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JUDUL : **THE ANTECEDENTS AND CONSEQUENCE OF
EMPLOYEE ENGAGEMENT: A STUDY FROM THE
PERSPECTIVE OF EMPLOYEES' IN PALM OIL
PLANTATION INDUSTRY IN SABAH**


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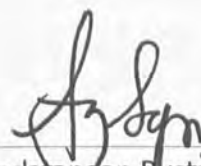
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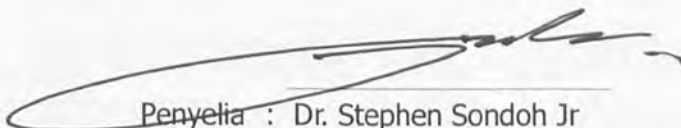


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**THE ANTECEDENTS AND CONSEQUENCE OF
EMPLOYEE ENGAGEMENT:
A STUDY FROM THE PERSPECTIVE OF
EMPLOYEES' IN PALM OIL PLANTATION
INDUSTRY IN SABAH**

SURIA MUHARA SALIM

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FOR THE MASTER OF BUSINESS AND
ADMINISTRATION**

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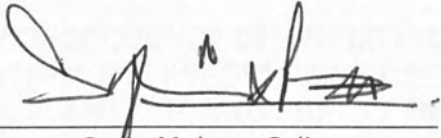


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ABSTRACT

THE ANTECEDENTS AND CONSEQUENCE OF EMPLOYEE ENGAGEMENT: A STUDY FROM THE PERSPECTIVE OF EMPLOYEES' IN PALM OIL PLANTATION INDUSTRY IN SABAH

The aim of this study is to investigate the potential antecedents and consequence of employee engagement from the perspective of employees working in palm oil plantation industry. The study also aims to investigate the mediating role of both organisational and job engagement towards the relationship of the antecedents and the consequence. The objective of this study is examining the relationship between the antecedents and consequence of employee engagement as well as the relationship between the antecedents and employee engagement. Furthermore, the study also focus on examining the relationship between employee engagement and its consequence as well as the mediating role of employee engagement towards the relationship of the antecedents and the consequence from the context of employees within the palm oil organisation specifically in Sabah. This research employed a correlation study using a cross-sectional survey designed and the target populations of this study are the employee from all level of category working in Sabah state-owned palm oil organisation. The measurement item used in this study include both organisational and job engagement as the mediator variables, while perceived organisational and supervisor support as well as job characteristics as the antecedents (independent variable) and organisational commitment as the consequence (dependent variable). The findings of this study indicate that there is a positive relationship between the antecedents and the consequence of employee engagement. For the mediating role, employee engagement plays partial mediator role towards the antecedents and consequence relationship.

ABSTRAK

Tujuan utama kajian ini adalah untuk mengkaji penyebab keterlibatan kakitangan yang berpotensi dan akibat keterlibatan daripada perspektif kakitangan yang berkerja di dalam industry kelapa sawit. Kajian ini juga bertujuan untuk mengkaji peranan perantara kedua-dua keterlibatan organisasi dan kerja terhadap hubungan penyebab dan akibat. Objektif kajian ini adalah memfokus kepada mengkaji hubungan di antara penyebab dan akibat keterlibatan kakitangan dan hubungkait penyebab dengan keterlibatan kakitangan. Kajian ini juga fokus untuk mengkaji hubungkait keterlibatan kakitangan dan akibatnya serta peranan perantara kepada hubungan penyebab dan akibat dari konteks kakitangan di dalam organisasi kelapa sawit khususnya di Sabah. Kajian ini mengaplikasikan kajian kolerasi dengan menggunakan borang kaji selidik dan sasaran populasi bagi kajian ini adalah kakitangan daripada pelbagai kategori dan kumpulan bekerja di organisasi kelapa sawit kepunyaan Kerajaan Negeri Sabah. Ukuran yang digunapakai dalam kajian ini termasuklah keterlibatan organisasi dan kerja sebagai pembolehubah perantara, persepsi sokongan daripada organisasi dan penyelia serta ciri-ciri kerja sebagai pembolehubah tidak bergantung dan komitmen terhadap organisasi sebagai pembolehubah bergantung. Keputusan kajian ini mendapati terdapat hubungan yang positif di antara penyebab, akibat dan keterlibatan kakitangan. Bagi peranan perantara, keterlibatan kakitangan hanya memainkan peranan perantara yang sebahagian terhadap hubungan penyebab dan akibat keterlibatan kakitangan.

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CHAPTER 1

INTRODUCTION

1.0 Background of Study

It is increasingly difficult for employers to retain their capable and committed employees as they are becoming scarce (Miles and Creed, 1995), and are seen to be the source of advantage for the organisation (Barney, 1991; Wernerfelt, 1984; Pettman, 1975). Employers starting to realise that the organisations require employees that are proactive, having own initiatives, highly engaged to their job and remain committed to performing at high standards (Bakker and Leiter, 2010). Retaining these talents is detrimental to the company's future success (Sigler, 1999) and employers can no longer viewed employees as replaceable inputs (Miles and Creed, 1995). Employees need to be recognized as durable and more sustainable resources of the organizations in maintaining competitive advantage (Barney, 1991). Employers needs to re-strategise not only to get the right people but also to maintain the existing workforce within their organisation that are motivated and productive on delivering expected results (Bakker and Leiter, 2010).

In a competitive environment, employers need to be consistently alert to changes and trends on employment (Miles and Creed, 1995). Employers will have to recognize that employees have different requirements, needs, preferences and expectations (McBain, 2007). Failure to recognize these variations may lead to grievances, affecting productivity and possible turnover, whereby employees feel dissatisfied and unmotivated (Coff, 1996). By keeping track with these changes and trends, employers anticipate that their employees will do their best in producing results and perhaps willing to go extra mile (Saks, 2006). A win-win solution would be the best bet in order to meet both the employers and employees needs (McBain, 2007) and what may be lacking is having an engaged workforce within the



organisation (Schaufeli and Bakker, 2004). It can be seen as a combination of commitment to the organisation and its willingness to help out other employees as a team (Cropanzano and Mitchell, 2005). It goes beyond motivation and is something that the employees could offer, which cannot be required as part of their employment contract (Kahn, 1992).

With various internal and external challenges arises and creating impact towards the organisation, employers need to find ways and means to stay competitive and relevant (Bakker and Leiter, 2010). Having an engaged workforce specifically for palm oil plantation is crucial, whereby manpower are the key driver for the organisations within the industry to operate. This is supported by the statistic data provided by Statistic Department of Malaysia (2010), whereby the nation has been employing 446,368 workers nationwide for palm oil plantation, which makes up of 30 percent from total workers in agriculture-related industry. Large sum of workforce required in order to produced 64,282,738 metric tonnes of fresh fruit bunches (FFB) on a total planted area of 4,691,160 hectares comprises of 4,370 estates with an average of 18.03 yield per hectare (Statistic Department of Malaysia 2010).

With large land area and high volume of production (Yusof and Chan, 2004), Malaysia's palm oil industry is one of the nation's strategy not only to generate income but also to create employment opportunities (Yusof and Chan, 2004). Products produces by palm oil includes crude palm oil (CPO), processed palm oil (PPO), crude palm kernel oil (CPKO), processed palm kernel oil (PPKO), and palm kernel cake (PKC), which were commercially used today in food product, industrialisation, oleo-chemical and bio-fuel (Yusof and Chan, 2004). United States Department of Agriculture, USDA (2011) recorded that Malaysia was the second largest producer of palm oil producing at 18.7 million tonnes and exporter of palm oil products to countries such as China, the European Union, Pakistan, United States and India, which accounted for 43 percent from total world export. This supports that palm oil plantation has significant impact towards Malaysia's income.

Among the issues faced by within the palm oil plantation sector are dependency on foreign labour insufficient labour supply, high turnover and inconsistent productivity (Abdul Razak, Ahmad, Johari, Malik, Yosri and Omar, 2008). Looking into the best strategy that can best address the issues and fit for the organisation, many initiatives were introduced to further improve the productivity and deliverables of employees within the plantation sector (Abdul Razak et al, 2008). This includes improving work process through application of mechanised work process such as Cantas (Abdul Razak et al, 2008). The positive outcomes of improving work or business process is that the organisation will require minimal manpower and cutting down processing time as well as eliminating redundancies (Abdul Razak et al, 2008). However, initiatives on implementing and improving business or work process will require a large sum of capital and the return on investment has yet to be further examined in an actual setup (Abdul Razak et al, 2008).

Incentive compensation is another popular approach adapted and adopted not just to promote higher productivity but also used to reduce the problems surrounding employees' retention (Sigler, 1999). The assumption was that high pay will result in low turnover and high in productivity. However, generalising the concept for all level of employees especially in plantation environment would not be accurate as turnover still can be observed and level of productivity is subject to be questioned. In addition, employers will not be able to cope up on consistently paying high remuneration to the employees as it will increase the overhead cost of the organisation and in turn, decreases the organisation profitability. Getting the employee engaged could be one of the relevant strategies that need to be considered as there has been an increasing interest in employee engagement (Saks, 2006). Employers are attracted to the concept of engagement because of research evidence linking these attitudes with better performance and associated as providing positive impact towards business performance (Harter, Schmidt and Hayes, 2002).

Employers want engaged employees with the anticipation that they will be able to deliver better performance. When employers deliver their commitments by fulfilling employees' expectations, which includes monetary and non-monetary resources, they reinforce employees' sense of fairness and trust in the organisation, which will generate a positive psychological contract and obligation between the employers and employees. Engaged employees will feel obligated towards their job and organisation in response to the resources they have received from the employers, which creates commitment, accountability and sense of ownership. In addition, engaged employees also help to promote the employer brand and minimising the risk associated with poor service or product quality, which in return creates stronger employer brand that will help in attracting and retaining employees. However, employee engagement is more focused on long term approach, whereby it is an on-going process that requires continuous interactions between both employers and employees in order to generate accountability and a state of reciprocal interdependence (Cropanzano and Mitchell, 2005).

1.1 Problem Statement

Employers start to focus more towards their employees and acknowledging them as the most important and valuable asset that cannot be replaceable (Miles and Creed, 1995). Employers realised that by improving employees' level of performance and productivity, it will lead to higher profitability and return to the organisation. However, performance and productivity are linked to their level of motivation and commitment towards their job. How to keep them motivated and stay committed to their job would be the challenge for the employers. On top of that, having to operate within a competitive industry such as in palm oil plantation, employers need to be constantly alert on changes and trends in employment in order to attract and retain their employees. Many strategies can be adopted in addressing manpower issues and in recent years, there has been an increasing interest in employee engagement and its role towards work performance and competitive advantage (Kular, Gatenby, Rees, Soan and Truss, 2008).

Employee engagement has always been associated to bring positive outcomes for both employers and employees provided that both parties need to play their role in order to meet the win-win situation (Kular *et al.*, 2008) It was anticipated that engaged employees will have high level of commitment and job satisfaction, which result in delivering better performance. They also tend to stay loyal to the organisation and have positive organisational citizenship behaviour. However, these outcomes have yet to be explored from the perspective of employees within palm oil plantation environment as different industry will have different type of manpower issues, which cannot be generalised and standardised. Therefore, there is a need for more research on employee engagement and its effect, whereby it requires further validated especially in the context of palm oil plantation since there is no existing literature investigating the relationship from such perspective. This study will explore the antecedents, consequence and the mediating role of employee engagement from the perspective of employees in the palm oil plantation industry.

1.2 Research Objectives

The objectives of this study were specified as follows:

- a. To examine the relationship between the antecedents of employee engagement (i.e. perceived organisational support, perceived supervisor support and job characteristics) and consequences of employee engagement (i.e. organisational commitment)
- b. To examine the relationship between the antecedents of employee engagement (i.e. perceived organisational support, perceived supervisor support and job characteristics) and employee engagement (i.e. organisational and job engagement)

- c. To examine the relationship between employee engagement (i.e. organisational and job engagement) and the consequence of employee engagement (i.e. organisational commitment)
- d. To examine the mediating role of employee engagement (i.e. organisational and job engagement) towards the relationship of the antecedents of employee engagement (i.e. perceived organisational support, perceived supervisor support and job characteristics) and the consequence of employee engagement (i.e. organisational commitment)

1.3 Research Questions

The research questions in this study are in line with the research objectives, stated as follows:

- a. Do the antecedents of employee engagement (i.e. perceived organisational support, perceived supervisor support and job characteristics) have positive relationship with the consequence of employee engagement (i.e. organisational commitment)?
- b. Do the antecedents of employee engagement (i.e. perceived organisational support, perceived supervisor support and job characteristics) have positive relationship with employee engagement (i.e. organisational and job engagement)?
- c. Does employee engagement (i.e. organisational and job engagement) have a positive relationship with its consequence (i.e. organisational commitment)?
- d. Does employee engagement (i.e. organisational and job engagement) mediate the relationship of the antecedents (i.e. perceived organisational support, perceived supervisor support and job characteristics) and the consequence (i.e. organisational commitment)?

1.4 Significance of the Study

Saks (2006) suggested that employee engagement is a meaningful construct that is worth to explore in future study. The finding of the study should benefit both academics and practitioners to understand the antecedents (causal) of employee engagement, the consequence (effect) of employee engagement and the mediating role of engagement towards its antecedents and consequence. Besides, this study will help employers in palm oil plantation specifically in Sabah to have better understanding on their employees with regards to factors that makes them getting engaged and committed. This is consistent with Cropanzano and Mitchell (2005), whereby employers need to understand their employees by adopting employee engagement through series of interactions and on-going process with the objective to generate obligation and interdependence. Therefore, the need for this study is evident.

In addition, the existing research conducted by Saks (2006) investigates the antecedents and consequences of employee engagement from the perspective of various industries (Saks, 2006) based from conceptual studies conducted by Kahn (1990) and Maslach, Schaufelli and Leiter, (2001). However, the result obtained may not be an accurate reflection for employees working in palm oil plantation organisation. This is further supported by Slatten and Mehmetoglu (2011), whereby future research should explore whether there are different effect of employee engagement for other industries and various possible antecedents and outcomes of employee engagement. Thus, this study contributes to the call for more research related to employee engagement, specifically for employees in palm oil industry.

This study is mainly to assess the factors causing employee engagement, the effect of employee engagement and the mediating role of employee engagement towards the causal and effect relationship by providing empirical evidence to support the relationship, which latter provides insights for possible adaptation and adoption. In term of managerial implications, this research will

benefit to the palm oil plantation industry because it would impact on improving the productivity and performance of the employees, which promotes effectiveness and efficiency of work output. Also, it would help the management to gain better understanding on the importance of engaging their employees, which will contribute to positive work outcomes and minimising the risk of turnover. The findings of this study should identify the causal and effect of employee engagement that will provide useful information and reference for the employers to develop effective strategies in addressing profitability, productivity as well as maintaining committed and loyal workforce.

1.5 Scope of Study

This study focuses on the antecedents of employee engagement (i.e. perceived organisational support, perceived supervisor support and job characteristics) and the consequence (i.e. organisational commitment) of two types of employee engagement, identified as job and organisation engagement and the mediating role of employee engagement towards the causal and effect relationship. The variables for the antecedents of employee engagement were perceived organisational support, perceived supervisor support and job characteristics, while variable for the consequence is organisational commitment. The targeted respondents will be employees from all level of employment category working in Sabah state-owned palm oil companies. The selected organisations are government-linked companies that are among the major players within the palm oil industry particularly in Sabah. The core business of the selected organizations is palm oil plantation and having other type of agriculture related as upstream and downstream business. The employees of the organisation will be asked on whether the identified antecedents has any impact towards their level of engagement and which of the three variables were significantly affecting their engagement level. The employees will also be asked on whether getting engaged has any impact towards their level of commitment and which of the two types of engagement variables were significantly affecting their commitment level. The research will focus mainly on the employees' perception and not the employer.

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