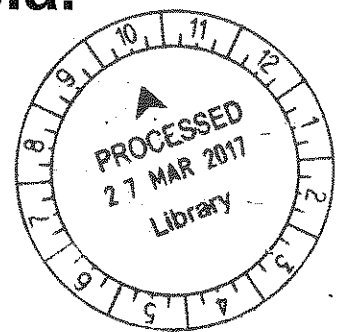


**INTI INTERNATIONAL UNIVERSITY**  
**MASTER OF BUSINESS**  
**ADMINISTRATION**

**Employee Engagement in SME in**  
**Kuala Lumpur, Malaysia.**

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## **ABSTRACT**

Employee engagement involve the direct communication with the elements from Human Resources, Sales, Marketing and Public Relation, it needs to be centralized then the organization can launch the employee engagement programs and strategies to improve the business performance (Horney, 2015). Based on McConnell (2011) research paper, engaged employees basically more productive and less likely to leave their organizations compared to disengaged employees. According to Malaysia statistics report in 2014, SME industry contributed 35.9% to Malaysia's GDP. Therefore, the purpose of this research was to examine the relationship between employee engagement with working relationship, empowerment, employee motivation, employee retention and work life balance. A sample of 123 employees, based on convenience sampling was chosen to collect information using a self-administrated questionnaire that was adopted. The findings indicated that working relationship, empowerment, employee motivation, employee retention and work life balance have positive relationship with employee engagement. Lastly, based on the findings, this research proposed measures to improve the competitiveness of SME in Kuala Lumpur, Malaysia via appropriate employee engagement programs.

### **KEYWORDS:**

Employee Engagement, Working relationship, Empowerment, Employee motivation, Employee retention, Work life balance, SME.

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## Declaration

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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## Table of Contents

<b>Chapter 1</b>	<b>4</b>
1.1 Introduction	4
1.2 Background of Study	5
1.3 Problem Statement	6
1.4 Research Objectives	7
1.5 Research Questions	8
1.6 Significance of Study	8
1.6.1 Significance to Academia	8
1.6.2 Significance to Industry	9
1.7 Scope of Research	9
1.8 Limitations of Research	10
1.9 Operational Definition	10
1.9.1 Employee Engagement	10
1.9.2 Working Relationship	11
1.9.3 Empowerment	11
1.9.4 Employee Motivation	12
1.9.4 Employee Retention	12
1.9.4 Work Life Balance	13
1.10 Organization of Chapters	14
<b>Chapter 2 Literature Review</b>	<b>15</b>
2.1 Overview	15
2.2 Literature review and Critique	15
2.2.1 Dependent Variables: Employee Engagement	15
2.2.2 Independent Variables: Working Relationship	17
2.2.3 Independent Variables: Empowerment	19
2.2.4 Independent Variables: Employee Motivation	21
2.2.5 Independent Variables: Employee Retention	22
2.2.6 Independent Variables: Work Life Balance	24
2.3 Grounded Theory	26
2.4 Theoretical Foundation	28
2.5 Theoretical Framework	28
2.6 Hypotheses Development	28

2.7 Conclusion .....	29
<b>Chapter 3 Research Methodology .....</b>	<b>30</b>
3.1 Overview .....	30
3.2 Research Design .....	30
3.3 Unit of Analysis .....	31
3.4 Sampling Design .....	32
3.4.1 Target Population .....	32
3.4.2 Sampling Frame and Sampling Location .....	32
3.4.3 Sampling Technique .....	32
3.4.4 Sampling Size .....	32
3.5 Measurement Instrument .....	33
3.5.1 Pilot Test .....	34
3.6 Data Collection and Analysis Method .....	34
3.6.1 Factor Analysis .....	35
3.6.2 Reliability Test .....	35
3.6.3 ANOVA .....	36
3.6.4 Multiple Regression Analysis .....	36
3.6.5 Pearson's Correlation Test .....	36
3.7 Ethical Consideration .....	37
3.8 Conclusion .....	38
<b>Chapter 4 Research Finding .....</b>	<b>39</b>
4.1 Overview .....	39
4.2 Factor Analysis .....	39
4.3 Reliability Test .....	43
4.4 Demographic of Respondents .....	44
4.5 Descriptive Analysis .....	46
4.6 Normality Test .....	50
4.7 Results of Preliminary Data Analysis .....	51
4.7.1 ANOVA .....	51
4.7.2 Regression .....	51
4.7.3 R-Square .....	53
4.8 Summary of Findings .....	53
4.9 Conclusion .....	54

<b>Chapter 5 Conclusion and Recommendation</b>	<b>55</b>
5.1 Overview	55
5.2 Finding and Discussion	55
5.3 Contribution	58
5.3.1 Contribution to Academia	58
5.3.2 Contribution to Industry	58
5.4 Limitations of Study	59
5.5 Future Research Focus	60
5.6 Personal Reflection	61
5.7 Conclusion	62
<b>References</b>	<b>63</b>
<b>Appendixes</b>	<b>76</b>

## Chapter 1

### 1.1 Introduction

Employee engagement become very important and hot topic in each organization and industry, it plays an important role that will lead an organization become successful meanwhile the Gallup research shows that 13% of employees worldwide engaged in their job and they feel interest for their work but another 87% of employees that not engaged will disengaged toward organizations (O'Boyle, 2016). CEO of organizations will concern about the waste of time, resources and effort but the employee not engaged will influence the leaders can't attain the business objectives that able to improve the organization performance (Crim & Seijts, 2006). Employee engagement involve the direct communication with the elements from Human Resources, Sales, Marketing and Public Relation, it needs to be centralized then the organization can launch the employee engagement programs and strategies to improve the business performance (Horney, 2015).

Employee engagement doesn't mean employee satisfaction and employee happiness, it is the emotional commitment that engaged employee will care about their task and company, they not only work for payback but work on behalf of the organization's goals (Kruse, 2012). Every organizations success is built on its employees, it has four key ingredients of motivated workforce that are leader with a vision, line managers who empower rather than control employees, leading a sense of trust and employees who have chance to talk their views (Acas, 2016).

Based on McConnell (2011) research paper, engaged employees basically more productive and less likely to leave their organizations compared to disengaged employees, engagement inevitably poses a viable alternative strategy that demands a rigorous research. Howard and Foster (2010) stated that employee engagement is the tools that able to develop employee talent and make company become more competitive but also enhance company image and helps to reduce employee attrition rate in a company business.



## 1.2 Background of study

Based on Malaysia statistics report in 2014, SME industry contributed 35.9% to Malaysia's GDP, it shows that SME industry is very important and it will influence the economy of Malaysia (Statistic Gov, 2016).

Kuala Lumpur is the second highest state that employee work in SME industry, it only below Selangor and most of the employees prefer work in Kuala Lumpur because it is the state that having high impact on the Malaysia economy (SME Corp, 2011). SME GDP growth can define as the country overall economic growth, it also contributed 65% of total employment and the positive performance of SME will influence the country become high middle income country (SME Corp, 2011).

According to Malaysia government statistical analysis, SME's value added production will be around RM 120 Billion and the production will become focus on manufacturing sector (Kannan, 2013). SME play as an important role in development of Malaysia economy because SME can provide job and increase the production of the product or services (Omar et al., 2009). Most of the SME must get support from government especially in the competitive business industry and government will apply some strategy to help development of SME because SME have great potential become the engine of the economic growth especially in developed countries such as Malaysia. In 2004, the establishment of the National SME Development Council (NSDC) make the new development of SME in Malaysia, it aims to make SME become more competitive in global market with the policy. SME in Malaysia can define as the table below:

Economic Census 2011 (Reference Year 2010)				
No. of Establishments	Total	SMEs	% of SMEs	% of SMEs over total SMEs
Services	591,883	580,985	98.2	90.0
Manufacturing	39,669	37,861	95.4	5.9
Agriculture	8,829	6,708	76.0	1.0
Construction	22,140	19,283	87.1	3.0
Mining & Quarrying	418	299	71.5	0.1
Total Establishments	662,939	645,136	97.3	100

Sources: Malaysia SME Annual Report (2011/2012).

### 1.3 Problem statement

Employee engagement consider as a new construct that can attract a lot of attention and it has become popular in every industry, it not only among for researchers but also the management (Robinson, Perryman & Hayday, 2004). Based on the Employee Engagement research 2013, there are 4/10 of employees are disengaged around the world, it leads work force are less productive and high turnover (Tracey & Hinkin, 2014).

Employees are the most important and value assets for organization in each industry, manager must able to adapt strategies not only maintain current position but also engage the employee and their capabilities and competencies are completely utilized (Al-Jubari, 2014). According to Maddox (2014) report, there are only 41% of people think their company has a strategic approach to employee engagement and lack of coordination between employee with advertising agencies. The employees that not engaged will become harmful for their company because they didn't care about the customer experience and the employee has the most impact to the company reputation (Nagel, 2013).

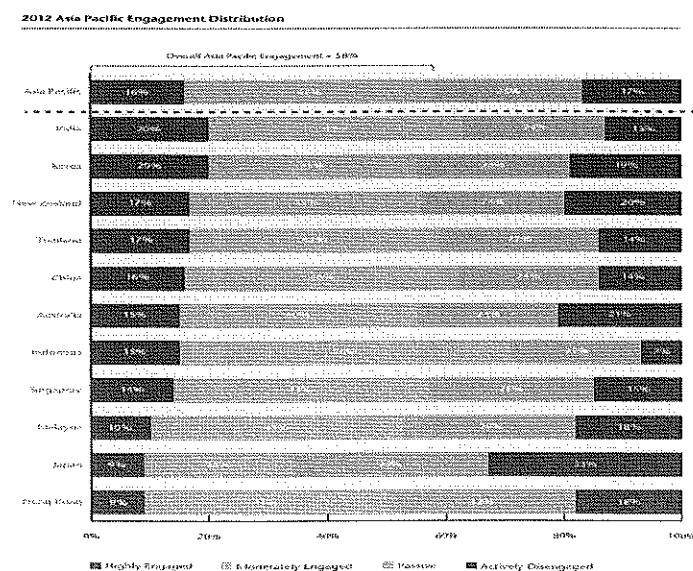


Figure 1.0 Asia Pacific Engagement Distribution (Hewitt, 2010).

Figure 1.0 research shows that there are nearly 50% of the employees are not engaged and only 10% of employees are highly engaged. This research proves that why Malaysia employees always want to change job and the organization in Malaysia not really apply the employee engagement strategy successfully (Hewitt, 2010).

Several researches on employee engagement had been conducted but yet limited studies have been carried out in higher education industry in Malaysia (Siddhanta & Roy, 2010). Therefore, this research conducted on employee engagement in SME in Malaysia.

#### **1.4 Research Objectives**

The objectives in this research is determine the factor leads creative employee to engage fully with higher education institutions in Kuala Lumpur, Malaysia.

The specific research objectives include:

1. To determine whether a relationship between working relationship and employee engagement in SME in Kuala Lumpur, Malaysia.
2. To determine whether a relationship between empowerment and employee engagement in SME in Kuala Lumpur, Malaysia.
3. To determine whether a relationship between employee motivation and employee engagement in SME in Kuala Lumpur, Malaysia.
4. To determine whether a relationship between work life balance and employee engagement in SME in Kuala Lumpur, Malaysia.
5. To determine whether a relationship between employee retention and employee engagement in SME in Kuala Lumpur, Malaysia.

## **1.5 Research Questions**

With the research objectives mentioned, several questions will be stated and it would achieve the research objectives during finding the answer to the questions.

1. Is there a relationship between working relationship and employee engagement in SME in Kuala Lumpur, Malaysia?
2. Is there a relationship between empowerment and employee engagement in SME in Kuala Lumpur, Malaysia?
3. Is there a relationship between employee motivation and employee engagement in SME in Kuala Lumpur, Malaysia?
4. Is there a relationship between work life balance and employee engagement in SME in Kuala Lumpur, Malaysia?
5. Is there a relationship between employee retention and employee engagement in SME in Kuala Lumpur, Malaysia?

## **1.6 Significance of the Study**

### **1.6.1 Significance to academia**

This research focus on employee engagement within the SME, it's not only expand the knowledge of researchers in the theoretical development but also offer the manager practical insight in employee engagement, working relationship, empowerment, employee motivation, work life balance and employee retention. This research also provides an understanding what SME in Malaysia need to do to improve employee engagement and pay attention to other factors such as working relationship, empowerment, employee motivation, work life balance and employee retention that will influence employee engagement.

Employee engagement is very important to every companies, however, lack of research in SME especially in Malaysia, this research will provide a depth academic findings to support the lack of literature within this area of employee engagement.

Low contribution to the academy aspect. Research will be carried on through quantitative method. SPSS software will be used for finding the correlation relationship between independent and dependent variables.

### **1.6.2 Significance to industry**

This research will provide an understanding on how critical it is for SME in Malaysia need to maintain employee engagement and provide necessary incentive in organizations. It also provides an understanding on the importance of improve employee engagement level that will drive employee's best performance and enhance the organization performance. This research would allow SME to further understanding the best way to engage employees more effectively and they will not move or leave to other companies.

## **1.7 Scope of the Research**

This research is mainly focus on discussing about the employee engagement and the factors such as working relationship, empowerment, employee motivation, work life balance and employee retention that influence employee engagement in SME in KL, Malaysia. This research will collect the data from the employees that are being employed in higher education institution within Malaysia through questionnaire survey. The unit of analysis of this research will be focused on the higher education institution's employee. The sample frame as below:

Participants in the research: Employees

Workplace: SME

Geographical area: Kuala Lumpur, Malaysia

## **1.8 Limitations of Research**

There is only limited sample size during doing this research. The purpose of data collect through the questionnaire survey is understanding the relationship between working relationship, empowerment, employee motivation, work life balance and employee retention and employee engagement in SME in KL, Malaysia.

The data collection only targeted within the limit approximately 500 employees from different SME in Kuala Lumpur, Malaysia. The findings cannot be generalized to other employees from other industry.

Time limitation available for this study, it is impossible to expand the target population and sample size beyond the state of KL and also expand to other industry. The findings cannot expand to other SME in outside the state of KL. Furthermore, the findings could still be deemed generalized for the population working within SME in Kuala Lumpur, Malaysia.

## **1.9 Operational Definitions**

### **1.9.1 Employee Engagement**

Employee engagement can be defined as a complex research that combine many well ideas such as commitment, loyalty, satisfaction and the engaged employee able to extend their best performance to meet organization's objectives, make a difference, focus on achieve target (Sundaray, 2011). According to Arringdale (2015), the key factor for long-term business performance is higher level of employee engagement and it will be a better positioning when the market conditions become favorable, thus, there is competitive advantage in business strategy and talent strategy when having the right engagement.

The engagement report 2014 shows that the positive relationship between engagement and organization performance, the organization in top quartile improve

their employee engagement that more than seven in 10 employees are engaged and the sales increase growth four percentage (Cox, 2015).

### **1.9.2 Working Relationship**

Most of the people will spent more than 8 hour working hour in workplace and the working relationship become important ways to engage employee, the strong and good relationships employee can keep maintain performance and achieve organization objectives (Midgie, 2016). Good relationship can increase employee morale, productivity, improve teamwork and the employee retention rate will become higher (McFarlin, 2015).

The manager having good relationship with employee can enhance employee engagement, they trust for the friendly leader and it is the key point to lead the whole organization in right direction (Carnegie, 2012).

### **1.9.3 Empowerment**

Empowerment is a philosophy which trust in enriching people's jobs and giving them power to control over and take responsibility for outcomes of task (Sahoo, 2011). Employee empowerment is not about the management abandon from its responsibility to lead the organization but within an employee empowered organization, management is creating an environment that let employee have the power to handle their task and make the decision with their own opinion (Elnaga et al, 2014).

Employee empowerment is one of the effective strategy to increasing productivity in employee and optimal use of capacity their individual skills and group abilities in order to achieve organization's target and objectives (GanjiNia et al, 2013).

Empowerment is a process that through the development and influence expand and the capabilities of individual's person and the teams will be help to improve and performance continuous improvement (Gilaninia 2012).