

**BUILDING A BETTER WORKPLACE WITH
EMPLOYEE ENGAGEMENT**

JIVARANEE A/P NAGARATHANAM

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QUANTITATIVE RESEARCH

TABLE OF CONTENTS

CHAPTER 1 : INTRODUCTION

Title of the Study	Cover Page
1.1 Introduction of the study	5
1.2 Problem Statement	9
1.3 Research Objective	16
1.4 Research Questions	16
1.5 Significance of Study	17
1.6 Definitions of Key Terms	18
1.6.1 Employee Engagement	18
1.6.2 Open Communication	19
1.6.3 Business Branding	19
1.6.4 Career Prospective	20
1.6.5 Supervisory Support	20

CHAPTER 2 : LITERATURE REVIEW

2.1 Introduction	21
2.2 Employee Engagement	21
2.3 Career Prospective	30
2.4 Open Communication	33
2.5 Business Branding	36
2.6 Supervisory Support	39
2.7 Theoretical Framework	41
2.8 Formulation of Hypotheses	42
2.8.1 Underlying Theory	43

2.8.2	Herzberg's Two-Factor Theory of Motivation	43
2.9	Summary of Literature Review	44
CHAPTER 3 : METHODOLOGY AND RESEARCH DESIGN		
3.0	Introduction	45
3.1	Research Approach and Design	45
3.2	Variables	46
3.3	The Target Population	47
3.4	Sampling	47
3.5	Unit of Analysis	49
3.6	Data Collection Instrument	49
3.6.1	Data Collection Procedure	51
3.6.2	Pretesting the Questionnaire	52
3.6.3	Ethical Consideration	52
3.7	Measures	53
3.7.1	Career Prospective	53
3.7.2	Open Communication	54
3.7.3	Business Branding	54
3.7.4	Supervisory Support	54
3.7.5	Employee Engagement	54
3.8	Data Analysis	55
3.8.1	Factor Analysis	55
3.8.2	KMO	56
3.8.3	Bartlett's Test Sphericity	56
3.8.4	Multiple Regression Analysis	56
3.9	Conclusion	57

CHAPTER 4 : RESEARCH RESULTS

4.1	Introduction	58
4.2	Response Rate	58
4.3	Respondents' Profile	58
4.4	Factor Analyses	62
4.4.1	Factor Analyses for Career Prospective	63
4.4.2	Factor Analyses for Open Communication	64
4.4.3	Factor Analyses for Business Branding	65
4.4.4	Factor Analyses for Supervisory Support	66
4.4.5	Factor Analyses for Employee Engagement	67
4.5	Reliability Analysis	68
4.6	Descriptive Statistics of Study Variable	69
4.7	Test of Relationship	70
4.7.1	Relationship between Open Communication and Employee Engagement	71
4.7.2	Relationship between Business Branding and Employee Engagement	72
4.7.3	Relationship between Career Prospective and Employee Engagement	73
4.7.4	Relationship between Supervisory Support and Employee Engagement	74
4.8	Test for Mediation Effect	75
4.8.1	Mediating Effect of Supervisory Support in the Relationship between Open Communication and Employee Engagement	75
4.8.2	Mediating Effect of Supervisory Support in the Relationship between Business Branding and Employee Engagement	76
4.8.3	Mediating Effect of Supervisory Support in the Relationship between Career Prospective and Employee Engagement	77
4.9	Summary of Hypotheses Testing	78
4.10	Conclusion	79

CHAPTER 5 : CONCLUSION AND RECOMMENDATION

5.1	Introduction	80
5.2	Summary of Findings	80
5.3	Empirical Findings	80
5.4	Theoretical Implication	81
5.5	Managerial Implications	82
5.5.1	Open Communication and Employee Engagement	82
5.5.2	Business Branding and Employee Engagement	84
5.5.3	Career Prospective and Employee Engagement	84
5.5.4	Supervisory Support and Employee Engagement	85
5.6	Limitations of Study	86
5.7	Suggestions for Future Research	87
5.8	Summary	87
	REFERENCE	88 - 98
	Figure 2.1: The Framework of Factors Influencing Employee Engagement	41
	Figure 2.2 : Herzberg's Two-Factor Theory of Motivation	44
	Table 4.1 Respondents Demographic Characteristic	59-60
	Table 4.2 Results of Factor Analyses for Career Prospective	63
	Table 4.3 Results of Factor Analyses for Open Communication	64
	Table 4.4 Results of Factor Analyses for Business Branding	65
	Table 4.5 Results of Factor Analyses for Supervisory Support	66
	Table 4.6 Results of Factor Analyses for Employee Engagement	67
	Table 4.7 Results of Reliability Analysis	68
	Table 4.8 Mean Scores and Standard Deviations for the Study Variables	69
	Table 4.9 Results of Multiple Regressions of Open Communication	71
	Table 4.10 Results of Multiple Regressions of Business Branding and Employee Engagement	72

Table 4.11 Results of Multiple Regressions of Career Prospective and Employee Engagement	73
Table 4.12 Results of Multiple Regressions of Supervisory Support and Employee Engagement	74
Table 4.13 Multiple Regression Results – Supervisory Support as mediator in the relationship between open communication and employee engagement	75
Table 4.14 Multiple Regression Results – Supervisory Support as mediator in the relationship between business branding and employee engagement	76
Table 4.15 Multiple Regression Results – Supervisory Support as mediator in the relationship between career prospective and employee engagement	77
Table 4.16 Summary of the hypotheses testing	78
Appendix A : Cover Letter and Questionnaire	99 – 106
Appendix B : Coding of Variables	107
Appendix C : SPSS Analysis Outputs	108 - 149

CHAPTER 1

1.1 INTRODUCTION

Employee engagement is a vast construct that touches almost all parts of human resource management facets we know. If every part of human resources is not addressed in appropriate manner, employees fail to fully engage themselves in their job response to such kind of mismanagement. The construct employee engagement is built on the foundation of earlier concepts like job satisfaction, employee commitment and organizational citizenship behavior. Employee engagement is stronger predictor of positive organizational performance clearly showing the two-way relationship between employer and employee. Although there is a growing body of literature investigating employee engagement, scholars have noted that academic research lags behind practitioner developments. This is particularly notable with respect to the role of immediate supervisor. The novel of the study would be to introduce the supervisory support has the moderating effects on employee engagement. Employee engagement is a deep and broad connection that employees have with a company that results in a willingness to go above and beyond what's expected of them to help their company succeed.

Engaged employee are emotionally attached to their organization and highly involved in their job with a great enthusiasm for the success of their employer, going beyond the employment contractual agreement (Solomon M, M. Sandhya Sridevi (2010)).

According to McBain, there are a few definitions of engagement in used, including the employees who work for ensuring the energies and interests are aligned with the organizational goals, releases unrestricted efforts and delivers the aspirations of the organization by creating an emotional relationship with employees. Commitment is referred on how employee's engage

towards their organization. Engagement also about the unlimited effort on employee is geared up to put in at three levels: Is it the workplace they prefer to work and willingness to stay, will they plan to go for the extra mile with the organization? There is always interlinking between the factors that influence the employee engagement in the organization (McBain, 2007).

Although improved performance and productivity is at the heart of engagement, it cannot be achieved by a mechanistic approach which tries to extract discretionary effort by manipulating employees' commitment and emotions. Employees see through such attempts very quickly; they lead instead to cynicism and disillusionment. By contrast, engaged employees freely and willingly give discretionary effort, not as an 'add on', but as an integral part of their daily activity at work. An engaged employee experiences a blend of job satisfaction, organizational commitment, job involvement and feelings of empowerment. It is a concept that is greater than the sum of its parts.

The link between the factors that influence the employee engagement has been studied over the few decades. Each study has been confirmed by many researchers on the linkage between employee and the performance of the organization it make total sense. In recent years, there has been a great deal of interest for organization to invest in employee engagement. Especially multinational companies has been continued investing in employee engagement initiatives. Nevertheless, small and medium organizations are also pressured to invest in employee engagement.

Employee engagement can affect employees' attitudes, absence and turnover levels and various studies has demonstrated links with productivity, increasingly pointing to a high correlation with individual, group and organizational performance, a success measured through the quality of

customer experience and customer loyalty. Organizations with higher engagement tend to have lower employee turnover, higher productivity, higher total shareholders returns and better financial performance; *Trends in Global Employee Engagement, Aon Hewitt, (2011)*. An engaged employee willing to put discretionary effort into their work in the form of time, brainpower and energy above and beyond what is considered adequate. An engaged employee has a desire and commitment for always doing the best job. They grip any task with energy and enthusiasm. They bring fresh ideas, infuse their teams with their own engagement and are less likely to seek opportunities to work elsewhere. They believe in the purpose of their organization and demonstrate that belief through their actions and attitudes.

Based on the studies of 50 companies across the globe, looking at both their employee engagement scores and their financial data, the analysis focused on the impact of employee engagement on operating income, net profit and earnings per share (Towers Perrin, 2007). Over the 12 months studies, organizations with high levels of employee engagement outperformed those with below average levels of employee engagement on all three financial measures:

Operating income. Companies with highly engaged employees collectively saw operating incomes rise by \$389.95 million or 19.2%, but companies with below average levels of engagement collectively saw it fall by \$664.14 million or 32.7%.

Net income growth. The group of companies with highly engaged employees saw net income grow by 13.7% or \$121.38 million but it fell by 3.8% or £33.67 million among companies with low levels of employee engagement.

Earnings per share. Organizations with highly engaged employees collectively saw earnings per share increase by 27.8% compared to companies with low levels of engagement which saw a fall of 11.2%.

Organizational practices do have a major impact on employee engagement. These findings suggest that organizational practices have 43.2 percent on employee engagement (Choo, Mat Norsalah, Al-Omari Mohammad, 2012). Eventually, Malaysia's companies must create a good working environment with continuous employee engagement to build on physically powerful leadership intense customer focus, string strategic direction and as well as unbiased compensation packages and transparency to increase the employee engagement and to reduce the brain drain. Most organization as well as their management invested on the workforces and employees through training and development programs because employees are the human capital for the organization to sustain.

The concept of having employee satisfaction is considered as the critical conception and the ability to retain its best employees to stay in the organizations or employee retention in other words. Employees whom are unsatisfied and disengaged with the existing work is one of the reason why turnover occurred, and they will start to search for other alternatives while comparing those alternatives with their current jobs, and tendered the resignation from the organization if they find other career opportunities greater than the existing position. According to Abassi & Hollman, turnover can be said as top of the list affected the productivity to decline in the organization (Abassi, Hollman, 2000). Past research (Chew, 2005) found that organizations with strong job satisfaction, employee tend to have lower intention to leave their organization and also lower turnover rate than those with employees with job dissatisfaction.

Retention of qualified employees is very important for each employer to look into it seriously. Moreover, retention has cut down the organization extra expenses either tangible or intangible. From the literature review, the researcher found that with every 10 professionals or managerial staffs who leave the company, the organization loses around \$1 million (Fitz-enz,1997). Especially when the employees had just been trained well by the companies and make decision to leave the company. The organization also loses significant knowledgeable employee required for better performance. The investment on training programs for employees will be wasted if there are uncontrollable turnover of trained employee from time to time. Meanwhile, there are extra expenses in advertising and total loss of time spent on the recruitment process.

1.2 Problem Statement

This research on employee engagement is to investigate the factors that actually drive employees to perform their best to reduce turnover rate. Talent management has become more important than it used to be, and it is a part of company strategies to remain competitive in with the best human capital resources to attain organizational effectiveness. Nevertheless, employers have to face the risk of losing their well-developed employees who leaves for better prospects in other organization. Huge investment developing human capital would be in vain if the employees leave and bring along their skills and experience to other organizations. Losing good employees can negatively affect an organization's competitive advantage because it will lead to reduction in productivity and quality. When turnover is high, the productivity will decrease therefore the organization profit will also decrease. The organization often conduct employee engagement surveys from time to time to design or redesign the existing policies and implement key changes

in order to increase the productivity and efficiency of employees. In addition, it will assist in retaining the best talent within the organization.

A 2010 study by Corporate Executive Board found that engaged employees expend 57 percent more effort and are 87 percent less likely to resign than those are disengaged. In addition, study by Hay Group found that commitment is lowest in Asia Pacific with 54 percent of the workforce intending to leave their companies within five years compared with 44 percent globally. This data points paint a challenging picture in engaging and retaining Asian employees and there are many driving forces behind these numbers.

According to Vroom (1964), job satisfaction is a positive direction an employee moves in his presently occupied working roles. The employees dissatisfaction will affect their commitment to work and lead them to turnover from the organization physically or mentally (Pathak, 2012).

In the case of Malaysia (Judi. N., Pa'wan. F., & Hansaram. R. M. K., 2013), high turnover is problematic in local arena, and the trend for employees to leave the country and work abroad is also worrisome. Because of the fact that the country aspires to be a high income economy by year 2020, the nation need valuable human capital. Therefore, at present the Malaysian economic policy is directed toward developing human capital via talent management strategies. Talent Corporation was established in Malaysia in January 2011 with the objectives to establish policies that are able to attract and retain Malaysian diaspora and talented locals to remain in the country. Under the policy, employers are encouraged to invest in human capital management that will boost the quality of human resources. There is a high turnover rates about 17% in the year of 2003 and 16% in year 2004 which reported by Malaysian Employers Federation annual surveys (MEF, 2004, 2005). According to Malaysian Employers Federation (MEF) Executive Director

Shamsuddin Bardan, Malaysian companies are seen an attrition rate of between 9.6% and a phenomenal 75%, based on its survey conducted on executive positions between June 2010 and July 2011, on 143 companies across the various sectors in the country. It was reported by the Malaysian Employers Federation that the highest turnover rate is in IT or Communication at 75% followed by association or societies at 33% and hotel or restaurant at 32.4%. The manufacturing sector relatively low annual average turnover rates, with the highest being the Basic and Fabricated Metallic Product sectors at 23.38%, followed by Electric and Electronics sectors at 23.04% and Plastic and Rubber sectors at 19.92%. Shamsuddin says this amount to additional costs for employers as they have to recruit new staff to replace those who leave (Goh, 2012). The turnover rate in Malaysian Financial Services industry has increased significantly from 7.4% in 2012 to 13.3% in 2013, according to a survey by Towers Watson (NYSE, NASDAQ:TW), a leading global professional services company. Employers are caught in the middle, between the need to develop talents and the risk of losing their valued employees. This is where the need arises to examine what induce employee to leave and the findings are potentially useful in giving some insights to employers on which employee engagement are effective in dealing with turnover intention.

The survey shows that turnover crisis have had great impacts on the hospitality industry. The study reported the causes of job dissatisfaction which force an employee to quit from their current job and consider other job opportunities (AlBattat, Mat Som, 2013).

A survey found that Malaysian employees only willing to stay with their organizations with the average not more than three years (Lim, 2001). Based on the previous research studies it is worrying of the above trend which has been reported. As turnover trend intentionally have

reduces the overall organization's efficiency and productivity as it divert organization from the core objective as they need to keep replacing the employees who have tendered resignation.

Despite there being some debate about the precise meaning of employee engagement there are three things we know about it: it is measurable; it can be correlated with performance; and it varies from poor to great. This has been shared by HR practicing firm, Recruitment Process Outsourcing and Talent Achievement Corporation, known as RPO Provider in India. Most importantly employers can do a great deal to impact on people's level of engagement. That is what makes it so important, as a tool for business success.

Research revealed what Canadian employees are looking for in job. Good pay, job security and benefits are an important part of the package, but that is not only the top in the list. Canadian employees place an even higher value on being treated with respect, doing interesting work, a feeling of accomplishment and good communication among co-workers ("Finders & Keepers – Recruitment and Retention Strategies," 2003).

Some literature review discussed by other researchers studied on the drivers influence employee engagement and finalized these four antecedents of the study which are open communication, business brand, career prospective and perceived supervisor support in which will be discussed further in this paper.

Companies are now emphasizing on training, career development and succession plans. They are engaging with their employees better. They are offering better healthcare packages for their employees and their immediate family members too. This will help a pool of employees whom

are healthy and happy with less medical leave in which increases productivity. If the employers do not invest on their employees, most likely they will not stay longer.

Moreover, in fact it is costly in managing turnover as it is not only includes the expenses related to hiring and providing employees training but also included the cost of intangible such as losing of talented employees, experienced employees from the organization is difficult to be measured. Hence, this research is to study and investigate factors influencing the employee engagement among the employees working in the MNCs in Malaysia.

As we reflect on the idea of employee engagement, we need to investigate the “driver” of engagement. In other words, what do organizations have to do to get their employees feel that sense of having commitment with them? Similarly, employee engagement in that sense is very similar to customer engagement. Employee engagement is about how employees really feel about your organization? Do they have sense of pride of belonging? Will they recommend their best friend to work in their organization? Will they allow their children to work with this organization after graduate? This can be described as similar to what a customer may feel towards a particular organization “brand name”. If customers feel good about a particular “brand”, like what they perceive, use the product to make them feel proud or good of using it as the product works well. Then, the customers tend to buy or continue to use more of these products. They will eventually promote these products and company to their friends.

According to Penna research report (2007), meaning at work has the potential to be valuable way of bringing employers and employees closer together to the benefit of both where employees experience a sense of community, the space to be themselves and the opportunity to make a contribution, they find meaning. In the bottom line, there are basic needs of pay and benefits.

Once the employees satisfied with these, they will look for development opportunities, the possibility of promotion and then leadership style. Finally, when all the above have been satisfied, the employee looks to an alignment of value-meaning, which is displayed by a true sense of connection, a common purpose and a shared sense of meaning at work. The Blessing White (2006) study has found that almost 60% of the surveyed employees want more opportunities to grow forward to remain satisfied in their jobs. Strong manager-employee relationship is a crucial ingredient in the employee engagement and retention formula.

CIPD (2006) on the basis of its survey of 2000 employees from across Great Britain indicates that communication is the top priority to lead employees to engagement. The opportunities to feed their views and opinions upwards as the most important driver of the employee's engagement. The report also identifies the importance of being kept informed about what is going on in the organization.

Almost half of the employers believed that nowadays employee engagement will bring positive or negative result to the organization success, and to the overall company's financial performance. Based on the literature review, many has been reported that almost half of the employees, almost half of American labor force was not engaged completely or some disengaged which in other words called "engagement gap" that have caused a lost in productivity (Bates, 2004; Johnson,2004; Kowalski, 2003; Saks,2006)

When employees disengaged in the organization, employee turnover might be happen. The percentage of employee turnover by the end of 2006 a Kia Motor UK has been hit 31%, and it was involved an extremely high costs in employment activities and legalization processing. Among the weaknesses from their survey were awareness of company strategy and poor internal

communications (Tomlinson, 2010). It means that, awareness of business framework and work together with colleagues to develop the performance within the job scope and make profit to the organization is important throughout the company strategy and internal communication.

To build a successful plan of employee engagement is essentially about getting employees to involved and therefore into practice. As it is unviable to make employee motivated, driven or committed by something when employees felt that their role is not play in part at all. The quality of knowledge sharing and learning systems, the quality of building a strategy in the company are playing an important roles to identify the culture of the organization that support the workplace where the engagement can grow. Meanwhile trust can be built between employers and employees through effective open communication.

Some organizations believe that with measure their employees level and attempt to increase those levels of engagement will bring input on productivity, safety, profitability and turnover (Berverly & Philip, 2006). Therefore, to measure the level of engagement in the organization this study will investigate the factors that will impact on employee engagement.

1.3 Research Objective

The main objective of this research is to identify factors influencing employee engagement in organization. This is to build job satisfaction, employee commitment, organizational citizenship behavior in which will increase efficiency and productivity.

Thus, it hopes to achieve the following objectives:

- To understand what employee engagement means in the context of multi-national corporations
- To identify the influence of perceived supervisor support towards employee engagement
- To distinguish the impact of business brand, open communication and career prospect on the employee engagement

1.4 Research Questions

In order to achieve the above objectives, the following research questions were posts for this study:

- How has the open communication influenced the employee engagement?
- To what extent does supervisory Support have mediating relationship between the open communication and employee engagement?
- How has the business branding influenced the employee engagement?
- To what extent has supervisory support have mediating relationship between the business branding and employee engagement?
- How has the career prospective influenced the employee engagement?
- To what extend does supervisory support have mediating relationship between the career prospective and employee engagement?
- How has the supervisory support influenced the employee engagement?

1.5 Significance of Study

The theoretical outcome of this study would be an extension of a theoretical model to some existing knowledge in employee engagement. Likewise, a practical outcome could be something that could be practiced in organization by managers to improve the status quo of employee engagement if it is found to be beneficial.

The outcome and knowledge produced in this research will be used by other scholars to advance the state of knowledge in employee engagement field of study. The exchange and debate of ideas and findings contributes to the production of the larger body of knowledge within a discipline.

In the past few decades employer expected loyalty to the organization by offering life time employment but with the recent increase in global competition, employer needed to be more flexible and recognize in their deployment of employees and thus employer started to change the contract. It is essential because it will perform some feedback or comments to organizations on the effect of the open communication, business branding, career prospective and supervisory support towards satisfaction generated and performance of the company as a whole.

Finally this study also will increase the existing literature that has limited research in Malaysia where carried out in the implementation of factors that positively related to Employee Engagement. This research will support users of the construct to persist study on employee engagement in order for practitioners and academics to enhance their understanding on what they are predicting and measuring.

This study will provide individuals to know what they want and what the organization needs therefore taken actions to achieve both. Managers will understand each individual's talents, interests and needs and then match those with the organization's objectives while at the same

time creating personal, trusting relationships. Furthermore, executives will be able to demonstrate consistency in words and actions, communicate with a lot of depth and align all business practices and behaviors throughout the organization to drive results and engagement.

1.6 Definition of Key Terms

1.6.1 Employee Engagement

The degree to which employees' are emotionally bonded to their organization and is passionate about the work that really matters. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee. Employee engagement is to measure the employee's either in an optimistic behavior or pessimistic behavior and intellectual commitment attached to his or her job with the organization while willingness to perform and learn from their workplace.

- **Subjective : Engaged employee**

The employee is in the greater way to perform within their capability and ability, the better they perform the higher rewards will be gained by the employees. The organization have to provide the best working environment, the employee must feel appreciated and do their work with passionate.

- **Objective : (RM)**

A monetary value that a company has a higher success rate (e.g. decrease of turnover rate) of engaged workforce measure in terms of profits saves in recruitment, legal and exit fees.

1.6.2 Open Communication

Open communication to make sure that two way communication between employees from top to down and from bottom to up to be consistent so that everybody can understand very clear about the company objectives, strategic plan and progress, and top management should be able to know the ground employees' needs. To give a chance for employee to take part in the organization through sharing, decision making, contribute their ideas will help out the employees feel like they are part of the organization to hold the responsibility of their daily job and will bring the positive attitude for the employee to feel more trusted and valued. To create trust and confidence to the employees, the organizations must be always kept employee informed about the business performance and company's plans. Practicing the face to face communication to all levels of groups among every department is predominantly significant. As a senior management team in the organization they need to be observable, to keep everyone in the organization informed and should not be neglected especially when several department are involved within the organization. Information is not filtered through several levels of management, but instead it is filtered through fewer levels. Conflict is more calmly and appropriately dealt with when all levels of stakeholders know what is going on within the organization and the future direction of the organization's activities.

1.6.3 Business Branding

The development and on-going management of a well-defined employer brand is the key to creating a work environment where employees are engaged, loyal and working towards the common good of all stakeholders in the business. Business brand clearly express to potential and

existing employees, why the organization is a great place to work, and bring its values to life in the experience of employees throughout their career.

1.6.4 Career Prospective

Career prospective are the range of career opportunities available to a person having a particular combination of skills, knowledge, qualifications in which acquired through training and development. This will provide career growth in terms of career goal progress, professional ability development, promotion speed and remuneration growth.

1.6.5 Supervisory Support

Supervisory support is defined as the extent to which leaders value their employees' contributions and care about their well-being. A leader with high supervisor support is one that makes employees feel heard, valued, and cared about. Employees perceived supervisor as representative of organization and whom supportive to subordinates and influenced employees citizenship behavior through employee job satisfaction, person organizational fit and lower level of job tension.

CHAPTER 2 : LITERATURE REVIEW

2.1 Introduction

This section describes the review of prior literatures on the topics of employee engagement, career opportunity, employee engagement and communication, business branding, and supervisory support. The theories supporting the relations between the employees engagement at workplace has been identified. The hypotheses on the relationship between the variables were also established.

2.2 Employee Engagement

Gray (2012) noted that the term employee engagement was derived from studies of morale or the willingness of a group to accomplish objectives in the 1920s "Following World War II" group morale scores were used as predictors of speed, quality, and militancy by US Army researchers. The goal was to identify star, or high performers. A term was needed to describe emotional attachment of an individual to the organization, fellow associates, and the job. Hence the term job engagement was coined from here.

Unfortunately, much of what has been discussed from employee engagement came from practitioners' literature and HR consulting firms. Also to note that there are some academic literatures on employee engagement, (Saks, 2006); Shuck, Rocco and Albornoz (2011), have discussed on employee engagement from the employee perspective. Another study conducted by Doherty (2010) proposed on making employee engagement an end-to-end practice. Kunerth and Mosley (2011) demonstrated a trend towards organizations taking a more integrated internal / external approach to employer brand development and management. Although employee

engagement has been found to yield promising results for companies, the determinants or factors contributing to employee engagement has been overlooked by researchers especially in the MNCs in Malaysia. Hence, this study intends to close the gap and explore the opportunities for Multinational Companies in Malaysia to understand the factors that determine successful employee engagement.

Research conducted by practitioners and academicians has found positive outcomes of employee engagement (Saks, 2006), such as positive relationship with organizational outcomes, which in turn lead to better financial performance and profitability (Armira and Buckley, 2009; Gibbons, 2008; Robertson-Smith and Markwick, 2009; Saks, 2006; Salanova et. al. 2005; Schaufeli et. al, 2009; Xanthopoulou et.al, 2007). For example, a study by Salanova et.al, (2005) on hotel front desk and restaurant employees from 114 service units found that organizational resources and work engagement can predict service climate and in turn predict employee performance and customer loyalty.

The Gallup organization (2004) found a critical link between employee engagement, customer loyalty, business growth and profitability. In an extension of Gallups findings, Ott (2007) cited Gallup research and found that higher workplace engagement predicts higher earnings per share in publicly traded businesses.

Based on the research conducted by Choo et.al, (2013) on the electronics manufacturing firms in Malaysia, organizational practices do have a major impact on employee engagement to reap the full benefits.

Avery, McKay, and Wilson (2007) have stressed the importance of creating conditions for meaningful employee expression in work roles, also known as engagement. This study examines the interplay between employee age, perceived coworker age composition, and satisfaction with

older (older than 55) and younger (younger than 40) coworkers on engagement using a sample of 901 individuals employed in the United Kingdom. Results indicated that satisfaction with one's coworkers related significantly to employee engagement in jobs. Moreover, perceived age similarity was associated with higher levels of engagement among older workers when they were highly satisfied with their coworkers over 55 and lower levels of engagement when they were not.

Bakker and Xanthopoulou (2009) studied 62 dyads of employees and examined the crossover of work engagement a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. They found that work engagement crosses over from an employee to his or her colleague on a daily basis. The frequency of daily communication was expected to moderate the crossover of daily work engagement, which in turn would relate to colleagues' daily performance. Results confirmed the crossover of daily work engagement, but only on days when employees within a dyad interacted more frequently than usual.

Based on a previous cross-sectional study (Shimazu, Schaufeli, 2009), expected that work holism predicts future unwell-being (i.e., high ill-health and low life satisfaction) and poor job performance, whereas employee engagement predicts future well-being (i.e., low ill-health and high life satisfaction) and superior job performance. Results showed that work holism and employee engagement were weakly and positively related to each other. In addition, work holism was related to an increase in ill-health and to a decrease in life satisfaction. In contrast, employee engagement was related to a decrease in ill-health and to increases in both life satisfaction and job performance. These findings suggest that work holism and employee engagement are two different kinds of concepts that are oppositely related to well-being and performance of a company.

Hoxsey (2010) reported that in 2007, a survey was conducted to measure the levels of workplace employee engagement for British Columbian civil servants. Following the model of the “service profit chain” the government's primary concerns were the increasing attrition rates and their effects on service delivery. Essentially, the model demonstrated that employees who were more engaged were more committed to their work and more likely to stay within the civil service and that this culminated in improved customer service.

Crawford, Lepine, and Rich (2010) refine and extend the job demands-resources model with theory regarding appraisal of stressors to account for inconsistencies in relationships between demands and employee engagement, and they test the revised theory using meta-analytic structural modeling. Results indicate support for the refined and updated theory. First, demands and burnout were positively associated, whereas resources and burnout were negatively associated. Second, whereas relationships among resources and employee engagement were consistently positive, and were highly dependent on the nature of the demand. Demands that employees tend to appraise as hindrances were negatively associated with job engagement, and demands that employees tend to appraise as challenges were positively associated with employee job engagement.

Halm (2011) suggested that motivation of human capital that makes an organization to survive. Especially in service industry, which is highly focus on people in the front-line is unique; its accomplishments are directly dependent upon the competencies and technical skills of its employees. Halm (2011) further claimed that anticipating the challenges of the next decade, must achieve a higher degree of employee engagement to enhance organizational performance and profitability.