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MASTER OF BUSINESS ADMINISTRATION

The Factors that Influencing Employee Job Satisfaction: Case of
Selected SME in Klang Valley

Author: Thanigaivel A/L R.Krishnan

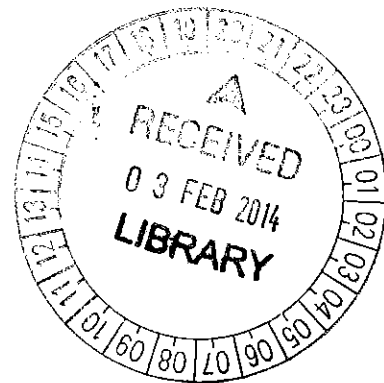
Student No: I07007161

Supervisor: Ms. Bibi Nabi Ahmad Khan

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Abstract

The objective of this study was to examine the factors affecting employee job satisfaction at Small and Medium Enterprise (SME) amongst employees. In this research the population targeted employees of SME. The study was conducted at selected SME in Klang Valley. The data was collected and administered by means of a structured questionnaire based on the Minnesota job satisfaction questionnaire (MSQ).

The study showed that factors such as work conditions, pay, fairness, and promotion significantly influenced employee job satisfaction in SMEs. However, factors such as age and gender did not significantly influence employee job satisfaction in SMEs.

The study provided a good understanding regarding the factors affecting job satisfaction in SMEs. Therefore, it emphasizes that there is still a need to conduct extra research to filling the gaps that have not been solved in the current study. In the Chapter 5, few recommendations were provided for future use to any researcher in this academic field.

Keyword: Job Satisfaction, Small and Medium Enterprise (SME)

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Declaration

I hereby declare that "The Factors that Influencing Employee Job Satisfaction: Case of Selected SME in Klang Valley" is my own work, that it has not been submitted for any degree or qualification. I certify that any help received in preparing this thesis and all sources used have been acknowledged in this thesis.

Thanigaivel R.Krishnan,

I07007161,

INTI International University.

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CHAPTER 1: INTRODUCTION

1.0 Background of the Study

Job satisfaction has been a matter of concern and attention in any field of business nowadays. Organizations realize that employee job satisfaction is the essential element to increase customer satisfaction and keep their business running, as competition is getting more intense. Employee dissatisfaction will usually spread their problem to their workmates and word of mouth can do a lot of harm to an organization. The dissatisfied employee complaints can be a useful source of information for the organization to develop their business strategies and formulate their tactical decisions.

The rapid development and expansion of the Small and Medium Enterprise (SME) has also generated a lot of internal management problems in SMEs; a low level of employee job satisfaction has brought difficulties to increasing service quality (Yi, 1993). The factors affecting employee's satisfaction in current SME include: long working hours, work pressure, the low level of treatment, bad working environment, less promotion opportunities, work unfairness, low salary level, etc. (Liu, 2004), and these problems have always been trouble for employees.

In Malaysia, the SME is one of the major industries that play an important role in the everyday life of the staff (Wang 2004). Job satisfaction played a key role in the Small and Medium Enterprise (SME) business (Dalton, 2003). It's because all SME services depend on employees to achieve their business goal (Yi, 1993), whereby the satisfied employee can provide good service for customers and customers can become more loyal to the company. The customer is one of the most important keys to organizational performance in SME (Luthans, 1999).

The SME offers its service to anyone. The SME work hour environment, work conditions and salary, have a situation different than Large Scale Business (LSB). So there are different factors affecting employee job satisfaction in SME. The entire SME business depends on the employees to achieve their goals; hence an employee is one of the key elements in SME (Wang, 2004). The manager must

consider employee job satisfaction because employee job satisfaction is related to employee service quality and employee work performance.

Therefore, satisfaction can be categorized as a "person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations" (Kotler, 2003). SMEs must attract, develop, motivate and retain these "internal employees" in order to attract external employees; this requires managers' deeper understanding regarding the employee needs, aspirations, attitudes and concerns, and that demand is the driving force of individual acts (Werner 2004), employee demands affect employee job attitudes. Therefore, to study the levels of employee job satisfaction, we must understand the needs of the SME and that which influences employee job satisfaction.

1.1 Problem Statement

There are numerous research studies that assess the ways in which autonomy, empowerment, control over practice, and demographic factors affect employees' job satisfaction (McNeese-Smith, 1999; Martina Price, 2002; and Gifford, Zammuto, Goodman; Hill 2002; Lynne Welch, 2004 and Ahmad Khosravi, 2010). After a review of the literature specific to employees in an organization, little research could be found about which factors in the workplace most influence employees' satisfaction in an organization and none could be found specific to SME employees. The lack of research addressing the factors that influence employees' job satisfaction in SME is a problem because if SME operators do not know what the employees want, they cannot make changes to better satisfy the employees. The factors that will be assessed in this study include work condition, promotion, pay and fairness, (Whitley & Putzier, 1994). These factors will be used in the examination of SME employees job satisfaction. It is important for the SME operators to understand which aspects of an employee' job are best correlated with satisfaction and therefore which aspects the operator should focus on when trying to increase job satisfaction among employees.

In recent years, economic development in the world triggered the rapid development of the Malaysian SME (Zahri Taha 2006). However, this rapid expansion has also generated a lot of internal management problems in SMEs. One special issue is the low level of employee job satisfaction that brought difficulties in increasing service

quality (Yi, 1993). Some of the problem exist in current SME are: long working hours, work pressure, low level of treatment, bad working environment, less promotion opportunities, work unfairness, low salary level, etc (Liu, 2004).

Employee's job satisfaction affects the quality of SME service, has affect the degree of customer satisfaction. Thereby great efforts to improve employee's job satisfaction, creates the satisfied customer with satisfied employees (ling Qin, 2004). There are a lot of human resources problems exist in Malaysian SME example, high rates of absenteeism and turnover among employees. These problems are all relevant with SME employee's job satisfaction. Therefore, under the situation of employee's quality remains to be improved in SME at present, we ought to study employee's job satisfaction and solve these problems. This study analyze the factors influencing SME employee's job satisfaction, employ the satisfied employee to create the satisfied customer, resolve the actual problem in the management of SME, create good environment for SME employees (ling Qin, 2004).

With a limited number of minority counsellors, it is essential to determine the factors that contribute to their job satisfaction. This information may be useful in evaluating why currently employed SME remain in this occupation. Job satisfaction is a major factor that influences whether an individual will enter and continue in an occupation. Furthermore, Finley-Hervey (2003) stated that organizations must know how to manage a diverse group of workers because this will aid in the recruitment and retention of talent employees in SME, because SME workers report lower levels of job satisfaction.

1.2 Research Objectives

- To determine the influence of work conditions on employee job satisfaction in Small and Medium Enterprises (SME)
- To identify the influence of pay on employee job satisfaction in Small and Medium Enterprises (SME)
- To examine the influence of fairness on employee job satisfaction in Small and Medium Enterprises (SME)
- To investigate the influence of promotion on employee job satisfaction in Small and Medium Enterprises (SME)
- To determine the influence of age on employee job satisfaction in Small and Medium Enterprises (SME)
- To determine the influence of gender on employee job satisfaction in Small and Medium Enterprises (SME)

1.3 Research Questions

The research questions will be:

- To what extent is the influence of work conditions on employee job satisfaction in Small and Medium Enterprises (SME)?
- To what extent is the influence of pay on employee job satisfaction in Small and Medium Enterprises (SME)?
- To what extent is the influence of fairness on employee job satisfaction Small and Medium Enterprises (SME)?
- To what extent is the influence of promotion on employee job satisfaction in Small and Medium Enterprises (SME)?
- To what extent is the influence of age on employee job satisfaction in Small and Medium Enterprises (SME)?
- To what extent is the influence of gender on employee job satisfaction in Small and Medium Enterprises (SME)?

1.4 Significance of Study

Although there are many studies on employee job satisfaction, they are related to all aspects of employee job satisfaction. The employee satisfaction theory (Vroom, 1964) and (Herzberg, 1966) employee satisfaction measurement tools and measurement indicators (Zhao Jing-ling, 2001), as well as the impact of employee satisfaction factors (Staw & Rose, 1985; Specter & Connell, 1994), but in Malaysia there are very limited studies on employee job satisfaction in Small and Medium Enterprises (SME) specifically with respect to factors affecting job satisfaction. In this paper, through combining theoretical and empirical research, trying to find out factors affecting employees job satisfaction, Thereby laying the theoretical foundation for the practice, provide for future research on investigate factors affecting job satisfaction in SME.

The people are primary resource for enterprise (Kristensen, 1992). Employee job satisfaction directly related to level of SME service quality. Hence employee job satisfaction significantly affective employees work behaviour and work performance. According to Bolton (1998) the employee's job satisfaction affected on SME future and destiny. The high rate of employees turnover and absenteeism is common SME problem, through the investigate factors affecting employee job satisfaction, this can be help SME owner effectively understand employees demands and requires, thereby use to some specific solution to prevent employees turnover and absenteeism.

A Harvard University study showed that an increase of 3% of employee satisfaction tended to increase customer satisfaction by 5%, while the survival and development of enterprises depend on customer satisfaction and the quality of service in highlighting the SME (Haccoun, 1998). In this context "Only satisfied employees can create satisfied customers" (Dawis, 2002).

SME managers have to find effective ways to carry out employee satisfaction management and to maintain the core competitiveness of the SME, in order to achieve a competitive advantage. By studying the factors affecting job satisfaction in SME, we can effectively help the enterprise to understand the factors affecting employee job satisfaction; by understanding employee demands and requirements, one can also help the enterprise effectively manage employees and increase the

management efficiency, increase the employee's loyalty and achieve a higher customer satisfaction (Dawis, 2002).

1.5 Assumptions

In this research, the author assumes that all organizations within the area of Klang Valley have implemented the concept of employee satisfaction on organization performance. The researcher will also assume that all the information that is to be obtained by from the respondents are accurate and therefore can be used for the study.

1.6 Scope of Study

The research is focus in Klang Valley which is located in the central region of Peninsular Malaysia and is considered to be one of the core strategic locations in Malaysia. According to Malaysian Statistics Malaysia, total population of Klang Valley in 2011 is 6.7 million. According to Statistics of SME in Malaysia, total 1,346 SMEs were located in Klang Valley. It is assumed that 150 targeted employees from selected fifteen SMEs in Klang Valley. Hence, the data was analysis through total questionnaires (quantitative method). Total 150 questionnaires were distributed to the targeted SME in this research. The unit analysis of this research is focusing on employees that currently working in SME. This research was conducting to Malaysian residents that currently working in SME.

1.7 Research Hypotheses

H1. Work condition significantly influences employee job satisfaction in Small and Medium Enterprise (SME).

H2. Pay significantly influences employee job satisfaction in Small and Medium Enterprise (SME).

H3. Fairness significantly influences employee job satisfaction in Small and Medium Enterprise (SME).

H4. Promotion significantly influences employee job satisfaction in Small and Medium Enterprise (SME).

H5. Age significantly influences employee job satisfaction in Small and Medium Enterprise (SME).

H6. Gender significantly influences employee job satisfaction in Small and Medium Enterprise (SME).

1.8 Definition of Variables

Job satisfaction

There are a plethora of definitions of job satisfaction, some of which are contradictory in nature. Spector (1997) refers to job satisfaction in terms of how people feel about their jobs and different aspects of their jobs. Ellickson and Logsdon (2002) support this view by defining job satisfaction as the extent to which employees like their work. Schermerhorn (1993) defines job satisfaction as an affective or emotional response towards various aspects of an employee's work.

Working Conditions

According to Frame (2004) work conditions are defined as an employee's work place, work instruments, the work itself, organization policy, and organizational rules. Arnold and Feldman (1996), promoted factors such as temperature, lighting, ventilation, hygiene, noise, working hours, and resources as part of working conditions.

Pay

Noon (2001) define remuneration as "payment for work, which can assume a number of different forms, including a basic wage or salary, supplementary cash payments, such as shift pay and overtime pay, and benefits in kind." According to Schenk (2001), remuneration is defined as "the financial and non financial extrinsic rewards provided by an employer for the time, skills and effort made available by the employee for fulfilling job requirements aimed at achieving organizational objectives." Concepts such as pay, wage or salary are occasionally used as more or less having the same meaning as remuneration (Erasmus et al., 2001).