

DESIRABILITY AND EXISTENCE OF HRD STRUCTURE IN MALAYSIAN MANUFACTURING FIRMS

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Abstract

HRD is rapidly gaining importance in manufacturing firms in Malaysia, as there are strong driving forces such as legal, financial and infrastructural support from the Government. This is because the Government believes that investment in human capital is key to the success of the country's economy. However, this strategy may not be effective without the availability of a properly implemented HRD structure. Therefore, the aim of this paper is to examine and report on the existence of HRD and its structure in manufacturing firms in Malaysia. Its specific focus is the desirability and existence of separate HRD departments within organisations, as well as the size of these departments, the terms used to label them and the location of HRD within the organisational structure. In order to achieve this objective, this study employed a mixed-method concurrent research design, combining a questionnaire survey with personal interviews with HR managers from manufacturing firms in Malaysia. The findings revealed that HRD in LSIs is structurally strategically aligned, whereas the SMIs are active in training and development and tend to focus on output rather than structure and strategy. Nevertheless, the findings of this study will enable employers to understand the importance of the existence of HRD section and its structure for the effective implementation of strategic HRD practice.

Key Words: Manufacturing Firms, HRD Structure

INTRODUCTION

Human resource development (HRD) in manufacturing firms in Malaysia is rapidly gaining importance under the influence of strong driving forces from the Government. Significant financial resources have been invested in this arena, including continuous investment in workers' education and training. These initiatives include funding for training, infrastructure such as training centres and institutions, and information technologies. Moreover, the Human Resources Development Act, 1992 has been implemented to ensure that human resources are provided with the necessary training, education and development in order to achieve the nation's visions and goals, i.e. to move towards knowledge economy status and establish a knowledge-based workforce. This is because the Government believes that investment in human capital is key to the success of the country's economic growth. However, this strategy may not be effective if HRD is poorly structured. Drucker (1974) has asserted that structure is a means of attaining objectives and goals. However, Tyson (1995) argued that there is a relationship between strategy and structure. Indeed, if structure follows strategy, it can also help to create culture, which in turn influences strategic decision-making.

Specific to the case of manufacturing firms, it can be contended that despite the government's initiatives and support of HRD, manufacturing firms need to be able to provide strategic and effective HRD practices to meet the changing demands of the global market. In this context, the existence of structure in implementing strategic HRD practice is pertinent. Hence, it is the objective of this study to examine the nature of HRD structure and its relationship to the strategic HRD framework. The specific focus of the study will be on the desirability and existence of separate HRD departments within

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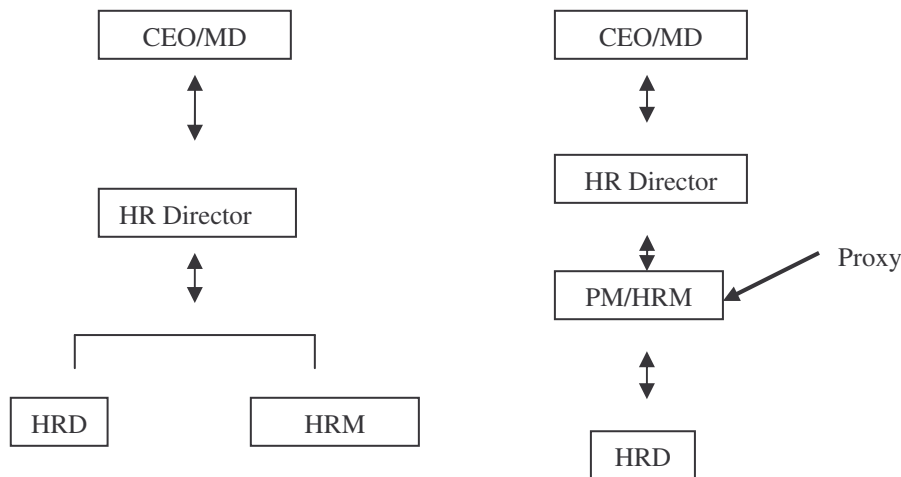
organisations, as well as the size of these departments, the terms used to label them and also the location of HRD within the organisational structure. Manufacturing firms under investigation are grouped by size, and are categorised as large-scale industries (LSIs) and small and medium-scale industries (SMIs).

Organisational Structure and Location of HRD

The design of organisational structure can vary according to firms' size, geographical location, number of employees and sometimes the nature of business. An organizational structure can also be influenced by a firm's classification in terms of ownership, finance and profit motive (Harrison, 2000). However, organizations and their structures are always changing and never remain constant because they are full of conflicts, politicking and ambiguity of purpose, which all can influence the way in which organizational structure is designed. Moreover, structure can limit strategic choices, but it can also promote the exploitation of opportunities. The strategic choices suggested can include, amongst other factors, the degree of centralisation versus decentralisation, integration versus differentiation of levels of hierarchy and the span of control (Megginson, Matthews & Banfield, 2000).

Where is HRD located within the organizational structure? The location of HRD within an organisation's structure has been argued by several authors to be ambiguous, because of the conflicting and reactive perceptions of HRD activities among academics and HRD professionals. Furthermore, HRD departments' positions in organisations are viewed to be insignificant to the organisational structure and to the business (Buckley & Caple, 1995). However, based on the parallel nexus of HRD and HRM, the HRD department is related to and contributes to the organisation's corporate strategy, therefore HRD departments may be placed alongside HRM under the HR director, who might report to the Chief Executive Officer (CEO) or the Managing Director (see Figure 1a). This is because HRD should have direct contact with the top management to ensure their support and commitment towards HRD, rather than being communicating via a proxy through the personnel function (Megginson, Matthews & Banfield, 2000) as seen in Figure 1b below. However, this HRD structure may vary from one organisation to another.

Figure 1: HRD Department within the Organisation Chart



(Figure 1a: Parallel nexus)

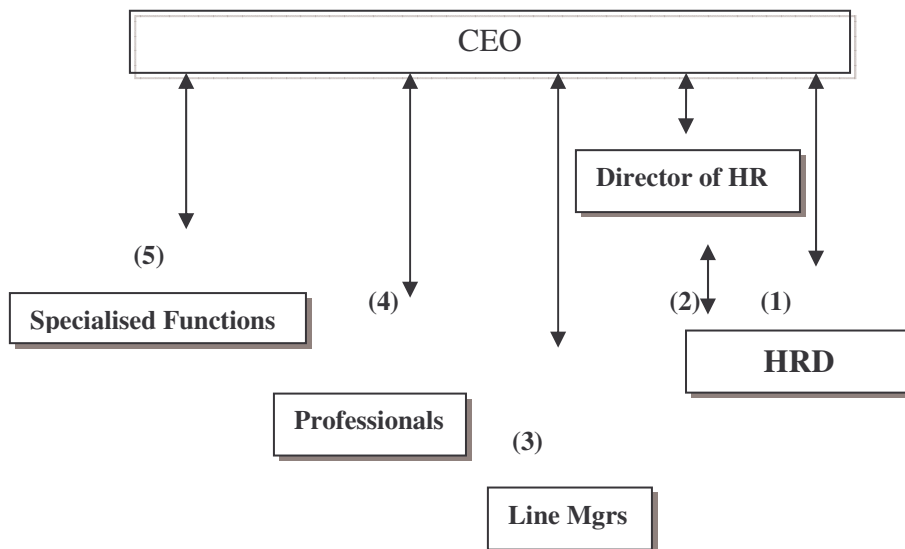
(Figure 1b: Proxy nexus)

Nevertheless, in some large organisations, all HRD activities may be centralised, whilst other organisations may decentralise HRD's span of control by placing trainers in key locations and operating independently from corporate headquarters. Organisations having several large divisions may have both corporate and regional HRD staff: in such arrangements, the role of the corporate department is one of advising and coordinating HRD activities in the various regions through the regional department (Wexley

& Latham, 1991). In contrast, in smaller organisations, the HRD function may be held by the human resource personnel, whose dual role is to manage and develop employees. Alternatively, in organisations where there are many small company branches in different locations, a centralised staff will travel from one location to another or have trainees assemble at one location for training (Megginson, Matthews & Banfield, 2000).

The location of the HRD function within an organization can be characterised as one of several reporting structures (see Figure 2). The first is a structure in which the head of the HRD department can report directly to the CEO or board of management. This situation may be seen as a rarity, except where T&D is a mainstream activity. The second and more common structure involves reporting to the Personnel Director or Director of Human Resources. In this structure, the HRD function may sometimes be seen as a specialist sub-division. In the third structure, HRD is part of the line management function, with no HRD department or specialist staff, and employees' training and development are the responsibility of line managers. This situation is commonly found in small firms. Fourth, the HRD function may be viewed as an integral element of professional development, with some professionals, such as engineers or accountants, controlling the professional development of junior staff under the direction of an experienced professional. Finally, HRD activities may be controlled according to specialist functions, with individual departments being responsible for their own staff T&D (Moorby, 1996). Although there are several ways in which HRD could exist in an organisation, the establishment and location of the HRD department may be influenced by various factors. These may include the organisational environment, business goals and strategy, organisational structure and culture, the employment system and technology, as well as the political system, which are all major influences on the positioning of HRD in an organisation (Harrison, 2000).

Figure 2: HRD Reporting Structures



The HRD Department

Some writers have argued that it is important to establish a separate unit or department for HRD (Church & McMahan, 1996; Huang, 2001; and Megginson, Matthews & Banfield, 2000), which can be seen as linking the functions and activities of HRD with other departments in almost every part of the company (Garavan, 1991; Harrison, 2000; and McCracken & Wallace, 2000). This may be true of Nadler and Nadler (1989), who are among the key initiators of modern HRD and have posited that during the 'old' organizational function, many firms' HRD 'needs' were provided through a subunit of the personnel department, whilst in this new organizational function, many large and medium organizations have attempted to meet the HRD's 'needs' by establishing separate units or specialized and centralised HRD or

training departments (Budhwar & Sparrow, 2002; Church & McMahan, 1996; and Huang, 2001). These have been institutionalised or turned into training centres over time, particularly in large corporations. In contrast, small businesses, because of their size and limited resources, rarely have these specialized staff functions (Megginson, Matthews & Banfield, 2000).

Nadler and Nadler (1989) claim that the nature of HRD, being a professional and specialised function, means that it should be a distinct part of the company. Moreover, by having just one separate HRD unit might not be sufficient. This is because HRD is directly involved in the day-to-day operations of the firm administering and managing line activities as well as the broader functions of forecasting and planning. Hence, organizations may well have several HRD units. For instance, a study by Budhwar et al (2002) found that most of the HRD departments in Oman have subunits such as training, coordination and legal procedures. With these various units, there seem to be a number of HRD professionals, each responsible for different types of HRD activities. But then, it is not surprising if one organisation has more than forty full-time HRD professionals within the organisation, compared to most organisations having just one HRD personnel (Nadler & Nadler, 1989). However, the lack of staff in the HRD function might hinder effective management of employees training and development as well as the strategic recognition of HRD (Cho, Park & Stacey, 1999).

Labelling HRD Departments

The term 'HRD' has been officially approved and used worldwide for more than 20 years, and despite the changing trend from 'training' to 'T&D' and now 'HRD', the term 'training' is still widely used, particularly in the business sector. This also applies to the naming of the departments concerned. Training departments are said to represent the primary and exclusive source of expertise in the field of HRD. For smaller organisations, a general personnel function is often still maintained^[19]. But what difference is made by the name of a department: 'training' versus 'HRD'? Megginson, Banfield and Mathews, (2000) stressed that the training and HRD are two different departments and they cannot be equated, as this can cause misconceptions and negative expectations. Indeed, training is narrower in its role compared to HRD, which is more strategic and developmental.

METHODS

This study employed a mixed-method concurrent research approach combining both structured questionnaire surveys and personal interviews with HR managers or personnel-in-charge of training and development in manufacturing firms in Malaysia. These multiple methods were used to enhance the validity of the findings reported. The questionnaire was sent to all 2,135 manufacturing firms listed under the Federal Malaysian Manufacturers (FMM), with a response rate of 16.5%. A sample of 50 HR managers was selected to participate in the interviews. The interviews were used to solicit perceptions and evaluations of the various dimensions of this study.

RESULTS AND DISCUSSION

The Provision of a Separate Department for HRD

One of the characteristics of effective HRD is the availability of specialised HRD personnel to manage HRD activities. All these activities can be difficult without the presence of a separate function or department with the required expertise in practicing HRD. Hence, the importance to have a separate function for HRD in order to assist them with the development of their human resources and to achieve organisational goals and objectives as inveterate by Nadler & Nadler (1989). For instance, organisations having a separate function for HRD may implement more effective HRD activities in comparison to organisations that do not have this function, which may suffer from the absence of resources such as specialised expertise and the allocation of budget and funds (Church & McMahan, 1996; and Megginson, et al, 2000). However, in this study, it was found that only 44 (28.9 percent) of the 365 participating firms had a separate section for HRD and they were all LSIs. This suggests that separate HRD departments or functions are not found in SMIs. The absence of a separate function for HRD in the SMIs was further confirmed by an interview with a manager from an SMI, who reported that:

“Having a separate department for HRD is a waste of resources. Training is just a small function.....our employees’ training activities can be handled by the HR personnel” (HR Executive; Concrete & Cement; SMI).

Therefore, the results imply that these industries are not accentuating the importance of a separate function in their organisational structure: this may lead to a lack of effective and strategically focused training and development, as it is argued that a structured HRD practice should ideally have a separate department for HRD. Thus, this absence may impede the fulfilment of organisational goals and objectives (Drucker, 1974; and Megginson, et al, 2000), particularly in the SMIs. However, there is substantial evidence in the literature criticising the SMIs’ lack of emphasis on HRD and the fact that if there is any such emphasis, it is directed mainly towards the T&D of employees (Hill & Stewart, 2000; and Hill, 2004). In contrast, some of the LSIs are seen to emphasise the importance of having a separate department for HRD. For instance, one interviewee from the LSIs said:

“Our employees’ training and development is really important to our top management, our business and productivity. We believe that in order to achieve business success, we must have well trained employees, which would be difficult without a separate HRD function.....” (HR & Corporate Relations Director; Food, Beverage & Edible Oils; LSI).

However, this finding represents only a minute proportion of the overall manufacturing industries. Overall, the findings in this study are in contrast to those of Budhwar et al (2002) in Oman, who contended that more than 80 percent of the firms in Oman’s state-owned enterprises have a formal HRD section. Moreover, the literature has indicated that most organisations have at least one separate HRD department, and some organisations may well have several HRD units specialising in different aspects of HRD (Budhwar & Sparrow, 2002; Church & McMahan, 1995; McMahan & Woodman, 1992; and Nadler & Nadler, 1989). Despite arguments by Nadler & Nadler (1989) that having just one separate department for HRD might not be sufficient, it seems that most manufacturing firms in Malaysia do not acknowledge the importance of having such a department, let alone several. Hence, it could be said that having a separate department for HRD in the manufacturing firms in Malaysia is not a priority among employees, particularly in the SMIs.

Number of Years for which the HRD Department Has Been Established and the Labelling of Departments

The LSIs who reported the provision of a separate department for HRD or training were further questioned about the number of years for which the department has been established, which can indicate how long an organisation has been acknowledging and emphasising HRD. In this study, the majority of the remaining firms (65.9 percent) indicated that their HRD sections had been established for between 5 and 14 years. In addition, 29.6 percent of the firms had HRD sections that had been established for less than 5 years. The minimum number of years for which these sections had been in operation was two years and the maximum was 20, with an average of 8 years. This suggests that a large majority of the organisations have had HRD units in existence for a period not exceeding 5 years. Thus, this indicates that most of the HRD sections were first established around the mid 1990s. This may be because during this period, the Government’s emphasis and initiatives on HRD were having an impact on the manufacturing firms. This suggests that the prioritising of modern HRD is still very new in the manufacturing firms in Malaysia.

For those organisations that have separate sections for human resources development, the labels for these sections vary from the traditional “training and development” to the more recent “HRD department/unit”. Only 18.2 percent of these departments are labelled as “HRD” departments or units. More than half are called “Training” departments. Surprisingly, a few of these organisations label their HRD units “Learning and Development” (15.9 percent) and a few others are called “Employee Development and Placement and Talent Development Unit” (6.8 percent). The traditional label of “Training” is still more commonly used, compared to the much more recent label of “HRD”, despite the term “HRD” being commonly used in the Ministry in Malaysia and its current use worldwide. Nadler (1970), for example, deployed the term HRD more than 20 years ago and it has been used worldwide ever

since (Megginson, Matthews & Banfield, 2000). Nevertheless, despite the varied labels for HRD, the majority of the Malaysian manufacturing firms surveyed still believe that HRD and other similar terms are about providing employees with skills and technical training, or simply regard this function as being merely about the provision of training rather than HRD. The following interview statement may be quoted to support the above data:

"I have been in this field for more than 10 years. I have seen many changes in the terms, from 'training' to 'HRD' and now some fancy names.....'Capital Development?'...However, the basic concept is merely training. Therefore, whatever term is being used, it will mean the same...'training!' (HR & Administration Manager; Concrete & Cement; LSI).

It can be deduced that HRD practice in the manufacturing firms in Malaysia is still not very advanced in its development. As a consequence, HRD practitioners may require specialised education and training in HRD in order to carry out structured and systematic HRD, rather than merely providing training to employees (Garavan, 1991; and Harrison, 2000).

HRD Reporting Structure

The reporting structure in the HRD departments or units varies from the Board of Directors to the HR Manager. Almost half of the respondents indicated that they report to the Human Resource Director. Reporting to the Chief Executive Officer (CEO) and the General Manager (GM) is also a common phenomenon, which represents about 41.0 percent of the total respondents. The remaining 13.6 percent of the respondents indicated that they report to the Board of Directors and the Human Resources Manager. The following quotes from interviews may be cited in response to the above data:

"I believe that reporting to the top management - in my case, reporting to the HR Director - is the best. This is because the HR Director forms part of the board of directors. Therefore, training budget allocation can be speeded up, as the HR Director has the authority to approve training budgets, if not the CEO, whom the HR Director is usually close to" (HR Manager; Machinery & Transport Equipment; LSI)

"I report directly to the CEO. In my opinion, the HRD department should report to the top management, as it involves large budgets and funding for training. So, to make the HRD process efficient and speed up approval, the person responsible for HRD should report directly to the CEO (HR Manager; Metal; SMI)

The practice of personnel in charge of HRD reporting to the HR Director, CEO and GM of the company was revealed as an effective management structure. As such, it has been endorsed by Buckley and Caple (1995), who claimed that reporting to the HR Director, CEO and the GM represents direct contact with the top management of the company. This helps to ensure their support and commitment (especially in terms of budgets and approvals) towards employees' training and development rather than communicating through a proxy such as the HR or Personnel Manager. Indeed, a number of authors have contended that top management support and commitment towards HRD is imperative (Garavan, 1991; Harrison, 2000; and McMcCracken & Wallace, 2000).

Staff in the Separate Department for HRD

Having completed an assessment of the provision of HRD departments in the manufacturing firms, even though a majority of the departments are called 'Training', an examination of the number of staff in these separate departments for HRD is required. It was revealed that some of the manufacturing firms have departments for HRD; therefore, with this provision, it was expected that there would be at least one if not several staff manning these departments. Indeed, the findings showed organisations that have a separate section for HRD have between 1 and 31 staff manning the HRD function. The majority (more than 50 percent) of these organisations have 2 or 3 members of staff and, about 13.6 percent have

only 1 member of staff. However, some organisations (13.6 percent) reported that they had more than 6 staff members in the HRD section, inclusive of internal trainers and specialist technical trainers. However, this scenario was reported only by respondents from the larger electrical and electronics and the petroleum industries.

The presence of several staff in the HRD department has been confirmed by McMahan & Woodman (1992) and Church & McMahan (1996). Also, Nadler & Nadler (1989) argued that it is not inconceivable for a firm to have more than 40 staff members in the HRD department. Such a large number of HRD staff was found in only one company in the Malaysian sample: an oil and gas company that has 31 staff responsible for HRD. Hence, the above findings suggest that manufacturing firms in the Malaysian setting are comfortable with fewer staff in the HRD department. However, Cho et al, (1999) argued that having insufficient staff to carry out HRD functions might hinder the strategic implementation of HRD practice. Moreover, the merits of having several HRD specialists responsible for different specialised functions and activities in HRD have been propounded by authors such as McMahan and Woodman (1992). Indeed, the lack of specialised HRD personnel within the organisation may be explained by the fact that a wide-ranging selection of specialised expertise is externally resourced. This specialised expertise may be available from relevant institutions and bodies such as the Federation of Malaysian Manufacturers (FMM) and the Human Resource Development Council and other similar institutions Federation of Malaysian Manufacturer, 2004; Ministry of Human Resources, 1997 & 2002).

Other Departments Responsible for HRD

As mentioned earlier in this section, more than half of the respondents did not have a separate department in their organisations to handle the HRD function. The vast majority of these firms are from the SMI category. In the absence of a separate section for HRD in their structure, these organisations reported that other departments are responsible for the HRD function. The largest proportion of the respondents indicated that the Human Resources Department was responsible for HRD in their organisations.. This was reported by a little more than 90 percent of the LSIs and 69 percent of the SMIs. Nadler and Nadler (1989) have argued that both HRD and HRM come under the umbrella of HR; therefore, it is acceptable for the HR department to be responsible for HRD. Against this, however, the responsibilities of the HR department are very wide-ranging and extensive, and if HR managers are responsible for carrying out HRD, this will affect their ability to carry out the extensive and specialised role of HRD effectively.

On the other hand, in some 20 percent of the SMIs and a few of the LSIs, the Personnel Department was responsible for HRD. This situation is supported by Megginson et al (2000) and Ardichvili and Gasparishvili (2001), who argued that HRD is an aspect of personnel management, and that the generalist function of the personnel department should still be maintained, particularly in smaller organisations. Furthermore, in the absence of the HR and Personnel Departments, the SMIs also used other departments, such as the Administration & Finance or Accounts department (10.3 percent), Quality Assurance and the TQM section, to manage employees' training and development. However, giving these non-related HRD departments the responsibility for HRD activities raises questions about their efficiency and effectiveness. Indeed, it has been contended in the literature that organisations that do not have a specialised function for HRD may not be able to achieve effective HRD, which may impede their ability to fulfil organisational strategies, goals and objectives (Budhwar & Sparrow; Church & McMahan, 1996; Huang, 2001; and Megginson, et al, 2000). Therefore, the parameters for HRD and training effectiveness in these organisations are yet to be empirically defined.

Building on the above premises, a Chi-Square test for independence was conducted, and its results revealed that the types of departments responsible for HRD in the SMIs and the LSIs were significantly different ($\chi^2 = 95.92$, $df=4$, $p<.001$). This reflects the observation that the majority of the HRD departments within the LSIs are labelled as HR departments, with very few being called "Personnel" or other similar titles. However, in the SMI category, a variety of labels are used for HRD departments or sections other than "HR department". Indeed, other authors have confirmed that departments such as Personnel and HR are mainly responsible for HRD functions, particularly in smaller organisations (Buckley & Caple, 1995; Fernald, Solomon, & Bradley, 1999; Hill & Stewart, 2000; Hill, 2004; Megginson, et al, 2000; Sadler-Smith & Lean, 2004; and Vinten, 2000), as evidenced in this study.

The Provision of Training Centres

The availability of training centres is far from being universal. Even large, prosperous organisations may consider a training centre as an expensive operating cost. While a dedicated training centre may be convenient in terms of availability for usage whenever needed, the economic cost of heavy use of the centre can outweigh the economic advantage.

It was mentioned in an earlier section that more than 70 percent of the LSIs and all of the SMIs surveyed had no separate department for HRD. Following on from this finding, the study examined whether the participating firms in the survey had training centres in their organisations. Of the 365 participating firms, 122 reported that they had training centres: 45.4 percent of these firms were LSIs, while 24.9 percent were SMIs. This finding indicates that only about a quarter of the surveyed firms have training centres within their organisational structures. This is confirmed by the Chi-Square test for independence, in which the presence of training centres in the LSIs is significantly different to that in the SMIs ($\chi^2 = 16.50$, $df = 1$, $p < .001$). The LSIs appear to be more concerned with having training centres than the SMIs.

Generally, it was seen that a majority of the manufacturing firms in Malaysia placed little emphasis on the provision of training centres, which was not regarded as a priority. This is reflected in the availability of numerous external training providers as well as institutions that provide various resources, such as expert consultants and trainers, equipment, materials and mechanisms and other related resources, some of which may be available for free as incentives from the HRDC. Therefore, the provision of training centres in the Malaysian manufacturing industries is still far behind the provision of such centres in the USA, where specialised HRD departments have been institutionalised into training centres (Megginson, Matthews & Banfield, 2000) and HRD activities are often housed within corporate universities or have university affiliation (Mulder & Tjepkema, 1999). To date, such provision is not evident in the manufacturing sector in Malaysia.

CONCLUSION

This study has produced evidence that the structure of HRD in manufacturing firms in Malaysia is related to the strategic framework of HRD. This is seen in the fact that separate units or departments for HRD only exist in the larger firms. Even though most of the establishments have been in existence for several decades, the emphasis on HRD is still lacking, as a majority of the firms focus mainly on training and development, which is evident in the labels used in the establishments. Indeed, the notion of traditional HR and personnel being in control of HRD still persists. However, despite the fact that HRD in the manufacturing firms in Malaysia is relatively young, this study has argued that HRD is also quite developed and modern in some large firms, in which advanced labelling or imaginative terms such as “Employee Development”, “Placement and Talent Development”, “Employee Development” and “Learning and Development” are deployed. This finding contributes to the literature on the deployment of these more modern and sophisticated terms.

In contrast to the LSIs, the structure of HRD in the SMIs is very much absent: hence, the responsibility for HRD falls upon their human resource departments. However, despite the absence of separate units or departments for HRD in the SMIs, there is evidence of training centres within some of these organisations. This may suggest that the SMIs are active in developing their human resources through training centres, as in-house training is more cost-effective than outsourcing. Generally, these findings indicate that HRD in manufacturing firms in Malaysia is strategically aligned in LSIs but output oriented for the SMIs

Nevertheless, the findings of this study will help employers to understand the importance of structure for the effective implementation of strategic HRD practice. Moreover, very little is known about the existence of HRD and its structure in the literature; therefore, it is hoped that findings from this study will contribute both to the literature and to human resource professionals.

IMPLICATIONS

The view that the structure of HRD lacks importance is still eminent in manufacturing firms in Malaysia. Of course, there are a few exceptions: a handful of large organisations have identified the

critical need for a separate function for HRD, managed by staff with the appropriate HRD expertise. Moreover, this study presents evidence that the function of HRD is relevant to the effective management of employees' development, and that the HRD function can influence the effective implementation of HRD activities, particularly HRD strategic planning and integration. This has implications for employers and HRD practitioners, in that they need to address the importance of having a separate function for HRD in which employees' HRD activities can be managed efficiently and effectively by the appropriate HRD expertise; otherwise, HRD may not be able to achieve its main objectives.

LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

The first limitation of this study is associated with the fact that it was conducted only in manufacturing firms in Malaysia, and the other private sectors (such as hospitality and services, construction, finance, transport, agriculture, mining) were not included due to time constraints. Therefore, the findings of this study cannot be generalised to the national HRD context, as the other private sectors and the Government services were not covered. As this is the first empirical study of HRD in Malaysia's manufacturing firms, it was not possible to cover all sectors. Hence, a nationwide study is recommended to provide a fuller picture of the national HRD situation in Malaysia. Secondly, this study merely examined the existence of HRD and its structure in manufacturing firms, but the effectiveness of HRD practices with accessibility of structure were not examined. Hence, to insinuate that HRD practice is effective with the accessibility of HRD structure requires further research.

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