The 2012 International Conference on Asia Pacific Business Innovation and Technology Management

Employee engagement and employee shareholding program in a multinational company in Malaysia

Amran Rasli*, Huam Hon Tat, Thoo Ai Chin, Bandar Khalaf

*Faculty of Management and Human Resource Development, Universiti Teknologi Malaysia, 81300 Skudai, Malaysia

Abstract

Strong employee engagement correlates to strong employee performance. As employee engagement is an ongoing process, this study aims to assess the level of employee engagement in a multinational company involved in food and beverage related activities, with two manufacturing facilities and an administration centre in Malaysia. Specifically, its objective is to assess whether engagement levels have improved or not, i.e., whether basic needs, management support, teamwork and growth levels for 2011 is higher than those for 2010. A survey was conducted utilizing a sample of full-time employees of the company during the first week of March 2010 and April 2011, with 418 and 425 questionnaires were collected respectively. The findings suggest that there were significant differences in basic needs and teamwork but indifferences in management support and growth. After drawing together the results, this study then provides the managerial implications and suggestions for future studies are also explored.

Keywords: Employee Engagement; The Gallup’s Q12; Employee Shareholding Program; Reciprocation

1. Introduction

Engagement is a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. Rather than a momentary and specific state, engagement refers to a more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior [1]. More importantly, engaged employees are not only motivated, but they also understand the organization’s business goals, the steps required to achieve those goals and how their
contribution drive goals [2]. Employee engagement is the level of emotional and intellectual commitment one has to their organization as well as the willingness of employees to “go the extra mile” to help their company to achieve their objectives [3]. In recent years, there has been a great deal of interest in employee engagement as many studies have shown that that employee engagement could lead to organizational success and financial performance [3,4,5]. In addition, employees who are most committed perform 20% better and are 87% less likely to leave the organization will bring in higher levels of customer satisfaction, productivity and profits as outcomes of employee engagement [6,7].

Studies on employee engagement have gained momentum over the past few years, mainly due to the positive psychology movement and business’s needs to maximize the impact of their employees. Positive psychology which is about value experience, positive individual traits and civic virtues are requirements for people to have a positive reason to live [8]. On the other hand, the business needs are being driven because of intense, often global, competition pressing the need for employees to be emotionally and cognitively committed to their organization, their customers and their work. Thus, measuring the level of employee engagement has become a trend for some companies as the differences between high- and low-engagement employees are striking whereby these differences are clearly reflected in workplace performance [9].

However, worrying still is a trend that indicates employee engagement is on the decline and there is a deepening disengagement among employees today [3,4]. Typically, the engagement levels tend to start high and then taper off during an employee’s early years. Although some decline is inevitable, organizations that identify opportunities and take action to reengage employees at these times can minimize the decline [9]. A survey conducted by an international services firm Towers Perrin, which included more than 800 employees in Malaysia, found that one in four Malaysian workers is engaged compared to one in five globally [10]. In other words, Malaysia has a more engaged workforce than the rest of the world [11]. In addition, the survey also found that Malaysians identify closely with the concept of ‘engagement’ in which 69% of them are more engaged because they believe in an organization’s objectives and 81% due to understanding clearly how their unit contributes to the company’s overall success.

Though many researches had been done on company-to-company basis or comparing engagement on departmental basis, no researches, particularly in Malaysia had been done to measure whether engagement levels have improved over time. Employee engagement is an ongoing process, not an end itself. The present study is of utmost important as companies may have taken actions upon completion of a survey to assess their employees’ engagement, however, are the investments in “interventions” to “improve” the engagement levels worth it? Have that engagement levels “really” improved? This study was conducted to test the level of employee engagement in a multinational company with two manufacturing facilities and an administration centre in Malaysia. The company which is involved in food and beverage related activities have established their operations in Malaysia since the late 1990s and boast of a “lean and mean” workforce of not more than one thousand people. In 2010, the company decided to embark on a survey to assess its employee engagement levels for the next two years.

2. Methods

The Gallup Organization developed an instrument known as Gallup’s Q12 which consists of four constructs and twelve attributes to measure employees’ engagement based on their perceptions [12]. Its ease of use made the Gallup’s Q12 an important consideration in choosing an instrument for the engagement survey for the company. A majority of the company workers are operators with a diverse
background in terms of race, experience, qualification and gender. Thus, the 12 engagement questions were modified to suit the requirements of the company. To accommodate for the diverse background of the respondents, the questionnaire was prepared in Malay and English. Back translation was done to improve the reliability and validity of research in different languages by requiring that the quality of a translation is verified by an independent translator. The instrument was tested on 13 employees from a different company to assess its face and content validity. Responses were anchored on a four point Likert scale which ranged from “strongly disagree” to “strongly agree”. For purpose of statistical analysis, data were treated as interval data to facilitate parametric tests [13].

A cover letter was prepared by the HR director to explain the purpose of the survey questionnaire to the respondents. The cover letter and the 12-itemed questionnaire were incorporated onto a single A4 sized paper to give the impression to the respondents that the survey is designed to be “short and sweet”. The pre-survey questionnaires were sent to all the full-time employees of the company during the first week of March 2010 after a briefing by the personnel of the HR department at the two manufacturing facilities and an administration centre of the company. A box was placed at various strategic locations to facilitate the collection of the completed questionnaire. Within a week, 418 questionnaires were collected. The post-survey was conducted in the first week of April 2011. In the second phase, the same process was repeated, taking note of the changes of in the composition of the workforce with new employees coming in and some employees leaving the company. Within a week, 425 questionnaires were collected. The two databases were consolidated into a single database. Special care was taken to eliminate respondents who only answered for a particular year. Also eliminated are responses which are uncompleted, i.e., respondents who failed to answer all the 12 items will not be included in the final database. A final database comprising of 298 employees were compiled for reliability analyses and tests for difference of means for the four constructs. The change in the responses for the constructs and attributes from the questionnaire is measured by the difference between the ‘before’ (2010) and ‘after’ (2011) databases. Interventions implemented between the two periods were noted and assessed as possible causes of the changes [14]. Reliability analyses for multiple item scales from the database for two years were determined to identify items with a minimum Cronbach’s alpha 0.7 to be an acceptable reliability coefficient [15]. To determine whether there are any significant differences for the means for the two years, inferential analyses were performed accordingly. A series of one-tailed t-tests were conducted to address the hypotheses on differences of two means. Tests results with p-values < 0.05 will indicate that the null hypotheses should be rejected.

3. Results

The overall Cronbach’s alpha value for the 2010 and 2011 databases representing the twelve items are 0.857 and 0.866 respectively. The high Cronbach’s alpha value (greater than 0.7) indicates that the instrument has a high reliability index. Means for the constructs to measure employee engagement, i.e. basic needs, management support, teamwork and growth, were calculated for both 2010 and 2011. The objective of the study is to assess whether engagement levels have improved or not, i.e., whether basic needs, management support, teamwork and growth levels for 2011 is higher than those for 2010.

Table 1 presents the descriptive analyses for the difference of means for the four constructs. Three constructs (basic need, teamwork and growth) show positive mean differences ranging from 0.0168 to 0.1914 implying that there are means for 2011 which are greater than those for 2010. However, the mean difference for management support is negative (-0.0117); implying that the mean for management support in 2011 is lesser than that for 2010.
Table 1. Descriptive Analysis

<table>
<thead>
<tr>
<th>Ho</th>
<th>Difference of Means</th>
<th>N</th>
<th>Mean Difference</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ho1: d1</td>
<td>μbasic needs2011 - μbasic needs2010 = 0</td>
<td>298</td>
<td>0.1913</td>
<td>.74896</td>
<td>.04339</td>
</tr>
<tr>
<td>Ho2: d2</td>
<td>μmgtsupport2011 - μmgtsupport2010 = 0</td>
<td>298</td>
<td>-.00117</td>
<td>.89557</td>
<td>.05188</td>
</tr>
<tr>
<td>Ho3: d3</td>
<td>μteamwork2011 - μteamwork2010 = 0</td>
<td>298</td>
<td>0.1225</td>
<td>.77558</td>
<td>.04493</td>
</tr>
<tr>
<td>Ho4: d4</td>
<td>μgrowth2011 - μgrowth2010 = 0</td>
<td>298</td>
<td>0.0168</td>
<td>1.10694</td>
<td>.06412</td>
</tr>
</tbody>
</table>

Based on Table 2, the p-values for d1 and d3 were 0.00 and 0.004 respectively. This implies that the means for basic needs and teamwork is higher for 2011 than 2010. These results provided grounds for full support of hypotheses H1 and H3. However, the p-values for d2 and d4 are greater than 0.05 which implies that there are insufficient evidences to show any difference for management support and growth for 2011 than 2010. Hypotheses H2 and H4 were thus not substantiated.

Table 2. Results of Test for Difference of Means

<table>
<thead>
<tr>
<th>Difference</th>
<th>t</th>
<th>df</th>
<th>Sig. (1-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower</td>
</tr>
<tr>
<td>d1 (basic needs)</td>
<td>4.409</td>
<td>297</td>
<td>.000</td>
<td>0.1913</td>
<td>.1059</td>
</tr>
<tr>
<td>d2 (management support)</td>
<td>0.226</td>
<td>297</td>
<td>.410</td>
<td>-0.0117</td>
<td>-0.1138</td>
</tr>
<tr>
<td>d3 (teamwork)</td>
<td>2.726</td>
<td>297</td>
<td>.004</td>
<td>0.1225</td>
<td>0.0341</td>
</tr>
<tr>
<td>d4 (growth)</td>
<td>0.262</td>
<td>297</td>
<td>.397</td>
<td>0.0168</td>
<td>-0.1094</td>
</tr>
</tbody>
</table>

4. DISCUSSION AND CONCLUSION

Discussions were held with the HR director to determine the possible causes (or interventions) for the differences in basic needs and teamwork and indifferences in management support and growth. According to the HR director, the introduction of the Employee Shareholding Program (ESP) at the end of 2010 could be the major influence. The ESP is a mean to create a closer link between the company and the employees. Special programs were developed to ensure that those who are eligible for ESP understand the following three principles: (1) know what the company is, and what the company wants to do in the future; (2) know the key business decisions the company makes; and (3) know his/her role in the company. Through ESP, they will receive shares, dividends and voting right as well as options to sell shares if they choose to. In addition, some of the employees will be specially selected to be the company’s “spokesperson” as well as be the “voice of the employees” and be the focal point of contact for employees “under their care”.

The ESP is a form of reciprocation from the company to the employees. This is evident from the higher level of means for the attributes/constructs for 2011 as compared to 2010. This finding is consistent with many studies which show that employees who receive favorable treatment from their managers and organization respond through greater commitment and loyalty to the organization and by performing behaviors that benefit their managers and organization [16,17].

The authors believe that there are two major initial targets for improvement in this company that, if addressed, will result in a more positive impact from the leaders on the employees’ willingness to be more engaged. These targets are training and development programs as well as internal communication practices.
Training effects are sustained by embedding consequences (through a reciprocal relationship between manager and employee) in the natural work setting. The company should invest in training programs which can help employees develop personally and professionally. The company should study the 2007 ASTD Employee Engagement Report whereby respondents ranked quality of workplace learning opportunities as the biggest impact of the learning function on employee engagement [18]. Learning through stretch assignments and frequency and breadth of learning opportunities also were highly rated factors influencing engagement while respondents from organizations with both high and low levels of engagement considered learning through job rotations and communities of practice as the least influential factors in engagement [18]. Studies have shown that evidence has shown that solid communication between leaders and employees will positively impact all aspects of the organization from retention of employees to improved customer service. This researcher believes the company’s leaders could be coached in these methods to improve the quality of communication between themselves and their employees [19, 20, 24].

On the whole, financial incentive based on the ESP is not the most important driver to achieve higher level of employee engagement. There is no point doing engagement surveys on a continuous basis without understanding the importance of the company’s most valuable assets – its people. Better communication policy as well as relevant training and development programs will be able to retain the star players and the highly engaged employees. The authors concur with similar studies which indicate that engagement will not be impacted by a single training program, regardless of its quality [21, 22, 23]. Enhancing engagement should be viewed as a long-term proposition.

Studies to assess whether engagement levels have improved over time in an organization remain incomplete. Thus, many questions remain that suggest extensions to our work. A comparison of mean ranking of perceptions of the company’s workers based on their demographic background, position and place of work would provide a more in depth overview of the level of engagement in the company. A replication of this study may also be undertaken in future studies to expand the sample to other manufacturing or service sectors. This would certainly help to refine the ability to effectively measure the constructs of interest. The expanded sample would also facilitate a comparison of different sectors of employee engagement levels over time. Furthermore, a large range of respondents with more diversified backgrounds can certainly provide richer results for analyses.

References


