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MASTER OF BUSINESS ADMINISTRATION

Employee Engagement: A Malaysian Insight Into A Private Manufacturing Company In Negeri Sembilan

Author : Lim Thiam Leng
Student No : I09004931
Supervisor : Ms Yalini Easvaralingam
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Faculty of Business, Communications and Law

Abstract

The term 'employee engagement' is not new in the world of management. The popularity of this concept among manufacturing organizations is mainly attributed to the implications, primarily employee loyalty and staff retention; as a result of overlooking this important area. Therefore, through a holistic approach, the purpose of this study is to identify key constructs that influence the development of employee engagement within the backdrop of manufacturing organizations in Malaysia. A quantitative survey was completed by 158 employees in one of the manufacturing companies used as the study site, in the state of Negeri Sembilan, Malaysia. The survey questionnaires included measures of five key antecedents of employee engagement identified through literature review: work passion, supervisory behavior and support, team climate, organizational commitment and age demographic. Through factor analysis, the summated factors for the constructs were used for statistical analysis that followed. Analytical procedures incorporated into this study encompassed reliability analysis, correlation analysis, multiple regression, and one-way ANOVA. Results obtained indicated that all five antecedents exhibited significant relationship in employee engagement development. However, only work passion and organizational commitments emerged as predictors of employee engagement. In addition, another vital indicator, age demographic, revealed negative relationship with employee engagement. Consequently, the proposed theoretical framework of this study was supported by hypotheses testing that verified the impact of these key antecedents towards employee engagement. Additionally, the multi-dimensional framework proposed in this study serves as a useful starting point for Human Resource departments from manufacturing companies in Negeri Sembilan to achieve a holistic employee engagement approach.

Keywords: Employee Engagement, Manufacturing, Work Passion, Supervisory Behavior and Support, Team Climate, Organizational Commitment

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Lim Thiam Leng

December 2011

Declaration

"I hereby declare that this research project is of my own effort
except for those information of which the source are clearly specified"

Lim Thiam Leng

December 2011

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Chapter I

Introduction

This chapter provides a brief introduction on the purpose and background of this research in relation to employee engagement in a private manufacturing company in the state of Negeri Sembilan, Malaysia. As part of an overview of this chapter, topics on problem statement, research questions, research objectives and significance of the research will be discussed. To complete this chapter, assumptions and limitations of the research will be supplemented.

1.1 Background of Study

Malaysia is a middle-income country that has undergone since the 1970's, major migration from a country that produces raw materials (for example tin, rubber and palm oil) into a growing multi-sector economy. It has been Malaysia's aspiration to achieve high-income status by year 2020. In order to move up a notch higher in the value-added production chain, the country, through Economic Transformation Program (ETP) initiatives, is gearing towards emerging sectors such as manufacturing and services (Indexmundi, 2011).

As of second quarter of year 2011 (or denote as Q2'11), Malaysia registered an average 2011 Gross Domestic Product (GDP) growth rate of 4.5% or RM285 billion. This achievement is relatively impressive when compared to other nations such as the United States (1.9%) and Japan (-1.0%). However, this is still lower than emerging Asia economy power house, China at 9.6% (Miti, 2011).

Referring to Figure 1, from January till June 2011 (or denote as Q1 - Q2'211), Manufacturing forms the second largest sector after Service sector, which stood at 57% of the GDP. Manufacturing sector contributes to 27% or RM79.1 billion

of the Malaysia's GDP during this period of time. Other sectors after Manufacturing include Agriculture (7%), Mining & Quarrying (6%), and lastly Construction (3%).

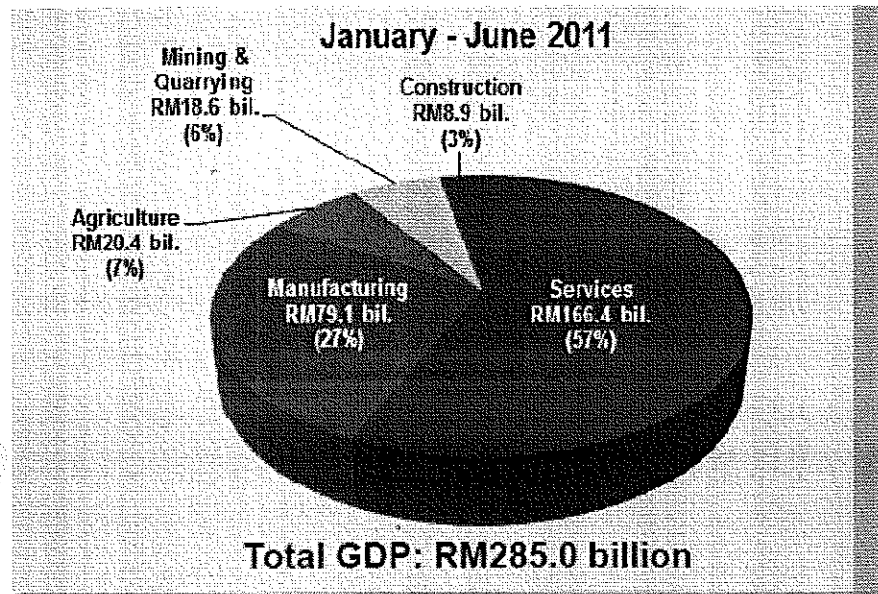


Figure 1: Malaysia's GDP by Sector (Jan – June 2011)

Source: Ministry of International Trade And Industry (2011). Available at <<http://www.miti.gov.my>> [Accessed 6 October 2011]

Within Manufacturing sector, in terms of sales value, between July'10 to July'11, Refined Petroleum generates the highest sales out of the five (5) main manufacturing industries in Malaysia, namely Semiconductor Devices, Industrial Chemicals, Iron & Steel Products and Rubber & Latex Processing. As depicted in Figure 2, 50% of the Manufacturing sales value derived from Refined Petroleum, followed by Semiconductor Devices at 21% (Department of Statistics Malaysia, 2011).

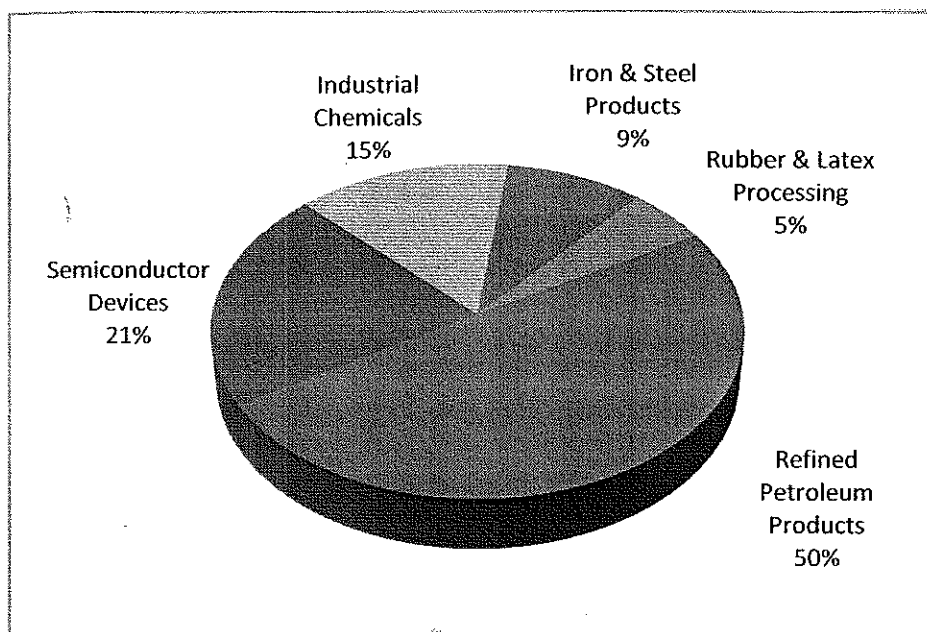


Figure 2: Sales Value of Manufacturing Industries in Malaysia (July'10 – July'11)

Source: Department of Statistics Malaysia (2011). Available at <http://www.statistics.gov.my> [Accessed 7 October 2011]

Negeri Sembilan is one of the states located at the west coast of Peninsular Malaysia with a total population of 1.01 million people in year 2010 (Department of Statistics, 2011). At state level, the economic activities in the state of Negeri Sembilan resemble to the national level except that its Manufacturing sector is more significant than the Service sector. In year 2009, the state registered GDP of RM19.76 billion where 48.6% or almost half of the GDP was derived from Manufacturing sector. Service sector comprised 41.7% of the GDP (Department of Statistics, 2011). It can be concluded that the state of Negeri Sembilan is highly dependent on Manufacturing sector as its main economy generator. Therefore, the state serves as an excellent avenue for business research study related to Manufacturing sector.

Given the importance of Manufacturing sector in Malaysia, it is prudent to ensure manpower support is seamless among the existing 1.88 million direct labor workforce (as of year 2010) in order to ensure continued sustainability of

the sector towards the nation's economy (Department of Statistics Malaysia, 2011). Consequently, it is vital to ensure the Manufacturing sector is supported by highly-engaged workforce of employees. Similar scenario applies to the state of Negeri Sembilan.

1.2 Problem Statement

Although Malaysia's unemployment rate is relatively low at 3.0% as of July 2011 (Department of Statistics Malaysia, 2011), little attention has been given to the country's turnover rate. The overall voluntary turnover rate in Malaysia has increased from 10.1% in 2009 to 13% 2010 (HR Matters, 2010). This worrying trend means that for every 100 employees in an organization, there are 13 people who potentially would leave the organization. Based on the survey conducted by Aon Hewitt in Malaysia labor market landscape, the most common reason of voluntary attrition is 'Better Opportunity Externally' (HR Matters, 2010). Additionally, combination of Engineering and Manufacturing functions contributed to the highest attrition at 35% in the survey conducted (AON Hewitt, 2011). It should be noted that there exists Engineering functions in the Manufacturing sector in the form of indirect workforce although the core day-to-day production / Manufacturing operations are supported by the direct workforce.

As mentioned in the previous section, it is critical to ensure seamless supply of workforce since the core function of Manufacturing is driven by productivity and thus, economy of scale. Loss of skilled workforce would hamper productivity and cripple organizational growth (Pati & Kumar, 2010). Furthermore, employee training incurs both cost of labor and operations as employees are not 'productive' during the training period. Generally, productivity leading to profitability, have close association with workforce that is fully engaged (Gallup, 2006). The challenge for every business today is to improve productivity in a highly competitive environment. Therefore, it is important to have highly-engaged employees in the Manufacturing organizations to achieve productivity as part of the overall business objectives.

The term 'employee engagement' is not new in the world of management. According to D'Souza & Mulla (2011), employee engagement is briefly defined as an individual employee's involvement, satisfaction and enthusiasm for his or her work. The popularity of this concept among business organizations is mainly attributed to the numerous implications arising as a result of overlooking this important area; such as burnout, employee retention and loyalty (Shuck & Wollard, 2010). In a larger view, the far-reaching impacts of employee engagement towards business organizations that rely on Manufacturing as a backbone support are productivity, sustainability and ultimately, profitability. The fact that only 14% to 30% of employees in companies are engaged at work, therefore it is of no surprise that this term has emerged as one of the hottest topics in management (Welbourne, 2007).

There have been various attempts by researchers from various disciplines, particularly *management* (Rich, et al., 2010; Xu and Thomas, 2010), *human resources* (Shuck, 2011; Zigarmi, et al., 2009) and *psychology* (Kahn, 1990; Maslach et al., 2001; Saks, 2006), to explain the significance of employee engagement and its corresponding antecedents. Given the huge implications of employee engagement towards survival of organizations, addressing engagement gap per se does not solely lie onto human resources department alone, but it also requires participation of organization leadership (Whittington & Galpin, 2010). A disengaged workforce is detrimental to the organic growth of Manufacturing organizations where dependence on manpower is highly critical.

Consequently, this study will explore the key constructs that influence employee engagement in Manufacturing organizations. Hence, it is imperative that organizations in Malaysia, especially business entities whose core activity is manufacturing-based, strive to pursue employee retention initiatives based on the implications discussed above.

1.3 Research Perspective

The concept of employee engagement has attracted attention of both groups of