

INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

The Influence of Organizational Culture on Employee Commitment Level in the Shared Services Industry in Malaysia

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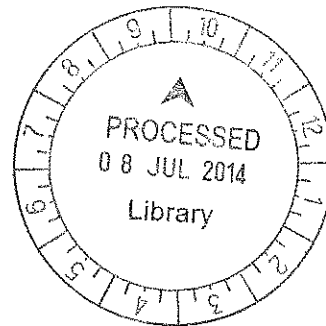
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ABSTRACT

The main purpose of this study was to study the influence of organizational culture in employee commitment level in an organization, and as there has been many previous researches which were done in other type of industries, but there has been minimal research done on Shared Service Centres, which is a booming industry. This study focuses on the organizational culture factors which would impact the employee commitment level in the Shared Service Centre (SSC) industry. Shared Service industry is the sub unit of the core company which are segregated into another separate entity, and with this rising industry, employee commitment plays an important role in ensuring sustainability. Most companies would invest lots of their resources in hiring, training and ensuring the employees are highly motivated to ensure task assigned are handled efficiently and effectively. Questionnaire was sent and distributed to a foreign SSC company, based in Malaysia, which includes factors such as organization environment, control, types of system used in the organization, identity of the employee, and if the company are people driven or results driven. Upon analysis, the research revealed that that environment, control, types of system is the main factors which do influence employee commitment level in the SSC. Additionally, environment in an organization is the primary factor which contributes to employee commitment level compared to the other factors which were analyzed and tested. The study is then concluded with recommendations for further researchers as well as for other stakeholders in the SSC industry.

(247 words)

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I will always cherish this journey till the end of my life. Thank you.

DECLARATION by CANDIDATE

I hereby declare that this thesis is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been duly acknowledged.

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SIGNATURE : 

DATE : 28/4/2014

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CHAPTER 1

Introduction

1.1 General

In this chapter, the background of this study is presented, together with the elaboration of the relevance and justification of the study. In addition to that, this chapter also discusses on the research background, problem statements, research objectives and questions. This chapter would also cover on the limitations of the study as well as the complete research structure is well stated and justified.

1.2 Research Background

Employees can be described as the most important pillar in an organization as they play a major role in reinforcing commitment to a company's customer (Timney, 2013). It has been proven that based on the studies done by (Saal & Knight, 1988), that committed employees in an organization would be able to increase their performance and willing to spend additional time to the organization. There are many researches done to study on job loyalty and job satisfaction in the past (Bellou, 2009; Gallati, 2012) however there are vast differences between the term of loyalty and commitment. Loyalty would simply mean being faithful to a company or a cause, whereas commitment means willingness to put hard work for a specific job to achieve greatness (Olivia, 2008). Hence, this research would go further deeper to understand the concept of employee commitment towards an organization instead of focusing on employee loyalty. In the past, there has been few studies as well in employee commitment. Example of research done before would be (Stallworth, 2004; Parish, 2006).

This research or study would be slightly different to past studies, as in this study; there would be other factors which will be evaluated such as

demographic characteristics such as age, salary package and other demographic variables. This would provide a deeper insight of the types of variables which has an impact on employee commitment level. In addition to that, to evaluate employee commitment level, mean years of serving in an organization would be used, as number of years in an organization would reflect the commitment level of an employee towards the organization. One of the main additions of this research would be the understanding of the industry itself, in this case would be the Shared Services industry or can be termed as SSC.

One of the main reasons organizational culture and employee commitment studies receives a lot of attention would be due to their impact on the organization or the company itself; such as in the commitment and job satisfaction perspective, employee behavior, and also on the management leadership skills. To underline the importance of employee commitment in recent days is due to the recent globalization period, in which most organizations face various new types of challenges and it is hard to miss any organization that could perform at its highest level without the support of its committed employees (Dixit, 2012). According to Porter & Smith (1970), employee commitment can only be achieved if the employee accepts and works on the organization's goals and values, and believe they also play an important role in the company's decision-making process. Commitment can be considered as a response to the whole organization and it is not influenced by a single day event, unlike in comparison to job satisfaction or employee behavior which could increase or decrease based on immediate reactions or aspects of the work.

This research will be done in the Shared Services organizations. The main reason this study focuses on shared services organization would be due to its service oriented nature, which allows employees to earn the knowledge and experience before moving to a bigger and better organization. Therefore, these

shared service organizations do handle high turnover rates, and lose skilled employees who could possibly have an important role in the improvement of the organization. This research would answer the reason for selecting the shared services, and it has been suggested by Bergeron (2003), that almost 50% of the top Fortune 500 companies have adopted Shared Services function as part of their centralization efforts to reduce cost and increase efficiency. It would definitely be interesting to study the influence of organizational culture on the level of commitment for employees in shared services organization.

1.3 Shared Services Centre (SSC)

To name one of the emerging industry in this globalized era would be the shared service organization in which for the past two decades, it has become somehow of a boom to most corporate companies to adapt these approach (Rothwell, Herbert, & Seal, 2011). SSC, which is the short for Shared Service Centres, can be termed as the centralization of various business units, into a single organization (Davis, 2005).

Shared service organization can be defined as the joint strategy of which is one of the subset of the core business functions, mainly would be the Finance or HR function, and consists of a new management structure which is designed primarily to increase efficiency, create value, reduce costs, and improvise services for customers on behalf of its parent company. (Bergeron, 2003) A simpler definition, by Longwood and Harris (2007) retains the main concept of concentration while avoiding other types of prescriptive requirements to achieve the given specific objectives.

In addition, Shared services can be defined as the business unit which views its parent companies as the customers or operating units. As the shared service organizations are considered as the service-minded units, they are more focused on delivering values, as well as finding ways of standardizing the

process and optimizing for more efficiency. Some of the primary benefits of implementing shared services would be optimization of costs, where parent companies would practically "outsource" non-revenue generating functions such as finance, human resource, legal and IT functions to a centralized unit which is Shared Services Centres (SSC).

SSC (Shared Service Centres) is an independent company which provides services to different types of operation units, and would eliminate the problem of additional headcounts on the non-core business such as Finance and IT. The main objective of implementing SSC would be also that it could focus more on the services aspect of the core business, have more controls and provide cost benefits in the long run for the organization. Not only that, SSC would also provide better job performance for its employees and elimination of redundant functions through job efficiencies. (Minnar, 2011)

FINANCE	<ul style="list-style-type: none"> • General ledger • Accounts payable • Internal audit 	<ul style="list-style-type: none"> • Accounts receivable • Purchasing • Insurance 	<ul style="list-style-type: none"> • Tax compliance • Cash management • Foreign exchange
HUMAN RESOURCES	<ul style="list-style-type: none"> • Payroll processing • Compensation administration 	<ul style="list-style-type: none"> • Benefits administration • Training & education 	<ul style="list-style-type: none"> • Relocation services
INFORMATION SERVICES	<ul style="list-style-type: none"> • Standards • Technology/development 	<ul style="list-style-type: none"> • Applications development • Applications maintenance 	<ul style="list-style-type: none"> • Telecommunications • Hardware & software acquisition
LEGAL	<ul style="list-style-type: none"> • Litigation support and coordination 	<ul style="list-style-type: none"> • Environment, health, and safety consulting/auditing 	<ul style="list-style-type: none"> • Regulatory compliance
CORPORATE AFFAIRS	<ul style="list-style-type: none"> • Communication services 	<ul style="list-style-type: none"> • Media relations 	

Figure 1.1: Common Shared Service Candidates

Source: Institute of Management Accountants (2000)

The above Figure 1.1 summarizes the usual candidates for the SSC organizations which have been earlier highlighted that the non-revenue generating functions such as Finance, Human Resource and legal function.

Janssen and Joha (2006) have a more distinct definition between the core business and SSC. As explained by them, the core business provides the management with more authority and influence, whereas the outsourcing plays an important role in the supplier-customer relationship and external parties.

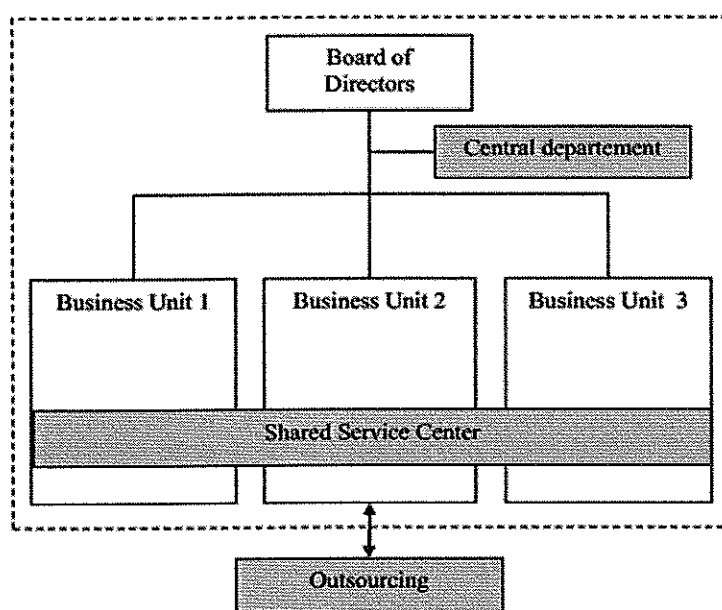


Figure 1.2: Positioning of an SSC in Summary

Source: Janson and Joha (2006)

As depicted by the above Figure 1.2, it shows the positioning of an SSC. In the real world, outsourcing business units is usually in the final stages of a process. In the SSC, they have a direct relationship with the internal customers who is the operating units or business units, in which the business units has a higher degree of ownership of the SSC.

This study will be conducted in a single SSC company which is based in Selangor. The name of the company would not be revealed however they are categorized as Shared Services type of company which provides financial services to their parent companies. Both the companies have adopted Shared Service strategy within the past 10 years, and can be considered relatively new to the business. With the growing demand for employment or job vacancies, these types of companies provides great advantages to the fresh graduates as well as existing employees to climb up the corporate ladder.

The SSC under study would have different types of organizational culture embedded in its organization. To understand the differences in organizational culture and to ensure that employee commitment is achieved would be one of the main objectives of this study. Employee commitment is definitely one of the areas which many organizations have not explored in the past before, where there are minimal studies done on employee commitment level.

1.4 Research Objectives

Ultimately this research should give Shared Services a view on how to improve their organizational culture and leadership style with the intention of creating and keeping a committed workforce. Among the main objectives of this research is to assess the extent of influence of organizational culture in employee's commitment level towards the SSC organization as below:

- a) To identify types of organizational culture which would have significant impact on employee commitment level
- b) To determine the influence of demographic characteristics on employee commitment level
- c) To evaluate if organizational culture can be used as a valuable strategic resource for Shared Service Centres (SSC) in Malaysia