

**THE RELATIONSHIP BETWEEN MANAGEMENT
RESPONSIBILITY AND EMPLOYEE
SATISFACTION IN THE IMPLEMENTATION OF
QUALITY MANAGEMENT SYSTEM
(MS ISO 9001:2008) IN THE
YAYASAN SABAH GROUP**



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UMS
UNIVERSITI MALAYSIA SABAH

**SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH
2011**

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YAYASAN SABAH GROUP**



SAM SINGH

**Dissertation submitted in partial fulfilment of
the requirement for the Degree of
Master of Human Capital Management**

**SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH
2011**

UNIVERSITI MALAYSIA SABAH

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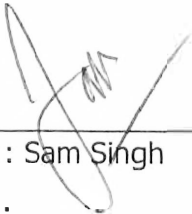
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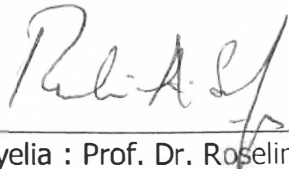
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The materials in this thesis are original except for quotations, excerpts, summaries and references which have been duly acknowledged.

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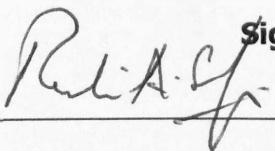
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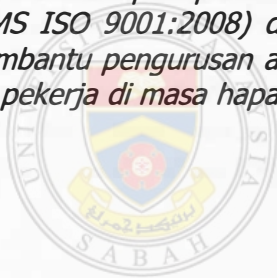
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ABSTRAK

Tujuan utama kajian ini adalah untuk mengenalpasti perhubungan di antara Tanggungjawab Pengurusan dengan Kepuasan Pekerja dalam Pelaksanaan Sistem Pengurusan Kualiti (MS ISO 9001:2008) di Kumpulan Yayasan Sabah. Kajian ini juga bertujuan untuk mengenalpasti sama ada Motivasi Pekerja membolehkan dalam perhubungan di antara Tanggungjawab Pengurusan dan Kepuasan Pekerja. Kajian ini dilaksanakan dalam kalangan pekerja Kumpulan Yayasan Sabah yang terlibat dalam pelaksanaan Sistem Pengurusan Kualiti (MS ISO 9001:2008). Untuk tujuan kajian ini, soal-selidik digunakan sebagai instrumen kajian terhadap 300 orang responden. Walau bagaimanapun, hanya 232 soal-selidik yang boleh digunakan. Keputusan kajian mendapati Tanggungjawab Pengurusan mempunyai hubungan yang signifikan dengan Motivasi Pekerja dan Kepuasan Pekerja di samping hubungan yang signifikan di antara Motivasi Pekerja dengan Kepuasan Pekerja. Kajian ini juga mendapati Motivasi Pekerja mempunyai perhubungan kesan pembolehubah yang signifikan dalam perhubungan di antara Tanggungjawab Pengurusan dengan Kepuasan Pekerja. Adalah diharapkan agar kajian ini dapat membantu dalam pemahaman mengenai elemen penting dalam Tanggungjawab Pengurusan terhadap Kepuasan Pekerja di dalam pelaksanaan Sistem Pengurusan Kualiti (MS ISO 9001:2008) di Kumpulan Yayasan Sabah. Hasil kajian ini juga dapat membantu pengurusan atasan untuk merangka cadangan bagi meningkatkan kepuasan pekerja di masa hadapan.

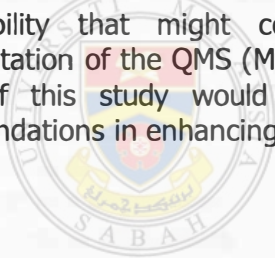


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ABSTRACT

THE RELATIONSHIP BETWEEN MANAGEMENT RESPONSIBILITY AND EMPLOYEE SATISFACTION IN THE IMPLEMENTATION OF QUALITY MANAGEMENT SYSTEM (MS ISO 9001:2008) IN THE YAYASAN SABAH GROUP

The main objective of this study is to examine the relationship between Management Responsibility and Employee Satisfaction in the implementation of QMS (MS ISO 9001:2008) in the Yayasan Sabah Group. The study also aims to identify whether Employee Motivation does intervenes the relationship between Management Responsibility and Employee Satisfaction. The study was carried out among employees of the Yayasan Sabah Group who were involved in the implementation of the QMS (MS ISO 9001:2008). For the purpose of this study, questionnaires were used as the research instrument on 300 respondents. However, only 232 questionnaires were usable. This study concludes that there is a significant relationship between Management Responsibility with Employee Motivation and Employee Satisfaction as well as a significant relationship between Employee Motivation and Employee Satisfaction. The study also confirmed that Employee Motivation does influence the relationship between Management Responsibility and Employee Satisfaction. It is hoped that this study will contribute to the advancement of the understanding of the essential elements in Management Responsibility that might contribute towards Employee Satisfaction in the implementation of the QMS (MS ISO 9001:2008) in the Yayasan Sabah Group. The results of this study would also enable the top management to formulate recommendations in enhancing Employee Satisfaction in the future.



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CONTENTS

TITLE	i
DECLARATION	ii
CERTIFICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRAK	v
ABSTRACT	vi
CONTENTS	vii
APPENDICES	xi
LIST OF TABLES	xii
LIST OF FIGURES	xii
CHAPTER 1 INTRODUCTION	1
1.0 Overview	1
1.1 Problem Statement	3
1.2 Research Objectives	7
1.3 Research Questions	7
1.4 Scope of Study	8
1.5 Significance of the Study	9
1.6 Definition of Terms	10
1.6.1 Quality Management System	10
1.6.2 Employee Satisfaction in MS ISO	11
1.6.3 Employee Motivation	11
1.6.4 Management Responsibility	12
1.7 Yayasan Sabah Group	14
1.7.1 Overview	14
1.7.2 Quality Management System	15
1.8 Organisation of Thesis	16

CHAPTER 2 LITERATURE REVIEW 17

2.0	Introduction	17
2.1	Theories	17
2.2	Definition of Concepts	19
2.2.1	Quality Management System	19
2.2.2	Employee Satisfaction in MS ISO	19
2.2.3	Employee Motivation	20
2.2.4	Management Responsibility	25
2.3	Review of Related Literature	25
2.3.1	Quality Management System	25
2.3.2	Employee Motivation and Employee Satisfaction in MS ISO	28
2.3.3	Management Responsibility	36
2.4	Summary	43

CHAPTER 3 RESEARCH METHODOLOGY 44

3.0	Introduction	44
3.1	Research Framework	44
3.2	Definition of Variables	47
3.2.1	Dependent Variable	47
3.2.2	Intervening Variable	48
3.2.3	Independent Variable	48
3.3	Research Hypotheses	50
3.4	Research Design	52
3.5	Unit of Analysis	52
3.6	Research Participants	52
3.7	Research Instrument	53
3.7.1	Section A: Demographic Information	54
3.7.2	Section B: Management Responsibility	54
3.7.3	Section C: Employee Motivation	54
3.7.4	Section D: Employee Satisfaction in MS ISO	55
3.8	Data Collection Procedures	55
3.9	Data Analysis	56
3.10	Summary	56

CHAPTER 4 RESEARCH FINDINGS 57

4.0	Introduction	57
4.1	Overview of the Data Gathered	57
4.2	Checking for Errors	57
4.3	Profile of Respondents	58
4.4	Reliability of Research Data	62
4.4.1	Factor Analysis	62
4.4.2	Reliability Analysis	70

4.5	Mean and Standard Deviation for Variables	72
4.6	Testing of Hypotheses	74
4.6.1	Relationship between Management Responsibility and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	74
4.6.2	Relationship between Management Responsibility and Employee Motivation in the Implementation of QMS (MS ISO 9001:2008)	77
4.6.3	Relationship between Employee Motivation and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	79
4.6.4	The Intervening Effect of Employee Motivation on the Relationship between Management Responsibility and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	82
4.7	Summary	83
CHAPTER 5	DICUSSIONS AND CONCLUSION	85
5.0	Introduction	85
5.1	Recapitulation of the Study	85
5.1.1	Relationship between Management Responsibility and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	86
5.1.2	Relationship between Management Responsibility and Employee Motivation in the Implementation of QMS (MS ISO 9001:2008)	87
5.1.3	Relationship between Employee Motivation and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	87
5.1.4	The Intervening Effect of Employee Motivation on the Relationship between Management Responsibility and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	87
5.2	Discussion of the Findings	88
5.2.1	Relationship between Management Responsibility and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	88
5.2.2	Relationship between Management Responsibility and Employee Motivation in the Implementation of QMS (MS ISO 9001:2008)	90
5.2.3	Relationship between Employee Motivation and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	91
5.2.4	The Intervening Effect of Employee Motivation on the Relationship between Management Responsibility and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	92

5.3	Implications of the Findings	93
5.4	Recommendations	96
5.5	Limitations	97
5.6	Suggestions for Future Research	98
5.7	Conclusion	99

REFERENCES	101
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APPENDICES

Appendix A :	Research Questionnaire	111
Appendix B :	Checking for Errors	124
Appendix C :	Profile of Respondents	126
Appendix D :	Result of Factor Analysis	131
Appendix E :	Result of Reliability Test Using Alpha's Cronbach	139
Appendix F :	Result of Descriptive Analysis	142
Appendix G :	Result of Regression Analysis- Relationship between Management Responsibility and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	144
Appendix H :	Result of Regression Analysis- Relationship between Management Responsibility and Employee Motivation in the Implementation of QMS (MS ISO 9001:2008)	147
Appendix I :	Result of Regression Analysis- Relationship between Employee Motivation and Employee Satisfaction in the Implementation of QMS (MS ISO 9001:2008)	150
Appendix J :	Result of Hierarchical Regression Analysis- The Intervening Effect of Employee Motivation on the Relationship between Management Responsibility and Employee Satisfaction in the implementation of QMS (MS ISO 9001:2008)	153

LIST OF TABLES

Table 1.1:	Internal Quality Audit : Non Conformance Record (2008-2010)	6
Table 3.1:	Likert-Type Scale	53
Table 3.2:	Statistical Analysis of Data	56
Table 4.1:	Respondents Job Grade Profile	59
Table 4.2:	Respondents Job Grade Profile Based on Category	59
Table 4.3:	Respondents Gender Profile	60
Table 4.4:	Respondents Age Profile	60
Table 4.5:	Respondents Marital Status Profile	61
Table 4.6:	Respondents Education Profile	61
Table 4.7:	Respondents Years of Service	62
Table 4.8:	KMO and Bartlett's Test for Management Responsibility Items	64
Table 4.9:	Factor Analysis of Management Responsibility Questionnaire	66
Table 4.10 :	KMO and Bartlett's Test for Employee Motivation Items	67
Table 4.11 :	Factor Analysis of Employee Motivation Questionnaire	68
Table 4.12 :	KMO and Bartlett's Test for Employee Satisfaction in MS ISO Items	69
Table 4.13:	Factor Analysis of Employee Satisfaction in MS ISO Questionnaire	70
Table 4.14:	Result of Reliability Analysis	71
Table 4.15:	Means and Standards Deviation for Variables-Descriptive Statistic	72
Table 4.16:	Relationship between Management Responsibility and Employee Satisfaction in QMS (MS ISO 9001:2008)	75
Table 4.17:	Relationship between Dimensions of Management Responsibility and Employee Satisfaction in QMS (MS ISO 9001:2008)	76
Table 4.18:	Relationship between Management Responsibility and Employee Motivation in QMS (MS ISO 9001:2008)	77
Table 4.19:	Relationship between Dimensions of Management Responsibility and Employee Motivation in QMS (MS ISO 9001:2008)	79
Table 4.20:	Relationship between Employee Motivation and Employee Satisfaction in QMS (MS ISO 9001:2008)	79
Table 4.21:	Relationship between Dimensions of Employee Motivation and Employee Satisfaction in QMS (MS ISO 9001:2008)	81
Table 4.22:	The Intervening Effect of Employee Motivation on the Relationship between Management Responsibility and Employee Satisfaction in QMS (MS ISO 9001:2008)	82
Table 4.23:	Summary of Research Findings	84

LIST OF FIGURE

Figure 1.1 :	Model of a Process-Based Quality Management System	11
Figure 3.1 :	Research Framework	45

CHAPTER 1

INTRODUCTION

1.0 Overview

Employee satisfaction is an essential element to sustain and perpetuate the continual success in any organisation. It is the parameter to measure the extent to which support is pertinent to improve continually the product and process of the existing Quality Management System (QMS). One of the most and probably of the strongest motives for employee satisfaction in the implementation of a QMS such as MS ISO is the sense of ownership towards the organisation. By taking ownership in an organisation, employees who are considered assets are able to give their full commitment. Employees' commitment and greater involvement enable their abilities to be used for betterment of the organisation.

Parallel to having a sense of ownership, employee satisfaction in QMS MS ISO also depends on the recognition that is awarded to them by their employer. Investigation and discussion on the concept of reward practices by Livingstone (1995), reveals that it is vital that the employees themselves perceive practices as being fair in order to induce motivation on the part of the employees to deliver excellent service quality. Employees often look forward for opportunities for continual professional improvement responding to a quest for excellence. Granted adequate training and equipped with appropriate knowledge, employees would be able to contribute to their highest potentials. On the contrast, when employees are hindered from effective involvement, they may be deprived of opportunities to display their talents, contribute creative ideas, and learn new skills. Subsequently, this would reduce their feeling of recognition, sense of work achievement and ownership, and self-efficacy (Cheung and To, 2010). Studies conducted by Newman (2001) also highlighted that there is a significant relationship between the top management commitment and employee satisfaction from the employees perspective.

The management stands to benefit when employees' views are seriously taken into consideration concerning any kind of implementation that would directly or indirectly involve them. Eliciting responses and ideas from employees also derives satisfaction on the part of the employee. When employees note that their opinion is of worth, an intrinsic motivation gears them toward achieving better goals. According to Johnson (1993), organisations today acknowledge that motivational methods foster employee involvement. Motivation enhances the quality in the accomplishment of tasks of the employees which in turn impacts the finer points of the QMS MS ISO.

Employees rely on the top management to translate the importance of any management system that is implemented to benefit the organisation. Essentially, the top management particularly the CEO and senior managers need to be convinced themselves as the front liners. ISO consultant, Lorcan Mooney states that the most significant pitfall in ISO implementation is the CEO being uncommitted, or opting out, or standing on the sideline and expecting other people to do it (Johnson, 1993). Hence, there is no surprise why Management Responsibility guidelines come first in ISO Standard because its creators understood that without management involvement, nothing fruitful can happen.

Unless the cascading effect of information dissemination on the implementation of the management system is spelled out clearly, the employees will not be well versed with its purpose. Often the lack of understanding on the part of the employee leads to lack of sense of ownership with regards to the implementation of the management system. Eventually, the organisation will lose its direction which in turn would influence Employee Satisfaction in the implementation of the QMS (MS ISO 9001:2008).

The MS ISO Standard (2009) requires management at the highest level to create and document a quality policy to address several issues such as quality objectives, strategy for achieving those objectives and responsibility of employees for executing the strategy. Further, the management is also required to conduct in-house review of the QMS. Review of the management system periodically is

necessary to ensure quality. Consistent attention should be given in order to pave room for improvement. Management Responsibility needs to adhere to changes by tailoring necessary adjustments based on the review which includes feedback from the employees.

Management Responsibility also includes other aspects, such as effective communication on the part of top management of the organisation. Oakland (2005) contends that quality professionals must be in the vanguard of helping organisations increase competitiveness, but they will be listened to only if they communicate what they offer in clear terms that employees can identify with. Depth in knowledge coupled with clarity in communication in part of the top management is vital in order to translate the goals of the implementation of the QMS (MS ISO 9001:2008).

The quality of top management leadership in an organisation is mirrored by the effectiveness of the Management Responsibility carried out in the implementation of the QMS (MS ISO 9001:2008). According to Juran (1989), the top management in leadership position must acknowledge the convulsive need for changes by asking questions such as "How can we, as a company, manage for quality in the face of the new challenges?" and "What road shall we follow to go from where we are to where we want to be?" Such questions are timely and demands action for continual improvement. Indeed such commitment for change on the part of the top management has found to be linked with employees' affective commitment concomitantly, employee satisfaction to service quality (Ashill *et al.*, 2006).

1.1 Problem Statement

The implementation of QMS MS ISO has drawn success in many organisations. The success of these organisations is closely related to the human resource, which is the soft part of an organisation that is becoming more and more important. The employees represent the core of an organisation, therefore the success of an organisation depends on the extent to which employees are satisfied with the implementation of the QMS ISO 9001 (Piskar and Dolinsek, 2006).

The implementation of the QMS directly influences employee satisfaction in any organisation. According to Torka *et al.* (2010) employee satisfaction in the dispensation of the QMS influences their attitude and thereby also their performance-related behaviours. Past researches also suggest that top management commitment is crucial for successful QMS ISO 9001. The lack of top management commitment is cited as one of the reasons why companies fail to implement and maintain their QMS ISO 9001 certification (Roslina, 2010). Therefore, it is important for top management of an organisation to evaluate the extent to which employees are satisfied with the implementation of the QMS. Based on the Herzberg Two-Factor Theory, Employee Satisfaction in QMS MS ISO is highly dependent on both the extrinsic and intrinsic motivation factors. The motivation factors are derived from the dispensation of the Management Responsibility on the part of the leadership of the organisation.

Management Responsibility is the mandate of the top management whose obligation is to ensure the effectiveness of the implementation of a QMS such as MS ISO in an organisation. Within the same facet, the success of a QMS is also directly related to the commitment displayed by the top management in terms of consistency and intensity of executing the management system. The QMS MS ISO Standard (2009) document states this assertively: "The responsibility for quality management belongs to the top management." The QMS MS ISO Standard obligates management to define its quality policy and execute it through an organisation of people and resources. Above that, the management is obliged to participate actively in the quality system by conducting verification and review activities. Every quality guru says it and most company managers concur, without it no quality initiative can succeed; with it no quality initiative including ISO implementation can fail (Johnson, 1993). Ultimately, that is how important Management Responsibility is, as the centre pillar of an organisation.

Despite the considerable body of quality management literature that has evolved to examine the relationship between ISO and performance, there is a dearth of studies aimed at surveying the impact of ISO implementation on employee satisfaction in the literature review (Valmohammadi and Khodapanahi, 2011). Very

few studies have been conducted to examine specifically to what extent Management Responsibility influences Employee Satisfaction in the implementation of the QMS (MS ISO 9001: 2008). Most literatures tend to focus on the aspect of customer satisfaction in the implementation of the QMS (Edvardsson and Gustavsson, 2003). Aptly, there is a gap in the available knowledge regarding the relationship between Management Responsibility and Employee Satisfaction in the implementation of the QMS (MS ISO 9001: 2008). Hence, establishing the relationship between Management Responsibility and Employee Satisfaction in the implementation of the QMS (MS ISO 9001: 2008) is a valid topic to be considered as a contribution to the body of knowledge.

On this platform, the researcher recognises that employee satisfaction with regards to the practices of Management Responsibility is an important aspect that merits further research in order to improve the effectiveness of QMS (MS ISO 9001:2008) that has been implemented in the Yayasan Sabah Group since 2004. Based on the researcher's observation on the current day-to-day operation of the QMS (MS ISO 9001:2008) in the Yayasan Sabah Group, it is noted that several areas under Management Responsibility such as customer focus and communication requires due attention for improvement. Further, the researcher also realises that Employee Satisfaction in QMS (MS ISO 9001:2008) is an important aspect to be given due consideration.

The researcher's observation is also parallel with the Non-Conformance Record (NCR) that was raised during the MS ISO Quality Audit for the last three years in the organisation. The NCR shows that there have been discrepancies on several areas of QMS (MS ISO 9001:2008) within the organisation as recorded in Table 1.1. The areas are namely Control of Documents, Control of Records, Management Responsibility, Resource Management, Product Realisation and Measurement and Improvement.

Amongst these six areas that have been identified, the NCR raised under the scope of Management Responsibility has been noted to be rising. Evidently, the number of NCR under Management Responsibility has increased from 9 cases

(17.3%) in year 2008 to 14 cases (27.5%) by the year 2010. The increase of 10.2% within the last three years is a matter of concern. Hence, the researcher has taken upon an interest to identify the possible factors that might have contributed towards these discrepancies.

Table 1.1 MS ISO Quality Audit : Non Conformance Record (2008-2010)

ISO Clause	Statement	Year		
		2008	2009	2010
4.2.3	Control of Documents	12	8	6
4.2.4	Control of Records	6	5	7
5	Management Responsibility	9	13	14
6	Resource Management	9	7	8
7	Product Realization	11	9	13
8	Measurement and Improvement	5	7	3
Total		52	49	51

Source : MS ISO Quality Audit Report, Yayasan Sabah Group 2011

Evidently, there is a need for further research on the effect of managerial practices on perceived service quality from an employee perspective in the implementation of QMS (MS ISO 9001:2008) in the Yayasan Sabah Group. Further, the issues on employee satisfaction in the implementation of QMS (MS ISO 9001:2008) are issues of interest to both the top management who are the policy makers and employees themselves who are the stakeholders. As a result, there is a need for the researcher to study the relationship between Management Responsibility and Employee Satisfaction in the implementation of the QMS (MS ISO 9001: 2008) in the Yayasan Sabah Group.

1.2 Research Objectives

The objectives of the study are:

1. To examine the relationship between the independent variable that is Management Responsibility and the dependent variable which is Employee Satisfaction in the implementation of QMS (MS ISO 9001:2008) in the Yayasan Sabah Group;
2. To examine the influence of Management Responsibility on the intervening variable that is Employee Motivation in the implementation of QMS (MS ISO 9001:2008) in the Yayasan Sabah Group;
3. To examine the influence of the intervening variable that is Employee Motivation on Employee Satisfaction in the implementation of QMS (MS ISO9001:2008) in the Yayasan Sabah Group; and
4. To examine the intervening effect of Employee Motivation in the relationship between Management Responsibility and Employee Satisfaction in the implementation of QMS (MS ISO 9001:2008) in the Yayasan Sabah Group.

1.3 Research Questions

Given the purpose of this study, the research questions that will be addressed are as follows:

1. To what extent Management Responsibility influences Employee Satisfaction in the implementation of QMS (MS ISO 9001: 2008)?
2. To what extent Management Responsibility influences Employee Motivation in the implementation of QMS (MS ISO 9001:2008)?
3. To what extent Employee Motivation influences Employee Satisfaction in the implementation of QMS (MS ISO 9001:2008)? and

4. To what extent Employee Motivation has an impact on the relationship between Management Responsibility and Employee Satisfaction in the implementation of QMS (MS ISO 9001:2008)?

1.4 Scope of Study

The scope of this study focuses on the dimensions of Management Responsibility that could influence Employee Satisfaction in the implementation of the QMS (MS ISO 9001:2008) in the Yayasan Sabah Group. Part of this study is also to ascertain whether Employee Motivation does intervene in the relationship between Management Responsibility and Employee Satisfaction in the implementation of the QMS (MS ISO 9001:2008). The respondents comprised of non-managerial employees from the following departments that have implemented the system.

1. Tun Haji Mohd. Fuad Stephens Borneo Research Library
2. Conservation and Environmental Management Division
3. Project Monitoring and Bumiputera Participation Unit
4. Human Resource and Corporate Services (Group)
5. Property Maintenance and Management Division
6. Economic Research and Development Division
7. Financial Services and Investment (Group)
8. Occupational and Safety Health Division
9. Corporate Communications Division
10. Education Development Division
11. Child Development Division
12. Internal Audit Division
13. West Coast South Zone
14. West Coast North Zone
15. East Coast South Zone
16. East Coast North Zone
17. Interior South Zone
18. Interior North Zone
19. Enforcement Unit
20. Legal Unit

1.5 Significance of the Study

In the past, dissatisfaction has been aired amongst employees and the clients on the delivery services of the Yayasan Sabah Group. Although efforts to enhance the delivery services have been undertaken, it is generally felt that there is a lack in the delivery output. To address this inefficiency, the management of the Yayasan Sabah Group reckoned the need to invest on a comprehensive management system in order to improve the delivery services of the organisation. Hence, the QMS (MS ISO 9001: 2008) was introduced in 2004 with the pioneering departments being the HR Division. The objective of implementing the QMS (MS ISO 9001: 2008) was to facelift the image of the organisation that had undergone the Voluntary Separation Scheme in 2003. In 2006, the implementation of QMS in the Yayasan Sabah Group was further extended to the six zone offices together with the Financial Services and Investment (Group), Property Maintenance and Management Division and the Corporate Communications Division. The implementation of the QMS (MS ISO 9001:2008) was further extended to include ten other offices within the last five years.

Forrester (2000) reckons that employee evaluation is an appropriate tool to be used to assess the initiatives relating management commitment to service quality. Newman (2001) highlighted the close links among top management commitment, job satisfaction and service quality from the perspective of employees. In relation to this, to date, no research has been conducted in the Yayasan Sabah Group with regards to the relationship between Management Responsibility and Employee Satisfaction in the implementation of the QMS (MS ISO 9001:2008). Therefore, it is timely for the organisation to assess the aspect of Employee Satisfaction with regards to Management Responsibility in the implementation of the QMS (MS ISO 9001:2008) over the last seven years.

Hence, the findings of the study should lead to the development in nurturing continual success in the implementation of the QMS (MS ISO 9001:2008) in the Yayasan Sabah Group with regards to the aspect of Management Responsibility and Employee Satisfaction QMS (MS ISO 9001:2008). Further, the

result of this study would reveal areas that would require improvement so as to justify the investment of this system.

However, while a number of previous studies have investigated globally on the influence of Total Quality Management (TQM) practices such as QMS on organisational performance, little research has specifically investigated the direct relationship between Management Responsibility and Employee Satisfaction in the implementation of QMS (MS ISO 9001:2008). Therefore, this study attempts to fill the aforementioned gaps by empirically investigating the relationship between Management Responsibility and Employee Satisfaction in the implementation of QMS (MS ISO 9001:2008). The result of this study would also provide the basis to conduct similar studies in the other government-linked companies that have implemented the similar system.

1.6 Definition of Terms

This research is to describe the relationship between Management Responsibility as independent variable and Employee Satisfaction as the dependent variable in the implementation of the QMS (MS ISO 9001:2008) in the Yayasan Sabah Group. For the purpose of this study, the following definitions were utilised:

1.6.1 Quality Management System

Quality Management System is defined as a system to establish quality policy and quality objectives and the means to achieve those objectives (MS ISO Standard, 2009). The objective can be attained by considering the interaction of the people, processes and procedures involved in the implementation of the QMS (MS ISO 9001:2008). Ideally, the organisation would function systematically and effectively when interactions between the processes are well established. The process-based QMS of the MS ISO Standard (2009) model as shown in Figure 1.1 has been developed under four main topics, namely Management Responsibility, Resource Management, Product Realisation, besides Measurement, Analysis and Improvement. The ultimate aim of the system is to ensure that customer needs are determined and fulfilled.