>
<td>2.80 0.73</td>
<td>0.75</td>
<td>0.45</td>
</tr>
<tr>
<td>E2. Organisational Values</td>
<td>3.05 0.79</td>
<td>2.93 0.77</td>
<td>1.03</td>
<td>0.30</td>
</tr>
<tr>
<td>E3. Quality Orientation</td>
<td>3.18 0.87</td>
<td>2.92 0.73</td>
<td>2.39</td>
<td>0.01</td>
</tr>
<tr>
<td>E4. Reward and Recognition</td>
<td>2.81 0.98</td>
<td>2.59 0.88</td>
<td>1.80</td>
<td>0.07</td>
</tr>
<tr>
<td>Total HRD System</td>
<td>2.98 0.88</td>
<td>2.84 0.78</td>
<td>1.17</td>
<td>0.24</td>
</tr>
</tbody>
</table>

V. DISCUSSION

In general, the results showed significant variations in human resource management practices across organisations included in the study (Hassan, et al., 2006). Each organisation was
unique with respect to the HR competency. Clearly, human resource strategies are difficult to imitate because of path dependency and causal ambiguity (Barney, 1991; Collins and Cynthia, 1995). HRM systems are path-dependent since they consist of policies that have evolved over time. In order to adopt an HRM system successfully, it is necessary to understand how all relationships inside the system work (Fey and Bjorkman, 2000). Taken together, however, the combined scores indicated that the HR systems and practices were still in the nascent stage. The respondents included in the study gave a moderate rating to almost all the facets of HRM systems. This included both ISO-certified and non-ISO certified companies. It may, therefore, be concluded that the focus on employee development is yet to reach centre-stage in these organisations in Malaysia. The findings, therefore, supported Rowley and Abdul-Rahman (2007), who also found lack of concerns and commitment for building human capital in locally-owned companies in Malaysia. Othman (2001) similarly reported large gaps between the expectations of CEOs and the role of HR in the Malaysian manufacturing sector. Similar concerns have been reported in countries like China and New Zealand (Edgar, 2003; Law, Tse and Zhou, 2003). The employees’ perceptions of the HR system and practices also indicate a gap between employer rhetoric (most of the companies talk of building knowledge capital, etc.) and the reality as experienced by employees. Kane, Crawford and Grant (1999) suggest that the failure of employers to operationalise HRM practices effectively may be one of the causes of perceived HRM ineffectiveness.

The comparison between ISO-certified and non-ISO certified companies yielded few significant differences on the HRM system. The former obtained significantly higher ratings on the career system, which included manpower planning and recruitment, the potential appraisal and promotion system, contextual analysis (one aspect of work planning), and quality orientation (a component of the HRD system). In all the cases, ISO-certified companies obtained a higher mean score as compared to their counterparts. However, the analysis showed no significant difference between the two on several other dimensions of the HRM system and practices. This included role analysis, performance appraisal, the learning and training system, performance guidance and other means of development such as mentoring and coaching, attempts to build employees’ role efficacy, organisational development practices, action research, and above all, the HRD climate, organisational values, and the reward and recognition system. The comparison revealed more similarities than differences in HR practices between the two groups. In all the cases, employees gave low endorsements, suggesting that the present HR system and practices were not adequate for meeting the emerging challenges of global competition, and above all, the goal of achieving quality and customer satisfaction.

In conclusion, the organisations with ISO certifications were more similar than different and better off with those who did not have these certifications on most of the HRM systems and practices. The result, therefore, indicated that ISO-certified companies were yet to reach the stage of quality management wherein concern for quality is organisation-wide and well integrated into the management system (IPM, 1993; Vloeberghs and Bellens, 1996). They seem to be at the quality assurance level, wherein the focus is more on the process (technical) aspects of quality rather than on the human aspects (Marchington, et al., 1993). The HR department had only a peripheral role. This seems to apply to the ISO-certified companies included in the study.
References


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