

# **Human Resource Management Practices and Innovation in Network Collaboration of SMES Food Manufacturing Sector**

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## **ABSTRACT**

The purpose of this study is to identify the network collaborators and network activities that are involved in the innovation of a company. This study also examines the HRM practices in enhancing innovative network collaboration amongst food manufacturing companies. This research was guided by a qualitative method that employs face to face interview technique. It was conducted in the southern region of Malaysia, the state of Johor. Three companies were chosen which involved three different personnel; the owner, the executive officers and the clerk from each respective company. This sample was selected using purposive sampling based on certain criteria; they are a food manufacturing company, categorized as small, medium-sized enterprise (SME) companies, and has operated for more than five years. The results were evaluated by using Miles and Huberman (1994) techniques which include data display, data reduction and drawing conclusion. In addition, content analysis and thematic analysis were also used to evaluate the findings. In conclusion, overall networking can have a positive impact on innovation in all organizational setups, for example in large organizations, small businesses and new entrepreneurial start-up business. The research reveals that effective HRM practices enhance innovation network collaboration in food manufacturing companies of Malaysia. Finally, this study contributes to the new field of HRM practices towards innovative networks in SMEs food manufacturing companies.

**Keywords:** HRM practices, Innovation, SMEs

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## **INTRODUCTION**

In the today's business, small and medium-sized enterprises (SMEs) all over the world are facing the challenge of tight competitions not only among themselves but also with large firms (Widyastuti et al., 2017). Their survival has been linked with the development of new capabilities. According to Hussain and Ahmad (2012), there has been a passion to engage opportunities at the hand of these emerging challenges to appreciate globalization, crossing management, financial affair in human budget and well-being. Nowadays, manufacturing companies have focused more on production and productivity in their firms. Intense competition among firms have forced each firm to focus on their productivity and efficiency of the production. The current trend of new technology triggers them to be more competitive. To become better than others, firms and companies have adopted the blue ocean strategies where network collaboration is one of the many tools used by them to survive and win the market share. However, the ability to manage its human resources is also a part of company achievement.

Globalization and competitive business nature have stimulated manufacturing-based trades to be practical in their Human Resource Management (HRM) practices in order to commence the latest products and modern technologies (Akinwale et al., 2017). In addition, it has also been recognized that company approach to HRM is contributed to the positive effect of work performances among personnel, which in turn, instigate organizational

innovation (Tan and Nasurdin, 2010). Moreover, according to Schøtt and Jensen (2016), networking can have a positive impact on innovation in all organizational contexts, i.e. within established large organizations, small businesses and new entrepreneurial start-ups. Consequently, networking has influenced the HRM practices with the aim of expanding the capabilities of the workforce. According to Omolo, Oginda and Oso (2012), SME covers a wide range of meaning and measures, varying from country to country and between the sources reporting statistics on SMEs (p: 140). Some studies suggested that SMEs are more valuable in this present economy (Perez and Munoz, 2014).

Several researches have been carried out particularly on the importance of HRM practices to successful innovation (Kesting et al., 2011). In recent time, some efforts have been made to recognize and express the relationship between HRM and innovation (Chowhan, 2016). Kesting et al. (2011) debated that network association has thoughtful consequence for HRM. Therefore, the manufacturing company needs to revisit their HRM decision structure in line with its efforts in improving its network.

Nowadays, some companies cooperate in a network to assign data information, system, risks, advantages and knowledge (Gast et al., 2019). Collaboration refers to the voluntary co-acting of two or more parties in order to gain benefit collectively (Giardina, 2018). Network is a connection which may not only create a legal procedure, but also a belief to link ourselves to the society. Hence, to strengthen the relationships among partners, companies should work on the improvement of values such as trust and team work, which will then lead to the achievement of network collaboration.

Based on research carried out by Kesting et al. (2011), it is revealed that HRM practices have great influence on SMEs. The author uses the model from Verburg et al. (2007) to demonstrate the importance of HRM practices in SMEs. However, the findings show that the existence of the model was not supported empirically. Based on previous research, it was found that many other countries such as Germany (Configuration of e-HRM – an empirical exploration - Strohmeier and Kabst, 2014), Ireland (Network Resources and International performance of high tech SMEs – Kenny and Fahy, 2011), Chile (Human Resource Management in Small and Medium-sized Vineyards in Chile – Arrau and Medina, 2014) and in other parts of the world, have conducted the research on HRM and network innovation but none has been done in Malaysia. Thus far, the researches done were mainly either on individual topic on HRM, or on networking alone. Hence, this study is carried out to find the following objectives which are stated below: 1) To identify the network activities carried out by the company with the network collaborators, and 2) To examine the HRM practices in enhancing innovation network collaboration of food manufacturing companies.

## **LITERATURE REVIEW**

### **Human Resource Management Practices**

Human resources management (HRM) is about managing the people within an organization. The definition was developed in the late twentieth century where employee motivation and job satisfaction came under focus instead of rational administration only (Judge et al., 2017; Hartel, Fujimoto, Strybosh and Fitzpatrick, 2007). HRM involves managing employee's matters such as employee's competences and capabilities, employee's manners and behaviour and turnover (Chelladurai & Kerwin, 2018 & Kaifeng; Lepak, Jia & Baer, 2012). HRM is a management that has function which relates the individual management where it implements the strategies and policies (Banfield, Kay & Royles, 2018; Omolo et al., 2011). Moreover, Manning (2017) and McGregor (2011) also mentioned that the core staffs are an important support of an organization. It has been defined as a process of obtaining, training, appraising, compensating employees, and labour relations, wellbeing, protection and issue of equality (Lussier & Hendon, 2019; Richbell, Szerb and Vitai, 2010).

In order to create the innovative products and new technologies, globalization and aggressive business environment is required to inspire manufacturing-based industries to be proactive in their management of HR (Collings et al., 2018). According to Tan & Nasurdin (2010), employees need to be motivated to develop latest thoughts, and implement the changes in organizational activities that influence the organizational innovation. According to Prava Das et al. (2014), effective HRM practices is important in the new "knowledge-based" economy to face challenges such as the shortage of qualified labour and the capability of trained employees. Meanwhile, Tan and Nasurdin (2011) are of the view that HRM practices can contribute to higher knowledge,

inspiration, interaction, and obligation to employees that will eventually result in a better continuous competitive advantage. In essence, when the HR is equipped with knowledge on HR functions, and at the same time possess the right attitude and behaviours, the organization will have a positive link between the HR practices and innovation through knowledge management.

### **Recruitment and Selection**

Recruitment is a collection of actions which organizations achieve in order to bargain the exact individual for their positions and also called a main structure to invite potential employees (Breugh and Starke, 2000). Recruitment includes a number of events and is a procedure which is classified by diverse phases (Abel, 2011). According to Fletcher (2011), the power to recruit and choose the best qualification of individual to fulfil vacancies of job come from the effort of the organization itself to hire good candidates. Recruitment is one of the most important functions of HRM and it facilitates managers in selecting the best candidate that may lead to a better organization performance in the future (Rehman, 2012).

Selection is the process of reducing the number and choosing from among those individuals who have the relevant qualifications (Bohlander and Snell, 2007). According to Storey (2007), without proper qualifications, an organization will not achieve its objectives and at the same time, negative behaviours among employees will result in high turnover, low productivity, high rates of absenteeism and employee stress. In essence, the aim of accurate selection is to select the exact candidates who fulfil the requirements of the jobs (Khan, 2008). According to Ekwoaba et al. (2015), the quality of human resource in an organization highly depends on the quality of applicants attracted because organization is going to select employees from those who were attracted (p: 24).

### **Performance Appraisal**

According to Shipton et al. (2005), once the employees can promote creativity among themselves by using their knowledge or their ability, it will lead to performance appraisals. Cappelli and Conyon (2018) described performance appraisal as a technique which involved formation of standards of performance, evaluation that relates to behaviours, the performance specification, and rating assessment of communication to employees. By developing the performance of individuals and teams, performance management is a systematic process where it can improve the organization performance (Armstrong, 2012).

### **Compensation and Rewards**

Likewise, the reward system may encourage employees to think out of the box which may induce them to go beyond the horizon and examine the problems in many ways (Tan and Nasurdin, 2010). Compensation and rewards management is a part of human resource system that acts as the incentive to employees in organization (Tangthong, 2014). Service reward is a valuable asset suggested by an organization in inspiring its customer-contact employees to work on their goal success (Choo and Nasurdin, 2014). Reward can encourage the role of employee performance (Hameed, 2014).

### **Training and Development**

Extensive training can develop the tolerance of vital intelligence to make relations between divergent incentives (Tan and Nasurdin, 2010). Service training links to programmers supported by the service organization planned to develop the task-related skills and behavioural skills of its employees (Yang, 2012). According to Paul (2009), training also lead to a positive development toward growth and change as drafted by personnel as well as groups and teams. Bratton and Gold (2017) posited that training is an aspect of human resources development function of the organization.

### **Innovation of Network**

Several researchers have formed a consensus that network connections with supplier, consumer, academics, intermediaries and other businesses will give advantages in terms of innovation implementation. According to Carnabuci and Diószegi (2015), networking can have a positive impact on innovation in all organizational contexts. Other studies identified that networking is necessary for companies to transform, as networking may increase the innovation and effectiveness of a company (Kesting et al., 2011). Certain studies also show indications that networks can contribute extra advantages for SMEs than the larger firms' counterpart (Kesting et al., 2011). Further, Kesting et al. (2011) found that SMEs with an ability to apply and utilize the external network well, may improve their success compared to large firms.

### **Network Collaboration**

Collaboration is a situation whereby two or more people work together to get something in return. These days, information systems have been used between two collaborated companies in network to share data, risks benefits,

etc. Considering inter-organizational relationship, collaboration is a term which depicts the close relationships between partners (Kong et al., 2017).

Collaboration also refers to the voluntary co-acting of two or more parties in order to benefits one, some, or all involved parties in a way that would not have been possible through individual actions (Brosnan and de Waal, 2002). Collaboration is a process where a group of individuals indicates about sharing the risks, sources, accountabilities and prizes (Green & Johnson 2015). Collaboration involves intra- and inter-organization (customer and suppliers, or nodes in a network) sharing information to make forecasts and improving inventory performance throughout the manufacturing organization (Quik et al., 2015, p: 3). According to Addleson (2013), collaboration starts while identifying the difficulties and looking for involvement from numerous groups with the same interests to solve organizational problems. Furthermore, collaboration transforms knowledge, experiences and perspectives into a coherent shared understanding and engages employees in knowledge construction (Quik et al, 2015, p: 3).

### **SMEs**

Small scale industries provide enormous and continuous strategic benefits to a country in the form of state income, employment, export activities and innovation (Prava Das, Narendra and Mishra, 2014). Diverse nation adopted different conditions such as personnel, sales or asset for explaining small medium enterprises (Ale Ebrahim, Ahmed, Abdul Rashid and Wazed, 2009). There are many established meanings of SMEs and the sorting varies from industry to industry and from nation to nation (O'Regan & Ghobadian, 2004). SMEs can begin in any position for any variety of industry motion in urban or rural area (Jan Khan & Khalique, 2014). The definition also varies according to the size of its operation.

## **RESEARCH METHODOLOGY**

In this research, a qualitative method was employed where in-depth interview was conducted with the participants in this study. The qualitative method was chosen because it employs a flexible emergent but systematic research process. It also focuses on reports of experience or on data which cannot be adequately expressed numerically. In addition, it requires interactions with the stakeholders such as the managers of the firms and the employees that entails the richness of data (Omar, 2015). The multiple-case study approach was adopted as it enables development of a "nuanced view of reality" (Flyvbjerg, 2006) for the cases under study. More importantly, it offers the advantage of comparing the phenomenon under study. The data obtained in the multiple case study research design could generate higher internal and external validity of the findings thus providing robust interpretations (Yin, 2003).

Qualitative data was collected from interviews with three major companies. Each company was represented by its staffs from the management, clerical and operative workers. The interview technique was used in this study to collect the reliable data. Questions were asked to capture information based on the respondents' feelings or reaction. A voice recorder was used as an instrument to record the interview session. The interview was conducted in the food manufacturing companies around the towns of Batu Pahat and Muar, Johor, Malaysia. Each interview session lasted between thirty (30) minutes to ninety (90) minutes with each respondent. Three different companies were involved in this study. Each of the companies was selected by using purposively sampling method. The criteria of selection of the companies are; 1) Food Manufacturing Company, 2) Small or medium size, and 3) The companies must have been in operation for more than five years. The findings were analysed using Miles and Huberman (1994) model. The result was interpreted into data display for easier explanation. The displayed data was then transformed into more simple notes or coding which is data reduction phase according to the model.

Finally, conclusion was drawn from the findings that have been analysed using content analysis and thematic analysis. The thematic analysis was employed for identifying, analysing and reporting themes within data. Reflexivity has also been carried out to ensure that the analytical process is performed correctly (Corbin, Strauss and Strauss, 2015). The data triangulation has been performed by questioning and/or interviewing the network relationships of the companies.

In addressing ethical issues in qualitative research, Tracy (2010) has highlighted four important points. These are; procedural, situational, relational and exiting ethics. Procedural ethics concern the importance of accuracy and avoiding lie and fraud, and at the same time ensuring privacy and confidentiality. Situational ethics concern the cultural aspects of the participants. Relational ethics involve an ethical self-consciousness in which researchers are mindful of their characters and actions and the consequences for others, while exiting ethics is concerned with how researchers exit the field and share the results.

The researcher has taken into consideration all the ethical issues while conducting the research, particularly during the fieldwork. Ethical approval was obtained from each company before the field work commenced. Care was taken to make clear to potential participants the purpose of the research, the nature of their involvement, the arrangements for confidentiality, their right to withdraw at any stage and who to contact in the case of concerns or issues.

**FINDINGS**

The analysis of findings is presented in Table 1. The three companies in this study are represented by the letters R1, R2 and R3. The table shows the content analysis of the findings in general. Each objective has been separated into the theme and subthemes. Thematic analysis is being used because it will be easier to analyse the findings.

**Table 1:** The Thematic Analysis

Objectives	Theme	Subtheme	R1	R2	R3
To identify the network activities carried out by the company with the network collaborators	Network Activities	Exhibition	✓		
		Exposition	✓		
		Personal Sales	✓	✓	✓
To examine the HRM practices in enhancing innovation network collaboration of food manufacturing companies	HRM Practices	Recruitment and Selection	✓	✓	✓
		Performance Appraisal	✓	✓	
		Compensation and Reward	✓	✓	✓
		Training and Development	✓	✓	✓

**NETWORK ACTIVITIES**

**Sub Theme Exhibition**

For this sub-theme, only R1 has joined many exhibitions unlike R2 and R3. The opportunity that R1 obtained from the Malaysian External Trade Development Corporation (MATRADE) has enabled them to participate in any exhibition held to promote their product. R1 has already followed MATRADE team to Australia to promote and to expose their spices and paste. Unfortunately, they were unable to penetrate the market due to majority of Australians who do not take spicy food. However, they are still trying to find other market opportunities to promote their product around the globe.

R2 and R3 did not join any exhibition internationally. They prefer to sell their product to their loyal customer locally. If they had joined any exhibition by MATRADE, they could get some new ideas in improving and promoting their product.

“We were introduced to MATRADE several years ago to showcase our product abroad and we’ve been to many of countries. However, there are still no buyers yet for our product. We were just looking for market opportunity abroad. Since our product is more appealing to Malaysian people, we are now focusing more to local market.” – R1.

### **Sub Theme Exposition**

In this sub-theme, only R1 is actively involved with these network activities. This is because R1 is a member of MATRADE. Through this joint venture, R1 was able to participate in the Malaysia International Halal Showcase (MIHAS) that was held under MATRADE. As a member, R1 was also able to promote their product worldwide. Meanwhile, R2 did not join any exposition (or expo) because they are more focused in their production. As for R3, they used to join the expos but they decided to quit because it did not give any profit to them. In their case, more money was spent on such event instead.

“Every year we were invited to participate in MIHAS by MATRADE. We would not miss it since we are one of the members. If we cannot participate in the event, we will take part in their business matching.” – R1

### **Sub Theme Personal Sales**

For this sub-theme, all respondents are doing personal sales in order to be more stable in the industry. Even though all the respondents are doing the same thing, each one of them is using different strategies to achieve their target sales for each month. R1 and R2 only sell their products at their business premise but for R3 they have an outlet which places their products besides their own business premise. Thus, R3 has two distribution channels to sell their product.

R2 will only sell their product at the same place where the products are manufactured. R1 however, shares the store with their agent to sell their product and at their main office. Although they share their store with their agent, they used different sales tactic. R1 will use their staffs as a salesman to find buyers.

“We have appointed agents at every state so that our salesman could easily deal with these agents. There is also a salesman who will do marketing for the company but just in a small scale. We are more focussed on our agent in each state to deal with us.” – R1

## **HUMAN RESOURCE PRACTICES**

### **Sub Theme Recruitment and Selection**

In this sub-theme, all the respondents have different kinds of approach to recruit their employee. R2 and R3 have similarity in their approach. In their recruitment, they will look into the personality of the candidates. If the candidates show interest in the work, they will be accepted or hired. For them, qualification is not a priority. They believe that having good qualifications will not promise a person to be committed to the work. Interest in doing the job will make the employee more willing to do the work passionately. Comparatively, R1 focusses on qualification to place its employee in certain department. In the administrative department for example, the local equivalent to a General Certificate of Education (GCE) ‘O’ level or *Sijil Peperiksaan Malaysia* (SPM) is the minimum qualification for the general clerk. While for the accounting department, they will hire a degree or diploma holder in accounts. For the operative workers, the requirement is very minimal. As long as they show interest to work, they will be recruited.

“Usually for kitchen employees, we are very picky. We will look very carefully at the candidates because it involved the processing of foods. We really take this matter seriously. For the front desk, we prefer to take the local people. It doesn’t matter if he or she doesn’t have any great qualification, what is important is the interest to the work. There is no such thing that whoever has good qualification can do a better job.” – R2

### **Sub Theme Performance Appraisal**

In this subtheme, only R1 and R2 use the performance appraisal in their company. For R1, they will observe the employees’ work from the beginning of the year. Reward is given based on the employees’ work productivity. The higher the productivity, the higher is the reward received by the employees. While for R2, they will observe the behaviour of the employees. If the work performance of the employee decreases, even though the employee has been working for more than a year, they will investigate and make observation on the employees.

Meanwhile, R3 had once used performance appraisal based on productivity and work performance. Reward was given to those who managed to increase productivity and improved performances. Unfortunately, this exercise

received unfavourable response from those who did not get the reward. The employees felt demotivated and pushed all works to those who had received the reward. As a result, the company decided to discontinue using the appraisal system and gave equal pay to all employees.

“For appraisal, we usually will look at their behaviour, then we will observe their work performance.

There are cases where employees who have already worked for more than a year, yet unable to increase their performance as expected. So, the only way to reward them is through observation on their work.”

– R2

### **Sub Theme Compensation and Rewards**

In this sub-theme, each respondent has a different way to show their appreciation to their employees. R1 will give their employees reward based on their sales. R1 has incentives sales where the salesman may do the sales based on how much they sell. The more sales they do, the more reward they will get. They will also hold an annual dinner for all employees once in 2 years. From there, a strong bond of relationship is formed amongst the staff. However, R2 will increase the salary or bonus of the employees every 3 months. They will give rewards to their employee in term of cash, regardless whether the employee is new or a longer serving employee. However, in terms of compensation, the company will only compensate its employee if an accident or mishap happened during working hours.

Comparatively, R3 do not cover for any accident that happened in company during working hours. The employee may claim to Social Security Fund (SOCSO). However, for rewards, the company will increase the employee’s salary twice a year. Other than that, R3 will pay for the employee’s trip to Makkah for the mini hajj or “Umrah” for those who had been working more than 10 years for the company.

“We will give reward in terms of percentage, which means they are not only being paid by their salary but also in incentives sales. The more sales they make, the more percentage they will get. Usually we will give 1 or 2 percent. If he can get RM100K or RM200K, he will get between RM2K and RM3K as rewards which is spread over three times in a year.” – R1

### **Sub Theme Training and Development**

In this sub-theme, R2 has a more appropriate training programme provided to its employees. Training is an important aspect in the company. All employees are expected to know all the work activities in the company. Training is carried out through job rotation where employees are assigned to various departments to experience the different jobs. At times, employee needs to relief the other employee in the other departments. Employee from the kitchen department is sent to the packaging department, when there is a shortage of staff. Training is given at least a week to the employee to master in their work.

Meanwhile, R1 provides training only to the top management. After the training, the top management is expected to teach their employee in return. If it is compulsory, only then they will send all their operative workers to attend the training. They are very particular on spending money for training.

R3 however, will only provide basic training for the employees, like how to handle the raw material. Only the family members are allowed to control and handle the entire machine that are used.

“We will teach all employees the entire task because it will be easy when we do the job rotation. All employees are expected to know everything in the company. And to do this, I will teach each one of them.” – R2

## **DISCUSSION**

### **NETWORK ACTIVITIES**

#### **Exhibition**

An exhibition is one of the formal events that are participated by many industries all over the world. The participants may come from a dealer or an anchor supplier from various industries. Exhibition is a place where companies take the opportunity to promote their products to the world. Apart from that, it enables the companies to create bondage between other companies and network collaborators. Participating in an exhibition will also

develop confidence in the company to face challenges in the rapid growth of today's business environment. In this study, only one respondent has participated in the exhibition activities. It has collaborated well with MATRADE in promoting its product internationally. Even though, the company is not yet able to attract the buyers from other countries, they enjoy the opportunity and is still making improvements on their product to attract the foreign buyers. Collaboration with the agencies helps a company to find direction on how to sell its products abroad.

### **Exposition**

Expositions or expos are events that are being held for companies to meet their customers. Through this event, companies are able to know and study how the public react to their product. This will help them to identify their product's strengths and weaknesses. Hence, the company will be able to make improvement on its product to meet the customers' satisfaction. In doing so, it is hoped that the company's profit margin will increase. In this study, all respondents have participated in expos. Some of them were disappointed because they fail to meet the targeted sales at the end of the expos. Instead, they have to incur high cost in doing so. Meanwhile, other respondents have good experience where they have the opportunity to meet and greet their customer and they gain more knowledge on what customer desired for a certain product.

### **Personal Sales**

Sales can be defined as the profit margin of the company. Each company will set their target sales to achieve high profit and they will use different kinds of strategies. In this study for example, one of the respondents has appointed several salesmen in finding buyers. These salesmen will use their own creativity and effort to make personal sales. Besides salesman, the respondents also engaged middle man and agents who connect them with the buyers. Still some respondents prefer to sell their product on their own at their outlet or at their business premises without using either a salesman or an agent. In this way, they are able to cut cost in hiring other people to sell their product.

## **DISCUSSION**

The discussion of this study is based on the selected themes as below:

### **Recruitment and Selection**

According to Fletcher (2011), the authority to recruit and select the top education of personnel to accomplish the positions of job came from the attempt of organizational itself to employ the suitable applicant. Selection is a procedure of condensing the number and indicating from among those individuals who have relevant qualifications (Bohlander and Snell, 2007). The result and findings from the study gave an opposite view. Two of the respondents used a different method in selecting and recruiting their employees. They prefer to recruit those who show great interest in the job instead of having good qualifications. The intention is to offer the employee a job to help them survive for life. Moreover, they are a small sized company and they need to focus on their core business to survive in the market. However, one respondent does recruit employee based on education for certain departments. The other two respondents agreed that not all candidates who have good qualifications can do better work. It all depends on the attitudes and efforts of the employees. The process of recruitment and selection may vary in a company depending on the nature, goal and intention of the company.

### **Performance Appraisal**

When an employee can give their creativity by using their knowledge and ability, it will show the good performance appraisal (Shipton et al., 2005). Performance appraisal is a systematic process where it can improve an organization's performance (Armstrong, 2012). The result of the study shows that only one respondent refused to use performance appraisal as a measurement for reward. This is because the company found that the employees were demotivated and refuse to work hard. The other two respondents saw performance appraisal as a tool to motivate and increase productivity among employees. They believe that when employees are motivated, they will work hard to increase their productivity. Hence, this will eventually lead to an increase in the performance and profit of the company. Performance appraisal is still the best tool in measuring employees work performance.

### **Compensation and Rewards**

Compensation and rewards management is a part of human resource system that acts as the incentive to employees in organizations and it also can be explained through the monetary and non-financial forms (Tangthong, 2014).

According to Hameed (2014), reward can encourage the role of employee performance. From the findings of this study, it shows that all respondents provide different kind of rewards to their employees. One of them celebrated the employees by having the annual dinner once in two years. Another, gave a free trip to Makkah for “Umrah” if the employees have been working with them more than ten years. Another company gave bonuses once in three months. Different companies have different ways in appreciating their employees’ work effort and productivity. Thus, reward do play a major role in motivating employees and their productivity.

### **Training and Development**

Training can be defined as a vital role to recover the quality of work process that enhances the presentation of the employees (Faroq and Khan, 2011). It can also be an indicator to improve higher skills, understanding competencies and attitude of employee towards effective performing in work process (Laing, 2009). Since all the respondents are from a small sized firm, trainings are given by the company’s management team to the employee. They do not engage training agency to conduct the training since their business is small and the management team can manage them. One of the respondents gave training only to the top management. However, if it is compulsory to give training to the employee, then they will send them for training. The findings show that training is being carried out by all respondents to their employees. They know that training is necessary to develop skill and knowledge of the employees in doing their work. Thus, training is vital to all companies regardless big or small.

### **CONCLUSION AND RECOMMENDATIONS**

This study has looked into the advantage of network collaboration and network activities in the HRM practices in three food manufacturing SMEs with more than five years business operation. Although majority of the companies have good network collaboration with their customers and the government agencies, it is found that the SMEs have not been able to leverage on the network collaboration with the government agencies. In fact, this study has shown that the SMEs are still struggling to establish themselves in the industry. They still believe that they could operate their business in silo since they are small and need not share information with others. However, one of them showed an effort to collaborate themselves with parties concerned. Besides the companies, government agencies such as MATRADE, Malaysian Agricultural Research and Development Institute, (MARDI), Malaysian Investment Development Authority (MIDA) etc., should be aggressively involved in the network collaboration so that all efforts are channelled in gearing the SMEs towards economic development and growth. Overall networking can have a positive impact on innovation in all organizational setups, for example in large organizations, small businesses and new entrepreneurial start-up business.

In examining the HRM practices in enhancing innovation network collaboration, all of the respondents have used the proper practices. They have recruited, selected, appraised and trained their employees well. However, each company varies in their HRM practices. All the respondents agreed that effective HRM practices are important to the company and the well-being of the employees. The research reveals that effective HRM practices enhance innovation network collaboration in food manufacturing companies of Malaysia. It is an opportunity for a company to establish good network collaboration with government agencies. The company is able to leverage on the networking to commercialize their product locally and abroad. For a company which has budget on research and development, it is recommended to take advantage by having network collaboration with researcher from universities to help them finding solutions to problems faced by them.

Although many companies do not welcome such idea due to confidentiality of information, it could help the company to explore future business ventures. Government agencies such as MATRADE, MARDI, MIDA, SME Corporation need to aggressively play their roles in fostering positive growth of the SMEs. Although some of the SMEs are aware of the benefits offered by the agencies, they still cannot reach these agencies due to lack of knowledge and information. Participating in the exhibition abroad is costly for the small and medium company. Hence, these government agencies could assist better by providing good value to the efforts made by those SMEs. This can be done if the agencies could identify the potential buyer for the SMEs before inviting them to participate in the exhibition.

Business matching is done before the event took place. Apart from that, the government agencies should increase their effort in giving consultancy and advice to the SMEs on how to expand their business at home and abroad so that the SMEs could establish their product in the industry. The encouragement and support of these agencies are crucial in helping the SMEs’ growth. There are several limitations that future researcher should address. This study can be replicated more rigorously in other sector at different locations. Data validation can be done with the network actors of the companies that contribute to the growth of their firms.

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