

**THE INFLUENCE OF JOB SATISFACTION  
ON JOB PERFORMANCE: A CASE STUDY  
OF SABAH PORTS AFTER ITS PRIVATIZATION**

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PERPUSTAKAAN  
UNIVERSITI MALAYSIA SABAH

**SCHOOL OF BUSINESS AND ECONOMICS  
UNIVERSITI MALAYSIA SABAH  
2013**



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**DISSERTATION SUBMITTED IN FULFILLMENT  
FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION**

**SCHOOL OF BUSINESS AND ECONOMICS  
UNIVERSITI MALAYSIA SABAH  
2013**



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JUDUL KAJIAN: THE INFLUENCE OF JOB SATISFACTION ON JOB PERFORMANCE: A CASE STUDY OF  
SABAH PORTS AFTER ITS PRIVATIZATION

IJAZAH: MASTER IN BUSINESS ADMINISTRATION (MBA)

SAYA DOLLYN ALOYSIUS @ ATTI SESI PENGAJIAN 2011/2013

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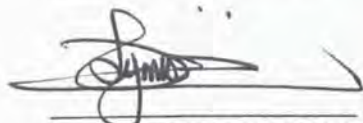
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## CERTIFICATION

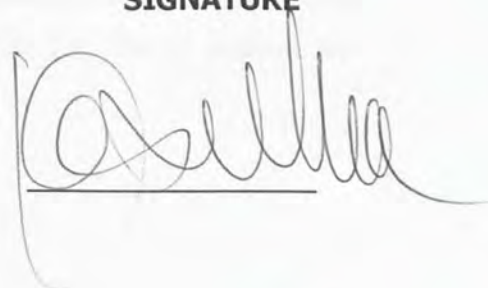
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DEGREE : **MASTER IN BUSINESS ADMINISTRATION**  
VIVA DATE : **29 AUGUST 2013**

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## ACKNOWLEDGEMENT

First of all, thank God for giving me the grace, strength and wisdom in completing this study. To my beloved husband and two beautiful daughters, thank you for your love and understanding. Not forgetting to my siblings for their help and prayers.

I would like to take this opportunity to express my deepest gratitude and appreciation to my main supervisor, Assoc. Prof. Dr. Janie Liew for her dedication, advises, encouragement and guidance. Her constructive comments and advises have been of a great value in this study. This appreciation also goes to my second supervisor, Dr. Stephen L. Sondoh Jr. @ Jude for his full support in term of time, guidance, and sharing his immense knowledge on the SPSS throughout this process. Indeed with your supervision, it was worth all the efforts and sacrifices that I have made.

This dissertation would not have been possible without the support from the management and staff of Sabah Ports Sdn Bhd who had helped me in answering the questionnaires and providing information. Last but not the least, thank you to my employer, colleagues and my closest friends who one way or another had given me the encouragement and moral support.

## ABSTRACT

### THE INFLUENCE OF JOB SATISFACTION ON JOB PERFORMANCE: A CASE STUDY OF SABAH PORTS AFTER ITS PRIVATIZATION

This study aims to examine the influence of job satisfaction dimensions on job performance amongst the employees (Scheme B) of Sabah Ports after its privatization. A total of 172 employees participated in this study. The objectives of this study were partially achieved after examining the relationship between job satisfaction (independent variable) using the six dimensions which include job security, pay, working conditions (workload), working condition (relationship), supervision and working condition (environment) and job performance (dependent variable). Multiple regression analyses tested the relationships between several job satisfaction dimensions in the achievement of optimal performance. The dependent variable was factorized twice and generated it into two components; they are job performance (task) and job performance (appraisal). With respect to the relationship between job satisfaction and job performance (task), the regression analysis indicated that there is a 41.0% variance in job performance (task) and of the six dimensions of job satisfaction, the results shows job that security, pay, working condition (relationship) and supervision have a significant influence on job performance (task). However, working condition (workload) and working condition (environment) have no effects on job performance (task). In terms of the relationship between job satisfaction and job performance (appraisal), the multiple regression analysis results indicate that there is a 26.7% variance in job performance (appraisal) and job security, working condition (relationship) and working condition (environment) have a significant influence on job performance (appraisal). Dimensions of pay, working condition (workload) and supervision have no effects on job performance (appraisal).

**Key words:** *Job satisfaction, job performance (task), job performance (appraisal), privatization*





## ABSTRAK

### PENGARUH KEPUASAN KERJA KE ATAS PRESTASI KERJA: KAJIAN KES DI PELABUHAN SABAH SELEPAS PENSWASTAAN

Kajian ini dijalankan untuk menilai pengaruh kepuasan kerja keatas prestasi kerja di antara pekerja (Skim B) di Pelabuhan Sabah selepas penswastaan. Seramai 172 pekerja telah menyertai kajian ini. Objektif kajian ini telah tercapai sebahagiannya selepas menilai hubungkait di antara kepuasan kerja (pembolehubah dimanipulasikan) dengan menggunakan enam dimensi termasuk sekuriti kerja, gaji, keadaan di tempat kerja (bebanan), keadaan di tempat kerja (perhubungan), penyeliaan dan keadaan di tempat (persekitaran) dan prestasi kerja (pembolehubah dimalarkan). Analisa regrasi telah dijalankan untuk mengetahui hubungkait di antara kepuasan kerja dan prestasi kerja. Pemboleh ubah dimalarkan telah difaktorkan sebanyak dua kali, terjana dua komponen iaitu prestasi kerja (tugasan) dan prestasi kerja (penilaian). Berkenaan dengan hubungkait di antara kepuasan kerja dan prestasi kerja (tugasan), analisa regresi menunjukkan 41.0% varian dalam prestasi kerja (tugasan). Dari enam dimensi kepuasan kerja, keputusan menunjukkan bahawa sekuriti kerja, gaji, keadaan di tempat kerja (perhubungan) dan penyeliaan mempunyai pengaruh sangat ketara atau signifikan ke atas prestasi kerja (tugasan). Walau bagaimanapun, keadaan di tempat kerja (bebanan kerja) dan keadaan di tempat kerja (persekitaran) tidak mempunyai kesan ke atas prestasi kerja (tugasan). Dari aspek hubungkait di antara kepuasan kerja dan prestasi kerja (penilaian), analisa regrasi pelbagai menunjukkan 26.7% dari jumlah varian dalam prestasi kerja (penilaian) dan sekuriti kerja, keadaan di tempat kerja (perhubungan) dan keadaan di tempat kerja (persekitaran) mempunyai pengaruh signifikan ke atas prestasi kerja (penilaian). Dimensi gaji, keadaan di tempat kerja (bebanan kerja) dan penyeliaan tidak ada kesan keatas prestasi kerja (penilaian).

**Kata kunci:** *Kepuasan kerja, prestasi kerja (tugasan), prestasi kerja (penilaian), penswastaan*





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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of the study

Generally, privatization can be defined as the transfer of state (government) controlled assets/public service to private enterprise. While the history of privatization dates as far back to Ancient Greece, and even during China's Han Dynasty, it was not until 1980's, following successful privatization exercises in the United Kingdom that made privatization popular worldwide.

Malaysia in particular started its intention to embark on a privatization policy in 1983 and documented the guidelines in 1985. Subsequently, in 1987 the Economic Planning Unit commissioned a study to draw up a blueprint for a national port policy with the purpose of enhancing the growth and development of Malaysian Ports to facilitate its growing international trade (Rahman, Jamali, & Wong, 1995). The study outlined policy recommendations and action plans to enhance the growth and development of Malaysian Ports particularly to set the pace for ports rapid development in the country. The aim of the policy was port privatization and the establishment of a national load center featuring modern terminal facilities to attract container shipping lines (Ministry of Transport Malaysia, 2005). In 1990, the Government introduced the Ports (Privatization) Act of 1990 to ensure a smooth transition from public to private sector management.

With the successful privatization of Klang Container Terminal, Penang Port, Johor Port, Kuantan and Bintulu Ports in the 1990s, the Sabah Ports Authority (SPA) which is also known as the 'Lembaga Pelabuhan-Pelabuhan Sabah', initiated the footsteps in privatizing all its ports and related services. The State Government of Sabah decided to privatize SPA's port commercial operation to Sabah Ports Sdn Bhd (SPSB), a wholly-owned subsidiary company of Suria Capital Holdings. In 2004, SPSB was entrusted to operate the eight ports throughout Sabah namely Kota Kinabalu Port, Tawau Port, Sandakan Port, Lahad Datu Port, Sepanggar Bay Oil Terminal, Kunak Port, and Kudat Port. The new Sapangar Bay Container Port began operation in 2007. The new Headquarter is also located within the vicinity of the new container port.





In many studies on privatization, it was mainly driven by political and economic reasons (Goodman and Loveman, 1991; Megginson *et al.*, 1992; Parker, 1992). The benefits of privatization towards the economy of any country promote and create competition between public and private ventures in order to increase efficiency, reduce costs, and improve product/service quality and customers' satisfaction. It is noted that the critical part of privatization exercise or decision lies in the sensitivity of government activity which leads to the fundamental shifts in the relationship between private and public sectors of the jurisdictions of many countries (Prizzia, 2005).

During the transition process in changing of ownership, there will be changes in the organization including organizational structure, information technology structure, employee's remunerations structure, internal and operational controls, management style and etc. According to Martin, Prizzia (2005), privatization and the transition are most likely to maximize social and employment benefits and minimize social and employment costs. However, Birdsall and Nellis (2002) narrated, in terms of returns on assets, the main topic of analysis has been the effect of privatization on employment levels and returns to labor and its benefits. Their findings stated that more people have lost jobs than gained them through privatization.

Although researchers, politicians and observers have concerns pertaining to the effect of privatization on employment in terms of job losses due to the reduction of workforce for the purpose of improvement in operational cost efficiency, privatization study by Moore, (1983) has claimed that employees employed in the newly privatized company will be better satisfied in terms of better pay and conditions of employment opportunities. The validity of this claim is dependent on each country due to economic background differences and measurement choices of its enterprise circumstances.

Similarly, the privatization of Sabah Ports is aimed to enhance efficiency of port services, allowing the port industry to be more consumer and market driven, relive State Government's funding and reduce size of public sector. The Sabah Ports privatization exercise involved the transfer of port operational business to a concession company (SPSB). Almost all moveable assets, including cargo handling equipment are transferred to the concession company while land, ports building and

port infrastructure (wharves and jetties) remained with SPA, the existing statutory body.

In as far as the employees are concerned, the privatization exercise allows better incentives and career prospects in an improved conducive competitive working environment. One of the salient features of the Ports (Privatization) Act of 1990 is continued employment by the private operator of all Government workers on terms that shall be "no less favorable" than their earnings under public management. The 864 port employees were offered to join the new privatized company with improved terms of services under Scheme B. Scheme B are the professional and management group and support group of employees who are given the option to join the new privatized firm (SPSB). Their terms and condition of appointment, pay structure and all relevant employment benefits are being outlined prior joining the concession company, SPSB. As stipulated under the Ports (Privatization) Act 1990, Scheme B is an improved terms of services that are "no less favorable" than their terms under public service. There was a general minimal increase of seventeen and a half per cent (17.5%) in pay across the board and improved employment benefits being included in the package.

Drawing from the results of privatization study by Moore (1983), which suggests that employees employed in the newly privatized company are better satisfied given the higher pay and career opportunities, it is expected that port employees moving from Sabah Ports Authority to the privatized concession company would yield the same results. That is, job satisfaction is expected from employees opted to join the concession company as the pay rise given and employment benefits entitlements were reasonably higher than what they received under public service. The newly improved terms of services are considered among the best when compared to other privatization cases in Malaysia at that time. As shown in many studies, employees' job satisfaction is inevitably linked to higher productivity and performance from employees.

## **1.2 Problem Statement**

As pointed out by Antonio Estache *et. al*, that the impact of privatization on employment is multifaceted and complex. The evidence is unclear whether or not it has a positive or negative effect. In another study done by David and Rothwell, (2004) stated that the elements such as employee job security and promotion and



remuneration are identified as factors that influencing employee job performance and satisfaction due to privatization.

Therefore, for the case of Sabah Ports one of the issues can be determined using the chart (Table 1.1) below which shows the number of resignation for a period of nine years following privatization. Total resignation is about eighty (80), with rising trend about three years after privatization. This record is a staggering figure compared to only one case of resignation within the period of nine (9) years before privatization since 1994. The high rate of resignation appears to suggest a high level of job dissatisfaction among the employees. However, this contradicts to Moore's (1983) findings in his study of privatization which suggests that employees employed in the newly privatized company are better satisfied given the higher pay and better career opportunities.

**Table 1.1 : LIST OF RESIGNATION AS AT 01 SEPTEMBER 2004 UNTIL 15 JULY, 2013**

YEAR	RELIGION			SCHEME B	NON SCHEME B	TOTAL OF RESIGNING
	Christian	Muslim	Others			
2004	1			1		1
2005	1			1		1
2006	2	2		1	3	4
2007	2	4	2	2	6	8
2008	1	7			8	8
2009	2	14			16	16
2010	3	16		1	18	19
2011	5	5		1	9	10
2012	0	5	1		6	6
2013	2	5			7	7
<b>TOTAL</b>	<b>19</b>	<b>58</b>	<b>3</b>	<b>7</b>	<b>73</b>	<b>80</b>

Source: HRD, Sabah Ports Sdn Bhd

Based on the above information, derives some potential factors affecting resignation by the employees. One significant factor is under the new Terms and



Conditions of Services, Scheme B, Section 18 provided that a revision supposed to be made on salary, allowances and benefits entitlement within a period of six months to twelve months after the privatization has taken into effect. This was supposedly the second revision after the first one given at the time of privatization transition. Accordingly, the revised salary, allowances and benefits entitlements should have been carried out must not be less than what has been provided for in the first revision. However, these term and condition have not been implemented as specified under Section 18 of Scheme B, Terms and Conditions of Service agreement. (*Sources: Human Resource Manager, Sabah Ports Sdn Bhd.*)

In relation to the above issue, potentially create dissatisfaction among the employees in privatized company in terms of unfulfilled rights that they should have been given according to the terms and condition of their service employment. Hoppock, (1935) in his definition of employee's job satisfaction, stated that it is a combination of psychological, physiological and environmental circumstances that makes a person truthful to say that they are satisfied with their job (Klassen, Usher & Bong, 2010a). Many external factors are influencing job satisfaction of which some remains as internal factor as it relates or connects to how employees feel.

In the case of Sabah Ports, the unfulfilled terms to give the salary revision by their new employer may cause not only dissatisfaction or distrust but have doubts about in the new management, particularly when it occurred at the early stage of their new employment (within six to twelve months). This feeling possibly will lead to emotion, which although may not be physically visible, can be perceived as one of the important determinant affecting job satisfaction and hence, job performance. Any perception of unfairness is related to negative effects for organizations (Cohen-Charash and Spector, 2001).

As we are aware of, job satisfaction is one of the influencing factors when come to efficiency and effectiveness of any organizations. There is already adequate literature contending that employees should be fairly treated and considered primarily as human they have their needs, wants, personal desires that once fulfilled can produce satisfaction and lead to a better performance.

Therefore, this study intends to measure what are the factors gives employees job satisfaction and how does these factors have a relation to job performance.

### **1.3 Research Objectives**

This study is conducted with the following objectives:

1. To examine the relationship between job satisfaction (example pay, promotion, working condition, supervision, rewards and recognition and job security) on job performance.
2. To determine the major determinants of job satisfaction on job performance after privatization.

### **1.4 Research Questions**

This study intends to identify the effects of privatization towards employees' job performance. Hence, the research shall address the following questions:

1. Does job satisfaction dimension such as pay, promotion, working condition, supervision, rewards and recognition and job security have a positive influence on job performance?
2. To what extent does the job satisfaction affect the job performance of the employees?

### **1.5 Scope of Study**

This study will be measuring whether all the job satisfaction dimensions being chosen (pay, working condition, promotion, rewards and recognition, supervision and job security) have influence or in other words identifying the relationship between employees' job satisfaction and job performance.

This study applied a cross sectional study using a self-administered questionnaire and will be distributed to 175 respondents who are the employees of Sabah Ports Sdn Bhd (SPSB). The distribution varies from the level of Manager to support staff in five major Ports including its Headquarters, Sapangar Bay Container Port, Sapangar Bay Oil Terminal, Kota Kinabalu Port (inclusion of some staff from Workshop) and Sandakan Port.



## **1.6 Significance of the Study**

It is hoped that this study will shed light on what factors influence employees' job performance at the workplace. It will also provide an assessment of the effects of privatization towards SPSB on human management, planning, practices, welfare and managerial implication in decision making. It is useful for the organization in identifying the area of dissatisfaction of employees for improvement. Other than for academic reference purposes, this study also hope to set an example in other future privatization in terms of employment pay and benefits, or other factors which significantly affect job satisfaction, and hence job performance.

## **1.7 Definition of the Terms**

### **1.7.1 Job satisfaction**

Job satisfaction is defined as employee's individual attitude and feelings towards his/her jobs, regardless of its results, which are likely to contribute to the development of feelings of satisfaction or dissatisfaction (Samuel *et al.*, 2009).

### **1.7.2 Pay**

Pay or salaries refers to any amount of money that an individual receives (Luthans, 1998) and such money is a compensation that an individual receives as well as the extent to which such compensation is perceived to be equitable.

### **1.7.3 Working condition**

Working condition is defined as a term of staff facilities or working environment. Working conditions include satisfaction with various aspects of the work environment such as comfort, staff members and job variety and physical environment and facilities (Nobile and McCormick *et al.*, 2011).

### **1.7.4 Promotion**

Promotion is based on the level or position or talent of any individual in his hierarchy, the higher the level of talent in any individual, the higher will be his position in the hierarchy (Rosen ,1982).



### **1.7.5 Reward and Recognition**

Herzberg's theory of motivation identified recognition as one of the factors that all individuals at all level of the organization need. Recognition for what they have achieved on the job is a motivating factor. Employees should be recognized for what they have achieved.

### **1.7.6 Supervision**

Spector, (1997) identified that immediate supervisor's behavior is one of the determinant of job satisfaction. The findings says that if such supervisor is understanding, friendly, offer praise for good performance, listens to employees' opinions and show personal interests in them will give employee satisfaction (Robbins, 1993).

### **1.7.7 Job Security**

Job security is how one organization provides a stable provision of employment for their employees (Herzberg, (1968).

## **1.8 Organization of the Report**

The organization of this report is divided into five chapters, namely Introduction, Literature Review, Research Framework and Methodology, Result and Data Analysis and Discussion and Conclusion.

Chapter One, Introduction, provides an overview of the Privatization exercise that have been carried out in many countries including Malaysia and Sabah Ports in particular. In the same sections follows with Problem Statements, Research Objectives, Scope of Study, Significant of Study, and Definitions of Key Variables in this study and Organization of Study.

Chapter Two, Literature Review, is a review study on the relationship between job satisfaction and job performance. Most of the review was previously done by other researchers and their findings documented. Some of these previous studies are quite similar to this study with a focus on different background of study in different countries or states while other studies focus on factors that affect job performance. The dependent and independent variables used in this research were derived from the literature review and each of the relationship between them will be discussed further in Chapter Two.

As for Chapter Three, Research Framework and Methodology discusses the Research Framework, Hypotheses, methods and questionnaires used to conduct the survey for the research. The most crucial one is Chapter Four which presents the Analysis of Findings of this study. Lastly, this report will be concluded in Chapter Five under Discussion and Conclusion respectively.



## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter will highlight the past study findings on the factors affecting job performance to give a wider review on the concept of job performance in supporting this study.

This chapter seek to explain the independent variables used in this study, being the elements that contributed to job performance such as pay, working conditions, promotion, rewards and recognition, supervision and job security.

#### 2.2 Job Performance

One of the main priorities and goals in most organizations is to attain a high level productivity via high level performance by its human resources. In order to achieve that, there is a need for highly satisfied work force as satisfied workers leads to better job performance. The question which most researchers in human and organizational behavior study try to answer is what factors make a worker satisfied which enhances job performance.

Research study from Campbell and Pritchard (1976) and Churchill, Ford and Walker (1987) had alluded that job performance is a function of ability, skills, motivation, industrial and organizational psychology, attitudes and demographics. The list is not exhaustive and it can get complicated as some of these factors are specified broadly and generally. For example, there are a lot of other factors affecting motivation. The term psychology also covers almost all human behavioral fields. Other factors can also be health of employees, management style, culture, mental state, religious belief and etc. Either one of these factors can be classified under one of the factors identified by past researcher but when the factors identified are specified broadly and generally, the result and conclusion of a study can also be generalized.

The possible case of distrust in management mentioned earlier in the paper is not a factor directly identified by past researchers but is a valid factor to





consider which can significantly affect job satisfaction, leading to possible high rate of resignation as shown in the port concession company in Sabah. While this is yet to be proven, it is still a valid consideration and could well skewed the result of this study away from findings by Moore,(1983) in his study of privatization.

This study recognizes that it is difficult to measure job performance directly and accurately. It is deduced that a worker in a job satisfied state performs better than had the same worker is in a job dissatisfaction state. Measuring the level of job satisfaction therefore provides an indication of job performance.

## **2.3 Independent Variables**

### **2.3.1 Pay**

There are many tremendous study results showing that pay ranks in the top in determining job satisfaction. Abdullah *et al.*, (2011) stated that wages as the main predictor for job satisfaction. Calisir *et al.*, (2010) study suggests salaries and incentives are the most important determinant of job satisfaction. In yet another survey done in the automobile industry, Kathawakam and Elmuti, (1990) concluded that salary is the main factor for motivation and job satisfaction. In comparison between compensation, reward, recognition and wages, the salary was ranked as the number one job element for job satisfaction whereas the salary increment was ranked number one as the element for motivation.

Furthermore, studies by Sinclair, *et.al.* (2005), Ojokuku and Sajuyigbe (2009), Frye (2004), and Sajuyigbe, Olaoye and Adeyemi, (2013) all suggested that pay is the main factor in attracting, retaining and motivate employees to higher performance. In Miura's *et.al.* (2005) study reveals that in order to get the best employees, organization must offer a good pay and benefits.

On the other side of the coin, Gberevbie, (2010) argued that giving high pay to attract good workers will be static over the time and in most cases the organization takes that as an investment that needs to be returned through performance and productivity. Hackman and Lawler, (1971) further supported that when a worker performs his or her task with high skill variety, self-sufficiency and feedback, it is proven that the job significance experiences greater levels of job

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