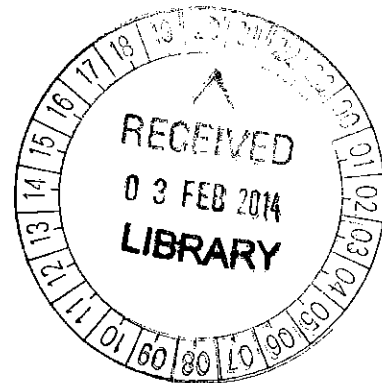


# INTI INTERNATIONAL UNIVERSITY

## MASTER OF BUSINESS ADMINISTRATION

**Evaluating The Effect Of Organizational Relationship On Employee Satisfaction And Organizational Growth: Focus On Negeri Sembilan**

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## **Abstract**

This paper attempts to assess the correlations between organizational relationship and employee satisfaction as well as its subsequent impact on organizational growth, with focus on Negeri Sembilan while using variable such as general satisfaction, employee relationship, remunerations, benefits and organizational culture, employee loyalty to measure employee satisfaction and commitment, employer relationship, trust, shared values and goals and respect to measure organizational relationship.

Data was collected from 150 employees in Negeri Sembilan. Correlation and Multiple regressions were used to analyze the data. Based on the analysis, there is a positive relationship between organizational relationship and employee satisfaction as well as organizational growth, with constructs of shared values and goals and commitment having the most significant influence on organizational relationship and general satisfaction and remuneration, benefits and organizational culture were seen to have the most impact on employee satisfaction.

This suggests the most important influencers of organizational relationship and employee satisfaction respectively. Finally the results prove that a positive organizational relationship influences employee satisfaction as well as organizational growth.

**Key words:** Employee satisfaction, Organizational relationship, Organizational growth, Negeri Sembilan

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## Declaration

"I hereby declare that this research paper is my own effort except for those summaries and information of which sources are clearly specified"

14<sup>th</sup> December, 2012

Iqwo Tawo Eyang

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## **CHAPTER ONE**

### **1.0 Introduction**

This chapter focuses on the introductory aspect of the research, it contains the problem statement, the research scope of study, research objectives which entails what the research paper intends to achieve, operational definition containing key terms and their definition, limitations of the research in various aspects and the significance of the research in terms of its uniqueness and specific purpose.

### **1.1 Background**

The study of organizational relationship has become a significant aspect of literature as a strategy targeted to deliver the theoretical basis to comprehend the employee and employer viewpoint for the past 20 years (Ribeiro-Soriano and Urbano, 2010). Motivated by relevance in relating the communication and responsibility that produce the social exchange, scholars have studied the parties that are involved in the relationship, the worth of the possessions traded and the custom of mutuality which has remained the foundation to examining employees successful dedication in reaction to employer expressed Organizational relationship and the association amongst employment relationships as interpreted by the employer and firm output (Coyle-Shapiro and Shore, 2007).

### **1.2 The Business environment and Organizational Relationship**

The environment in which businesses operate has drastically increase its intricacy over the years, a diversity of persistent issues such as increasing market globalization and extreme rates of change in parts of technology and industry has altered the perspective in which the social and economic trade occurs. External influence on organizational behaviors proposes that an

important revolution in external elements will have a subsequent revolution in the organizational perspective.

Furthermore, the change in the organizational perspective indicates, in turn an alteration in the behavior of the organization and the relationship amongst the employees and employer. Specifically, the greater the complexity in the workplace the greater the level of survival and competitiveness and the desire to improve (Ribeiro-Soriano and Urbano, 2010).

In opinion of the point that Malaysia's colonial legacy together with additional contemporary external investment by Japanese and Westerners, the conventional forms of governance and business administration have been altered. It is obvious that the Malaysians' administrative pattern and applications are being modified particularly in those working for corporations that relate straight to their overseas associates or superiors, based on the aforementioned report, it is noted that Malaysian managers are not considered to be independent including putting personal relevance beyond the organization as they are still controlled by core ethnic and religious principles which reinforce their conduct, belief as well as approach (Grill, 1998)

Previous reports have continuously exhibited that persons who are greatly dedicated to their corporation and possess greater satisfaction in their workplace would be less prone to contemplate exiting the corporation (Lo and Ramayah, 2011).

It will be sensible to consider the leadership style common in Malaysia as it relates to the kind of relationship, which the employees will experience, although the relationship style has not been conclusive. Grill (1998) proposed that Malaysian leaders are observed to be straightforward, delegate less but more contractual, but Govindan (2000) indicated that Malaysian leaders whereas are highly participative and counseling, it is believed that the supervisor and subordinates have the capability and likelihood of impacting one another.



Lo and Ramayah (2011) noted that in large-sized organizations which may include industrial firms, retail industries etc. in Malaysia, they exist a two waylink of impact amongst superiors and subordinates, in contrast, Abdullah (1996) noted that Malaysian executives are basically acquainted with a single level of relationship. Thus, it is needful to acknowledge via disclosure to various work patterns, group communication and scrutiny of job-associated practices not just in intra-cultural stages, but also at the inter-cultural stages as well as cross-cultural stages.

Notwithstanding the significance of organizational relationship, managers in organizations are mostly not informed of how important the relationship is to the success of the organization. While most past research have focused on other aspects of employee/job satisfaction, very little focus has been on organizational relationship, thus to have a total understanding of employee satisfaction, it is imperative to assess if organizational relationship influences employee satisfaction as well as increase organizational growth.

Organizational function, growth and advancement may rely significantly on the relationship existing in the organization as well as the relationship existing between the employer and the employee.

When an employer hires an employee, he is not just adding another staff into the workforce but is also creating a new relationship and when this relationship is managed properly it often leads to employee happiness and business success (Schreiner, 2012).

Coyle-Shapiro and Shore (2007) explain organizational relationship as relationship occurring in business between employees and employers. Organizational relationship should go beyond achieving the core objectives of the organization, it should also involve building a moral and sustainable relationship, just as an employee values his job like his personal business, it is considered a worthy possession which extensively influences their lives, families as well as the firm in which they work.

Employees should be able to raise issues regarding their job, work environment, ethics, and firm improvement etc. without fear of termination. Employers, who mistreat their employee, have unfulfilled promises and regard employees as basic instruments of the firm's interest end up failing to meet their core objectives (Josephson, 2010).

It is important to understand that employee satisfaction in the workplace will lead to increased organization profitability and dissatisfaction will result to high employee turnover, bad timekeeping as well as high level of absenteeism which will lead to firm failure. The importance of a positive relationship between employers and employee are enormous, they include job satisfaction, efficiency, high output level and organizational growth amongst others (Muse and Wadsworth, 2012). Therefore this study seeks to re-enforce the importance of a positive organizational relationship as it leads to employee satisfaction and firm growth with focus on specific firms in Negeri Sembilan.

### **1.3 Problem Statement**

This study emphasizes the importance of organizational relationship as a component of job satisfaction, which leads to organizational growth. Organizational relationship consist of good communication habits between departments and between managers and employees (Cvent, 2011), proper communication in an organization can lead to understanding of employees attitudes, values, emotions, ambitions, wants and needs, proper understanding and acceptance of this elements leads to employee satisfaction and accomplishment of organizational objective (Plunkett *et al.*, 2005), and a lack of communication or organizational relationship may lead to employee dissatisfaction and prevent organizational growth. Therefore this research seeks to emphasize the importance of organizational relationship in Malaysia as a means of achieving employee satisfaction, which ultimately leads to organizational growth in the country.

Although ample studies have been carried out on this area, very limited studies have focused on Malaysia, most studies have only focused on Job satisfaction amongst employee in SMEs in the manufacturing sector (Abdulla *et al.*, 2007), employee satisfaction and how its affects organizational growth, a study on mentoring and job satisfaction in Malaysian SMEs conducted by Lo and Ramayah(2011) which only focuses on mentoring and its positive effect on employee satisfaction.

Similarly, even international studies have not really focused on the importance of organizational relationship and how it influences employee satisfaction and organizational growth, most studies only emphasize on employee satisfaction benefits, or on employee turnover indicators as predictors of customer satisfaction (Hurley and Estelami ,2007).Recently, researchers have focused on creating benchmarking indicators for employee satisfaction (Al-zoubi, 2012) however, they lack focus on the state of relationship gap identification i.e. in terms of organizational relationship and employee satisfaction.

Based on Herzberg's (1964, 1966) two-factor theory that encapsulates hygiene factors which is related to elements that influences organizational relationship and job dissatisfaction and motivators. Also focusing on job satisfaction elements as it relates to the equity theory proposed by Adams (1963) and Vecchio (1982), which allows employees and employers to focus on the factors responsible for job satisfaction in comparison to their individual results includes; pay, acknowledgment, job satisfaction, opportunity and development etc. this factors are influenced by organizational relationship.

Therefore, this study seeks to bridge the gap between previous studies as well as re-enact the importance of organizational relationship. Also this study will analyze the effect of organizational relationship with more focus on certain industries in Negeri Sembilan.

The reason why it is focused on Negeri Sembilan in Malaysia is because of proximity to target respondents and Negeri Sembilan is strategically located next to the capital city (NSIC, 2011), therefore, providing a solution for Negeri

Sembilan may act as a basis for other states within Malaysia as well as the world.

Furthermore, with the ever-changing business environment, this research will act as a guide in reinforcing the importance of a positive organizational relationship and its significance in employee's satisfaction as well as organizational growth. It will also correct the idea that employees only desire financial compensation as a factor for satisfaction but relatively desire a positive organizational relationship.

#### **1.4 Research Objectives**

The purpose of this study is to underline the role of organizational relationship towards Employee satisfaction and the subsequent impact to Organizational growth. The Sub-objectives includes;

- i) To analyze the impact of organizational relationship on employee satisfaction.
- ii) To analyze the impact of employee satisfaction on organizational growth.

#### **1.5 Significance of Study**

This research will benefit the following group of people;

**Stakeholders in a firm:** this refers to people who are influenced or influence the operations of an organization and they include, the employers, employees, customers, investors etc. this research will help create a positive relationship with the stakeholders involved majorly the employers and employees.

**The government:** this will influence the government to formulate industrial policies that will encourage organizational policies especially in the areas of open door policy, communication, encourage management support to their employees as well as government providing the necessary infrastructure to

facilitate the policies. The completed project will be handed to the Ministry of Human Resource.

**Industry:** With the ever increasing change and nature of business, with this research organizational managers will focus its attention on ways of solving operational problems. For every industry that will be represented in this research will be able to adjust their operations by seeking for ways to achieve employee satisfaction as well as create new strategy in encouraging organizational growth.

**Academia:** This research will create an avenue for future improvement, knowledge development in schools for example, students will be taught about the relevant topics in this research and its relevance in the workplace.

These groups of stakeholders will be informed on the outcome of the research, as a copy of the entire documentation will be handed to specific managers of organizations particularly organizations whose employees will participate in the survey. Also as previously mentioned, a copy of research will be handed to the Administrative head of the ministry of human resource in Malaysia.

## 1.6 Limitations of Study

Limitations will be experienced in certain areas such as;

**Limited industry coverage:** Negeri Sembilan is occupied by most industries existing in other states in Malaysia; however, focus will be on the Manufacturing, Accommodation and food services, Wholesale and retail trade and education industries. These sectors have the most population of labor force in Negeri Sembilan (Department of statistics, Malaysia, 2010).

**Limited components:** The research does not cover all the aspects of employee satisfaction i.e., other elements that make up employee satisfaction are not analyzed as this paper only focuses on four major elements. However, the elements of employee satisfaction are more than four.

i) Limited sample size: it will be impossible to survey all the industries/companies in Negeri Sembilan. The research result may not represent the entire labor force in Negeri Sembilan.

ii) This research will be carried out within a certain time period, basically less than two months; therefore, all the necessary information may not be gotten due to limited time.

## 1.7 Scope of Study

This study is limited to Negeri Sembilan, due to geographical constrain, that is it will be difficult to get information from other states in Malaysia. Thus research will be carried out in Negeri Sembilan based firms and information will be gotten from the employees, which is the key focus, although it is centered on Negeri Sembilan, it is limited to few towns within the state.

Also the scope of this research focuses on employees, the reason is because, employees handle the everyday operations of the firms, example in a manufacturing firm, the employees do the manufacturing process while the employers may only give directives therefore, it is important to understand what makes the employees stick to a particular employer and how the relationship with their employer influences their output.

On a personal note, the reason why it is focus on employees is because employees are considered the weaker partner and no bond can survive except the employee senses that one actually exist, furthermore, Tsuiet *al.*, (1997) in their research on employee-organization relationship did focus on the employers expectations on employees based on various organizational relationship approaches, thus this paper will focus on employees expectation on employers.

This research will be carried out within a certain time period, basically less than two months.

Furthermore, a sample size of about 170 people will be employed.

The used of questionnaires to collect information from prospective respondents will used and analyzed using the SPSS software V20

This research will only focus on organizational relationship and how it influences employee satisfaction, which affect the organizational growth

## 1.8 Operational Definitions

**OR/EOR:** Organizational Relationship/Employee Organization Relationships - Use to describe the relationship between the employee and the organization. (Shore *et al.*, 2004)

**Employee satisfaction:** is defined as a pleasurable or positive emotional state resulting from appraisal of an employees job or job experiences (Locke, 1969, 1976) Job satisfaction varies from different genders, different elements are considered important to achieve job satisfaction to different people (Nash, 1985). Can be used in the same context as job satisfaction.

**Organizational factors:** Organizational factors in the context of work description, leadership/managerial style, work environment etc. (Robbins and Judge, 2007).

**Internal marketing:** internal marketing emphasizes on achieving effective internal exchanges between the organization and its employee groups as a requirement for successful interactions with external markets (George, 2002)

**Key terms:** Organizational relationship, Employee satisfaction, Organizational growth, Negeri Sembilan.