RELATIONSHIP BETWEEN INCENTIVES AND EMPLOYEE ENGAGEMENT: AN EMPIRICAL STUDY ON EMPLOYEES IN MANUFACTURING COMPANIES

CHOONG YU' HUI'
CHUNG SIEW CHING
LOH YI CHIN
TAN ZHI YI
TAY WEI CHEN

BACHELOR OF COMMERCE (HONS) ACCOUNTING

UNIVERSITI TUNKU ABDUL RAHMAN

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BY

CHOONG YU' HUI'
CHUNG SIEW CHING
LOH YI CHIN
TAN ZHI YI
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DECLARATION

We hereby declare that:

(1) This undergraduate research project is the end result of our own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.

(2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

(3) Equal contribution has been made by each group member in completing the research project.

(4) The word count of this research project is 10,258.

	Name of Student:	Student ID:	Signature:
1.	Choong Yu' Hui'	10ABB02885	
2.	Chung Siew Ching	10ABB02872	
3.	Loh Yi Chin	10ABB02252	
4.	Tan Zhi Yi	10ABB03139	
5.	Tay Wei Chen	10ABB02895	

Date: 1st August 2012

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DEDICATION

We would like to dedicate our dissertation work to beloved supervisor, Mr. Fong Choong Ee, Research Methodology and Project lecturer, Ms. Shirley Lee Voon Hsien, our family, friends, and others. Without their sincere and boundless support, it would be impossible for us to achieve the completion of this project.

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LIST OF ABBREVIATION

AVE	Average
DV	Dependent Variable
EE	Employee Engagement
GDP	Gross Domestic Product
IV	Independent Variable
PR	Pay Rise
PWE	Pleasant Working Environment
SO	Stock Option
SPSS	Statistical Package for Social Science
TD	Training and Development

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PREFACE

In today's rapid changing business environment, employee engagement has become the major concern in every organization. Companies need to ensure that, in philosophy and practice, they acknowledge the importance of the manager in retaining employees. A highly engaged workforce is the sign of a healthy organization, whatever its size, geographical location and economic sector. Therefore, employee incentive programs have become increasingly important as more companies now view their employees as their most important customers. A customer base is important to any successful business, but in order for any business to be successful, talented employees are needed. Losing an employee and searching for a replacement can cost companies somewhere between 50 – 100% of the position's salary. Thus, it is extremely important to maintain a satisfied working environment and show employees that they are valuable members of the team. Incentives programs can help to reward, motivate, and retain employees as well as increase company's sales and production. Successful employee incentive programs can produce as much as 50% lower turnover and increase employee loyalty.

This research project was conducted in Penang manufacturing companies as there is an existence of very competitive environment between companies. Furthermore, there has been no study being conducted to investigate the relationship between incentives and employee engagement in Penang manufacturing companies before hand. Hence, we truly believes that it is very crucial that this research project's results can be use as a source of references to help Penang manufacturing companies in identifying incentives that could aid in enhancing their employee engagement.

ABSTRACT

A good and effective incentive system is necessary to motivate the employees of an organization to work harder and stay longer with the company. This study was conducted in order to identify the types of incentives and investigate the relationship of monetary and non-monetary incentive towards employee engagement among employees in the manufacturing companies in Penang, Malaysia. Herzberg's Motivation and Hygiene theory was used in this research.

The independent variables were identified as pay rise and stock option for monetary incentives and training and development as well as pleasant working environment for non-monetary incentives. The dependent variable is employee engagement. 283 respondents took part in this research, giving a response rate of 88.44%. Probability sampling has been chosen because there is a defined sampling frame which is derived from the Factory Directory website (http://www.investpenang.gov.my/directory) as published by Penang Development Corporation. The data obtained were analyzed using the Statistical Package for Social Science (SPSS) program. Descriptive analysis, normality test, reliability test, Pearson's Correlation and Multiple Linear Regression were conducted in order to interpret the data.

Nevertheless, the findings of this research are limited as this research was only conducted in Penang, Malaysia. Based on this research, the management of manufacturing companies should focus on providing a pleasant working environment for employees to work in order to foster employee engagement.

This research will assist the management in manufacturing companies to set up an effective incentive system to reward its employees, motivate them to work harder and stay longer with the company.

CHAPTER 1 INTRODUCTION

1.0 Introduction

In this chapter, we will discuss on the background of the study, define the problem statement, determine the research objective and questions, and provide the significance of this research.

1.1 Research Background

Due to the financial crisis, employee engagement has become the major concern in every organization. This is because financial crisis has caused employees to suffer in term of lost bonuses, downsizing, wage freezes and more. Moreover, a conflicting situation has emerged when companies motivate employees to improve, knowing that this may lead to more talented individuals leaving the company for better opportunity (Scott & McMullen, 2010).

In the twenty-first century, employee engagement is the most critical metric for an organization (Saks, 2006). Scott and McMullen (2010) define employee engagement as employee's involvement, job satisfaction and commitment to the organization. Employees are the most important asset of any organization (Drucker, 2002). Based on the research done by Nobscot Corporation in United Sates, employee turnover rate has increased from 15.3% in 2005 to 16.5% in 2006. Hence, manufacturing companies faced increasing challenges in boosting employee's engagement. Therefore, monetary and non-monetary incentives were developed to reward and motivate employees (Zaidi & Abbas, 2011). Monetary incentive is a way of rewarding employees in monetary term such as pay rise and stock option. Non-

monetary incentive can be in tangible or intangible form which does not involve any direct cash payment to employees such as training and development as well as pleasant working environment (Yavuz, 2004).

1.2 Problem Statement

Various forms of incentives have to be effectively developed and used by organizations to attract and motivate employees in achieving organizational goals (Pouliakas, 2010). There have been contrasting results attained by different researchers. Zaidi and Abbas (2011) found that monetary incentives have greater impact on motivating employees. Contrastingly, other researchers stressed that non-monetary incentives brings greater impact on employee's motivation and engagement (Zani, Rahim, Junos, Samanol, Ahmad, Isahak Merican, Saad & Ahmad, 2011; Sonawane, 2008).

A global survey done by McKinsey has found that 67% of employees view "praise and commendation from their immediate manager" as the more effective motivation method. However, 60% of employees prefer performance-based cash bonuses (Freifeld, 2011). In conclusion, many researchers agreed that monetary incentives are useful, but the fair use of non-monetary incentives is the best way in motivating employees (Zani et al., 2011). This shows that there is a change on the most effective way to motivate employees.

There is a lack of empirical research specifically done in Malaysia. Manufacturing sector is an important sector in Malaysia because it is the second contributor to Malaysia's Gross Domestic Product (GDP) after the service sector. Until year 2008, manufacturing sector has occupied 29.2% of the entire GDP contribution in Malaysia (Figure 1.1) (Ministry of International Trade and Industry, 2009). According to the

Department of Statistic Malaysia (2012), the total employees in the manufacturing sector until November 2011 were 1,004,325 people (Figure 1.2). It is clearly seen that manufacturing sector contributes significantly in Malaysia's GDP and employment opportunities. Hence, it is necessary to conduct an in-depth investigation on the extent of employee engagement with the use of monetary and non-monetary incentives specifically in manufacturing sector in Malaysia.

1.3 Research Objectives

The research objectives for this research are as follow:

1.3.1 General Research Objectives

- To identify the types of monetary and non-monetary incentives in manufacturing companies.
- To examine the type of incentives (monetary and non-monetary) that is more effective on employee's engagement in manufacturing companies.

1.3.2 Specific Research Objectives

- To investigate whether pay rise will affect employee's engagement in manufacturing companies.
- To investigate whether stock option will affect employee's engagement in manufacturing companies.
- To investigate whether training and development will affect employee's engagement in manufacturing companies.

- To investigate whether pleasant working environment will affect employee's engagement in manufacturing companies.

1.4 Research Questions

The research questions for this research are as follow:

1.4.1 General Research Questions

- What are the types of monetary and non-monetary incentives in manufacturing companies?
- Which type of incentives (monetary or non-monetary) is more effective on employee's engagement in manufacturing companies?

1.4.2 Specific Research Questions

- Does pay rise affects employee's engagement in manufacturing companies?
- Does stock option affects employee's engagement in manufacturing companies?
- Does training and development affects employee's engagement in manufacturing companies?
- Does pleasant working environment affects employee's engagement in manufacturing companies?

1.5 Significance of Research

This research will benefit the manufacturing companies. With the findings of this research, manufacturing companies can set up the most effective incentive system in motivating and retaining employees. Therefore, it will reduce the company's employee turnover rate (Katsimi, 2008). Hassink and Koning (2009) have concluded that monetary incentive is the best way to motivate employees. However, it is believed that employees in recent time prefer non-monetary incentives.

This research serves as an advancement on the past research theory. Based on the theoretical framework formed by Zaidi and Abbas (2011), the research is only done on monetary and non-monetary incentives as a whole, the types of monetary and non-monetary incentives are not investigated and defined clearly (Figure 1.3). Moreover, Herzberg's Motivation and Hygiene theory did not suggest on the types of incentives that motivate employees most. Hence, this research will clearly define on the types of monetary and non-monetary incentives; and the best incentive for the companies.

1.6 Chapter Layout

Chapter 2 contains the literature review, theoretical foundation, conceptual model and the hypothesis of the research. Moving forward, Chapter 3 includes the research design, sampling procedure, variables and measurements, data collection methods and data analysis techniques used. The data analysis and its results of this research will be included in Chapter 4. Last but not least, the major findings, implications and limitations of this research as well as the recommendations for future research study will be developed in Chapter 5.

1.7 Conclusion

After developing the problem statement, research questions and objectives, this research intends to ascertain the effect of monetary incentives and non-monetary incentives on employee engagement. Chapter 2 will provide the relevant literature review.

CHAPTER 2 LITERATURE REVIEW

2.0 Introduction

Chapter 2 provides the literature review of all findings related to this research. The theoretical foundation will explain on the theory that is closely related with this research. Also, a review of past empirical studies which is related to this research topic is also included in this chapter. The proposed conceptual framework or model is also set up in this chapter. Lastly, hypothesis will be developed.

2.1 Literature Review

2.1.1 Employee Engagement

Employee engagement is the extent which an employee is willing to put his discretionary efforts beyond their job's requirement (Devi, 2009). Employee engagement can be described as employee's involvement, job satisfaction and commitment to the organization which could assist company in achieving better customer service through employee's operational excellence (Devi, 2009; Scott & McMullen, 2010). Employees' commitment to stay with a company is higher when they are highly satisfied with their working environment (Warsi, Fatima & Sahibzada, 2009).

Elements such as a well organized, creative, interesting job design that are capable to make good use of employees' talents and skills could significantly enhance employee engagement (Markova & Ford, 2011).

2.1.2 Monetary Incentives

Monetary incentives can be defined as the ways of monetary return offered for service rendered by employees (Kyani, Akhtar & Haroon, 2011; Sorauren, 2000). Examples of monetary incentive include pay rise, bonus, stock option and etc (Mathauer & Imhoff, 2006). It can also be further explained as the amount paid to employees, either in the form of lump sum or monthly payment which makes individuals perceive as an immediate feedback of their efforts contributed (Al-Nsour & Jordan, 2012).

The two main monetary incentives are pay rise and stock option. Pay rise was chosen because motivating employees through pay-for-performance has been a long-established management practice which has a significant positive impact on employees' motivation (Zani et al., 2011). Meanwhile, stock option was chosen since it has become an important element of compensation policy in recent decades and a study conducted in United Kingdom showed that firms with employee option portfolios have higher implied incentives which ultimately exhibit higher operating performance (Hochberg & Lindsey, 2010).

2.1.2.1 Pay rise

Pay characterizes how important the employee's work is in the organization and how influential the employee is in the aspect of control. Pay represents a symbolic value that is reflecting the image of status and succession (Salimaki, Hakonen & Heneman, 2008). Pay-for-performance incentives will differ across management level according to their responsibilities and are structured to motivate every employee (Chung, Bao & Shaw, 2008). The extent of job satisfaction is reflected through employees' behaviour and productivity. A

research in Greece found that increase in remuneration is the strongest motivating factor (Kontodimopoulos, Paleologou & Niakas, 2009).

The appropriate administration on pay schemes such as pay rise is believed to have positive impact on employees' engagement with the company. It acts as a strong motivator to enhance employees' efforts and performance (Burgess & Ratto, 2003; Swiss, 2005). Hence, it is critical to ensure that the company implements a fair pay policy (Zaidi & Abbas, 2011). Randy, Vivienne and Thomas (2002) also agreed that high pay could influence employees' decision in employment acceptance and their intention to leave the job based on employees' compensation preferences in Hong Kong and China.

2.1.2.2 Stock Option

Employee stock options are non-transferable rights to purchase shares in one's company at a certain price. It is reported that stock options represent the largest component of executive pay in the United States (Dunford, Oler & Boudreau, 2008). The options granted broadly to non-executive employee will also increase the engagement of employees (Hochberg & Lindsey, 2010).

It has been found that most American private sector employees have participated in shared capitalism which improves employment relations as the wealth of the employee is tied with the company (Blasi & Kruse, 2010). Stock option grants align the incentives of the worker with the value of the entire firm, rather than with his individual performance (Oyer & Schaefer, 2004). This is because stock options compensate employees for joint performance improvement, and thus employees can only share the rewards by contributing higher efforts (Hochberg & Lindsey, 2010).

Stock option compensation policy may as well resolve agency problem among employees by allowing them to become part of the owners. This will improve employees' job satisfaction and thus enhance employee engagement. It also increases commitment of managers so as to effectively and efficiently manage company operations (Stakic, 2011).

2.1.3 Non-monetary Incentives

Non-monetary incentives are non-cash benefits given by company to employees to retain, reward and motivate them for their excellent job performance (Woodruffe, 2006). Non-monetary incentives are deemed more valuable than monetary incentives as it shows respect and appreciation on employees' accomplishment (Gale, 2002). In the research of Nelson (2001) which is conducted in United States showed that there is a strong bond of relationship between non-monetary incentives and employees' job engagement.

Two main non-monetary incentives are training and development and pleasant working environment. These two non-monetary incentives are among the top preferences by Generation Y which were born after 1982 (Allen & Helms, 2002). Training and development was chosen because global competition and uncertainties in economy have lead to more emphasis on human capital development (Vemic, 2007). A research conducted in India showed that organization that does not obtain knowledgeable human capital will be heading to self-destruction (Chand & Katou, 2007). Meanwhile, pleasant working environment was chosen because employees today are demanding for workplace that can balance the demands of their work and family life (Allen & Helms, 2002). A research conducted in Canada showed that a good working

environment which increases job satisfaction can improve the productivity of employees (Appelbaum & Kamal, 2000).

2.1.3.1 Training and Development

Employees realized that they need to continuously learn and develop new skills in order to become more professional (Mohsan, Nawaz, Khan & Shaukat, 2012). More skilled, trained and qualified workforce is demanded by employers while employees are also looking for opportunities to grow (Warsi et al., 2009). A research conducted in United States showed that continuous training and development throughout employees' career will keep them more engaged with the company as this will make them feel secure and confident with the company (Lyons & Mattare, 2011).

Training and development program such as coaching has a positive effect on fostering employee engagement (Hakanen, Bakker & Schaufeli, 2006). Coaching is an important source of support to employees by assisting them on work planning, offering advice as well as emotional support, and highlighting potential difficulties (Hakanen et al., 2006). In addition, self-confidence, self-efficacy and a "can do" mindset within employees could also be developed through coaching (Latham, Almost, Mann & Moore, 2005). A research conducted in Pakistan showed that coaching can help employees to better understand at a deeper level of his struggle in the organization and take up a different position in the organization (Mohsan, Nawaz & Khan, 2011).

2.1.3.2 Pleasant Working Environment

A pleasant working environment is critical as strong employee engagement is depending on how well employees get along, interact and participate in the work environment (Lyons & Mattare, 2011). Trust and justice elements are important in creating a pleasant working environment which ultimately enhances employees' engagement (Haque & Aslam, 2011). A research conducted in China showed that there are positive correlations between trust, justice and fairness components towards employee engagement as employees need to believe that their contribution of energy and time will be evaluated and rewarded in fair and just basis (Wong, Ngo & Wong, 2006).

Flexible working hours provides employees with control over their working time, thus providing greater flexibility and could result in better performance, recruitment and retention of employees (Berg, Appelbaum, Bailey & Kalleberg, 2004; Atkinson & Hall, 2006). It have been found that flexible working hours would result in reduced use of temporary employees (Wortley & Grierson-Hill, 2003; Bachmann, 2009) and lower sickness absence by employee (Bloodworth, Lea, Lane & Ginn, 2001). In Japan, low birth rate and increase aging population have resulted in adoption of flexibility in working hours to ensure a balance between work and family (Bachmann, 2009).

A positive feedback from company could affect the entire socio-emotional environment in organization in creating a pleasant working environment. Thus, this will promote employee engagement and work performance (Schaufeli & Salanova, 2007). Successful feedback system within company will ensure trust between company and employees, providing support to employees, being sensitive to employees' differences which could help promote and enhance employees' engagement (Atwater, Brett & Cherise-Charles, 2007).

2.2 Theoretical Foundation

Incentives, either monetary or non-monetary incentives have been the main concerns for most employees. Herzberg's Motivation and Hygiene theory, also known as the Dual-Factor theory best explains this. According to Herzberg, the sources of job satisfaction are called motivation factors; while factors contributing to job dissatisfaction are called hygiene factors.

Frederick Herzberg is the person who developed this well-known theory. His theory is presented in 3 volumes, the earliest in year 1959, while the other 2 volume were established in 1966 and 1976 (Miner, 2005). In this theory, Herzberg divides the factors affecting employees' job satisfaction into motivation factors which causes satisfaction and hygiene factors which causes dissatisfaction. The motivation factors include achievement, recognition, work challenges, responsibility and development opportunity. And the hygiene factors include work policies, leadership quality, workplace relationships, working environment, compensation, security and status (Figure 2.1). Hygiene factors are crucial to avoid employees from being dissatisfied while motivation factors are needed to motivate employees to perform better (Smerek & Peterson, 2007).

The validity of this theory has been tested several times in different fields. Sungmin and Haemoon (2011) tested this theory empirically in the Korean Army foodservice operation and found that motivation factors are more significant towards the logistics officers. Herzberg's motivation-hygiene theory has also been used as the theoretical framework in the research on motivating accounting professionals in Romania and the result indicates that there is a positive relationship (Mustata, Fekete, Matis & Bonaci, 2011). Locally, Chan and Baum (2007) have also applied this theory in their research involving guests who stayed at ecolodges in Sabah, Malaysia.

In Herzberg's mind, hygiene factors will not improve employee's commitment; only by achieving the motivation factors will create better commitment from the employees (Eveleth, Liesz, Petit-O'Malley, Rounds & Xu, 2011). Therefore in this research, it has been identified that pay rise, stock option, training and development as well as pleasant working environment signifies the best motivators for employees. Pay rise and stock option represent monetary incentives while training and development and pleasant working environment represent non-monetary incentives.

2.3 Research Model

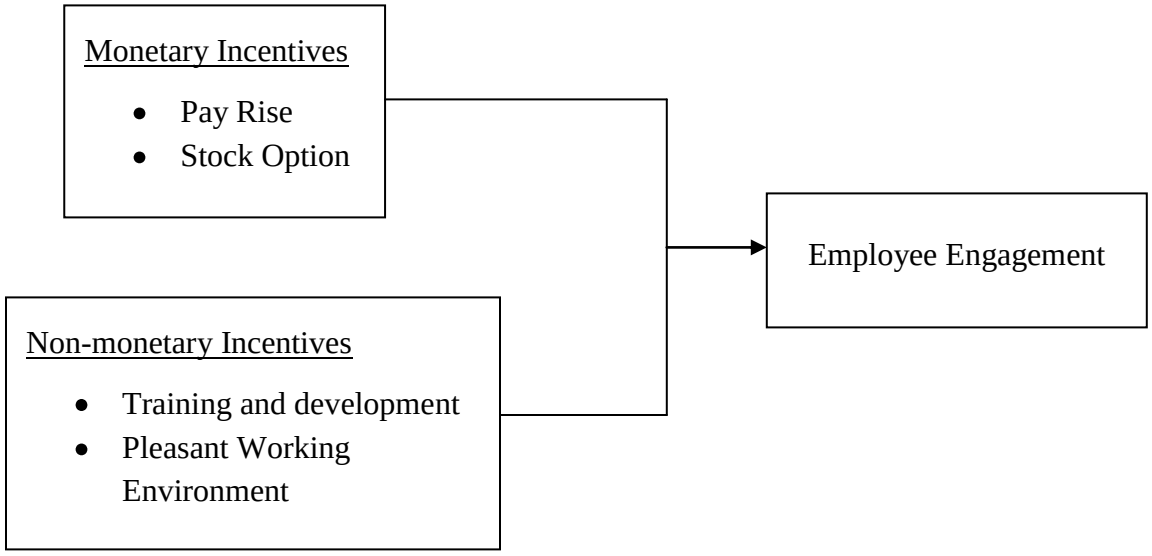

Diagram 1: Model for Assessing Employee Engagement

Sources: Zaidi & Abbas (2011), Smerek & Peterson (2007)

2.4 Hypothesis Development

- H0(a) : There is no relationship between monetary incentives towards employee's engagement in manufacturing companies.

  H1 : There is a positive relationship between monetary incentives towards employee's engagement in manufacturing companies.

- H0 : There is no relationship between pay rise and employee's engagement in manufacturing companies.

  H1(a) : There is a positive relationship between pay rise and employee's engagement in manufacturing companies.

- H0 : There is no relationship between stock option and employee's engagement in manufacturing companies.

  H1(b) : There is a positive relationship between stock option and employee's engagement in manufacturing companies.

- H0(b) : There is no relationship between non-monetary incentives towards employee's engagement in manufacturing companies.

  H2 : There is a positive relationship between non-monetary incentives towards employee's engagement in manufacturing companies.

- H0 : There is no relationship between training and development provided by companies and employee's engagement in manufacturing companies.

  H2(a) : There is a positive relationship between training and development and employee's engagement in manufacturing companies.

- H0 : There is no relationship between pleasant working environment and employee's engagement in manufacturing companies.

  H2(b) : There is a positive relationship between pleasant working environment and employee's engagement in manufacturing companies.

2.5 Conclusion

From the past studies review, the research model and hypotheses of this research were developed. Chapter 3 will discuss on the research methodology.

CHAPTER 3 RESEARCH METHODOLOGY

3.0 Introduction

With the research model and hypotheses developed in Chapter 2, this chapter intends to illustrate the research design, data collection methods, sampling design, variables and measurement, as well as the data analysis techniques.

3.1 Research Design

This research is a quantitative research as it is a research methodology based on measurement and quantification of data as well as application of different measurement scales and statistical analysis (Malhotra, 2004). The purpose for conducting this research survey is to identify the types of monetary and non-monetary incentives; and distinguish the relationship between monetary and non-monetary incentives towards employee's engagement in manufacturing companies.

Two research designs used in this research are exploratory and descriptive research. Exploratory research is a systematic investigation of relationship among two or more variables where there are few or no earlier studies to refer to and the focus is on gaining insights and familiarity for later investigation (Saunders, Lewis & Thornhill, 2009). While descriptive research is used to describe the data and characteristics of the samples (Malhotra, 2004).

Hence, a survey study that need to gather large amount of information from a large sample size, questionnaire would be the most appropriate in this research (Saunders et al., 2009; Zikmund, 2003). This is because questionnaire survey involves lower time

and cost, easier data processing and large amount of information can be gathered in a short time period (Synodinos, 2003; Sushil & Verma, 2010). The research is done on cross-sectional basis because the data are collected at a single point of time and there is only one phenomenon at a single point of time to be studied (Trochim, 2006).

3.2 Data Collection Method

3.2.1 Primary Data

Questionnaire survey was used to collect the data from target respondents.

3.3 Sampling Design

3.3.1 Target Population

The target population is defined as a collection of elements or objects that possess the information sought by the researcher (Malhotra & Birks, 2006). The targeted population for this study is employees in Penang's listed manufacturing companies.

3.3.2 Sampling Frame

Sampling frame is a representation of the targeted population's element with a set of directions to identify the target population (Malhotra & Birks, 2006). The sampling frame of this research is drawn from the Factory Directory

website (http://www.investpenang.gov.my/directory) which is published by Penang Development Corporation (Jantan, Ndubisi & Loo, 2006). Besides that, a cross-check with listing boards is done to ensure the companies in the sampling frame are listed.

The sampling location for this research is in Penang, Malaysia. This is because Penang is the third top contributor to gross output and total employment in Malaysia's manufacturing sector in 2009 (Figure 3.1 & 3.2). According to International Trade Center (ITC) (2012), a number of large electronics Multinational Enterprises from United States, Japan and German have shifted its regional, global headquarter functions and final assembly of electronics goods to Penang.

3.3.3 Sampling Elements

Sampling element is defined as the case from which the data will be collected that provides the basis of analysis (Babbie & Earl, 1998). The unit of analysis for this research is employees in Penang's listed manufacturing companies.

3.3.4 Sampling Technique

Sampling technique is used to represent the characteristic of the targeted population so that the researcher can draw a general conclusion on the entire population (Parasuraman, Grewal & Krishnan, 2004). It is a key component of research design when it is impossible or unreasonable to conduct a census (Hair, Bush & Ortinau, 2000). A well-chosen sample can provide accurate measurement as the chance of sampling error is fairly low (Marshall, 1996).

Simple random sampling technique was used in this research and it is one of the probability sampling techniques. The used of probability sampling technique is because there is a defined sampling frame for this research. Therefore, the probability of inclusion for every member of the population is determinable. According to Teddlie and Yu (2007), simple random sampling technique is a technique that assures each unit in the population has an equal chance of being included and the inclusion of a unit is not affected by the selection of other units from the target population.

3.3.5 Sampling Size

Sampling size is the number of respondents included in a research. In this research, we have obtained a sample size of 320 employees in manufacturing companies to represent the entire targeted population. Hair, Anderson, Tatham and Black (1998) stated that sample size between 50 and 400 observations is adequate to represent the population. Hence, the sample size for this research is considered adequate as it is fall in between the range of 50 and 400 observations.

3.4 Research Instrument

Self-administered survey will be used by distributing the questionnaires personally and through internet in obtaining responses to test the research hypothesis and proposed model. Target respondents who are interested to participate in this survey would complete the questionnaires.

Hard copies of the questionnaires were passed personally to the target respondents while soft copies of the questionnaires were sent through e-mails to the target

respondents in the effort to obtain their responses. Social networking sites such as Facebook is also used as an instrument to approach the target respondents.

3.5 Variables and Measurements

There are four IVs (pay rise, stock option, training and development, pleasant working environment) and one DV (employee engagement) in this research. Pay rise is defined as a motivator to enhance employees' personal efforts and performance (Burgess & Ratto, 2003; Swiss, 2005). Stock options are non-transferable rights to purchase shares in one's company. Training and development is provided to employees to make them feel secure and confident (Salanova & Schaufeli, 2008). Pleasant working environment is referred to employees believe that they will be treated fairly in an organization (Pulakos & O'Leary, 2011). Employee engagement refers to employee's involvement, job satisfaction and commitment to the organization (Scott & McMullen, 2010).

Each of the variables comprises 5 items. Hence, a total of 25 items were developed. All the sources of variables are adopted and adapted from various journal articles because researches have done some past studies and attained an average reliability of 0.89. The sources of variables are showed in Appendix B while Appendix D showed the measurement used for each variable. All the variables were measured by using the 5 point Likert scale measurement which ranged from "Strongly Disagree" (1) to "Strongly Agree" (5).

3.6 Data Processing

Among the 320 sets of questionnaires distributed, there were 298 respondents who answered and returned the questionnaires. However, there were 15 incomplete

questionnaires returns which need to be taken out. 283 cases remained after clearing the incomplete responses. Therefore, the total respond rate of this research is 88.44%.

In order to achieve the normality assumption, 1 case was removed from the remaining 283 cases which means 282 cases were left to conduct the analysis of this research. Section 4.2.1 of this research will further explain this.

3.7 Data Analysis

The collected data will be keyed into the SPSS program for analysis purposes.

3.7.1 Descriptive Analysis

The demographic characteristics of the respondents are presented in section 4.1 of this research. On top of that, the mean and standard deviation of every item in the questionnaires would be calculated.

3.7.2 Scale Measurement

3.7.2.1 Normality Test

The underlying assumption in Pearson Correlation and Multiple Linear Regression is the data tested must be normally distributed. Therefore, normality test is conducted to ascertain whether the data are normally distributed as to fulfill the normality assumptions before proceeding to further tests. When the sampling size is more than 100, Kolmogorov-

Smirnov test is used to test the normality of the sample data. Assumption of normality will be fulfilled when the p-value is more than 0.05 (Razali & Yap, 2011).

3.7.2.2 Reliability Test

Reliability test was conducted to ascertain the reliability level of the research. The reliability of a measure indicates the extent to which the measure is without bias and offer consistent measurement across time (Sekaran, 2003). Cronbach's alpha is a reliability coefficient that indicated how well the items are positively correlated to another. The closer Cronbach's alpha is to 1, the higher internal consistency reliability (Sekaran, 2003).

3.7.2.3 Multicollinearity Test

In order to avoid multicollinearity problem between IVs, correlation coefficients value should not be more than 0.9 (Wheeler & Tiefelsdorf, 2005). In addition, muticollinearity problem can also be assessed based on the value of tolerance and VIF. Optimal value for tolerance and VIF should be above 0.10 and below 10 respectively in order to avoid multicollinearity problem as suggested by Hair, Babin, Money & Samuel (2003).

3.7.3 Inferential Analysis

3.7.3.1 Pearson Correlation

Pearson's correlation was used to measure the strength of linear relationship between two variables. The number representing the Pearson correlation is referred to as a correlation coefficient. It ranges from -1.00 to +1.00, with zero representing absolutely no association between the two variables. Correlation coefficient can be either positive or negative, depending upon the direction of the relationship between the variable (Hair et. al, 2003). Table 3.1 shows the meanings of the different range of correlation coefficient.

Table 3.1: Correlation Coefficient

Coefficient range	Strength
+0.91 to +1.0	Very Strong
+0.71 to +0.90	High
+0.41 to +0.70	Moderate
+0.21 to +0.40	Small but definite relationship
0 to +0.20	Slight, almost negligible

Source: Hair, J. F., Babin, B., Money, A. H., & Samuel, P. (2003). Essentials of business research methods. USA: Wiley

3.7.3.2 Multiple Linear Regression

Multiple Linear Regression (MLR) is a statistical technique which is used to test the relationship between the independent and dependent variable. This technique is used to determine whether IVs explained a significant variation towards the DV. MLR is used because it allows the simultaneous studies of the impact of two or more IVs on one single interval scale or one ratio DV (Ghani & Ahmad, 2011).

Formula for the multiple regressions:

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 \ldots\ldots \beta kXk + e$$

Where Y is the dependent variable

X1, X2, X3,…Xk are the predictor variables and e is the error term.

β0, β1, β2, β3, … … βk are the regression coefficient.

In this research, the multiple regression equation was formed is:

EE = a + b1PR + b2SO + b3TD + b4PWE

In which,

EE = Employee Engagement

PR = Pay Rise

SO = Stock Option

TD = Training and Development

PWE = Pleasant Working Environment

3.8 Pilot Test

A pilot test was conducted in order to examine the reliability of the model before the actual survey took place. This is to avoid any mistakes or errors when the actual survey is conducted. The pilot test will also test the effectiveness of the questionnaires developed. 30 sets of questionnaire were distributed to 30 randomly selected employees working in manufacturing companies. Feedback from these employees was taken to further improve the questionnaire. The result of the reliability test is shown in Table 3.2. Overall, the Cronbach's Alpha of the 5 variables is above the acceptable criteria of 0.7 (Santos, 1999).

Table 3.2: Reliability Statistics (Pilot Test)

No	Constructs/ Variables	Cronbach's Alpha	No of Items
1.	Pay Rise	0.794	5
2.	Stock Option	0.788	5
3.	Training and Development	0.850	5
4.	Pleasant Working Environment	0.801	5
5.	Employee Engagement	0.817	5

Source : Developed for the research.

3.9 Conclusion

The research methodology and data analyzing techniques of this research study were provided in this chapter. Next, Chapter 4 would provide the results obtained from the survey done.

CHAPTER 4 DATA ANALYSIS

4.0 Introduction

After explaining the research methodology and data analysis techniques in Chapter 3, Chapter 4 will provide the results obtained from the survey, by providing the descriptive analysis and the results of data analysis.

4.1 Descriptive Analysis

4.1.1 Demographic Profile of the Respondents

This section explains the demographic profile of the respondents surveyed which is presented in Appendix F. It includes gender, race, marital status, age, education, salary, employment status, years worked, job position and categories of product and services. The total sample is made up of 282 respondents. The results showed that among 282 respondents, 55.7% are male respondents and 44.3% are female respondents. For the ethnic group, it can be categorized into three major groups which are Malay, Chinese and Indian. The result showed that Chinese contributes the largest portion in this survey which comprises 59.9% of the respondents, followed by Malay which comprises 25.5% of the respondents whereas 14.5% of the respondents are Indians.

For the age group, the result showed that the majority of the respondents are aged between 26 to 35 years which consists of 37.6%. The second and third highest proportion of respondents falls into the age group of 36 to 45 years

and 25 year or less with 31.9% and 17.4% respectively. Meanwhile, there are only 13.1% of the respondents are aged 46 years or greater. On the other hand, the results of the survey also indicated that 40.4% of the respondents are single and 57.1% of the respondents are married. The remaining 2.5% of the respondents are divorced.

In terms education level, the 4 levels of qualification are No College Degree, Diploma/Advanced Diploma, Bachelor's Degree/Professional Qualification and Masters. The result of the survey showed that 57.4% of the respondents are qualified with Bachelor's Degree or with Professional Qualification whereas 28% are Diploma or Advanced Diploma holder. There are also respondents who hold Masters and No College Degree which are 12.8% and 1.8% respectively. Moreover, as shown in the result, 48.6% of the respondents have a monthly salary of RM3,001 to RM5,000. This is followed by 36.9% and 5.7% of the respondents who have a monthly salary of RM1,000 to RM3,000 and RM5,001 to RM7,000. While 1.4% of the respondents have monthly salary of RM7,001 - RM9,000.

The result of the survey also showed that most of the respondents are full timer, which consists of 87.9% whereas the remaining 12.1% of the respondents are part timer. For the service length, 38.7% of the respondents have worked with the company for 3 to 5 years. Moreover, there are 26.6% and 22.7% of the respondents who have worked with the company for 1 to 2 years and 6 to 10 years respectively. While 7.8% of the respondents worked with the company for less than a year. Meanwhile, only 4.3% of the respondents worked with the company for 11 to 13 years. Moreover, most of the respondents which comprise 35.5% fall into the job position of Low-level Employees and 29.4% of the respondents hold the job positions of Executives. This is then followed closely by the position of Manager with 29.1%. There are also respondents who hold the job position of General Manager or

Director or Chief Executive Officer and others which are 5.3% and 0.7% respectively.

Lastly, the organization products or services can be categorized into six group which are electrical & electronics products, chemical & chemical products, textiles & textile products, food products, rubber & plastic products and machinery & hardware. The result showed that 52.5% of the respondents worked in the category of electrical & electronics. This is followed by respondents working in the machinery & hardware industry and rubber & plastics industry with 17.7% and 13.5% respectively. Next, there are 6.7% and 6.4% respondents who worked in the textiles & textile and food industry. Meanwhile, the remaining 3.2% of the respondents work in the category of chemical & chemical products. The pie chart for demographic profile of the respondents and general information are shown from Figure 4.1 to Figure 4.10 in Appendix H.

4.1.2 Central Tendencies Measurement of Constructs

Mean and standard deviation of the variables were computed in Appendix G. The mean values of all the variables are in the range of 3.5000 to 3.999. This can be concluded that the variables are more towards agreed. The standard deviations for all of the variables were less than 1 which means that there is less dispersion of data.

Mean and standard deviation of all the questionnaire items were also computed in Appendix G. The mean values of most items ranges from 3.4000 to 4.1000. This can be concluded that these items are more towards agreed and strongly agreed. For standard deviation, all of the items have a standard deviation of less than 1 which means that there is little dispersion of data.

4.2 Scale Measurement

4.2.1 Normality Test

Table 4.1: Casewise Diagnostic

Casewise Diagnostics[a]

Case Number	Std. Residual	EE_AVE	Predicted Value	Residual
4	3.060	4.60	3.1927	1.40726

a. DV: EE_AVE

Source: Developed for the research

Casewise diagnostics was conducted on the 283 samples obtained. If the sample has a standard residual outside +3 and -3, it would be identified as outliers and need to be removed. From the Table 4.1 above, case number 4 was identified as an outlier and thus should be removed. After removing the outlier, the normality test of the DV for this research was carried out.

Since the sample size was 282 after the outlier has been removed, which is considered large in quantity, Kolmogorov-Smirnov's test was referred to investigate the normality of the DV for this research. By referring to Table 4.2 below, p-value is 0.200 ($p>0.05$) which shows that the normality of the DV can be assumed (Razali & Yap, 2011).

Table 4.2: Normality Test (After clearing outlier)

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Standardized Residual	.047	282	.200*	.991	282	.068

a. Lilliefors Significance Correction

*. This is a lower bound of the true significance.

Source: Developed for the research

4.2.2 Reliability Test

Table 4.3: Reliability Statistics

No	Constructs/ Variables	Cronbach's Alpha	No of Items
1.	Pay Rise	0.811	5
2.	Stock Option	0.818	5
3.	Training and Development	0.852	5
4.	Pleasant Working Environment	0.827	5
5.	Employee Engagement	0.880	5

Source : Developed for the research.

In this research, we used Conbach's alpha to examine the internal reliability of the 5 constructs. In our survey, 25 items have been included to test the internal reliability of the constructs. According to Malhotra (2004) and Sekaran (2003), if alpha coefficient is below 0.6, the reliability is weak. Alpha coefficient which ranges from 0.6 to 0.8 is considered to be moderately strong. If the alpha coefficient is above 0.8, they are considered to be very strong.

Table 4.3 above showed that the alpha coefficients for all 5 constructs are above 0.8. The 5 items used in measuring pay rise has an alpha coefficient of 0.811. By using the 5 items in the measurement of stock option, the alpha coefficient is 0.818. In addition, 5 items were used to measure training and development, have an alpha coefficient of 0.852. For pleasant working environment, the alpha coefficient of the 5 items is 0.827. Finally, the last construct was employee engagement with an alpha coefficient of 0.880 which measured by 5 items.

In the nutshell, the internal reliability coefficients for all the 5 constructs reported values above 0.8 respectively, which is regarded as very strong. Thus, we can assume that all the items used to measure the 5 constructs for this research are considered stable, consistent and reliable for the purpose of further analysis.

4.2.3 Multicollinearity Test

Table 4.4: Correlation

Correlation

	PR_AVE	SO_AVE	TD_AVE	PWE_AVE	EE_AVE
PR_AVE	1				
SO_AVE	0.341**	1			
TD_AVE	0.141*	0.242**	1		
PWE_AVE	0.395**	0.249**	0.305**	1	
EE_AVE	0.569**	0.457**	0.344**	0.624**	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Developed for the research.

As shown in the Table 4.4, there is no multicollinearity problem among all the IVs in this study as the highest correlation between IVs is less than 0.9 (Wheeler & Tiefelsdorf, 2005), which is 0.624 (correlation between Pleasant Working Environment and Employee Engagement).

Table 4.5 Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	-.796	.248		-3.216	.001		
	PR_AVE	.385	.054	.316	7.135	.000	.780	1.282
	SO_AVE	.265	.052	.218	5.110	.000	.840	1.191
	TD_AVE	.131	.045	.122	2.926	.004	.877	1.140
	PWE_AVE	.442	.048	.407	9.165	.000	.775	1.290

a. DV: EE_AVE

Source: Developed for the research.

In addition, Table 4.5 illustrates the value of tolerance and VIF for Pay Rise, Stock Option, Training and Development and Pleasant Working Environment. Hair et. al (2003) suggested that optimum value for tolerance and VIF have to above 0.10 and below 10 respectively to avoid muliticollinearity problem. Hence, the result above indicated that there is no multicollinearity problem in this study.

4.3 Inferential Analysis

4.3.1 Pearson Correlation Analysis

4.3.1.1 Monetary Incentives and Employee Engagement

Table 4.6 Correlation between Monetary Incentives and Employee Engagement

Correlations

		MONETARY_AVE	EE_AVE
MONETARY_AVE	Pearson Correlation	1	.626**
	Sig. (2-tailed)		.000
	N	282	282
EE_AVE	Pearson Correlation	.626**	1
	Sig. (2-tailed)	.000	
	N	282	282

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research.

Table 4.6 shows that the correlation coefficient between monetary incentives and employee engagement is 0.626 with a p-value of 0.000 (< 0.001). Hence, it indicates that monetary incentives have a moderate positive association with employee engagement. It can be concluded that employee that awarded with monetary incentives will have higher engagement to the organization.

4.3.1.1.1 Pay Rise and Employee Engagement

Table 4.7: Correlation between Pay Rise and Employee Engagement

Correlations

		PR_AVE	EE_AVE
PR_AVE	Pearson Correlation	1	.569**
	Sig. (2-tailed)		.000
	N	282	282
EE_AVE	Pearson Correlation	.569**	1
	Sig. (2-tailed)	.000	
	N	282	282

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research.

Table 4.7 shows that the correlation coefficient between pay rise and employee engagement is 0.569 with a p-value of 0.000 (< 0.001). Hence, it indicates that pay rise has a moderate positive association with employee engagement. It can be concluded that employee with pay rise incentive will have higher engagement to the organization.

4.3.1.1.2 Stock Option and Employee Engagement

Table 4.8: Correlation between Stock Option and Employee Engagement

Correlations

		SO_AVE	EE_AVE
SO_AVE	Pearson Correlation	1	.457**
	Sig. (2-tailed)		.000
	N	282	282
EE_AVE	Pearson Correlation	.457**	1
	Sig. (2-tailed)	.000	
	N	282	282

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research.

Table 4.8 shows that the correlation coefficient between stock option and employee engagement is 0.457 with a p-value of 0.000 (< 0.001). Thus, this indicates that stock option has moderate positive association with employee engagement. It can be concluded that stock option is able to contribute to a higher employee engagement.

4.3.1.2 Non-monetary Incentives and Employee Engagement

Table 4.9 Correlation between Non-monetary Incentives and Employee Engagement

Correlations

		NON-MONETARY_AVE	EE_AVE
NON-MONETARY_AVE	Pearson Correlation	1	.598**
	Sig. (2-tailed)		.000
	N	282	282
EE_AVE	Pearson Correlation	.598**	1
	Sig. (2-tailed)	.000	
	N	282	282

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research.

Table 4.9 shows that the correlation coefficient between non-monetary incentives and employee engagement is 0.598 with a p-value of 0.000 (< 0.001). Hence, it indicates that non-monetary incentives have a moderate positive association with employee engagement. It can be concluded that employee that awarded with non-monetary incentives will contribute higher engagement to the organization.

4.3.1.2.1 Training and Development and Employee Engagement

Table 4.10: Correlation between Training and Development and Employee Engagement

Correlations

		TD_AVE	EE_AVE
TD_AVE	Pearson Correlation	1	.344**
	Sig. (2-tailed)		.000
	N	282	282
EE_AVE	Pearson Correlation	.344**	1
	Sig. (2-tailed)	.000	
	N	282	282

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research.

Table 4.10 shows that the correlation coefficient between training and development and employee engagement is 0.344 with a p-value of 0.000 (< 0.001). This indicates that there is a weak positive relationship between training and development and employee engagement. Hence, it can be concluded that training and development will increase employee engagement towards the organization.

4.3.1.2.2 Pleasant Working Environment and Employee Engagement

Table 4.11: Correlation between Pleasant Working Environment and Employee Engagement

Correlations

		PWE_AVE	EE_AVE
PWE_AVE	Pearson Correlation	1	.624**
	Sig. (2-tailed)		.000
	N	282	282
EE_AVE	Pearson Correlation	.624**	1
	Sig. (2-tailed)	.000	
	N	282	282

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Developed for the research.

Table 4.11 shows that the correlation coefficient between training and development and employee engagement is 0.624 with a p-value of 0.000 (< 0.001). This indicates that there is a moderate positive relationship between pleasant working environment and employee engagement. Hence, it can be concluded that pleasant working environment will have a positive impact on employee engagement.

4.3.2 Multiple Linear Regression Analysis

Multiple linear regression analysis is a method which uses more than one IV to explain the variance in a DV (Ghani & Ahmad, 2011).

Table 4.12: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.759[a]	.576	.570	.45275

a. Predictors: (Constant), PR_AVE, SO_AVE, TD_AVE, PWE_AVE

b. DV: EE_AVE

Source: Developed for the research

R-square indicates the extent or percentage that the IVs can explain the variations in the DV. Based on the model summary table, the R-square for this research is 0.576. This means that 57.6% of the variation in the DV (Employee Engagement) can be explained by the four IVs (Pay Rise, Stock Option, Training and Development, and Pleasant Working Environment). However, 42.4% (100% - 57.6%) of the variation in the DV is unexplained in this research. In other words, there are other additional variables that are important in explaining employee engagement that have not been considered in this research.

Table 4.13: ANOVA

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	77.066	4	19.267	93.991	.000[a]
	Residual	56.780	277	.205		
	Total	133.846	281			

a. Predictors: (Constant), PR_AVE, SO_AVE, TD_AVE, PWE_AVE

b. DV: EE_AVE

Source: Developed for research

Based on the ANOVA table, the F-value of 93.991 is considered large enough. While the significance value of 0.000 is less than 0.05. Since it is less than 0.05, we can conclude that the IVs (Pay Rise, Stock Option, Training and Development, and Pleasant Working Environment) will significantly explain the variance in employee engagement in Penang's manufacturing industry.

Table 4.14: Coefficients

Coefficients[a]

IVs	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Hypothesis	Supported / Not Supported
	B	Std. Error	Beta				
(Constant)	-.796	.248		-3.216	.001	-	-
Monetary_AVE	.690	.065	.464	10.547	.000	H1	Supported
PR_AVE	.385	.054	.316	7.135	.000	H1(a)	Supported
SO_AVE	.265	.052	.218	5.110	.000	H1(b)	Supported
Nonmonetary_AVE	.558	.059	.418	9.501	.000	H2	Supported
TD_AVE	.131	.045	.122	2.926	.004	H2(a)	Supported
PWE_AVE	.442	.048	.407	9.165	.000	H2(b)	Supported

a. DV: EE_AVE

Source: Data generated by SPSS version 16.0

According to the Coefficients table, Pay Rise ($p < 0.01$), Stock Option ($p < 0.01$), Training and Development ($p < 0.01$), and Pleasant Working Environment ($p < 0.01$) are all significantly affecting employee engagement in Penang's manufacturing industry. This is because the significance values of all four IVs are less than alpha value 0.05. In other words, the result showed that monetary incentives as well as non-monetary incentives are strongly related with employee engagement in manufacturing industry in which Hypothesis 1 and Hypothesis 2 are supported by this research model.

In addition, Standardized Coefficients Beta value is used to test the effectiveness of each IV in affecting the dependent variable. In this research, it is found that Pleasant Working Environment ($\beta = 0.407$) is the most effective factor in affecting employee engagement among the four IVs. However, Training and Development ($\beta = 0.122$) is found to be the least effective factor in affecting employee engagement among other IVs.

According to the Coefficients table, the regression equation is written as:

$Y= a + b_1 (X_1) + B_2(X_2) + B_3(X_3) + B_4(X_4)$

Where,

X_1 = IV 1

X_2 = IV 2

X_3 = IV 3

X_4 = IV 4

Thus, the equation of the model employed in this research can be written as:

Employee Engagement = - 0.796 + 0.385(Pay Rise) + 0.265(Stock Option) + 0.131(Training and Development) + 0.442(Pleasant Working Environment)

4.4 Conclusion

Chapter 4 provided the demographic profile of the target respondent and the data analysis of the information obtained from the target respondents. Chapter 5 will explain on the major findings, implications, limitations of this research and recommendations for future research.

CHAPTER 5 DISCUSSION, CONCLUSION AND IMPLICATIONS

5.0 Introduction

After providing the demographic profile of the target respondents as well as the analysis of the data collected in Chapter 4, Chapter 5 will discuss on the major findings, implications, and limitation of this research. Recommendation for future research will also be explained in this chapter.

5.1 Summary of Statistical Analysis

5.1.1 Descriptive Analysis

A total of 320 respondents have taken part in our survey, but only 282 were useful cases. Thus, the total respond rate yield was 88.13%. Results showed that majority of the respondents are male (55.7%) which consists of Chinese ethnic group (59.9%) and are aged between 26 to 35 years (37.6%). Besides that, majority of our respondents are married (57.1%). In addition, results also showed that majority of respondents are qualified with a Bachelor's Degree or with Professional Qualification (57.4%) with a monthly salary of RM3,001 to RM5,000 (48.6%). Moreover, majority of respondents are full timers (87.9%) that fall into the job position of Low-level Employees (35.5%) which have worked with the company for 3 to 5 years (38.7%) in the organization products or services' category of electrical & electronics (52.5%).

The mean values of all the variables are within the range of 3.5000 to 3.999, whereas the standard deviations of all the variables are less than 1. In the aspect of questionnaire items, the mean values of all the items are within the range of 3.4000 to 4.1000, whereas for the standard deviation of all the items have a value of less than 1. The standardized residual of the DV (EE) is normally distributed and the questionnaire which being used for measuring DV (EE) in this research is reliable.

5.1.2 Inferential Analysis

Besides that, result from Pearson Correlation analysis showed that all the four IVs (PR, SO, TD and PWE) are positively correlated with the DV (EE) and PWE is the strongest determinant among the IVs. Hence, it also showed that monetary and non-monetary incentives are positively correlated with the DV. Furthermore, in Multiple Regression analysis which has been conducted, R-square indicated that 0.576 (57.6%) of the variation in DV can be explained by the four IVs. In addition, result from ANOVA table showed that all the four IVs can significantly explain the variance in the DV as the significance value is less than 0.05. According to Coefficients table, it showed that all the IVs are all significantly affecting the DV as their significance values are less than alpha value of 0.05. In short, it means that monetary and non-monetary incentives are significantly affecting DV. Based on the Standardized Coefficients Beta value, it is found that PWE ($\beta = 0.407$) is the most effective factor whereas TD ($\beta = 0.122$) is found to be the least effective factor in affecting employee engagement. Among monetary incentives, PR is the most effective incentive that will significantly affect employee engagement. On the other hand, PWE is the most effective non-monetary incentive. Therefore, results show that all the 6 hypotheses [H1, H1(a), H1(b), H2, H2(a), H2(b)]are found to be supported.

5.2 Discussions of Major Findings

5.2.1 Monetary Incentives

In this research, monetary incentive was found to have a positive impact on employee engagement. From the result computed in Chapter 4 using Pearson Correlation Test, the correlation coefficient of 0.626 indicated that monetary incentives have a moderate positive association with employee engagement. This result is supported and consistent with some past researches done on monetary incentives.

According to Kyani et al. (2011), monetary incentives can be defined as monetary return offered for service rendered by employees. In their research, it is found that lack of monetary rewards will make employees least satisfied. Al-Nsour and Jordan (2012) explained monetary incentive as the amount paid to employees, either in lump sum or monthly payment which makes individuals perceive as an immediate feedback of their effort contributed. In this research, pay rise and stock option have been identified as the incentives to represent monetary incentives. The reason behind for employees to have great emphasis on monetary incentives might be due to the impact that monetary incentive brings in terms of better living standard and stronger sense of security. High cost of living and inflation have been a burden for everyone. Thus, when the basic needs of the employees are fulfilled, they will have less worry or stress. This will motivate them to work harder and perform better.

5.2.2 Pay Rise

Based on the result obtained in Chapter 4, the Pearson Correlation Test showed a correlation coefficient of 0.569 between pay rise and employee engagement. This indicated that there was a moderate positive association between pay rise and employee engagement. This result is coherent with the previous studies on pay rise as a motivator for employees.

Pay is defined by Salimaki et al. (2008) as a symbolic value that is reflecting the image of status and succession. The positive association between pay rise and employee engagement means higher pay rise will increase or promote employee engagement. The research done by Randy et al. (2002) concluded that high pay will influence employees' decision on employment acceptance and intention to leave the job. In this challenging economy condition, money signifies the most important element for everyone to survive and live a better life. Therefore, this has become a motivator for employees to seek for higher monetary return for the service they performed for the company. This has in turn acts as a strong motivator for employees to enhance their efforts and performance.

5.2.3 Stock Option

According to the Pearson Correlation Test result obtained from Chapter 4, the correlation coefficient between stock option and employee engagement is 0.457. This signified that there is a moderate positive association between stock option and employee engagement. The result obtained is supported and consistent with various past studies.

Stock options are non-transferable rights to purchase shares in one's company at a certain price. Stock option has proven to be an effective motivator for employees and companies who grant such option would also benefit from it. This is because stock options align the incentives of employees with the value of the entire company (Oyer & Schaefer, 2004). Thus, employees will want to perform better and improve the company's value in order to obtain their desired benefit. On top of that, stock option can also resolve agency problem by allowing employees to become part of the owners. This will improve employees' job satisfaction which in turn enhances employee engagement. Hence, with stock option, employees will be motivated to perform better for the company and stay longer with the company.

5.2.4 Non-Monetary Incentives

In this research, non-monetary incentive was found to have a positive impact on employee engagement. From the result calculated in Chapter 4 using Pearson Correlation Test, the correlation coefficient of 0.598 indicated that monetary incentives have a moderate positive association with employee engagement. This result is supported and consistent with some past researches done on non-monetary incentives.

According to Woodruffe (2006), non-monetary incentives are non-cash benefits given by company to retain, reward and motivate them for their excellent performance. This research result is supported by Nelson (2001) who found that there is a strong bond of relationship between non-monetary incentives and employees' job engagement. The reason for employees to prefer non-monetary incentive might be due to the fact that it brings greater satisfaction psychologically. Employees would feel that non-monetary incentives show greater respect and appreciation on employees'

accomplishment (Gale, 2002). Employees nowadays are struggling for higher self-development and improvement and at the same time, they will also seek for jobs which offer them a more pleasant working environment.

5.2.5 Training and Development

Based on the result obtained in Chapter 4, the Pearson Correlation Test showed a correlation coefficient of 0.344 between training and development and employee engagement. This indicated that there is a weak positive association between training and development and employee engagement. This result is consistent with the previous studies on training and development as a motivator for employees.

Training and development enables employees to learn and develop new skills in order to become more professional (Mohsan et al, 2012). The result of this research is supported by the research done by Lyons and Mattare (2011), which showed that continuous training and development will keep employees engaged with the company. The reason behind is because employees perceive training and development as a way for companies to appreciate them and want them to stay longer. Hence, they will feel secure and confident with the company. By providing training and development to employees, this will make them believe that they have opportunity to develop their careers which directly foster greater employee engagement.

5.2.6 Pleasant Working Environment

According to the Pearson Correlation Test result obtained from Chapter 4, the correlation coefficient between pleasant working environment and employee

engagement was 0.624. This signified that there is a moderate positive association between pleasant working environment and employee engagement. The result obtained is supported and consistent with various past studies.

A pleasant working environment implies that a working environment that employees can get along well, interact and participate actively in. Trust and justice element are important components in creating a pleasant working environment (Haque & Aslam, 2011). According to Wong et al. (2006), trust, justice and fairness would have positive impact on employee engagement. Providing employees with flexible working hours is also another way to create a pleasant working environment which will in turn foster employee engagement. A pleasant working environment will ensure that employees are working in a comfortable surrounding so as to make them feel happy and satisfied. It is believed that employees who are working in a pleasant environment would not think of changing a job. Therefore, when the working environment is more pleasant, employee engagement will be higher.

5.3 Implications of the Study

5.3.1 Managerial Implications

This research is important to manufacturing companies as it provides useful information to assist in Human Resource Management. According to Jeffords, Scheidt and Thibadoux (1997), managing the changing needs of employees requires individualized attention, specialized incentive programs and compensation plans that are closely tied to individual achievement and performance. With a better understanding of what attracts and retains employees, employers can effectively make changes to their rewards program

which consists of monetary and non-monetary incentive programs. Govindarajulu and Daily (2004) stated that monetary rewards may be one of the strongest motivators for inducing employees to perform better. However, in the current economic downturn and the lack of financial resources necessary to support traditional monetary incentive programs, it is also noted that non-monetary incentive programs are getting more important in boosting employee engagement (Morrell, 2011).

It is important for manufacturing companies to understand the factors that significantly affect employee engagement. It is believed that by understanding the factors that enhance employee engagement, companies can create something unique that is difficult to be imitated by competitors. Once the factors are known, employers or managers are able to avoid unnecessary problems in satisfying employee's needs. The problem of absenteeism and high employee turnover rate can also be solved if the reward program is implemented appropriately. Besides that, they can recognize which factors are more significant and therefore pay more attention on it. This will improve the efficiency and effectiveness of the company's overall operation.

With the results of this research, the researchers can concluded that the monetary incentives (pay rise and stock option) and the non-monetary incentives (training and development, and pleasant working environment) are the major factors that will significantly affect employees' engagement in Penang's manufacturing industry.

Among monetary incentives, pay rise is the most effective incentive that will significantly affect employee engagement. This is because everyone works in order to earn money and it is a fact that everyone in this world is motivated by money. As noted by Zaidi and Abbas (2011), the importance of monetary

reward is irreplaceable by any human resource management strategy. Hence, manufacturing companies should consider deeply and thoroughly these factors to implement effective human resource management strategy.

On the other hand, pleasant working environment is the most effective non-monetary incentive. According to Woodruffe (2006), a pleasant working environment is always welcomed especially in a high-pressurized working environment. During the recent decade, the importance of flexible work formats or pleasant working environment is growing as one of the important factors in affecting employee performance (Bachmann, 2009). Atkinson and Hall (2006) have also suggested that pleasant working environment give rise to discretionary behaviour and other desirable performance outcomes. As manufacturing companies are always working on a tight schedule as well as huge workloads, it is necessary to create a pleasant working environment such as flexible working hours and build a harmonize relationship between employer and employees. Therefore, this will retain and motivate employees to perform better and thus enhance the employee's engagement towards the companies.

Comparing both pay rise and pleasant working environment, it is found that pleasant working environment will have a greater positive impact on employee engagement. Thus, it can be concluded that pleasant working environment (non-monetary incentive) is the best motivator among all four IVs for employees to stay longer with the company. Management in manufacturing companies can then focus on creating a pleasant working environment to increase employee engagement.

5.4 Limitation of the Study

There were a few limitations in this study. The limitations of the study must be acknowledged and it is suggested that the findings should be viewed with cautions. Firstly, the sample size in this study may not represent the whole population's perspective towards monetary and non-monetary incentives in Malaysia. Besides that, the sample size is comparatively small due to limited financial resources and time available. 282 samples from Penang may not be large enough to accurately represent all Malaysian employees' perspective towards the monetary and non-monetary incentives given by companies. Nevertheless, this limitation does not affect the result significantly because Penang is the third top contributor to gross output and total employment in Malaysia's manufacturing sector in 2009. Thus, 282 samples are able to be cited as deputy for this study. However, limited financial resources and time available have restricted the ability of researchers to cover a wider area of research.

Next, the findings of this research were obtained through primary data method by using questionnaire survey. The questionnaire surveys developed were closed-ended questions. The questions have to be simplified and free from ambiguity to ensure that respondents are able to understand and complete it in a short time. Therefore, it must be able to gather as much information as possible in order to obtain valid and reliable data. However, when questions are developed in a simple way, it may lead to the respondents just simply circle the answer without thinking in-depth. Besides that, closed-ended questions are unable to capture the comments and opinions from respondents regarding their perceptions. In additions, the use of 5-Point Likert Scale to measure the study variables will lead to the possibility of a common method bias for some results. Some of the respondents were confused on identifying the range of the questionnaires, such as difference between strongly disagree and disagree. Besides that, the questionnaires survey need to be amended and to be tested for a few times before it is being distributed to respondents. The scope of research might be small and other factors may not be able to bring into account.

In addition, it is difficult to find respondents who were willing and sincere to answer the entire questionnaire. In addition, this study may consist of some variances due to selective perspective of respondents. This is because different people have different point of view and preferences. Personal information such as age and education level might be altered. Some respondents might purposely falsify their answer since there was no indication in the obligation and sincerity of the respondents to participate. In other words, the validity and reliability will be affected if falsified information were given.

Furthermore, this study was conducted on a cross-sectional basis, which means that it only takes place at a single point in time and only looking at a particular phenomenon at a specific time. In addition, the R^2 of the model was at the moderate level (R^2 = 0.576). As noted by Weil, Frank, Hughes and Wagner (2007), the R^2 ranges from 0 to 1, where 0 signifies that the model explains none of the variation in the DV; and vice versa. Moreover, Mezick (2007) provided that the R^2 value ranges from 0.04 to 0.24 is considered weak, while a range from 0.25 to 0.64 is considered moderate. Hence, there is still much room for improvement.

In a nutshell, this study has certain limitations with some underlying assumptions that may affect the outcome of the analysis. Researchers are facing several limitations when conducting this research. However, the identified limitations will help to improve future research.

5.5 Recommendations for Future Research

For future research, it is highly encouraged to conduct further study throughout the whole Malaysia which includes wider area to East and West Malaysia. It should be conducted nationally to have a clearer indication and thus able to clarify the level of

employee engagement in Malaysia entirely. The larger result of survey from different employees' background would assist to originate the best findings of the study so as to generalize the overall population and develop an intensive research.

In addition, the sample size of 282 in this study was relatively small. As mentioned by Gravetter and Wallnau (2008), the sample size directly influences how accurate the sample represents the entire population. Hence, it is highly recommended for future researchers to increase the sample size, as larger sample would be more accurate in representing the entire population (Gravetter & Wallnau, 2008).

Due to financial and time constraints, we have chosen questionnaire survey in collecting data from target respondents. In future research, researchers may use different data collection method such as personal interview and telephone interview. Through personal or telephone interview, researchers can capture more accurate data as well as obtaining more responsive opinions from target respondents.

Besides that, it is highly recommended that future studies to be conducted using longitudinal approach in which a phenomenon is studied at more than one point of time. In short, there is more than one period of data collection (Bowling & Ebrahim, 2005). Hedeker and Gibbons (2006) further claimed that longitudinal data could deliver information about individual change, which cannot be provided by cross-sectional data.

According to Weil et al. (2007), R^2 indicates the predictive power of the research model. Therefore, the predictive power of this model of 0.576 is rather less powerful. Weil et al. (2007) pointed out that addition of variables to the model would normally increase the R^2. Therefore in future studies, researchers could try to include other relevant variables into the research model. However, it is also important to note that the acceptance and rejection of the model should not be based solely on the value of

R^2 (Weil et al., 2007). Therefore, researchers should not blindly add in more variables for the sake of maximizing the R^2.

5.6 Conclusion

In conclusion, this research has successfully proves that monetary incentives and non-monetary incentives will foster employee engagement. This research also shows that all four IVs have positive effect on employee engagement. And among all four IVs, pleasant working environment is the strongest determinant of employee engagement.

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APPENDICES

Appendix A: Summary of Past Empirical Studies

Summary of Past Empirical Studies on Employee Engagement			
Study	Country	Data	Major Findings
Devi, 2009	India	Questionnaire survey of 400 employees in manufacturing sector.	This study showed engaged employees will stay longer and contribute to company in a more meaningful way.
Warsi, Fatima & Sahibzada, 2009	Pakistan	Questionnaire survey of 191 male and female employees in private sector.	This study showed a positive and significant relationship exists between work motivation, overall job satisfaction and organizational commitment.
Markova & Ford, 2011	United States	Questionnaire survey of 288 employees from 30 *Fortune* 500 companies.	This study found that receiving non-monetary rewards is a strong predictor of employees in comparison to either group or individual monetary rewards.

Summary of Past Empirical Studies on Monetary Incentives and Employee Engagement			
Study	Country	Data	Major Findings
Kyani, Akhtar & Haroon, 2011	Pakistan	Questionnaire survey and interviews with 65 employees working in the Islamabad Electric Supply Company.	This study showed that lack of availability of monetary rewards make employees least satisfied.

Mathauer & Imhoff, 2006	Africa	Interviews with 99 doctors and nurses from public private and NGO facilities.	This study showed that non-financial incentives and HRM tools play an important role with respect to increasing motivation of health professionals.
Al-Nsour & Jordan, 2012	Jordan	Questionnaires survey of 500 employees from five universities selected.	The study proved that there is a significant relationship between financial incentives and internal business process in the Jordanian Universities.
Zani, Rahim, Junos, Samanol, Ahmad, Isahak Merican, Saad & Ahmad, 2011	Malaysia	Questionnaires survey of 350 employees in private sectors.	This study showed that there is greater emphasis on non-financial rewards as it holds a deep and greater impact to the employees especially in the long run in Malaysia.
Hochberg & Lindsey, 2010	United Kingdom	Questionnaire survey of 260 executive employees randomly selected in Compustat ExecuComp database.	This study showed that firms whose employee option portfolios have higher implied incentives exhibit higher subsequent operating performance.
Salimaki, Hakonen & Heneman, 2008	Finland	Questionnaires survey of 807 employees in a municipal sector health care organization.	This study found that managers can contribute to employee pay satisfaction via goal setting process.

Chung, Bao & Shaw, 2008	China	Questionnaires survey of 500 employees in 45 China's organizations.	This study indicated that pay-for-performance incentives will differ across management level and are widely used to motive all employees.
Kontodimopoulos, Paleologou & Niakas, 2009	Greece	Questionnaires survey of 1600 of health care professional (doctors, nurses and office workers) in public and private hospital.	This study found that intrinsic factors are important and should become a target for effective employee motivation.
Burgess & Ratto, 2003	United Kingdom	Questionnaires survey of 660 employees in public sectors.	This study examined the use of incentive pay to improve employee engagement in public sector intrinsically.
Swiss, 2005	United States	Questionnaires survey of 720 employees in 10 companies selected.	This study claimed that results-specific incentives must be tailored to facilitate employees' efforts and performance.
Zaidi & Abbas, 2011	Pakistan	Questionnaire survey of 375 employees of telecommunication sector.	This study found that the correlation exists positively both between monetary rewards and motivation, non-monetary rewards and motivation.
Randy, Vivienne & Thomas, 2002	Hong Kong & China	Questionnaires survey of 583 participants in Hong Kong and 121 participants in China.	The study examined the most popular compensation components offered by organizations to employee.

Dunford, Oler & Boudreau, 2008	United States	Questionnaires survey of 2030 employees on 1002 firms selected.	This study showed that stock option is able to reduced voluntary turnover among employees and increase employees' loyalty at the same time.
Blasi & Kruse, 2010	United States	Questionnaire survey to workers in 14 firms and 323 work sites who had shared capitalism compensation mode.	This study found that shared capitalism improves the performance of firms which associated with greater attachment, loyalty and willingness to work hard.

Summary of Past Empirical Studies on Non-monetary Incentives and Employee Engagement			
Study	Country	Data	Major Findings
Woodruffe, 2006	United Kingdom	Questionnaire survey of 300 employees in manufacturing sector.	This study showed that non-monetary incentive can motivate employees to give a greater job performance.
Nelson, 2001	United States	Internet survey of 2400 employees in 34 organizations.	This study showed a strong bond of relationship between non-monetary incentives and employees' job engagement.
Allen & Helms, 2002	United States	Questionnaire survey of 226 working adults.	This study showed a positive and significant relationship between organizational strategy, reward practices and firm performance.
Vemic, 2007	Serbia	Questionnaire survey of 121 survey respondents working in variety of organizations and backgrounds.	This study found that the global competition and swiftness of changes emphasize the importance of human capital within organizations, as well as the swiftness and ways of knowledge of gaining of that capital.

Chand & Katou, 2007	India	Questionnaire survey of 439 hotels, ranging from three-star to five-star deluxe.	This study showed that an organization performance is positively related to the Human Resource Management systems of recruitment and selection, manpower planning, job design, training and development, quality circle and pay systems.
Appelbaum & Kamal, 2000	Canada	Questionnaire survey of 15 male and 18 female employees in manufacturing sector, service industry, and public sector.	This study found that a good working environment will increase productivity and attractiveness to existing and potential employees.
Mohsan, Nawaz, Khan & Shaukat, 2012	Pakistan	Questionnaire survey of 285 banking personnel.	The study showed a significant positive association of training and development with employee motivation and commitment.
Lyons & Mattare, 2011	United States	Questionnaire survey of 190 employees from SMEs.	This study showed a significant relationship between training and development provided by the company and pleasant working environment towards employee's engagement.
Hakanen, Bakker & Schaufeli, 2006	Finland	Questionnaire survey of 2038 Teachers from elementary, lower secondary, upper secondary and vocational schools in Finland.	This study has proven that training and development program, coaching has a positive effect of fostering employee's engagement.

Mohsan, Nawaz & Khan, 2011	Pakistan	Questionnaire survey of 400 banking personnel.	This study showed that coaching relationship helped employees to understand at a deeper level of his struggle in the organization and to take up a different position in the organization dynamics.
Haque & Aslam, 2011	Pakistan	Questionnaire survey of 406 banking sector employees.	This study found that perceptions of trust and fairness have significant positive effects on employees' engagement.
Wong, Ngo & Wong, 2006	China	Questionnaire survey of 548 employees from joint venture and state-owned enterprises.	This study showed that there is a positive correlation between trusts, justice and fairness towards employees' engagement.
Berg, Appelbaum, Bailey & Kalleberg, 2004	Germany	Interviews with 2000 respondents who are managers, public sector policy-makers and administrators, and union leaders.	This study has proven that institutional and regulatory environment within the country, labor market conditions, and management and labor union strategies will affect the employee in controlling over working time.
Atkinson & Hall, 2011	United Kingdom	Interviews with 60 employees across a range of directorates within the Trust.	This study showed that employees perceive that flexible working makes them "happy" and there are behavioural links between this happiness and a number of performance outcomes.

Wortley & Grierson-Hill, 2003	United Kingdom	A survey on 45 respondents with a mixture of full-time and part-time, qualified and unqualified employees that undergo a self-rostering trial lasting for six months.	This study showed that self-rostering system enable the employees to maintain a work-life balance.
Bachmann, 2009	Japan	A labor force survey on all age groups during 1988 - 2007 in Japan.	This study showed that companies that offer flexible working hours to its employees tend to improve their labor force opportunities as well as reduce labor costs.
Bloodworth, Lea, Lane & Ginn, 2001	United Kingdom	Questionnaire survey on all nurses, night sisters and therapists who are in contact with the ward in Nottingham.	This study showed that flexible working hours will reduce sickness absence by staff as well as produce more content staff.

Source: Developed for the Research

Appendix B: Sources of Variables

Variables	Items	Description	Sources
Pay Rise IV 5 items	PR1	I understand how my performance is linked with pay rise.	Salimaki & Hakonen, 2009
	PR2	I'm satisfied with the consistency review of the organization's pay policies.	
	PR3	I'm satisfied with my recent raises.	
	PR4	My immediate superior explains to me why the achievement of my goals is important for pay rise purpose.	
	PR5	Pay rise enables me to attain a desirable standard of living.	
Stock Option IV 5 items	SO1	Stock option is an important form of monetary incentives at an organization.	Oyer & Schaefer, 2005
	SO2	I am motivated by stock option.	
	SO3	Stock option is able to attract me.	
	SO4	I will be rewarded with stock option if I stay with my organization for the long term.	Kennedy & U. Daim, 2010
	SO5	Stock options help improve organization performance by attracting and retaining key employees.	Aboody, Johnson & Kasznik, 2010

Training and Development IV 5 items	TD1	I expect my employers to send me to training programmes.	Okojie, 2009
	TD2	Training will increases my opportunity for career advancement.	Kennedy & U. Daim, 2010
	TD3	I have the opportunity to develop to my full potential.	
	TD4	I understand the criteria I must meet to be promoted to a training programme.	
	TD5	I can increase my commitment towards an organization through training programmes.	Mattox II & Jinkerson, 2005
Pleasant Working Environment IV 5 items	PWE1	The work environment at my organization is good.	Kennedy & U. Daim, 2010
	PWE2	I have a good level of job security.	
	PWE3	The amount of stress at work is appropriate.	
	PWE4	My superiors make me feel like an important team member.	
	PWE5	My organization puts a high value on employee satisfaction.	

Employee Engagement DV 5 items	EE1	I am satisfied with my current job.	Smerek & Peterson, 2007
	EE2	My job gives me a sense of accomplishment.	
	EE3	I have control over how I do my works.	
	EE4	I feel a strong sense of belongingness to the organization.	
	EE5	My immediate superior trusts me and always considers my ideas.	

Source: Developed for the research

Appendix C: Questionnaire

UNIVERSITI TUNKU ABDUL RAHMAN

Faculty of Business and Finance

BACHELOR OF COMMERCE (HONS) ACCOUNTING

FINAL YEAR PROJECT

RELATIONSHIP BETWEEN INCENTIVES AND EMPLOYEE ENGAGEMENT: AN EMPIRICAL STUDY ON EMPLOYEES IN MANUFACTURING COMPANIES

Survey Questionnaire

Dear respondent,

We are final year undergraduate students of Bachelor of Commerce (Hons) Accounting, from University Tunku Abdul Rahman (UTAR). The purpose of this survey is to examine which type of incentives appeals most to employees working in the manufacturing industry. Please answer all questions to the best of your knowledge. All responses are completely confidential.

Thank you for your participation.

Instructions:

1) There are **THREE** (3) sections in this questionnaire. Please answer ALL questions in ALL sections.

2) Completion of this form will take you approximately 5 to 10 minutes.

3) Please feel free to share your comment in the space provided. The contents of this questionnaire will be kept **strictly confidential**.

Section A: Demographic Profile

In this section, we would like you to fill in some of your personal details. Please tick your answer and your answers will be kept strictly confidential.

1. Gender:

- □ Male
- □ Female

2. Race:

- □ Malay
- □ Chinese
- □ Indian
- □ Others (please specify) : _____

3. Age:

- □ 25 years or less
- □ 26 to 35 years
- □ 36 to 45 years
- □ 46 years or greater

4. Marital status:

- □ Single
- □ Married
- □ Divorced
- □ Widowed

5. Highest education completed:

- □ No College Degree
- □ Diploma / Advanced Diploma
- □ Bachelor's Degree / Professional Qualification
- □ Masters

6. Monthly salary earned from your current company:

- □ Less than RM1,000
- □ RM1,000 – RM3,000
- □ RM3,001 – RM5,000
- □ RM5,001 – RM7,000
- □ RM7,001 – RM9,000
- □ More than RM10,000

7. Employment status:

- □ Part time
- □ Full time

8. Length of time with your company:

- □ Less than a year
- □ 1 – 2 years
- □ 3 – 5 years
- □ 6 – 10 years
- □ 11 – 15 years
- □ 16 – 20 years
- □ Above 20 years

9. Job position:

- □ Low – level Employees
- □ Executive (e.g. Assistant Manager, System Analyst, Engineer etc.)
- □ Manager (Head of Department)
- □ General Manager / Director / Chief Executive Officer
- □ Other (please specify) : _____

10. Categories of your organization product or services:

- □ Manufacturing
  - □ Electrical & electronics products
  - □ Chemical & chemical products
  - □ Textiles & textile products
  - □ Food products
  - □ Rubber & plastic products
  - □ Machinery & hardware
  - □ Other (please specify) : _____

Section B: Types of Incentives

This section is seeking your opinions regarding the type of incentives which appeals most to you. Respondents are asked to indicate the extent to which they agreed or disagreed with each statement using 5 Likert scale [(1) = strongly disagree; (2) = disagree; (3) = neutral; (4) = agree and (5) = strongly agree] response framework. Please circle one number per line to indicate the extent to which you agree or disagree with the following statements.

Independent Variables

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
B1	Pay Rise					
PR1	I understand how my performance is linked with pay rise.	1	2	3	4	5
PR2	I'm satisfied with the consistency review of the organization's pay policies.	1	2	3	4	5
PR3	I'm satisfied with my recent raises.	1	2	3	4	5
PR4	My immediate superior explains to me why the achievement of my goals is important for pay rise purpose.	1	2	3	4	5
PR5	Pay rise enables me to attain a desirable standard of living.	1	2	3	4	5

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
B2	Stock Option					
SO1	Stock option is an important form of monetary incentives at an organization.	1	2	3	4	5
SO2	I am motivated by stock option.	1	2	3	4	5

SO3	Stock option is able to attract me.	1	2	3	4	5
SO4	I will be rewarded with stock option if I stay with my organization for the long term.	1	2	3	4	5
SO5	Stock options help improve organization performance by attracting and retaining key employees.	1	2	3	4	5

No.	**Questions**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
B3	Training and Development					
TD1	I expect my employers to send me to training programmes.	1	2	3	4	5
TD2	Training will increases my opportunity for career advancement.	1	2	3	4	5
TD3	I have the opportunity to develop to my full potential.	1	2	3	4	5
TD4	I understand the criteria I must meet to be promoted to a training programme.	1	2	3	4	5
TD5	I can increase my commitment towards an organization through training programmes.	1	2	3	4	5

No.	**Questions**	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
B4	Pleasant Working Environment					
PWE1	The work environment at my organization is good.	1	2	3	4	5
PWE2	I have a good level of job security.	1	2	3	4	5
PWE3	The amount of stress at work is appropriate.	1	2	3	4	5

PWE4	My superiors make me feel like an important team member.	1	2	3	4	5
PWE5	My organization puts a high value on employee satisfaction.	1	2	3	4	5

Section C: Employee Engagement

This section is seeking your opinions regarding employee engagement in an organization. Respondents are asked to indicate the extent to which they agreed or disagreed with each statement using 5 Likert scale [(1) = strongly disagree; (2) = disagree; (3) = neutral; (4) = agree and (5) = strongly agree] response framework. Please circle one number per line to indicate the extent to which you agree or disagree with the following statements.

Dependent Variables

No.	Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
C1	Employee Engagement					
EE1	I am satisfied with my current job.	1	2	3	4	5
EE2	My job gives me a sense of accomplishment.	1	2	3	4	5
EE3	I have control over how I do my work.	1	2	3	4	5
EE4	I feel a strong sense of belongingness to the organization.	1	2	3	4	5
EE5	My immediate superior trusts me and always considers my ideas.	1	2	3	4	5

Comments:

_____

_____

_____

Thank you for your time, opinion and comments.
~ The End ~

Appendix D: Measurement of Each Variable

Variables		Measurement	Scale of Measurement
Demographic Profile	Gender	Nominal	
	Race	Nominal	
	Age	Ordinal	
	Marital Status	Nominal	
	Education Level	Ordinal	
	Monthly Salary	Ordinal	
	Employment Status	Nominal	
	Years Worked	Ordinal	
	Job Position	Ordinal	
	Categories of Product and Services	Nominal	
Independent Variables	Pay Rise	Interval	5 point Likert scale
	Stock Option	Interval	5 point Likert scale
	Training and Development	Interval	5 point Likert scale
	Pleasant Working Environment	Interval	5 point Likert scale
Dependent Variable	Employee Engagement	Interval	5 point Likert scale

Source: Developed for the research

Appendixe E: Permission Letter to Conduct Survey

UNIVERSITI TUNKU ABDUL RAHMAN
Wholly Owned by UTAR Education Foundation (Company No. 578227-M)

9 March 2012

To Whom It May Concern

Dear Sir/Madam

Permission to Conduct Survey

This is to confirm that the following students are currently pursuing their *Bachelor of Commerce (HONS) Accounting* program at the Faculty of Business and Finance, Universiti Tunku Abdul Rahman (UTAR) Perak Campus.

I would be most grateful if you could assist them by allowing them to conduct their research at your institution. All information collected will be kept confidential and used only for academic purposes.

The students are as follows:

Name of Student	**Student ID**
Tan Zhi Yi	10ABB03139
Choong Yu' Hui'	10ABB02885
Chung Siew Ching	10ABB02872
Loh Yi Chin	10ABB02252
Tay Wei Chen	10ABB02895

If you need further verification, please do not hesitate to contact me.

Thank you.

Yours sincerely

.....
Mahendra Kumar a/l Chelliah
Head of Department,
Faculty of Business and Finance
Email: mahendra@utar.edu.my

.....
Fong Choong Ee
Supervisor,
Faculty of Business and Finance
Email: fongce@utar.edu.my

Address: No.9, Jalan Bersatu 13/4, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Postal Address: P O Box 11384, 50744 Kuala Lumpur, Malaysia.
Tel: (603) 7958 2628 **Fax:** (603) 7956 1923 **Homepage:** http://www.utar.edu.my

Appendix F: Demographic Profile of the Respondents

		Frequency	Percentage
Gender	Male	157	55.7
	Female	125	44.3
Race	Malay	72	25.5
	Chinese	169	59.9
	Indian	41	14.5
Age	25 years or less	49	17.4
	26 to 35 years	106	37.6
	36 to 45 years	90	31.9
	46 years or greater	37	13.1
Marital Status	Single	114	40.4
	Married	161	57.1
	Divorced	7	2.5
Education Level	No College Degree	5	1.8
	Diploma / Advanced Diploma	79	28
	Bachelor's Degree / Professional Qualification	162	57.4
	Masters	36	12.8
Monthly Salary	Less than RM1,000	21	7.4
	RM1,000 - RM3,000	104	36.9
	RM3,001 - RM 5,000	137	48.6
	RM5,001 - RM7,000	16	5.7
	RM7,001 - RM9,000	4	1.4
Employment Status	Part time	34	12.1
	Full time	248	87.9
Years Worked	Less than a year	22	7.8
	1 - 2 years	75	26.6
	3 - 5 years	109	38.7
	6 - 10 years	64	22.7
	11 - 15 years	12	4.3

Job Position	Low - level Employees	100	35.5
	Executive	83	29.4
	Manager	82	29.1
	General Manager / Director / Chief Executive Officer	15	5.3
	Others	2	0.7
Categories of Product and Services	Electrical & electronics products	148	52.5
	Chemical & chemical products	9	3.2
	Textiles & textile products	19	6.7
	Food products	18	6.4
	Rubber & plastic products	38	13.5
	Machinery & hardware	50	17.7

Source: Developed for the research

Appendix G: Central Tendencies Measurement of Constructs

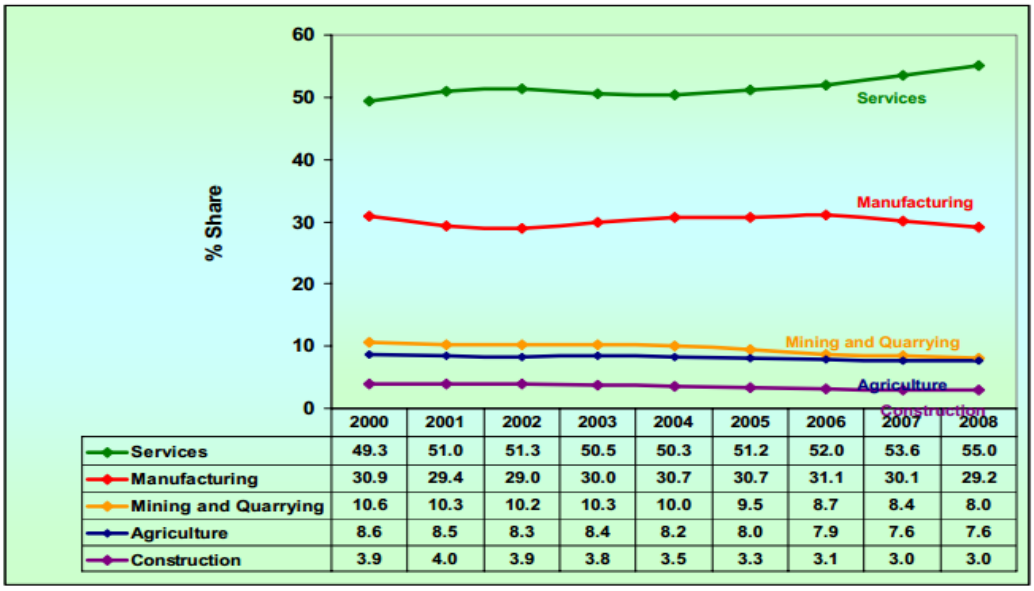
Variable	Item	Mean	Standard Deviation
PR		3.5844	0.5662
	PR1	3.7411	0.8225
	PR2	3.5000	0.7221
	PR3	3.4078	0.8354
	PR4	3.4113	0.6092
	PR5	3.8617	0.7394
SO		3.6234	0.5676
	SO1	3.6950	0.7153
	SO2	3.5603	0.6788
	SO3	3.5603	0.6629
	SO4	3.5887	0.8894
	SO5	3.7128	0.7633
TD		3.9135	0.6442
	TD1	3.8794	0.7496
	TD2	4.0887	0.8495
	TD3	3.8262	0.7925
	TD4	3.7092	0.8007
	TD5	4.0638	0.8662
PWE		3.6298	0.6367
	PWE1	3.8936	0.7977
	PWE2	3.6915	0.7690
	PWE3	3.5106	0.7834
	PWE4	3.3901	0.8990
	PWE5	3.6631	0.8828
EE		3.6617	0.6902
	EE1	3.7163	0.8464
	EE2	3.6809	0.8630
	EE3	3.5709	0.8417
	EE4	3.7270	0.7685
	EE5	3.6135	0.8745

Source: Developed for the research

Appendix H: List of Figures

Figure 1.1: Contribution to GDP by Sector

MALAYSIA: CONTRIBUTION TO GDP BY SECTOR, 2000-2008

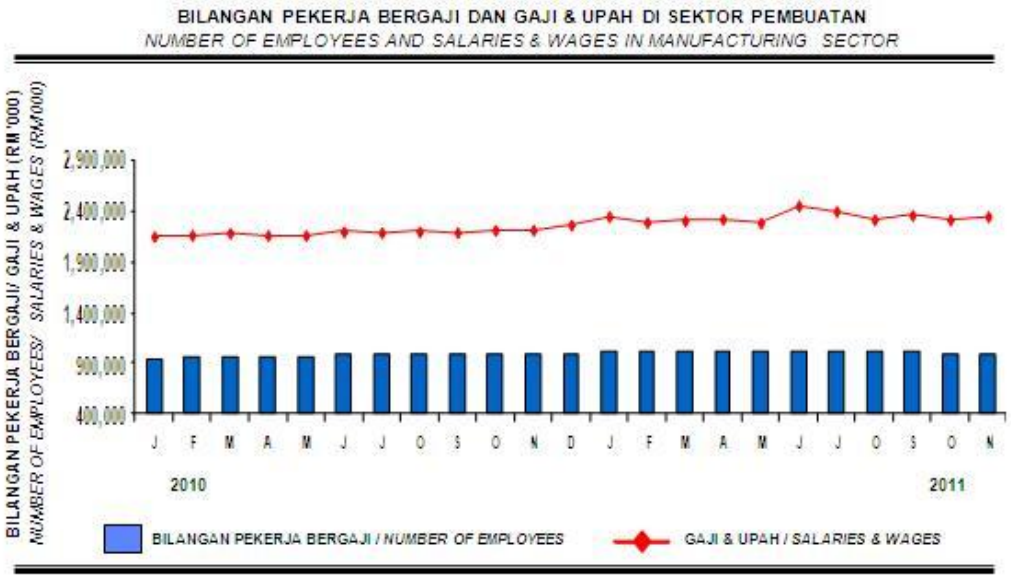


	2000	2001	2002	2003	2004	2005	2006	2007	2008
Services	49.3	51.0	51.3	50.5	50.3	51.2	52.0	53.6	55.0
Manufacturing	30.9	29.4	29.0	30.0	30.7	30.7	31.1	30.1	29.2
Mining and Quarrying	10.6	10.3	10.2	10.3	10.0	9.5	8.7	8.4	8.0
Agriculture	8.6	8.5	8.3	8.4	8.2	8.0	7.9	7.6	7.6
Construction	3.9	4.0	3.9	3.8	3.5	3.3	3.1	3.0	3.0

Source: Department of Statistics
Note:

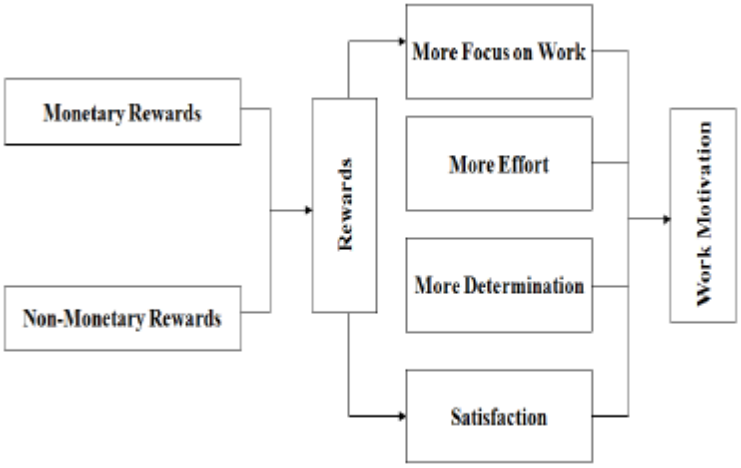
Source: Department of Statistics Malaysia (2009)

Figure 1.2: Number of Employees and Salaries & Wages in Manufacturing Sector



Source: Department of Statistics Malaysia (2011)

Figure 1.3: Theoretical Framework of Zaidi and Abbas (2011)



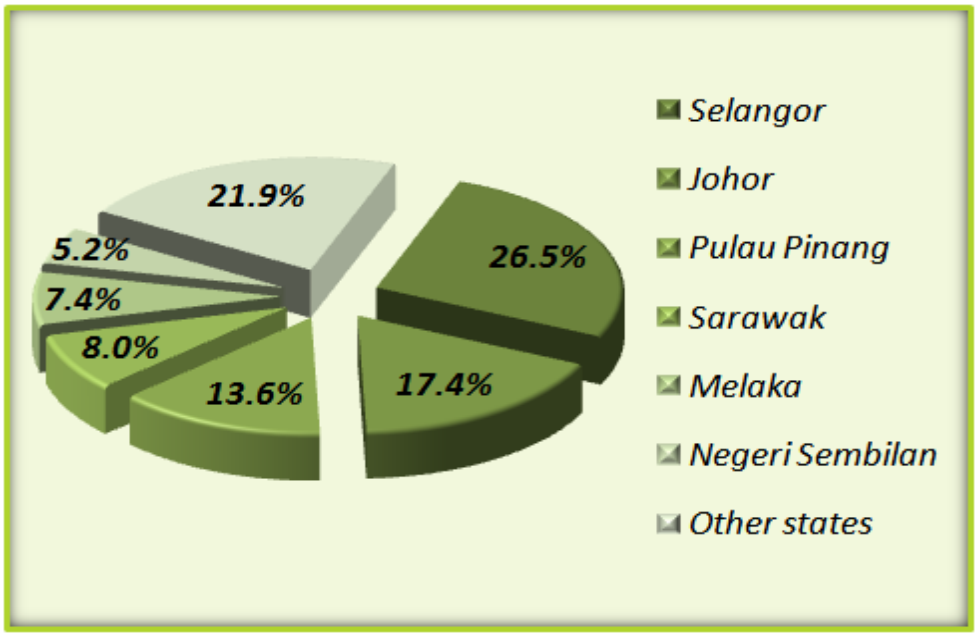
Source: Zaidi & Abbas (2011)

Figure 2.1: Herzberg's Motivation and Hygiene Theory

Motivators	Hygiene Factors
Job-Related	***Workplace-Related***
Achievement	Work Policies
Recognition	Leadership Quality
Work Challenges	Workplace Relationships
Responsibility	Work Environment
Development Opportunity	Compensation, Security, Status

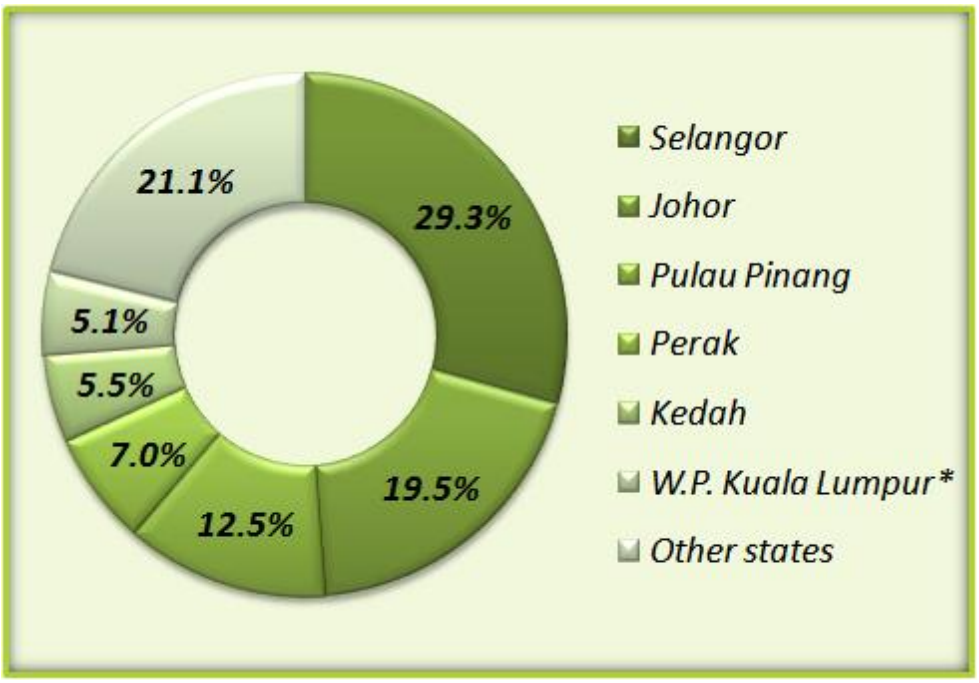
Source: Hersey, Blanchard & Johnson (2001)

Figure 3.1: Gross Output by State, 2009



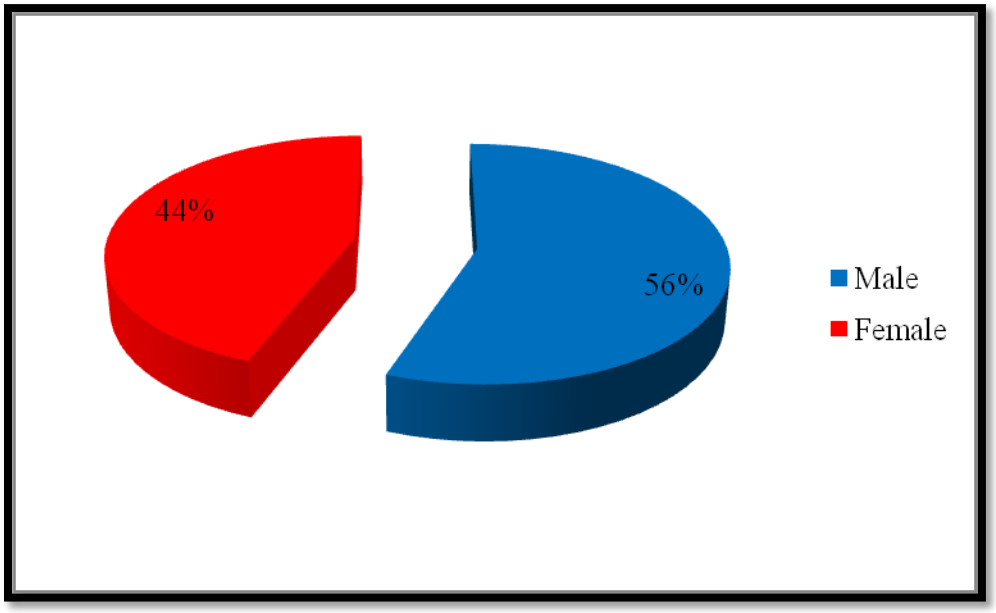
Source: Department of Statistic Malaysia, (2009)

Figure 3.2: Employment by State, 2009



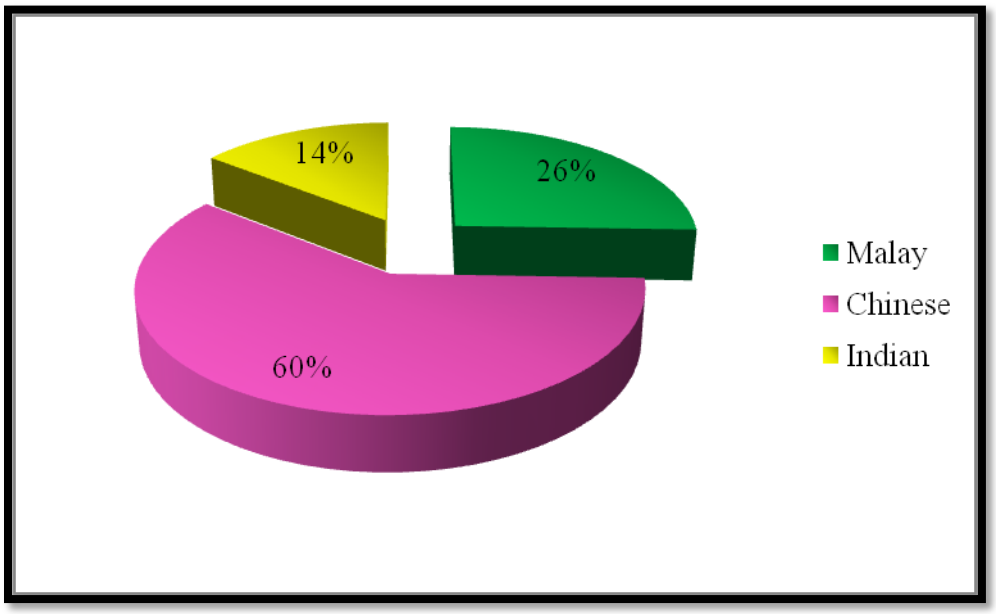
Source: Department of Statistic Malaysia, (2009)

Figure 4.1: Gender of Respondents



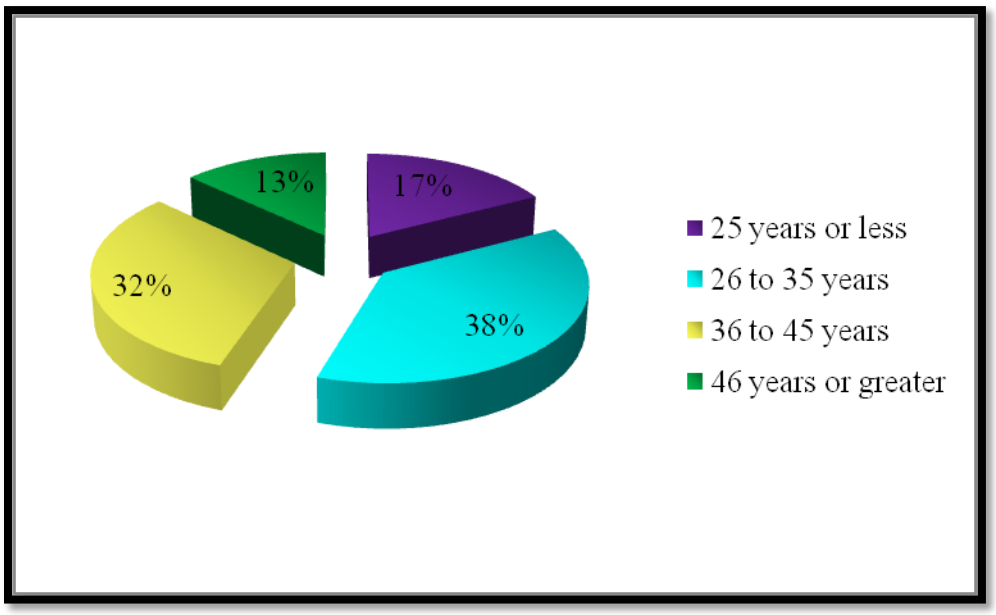
Source: Developed for the research

Figure 4.2: Race of Respondents



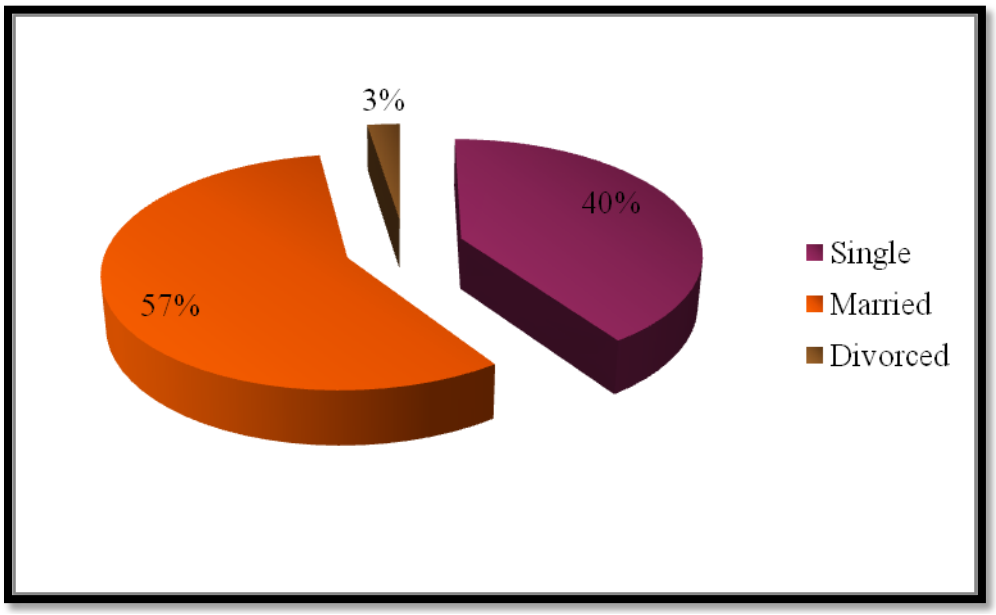
Source: Developed for the research

Figure 4.3: Age of Respondents



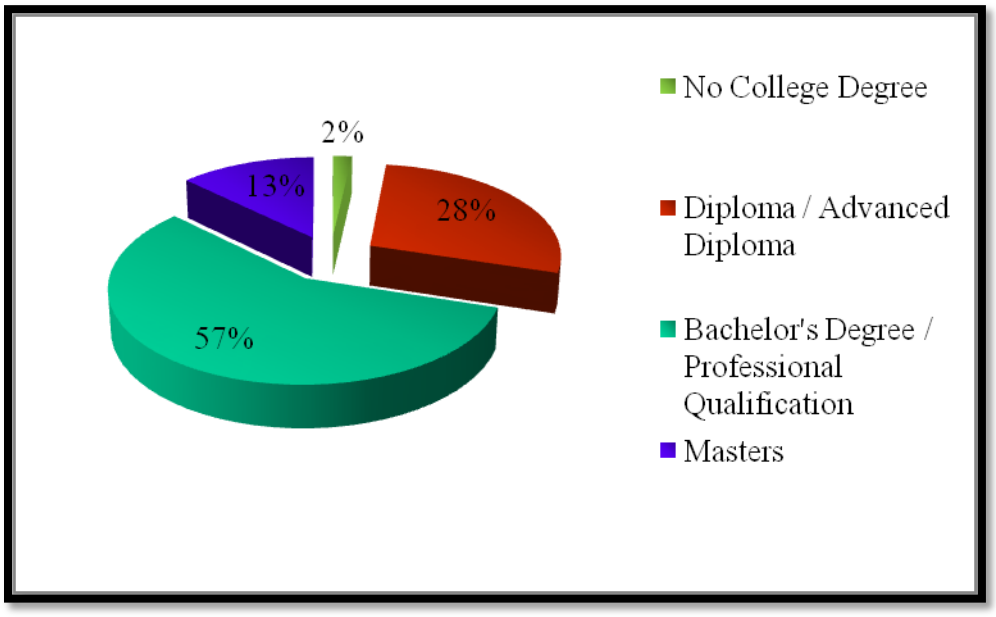
Source: Developed for the research

Figure 4.4: Marital Status of Respondents



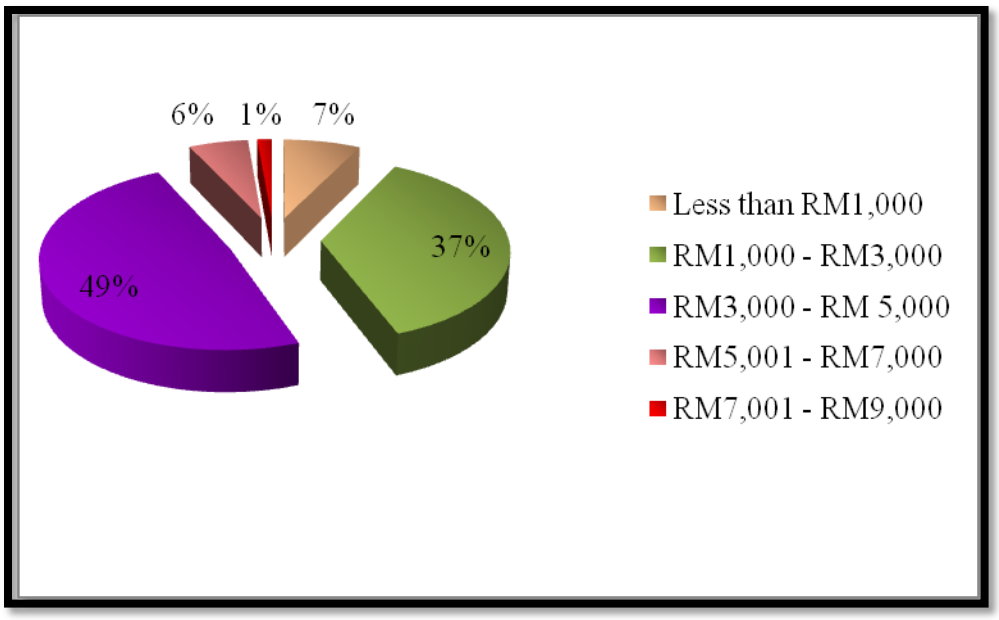
Source: Developed for the research

Figure 4.5: Education of Respondents



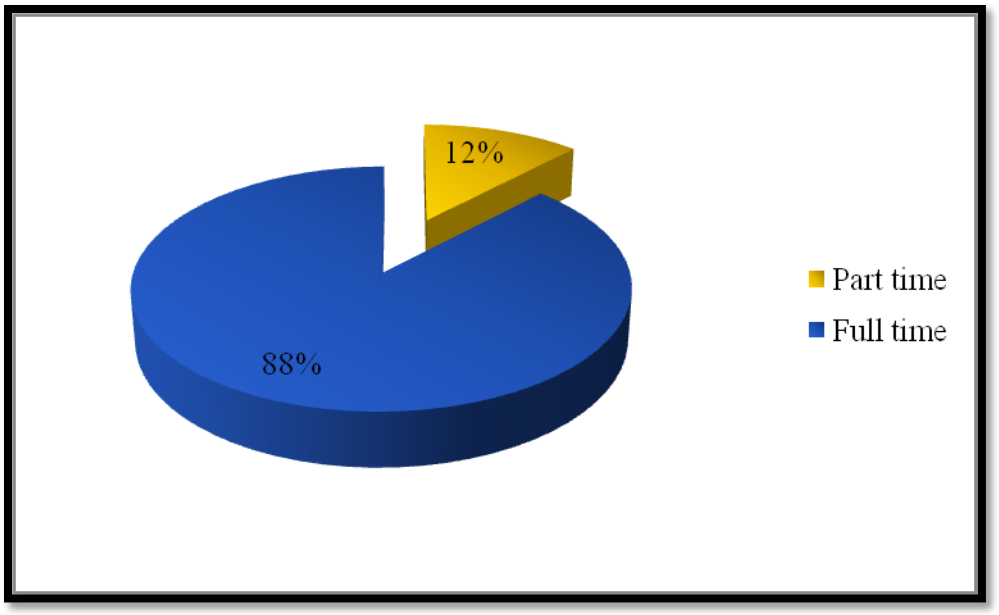
Source: Developed for the research

Figure 4.6: Salary of Respondents



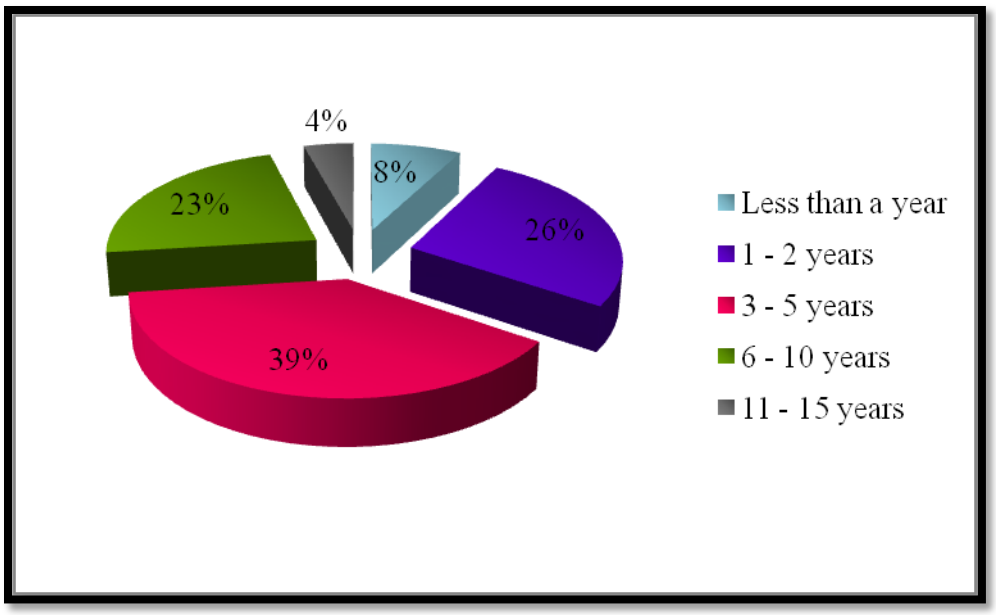
Source: Developed for the research

Figure 4.7: Employment Status of Respondents



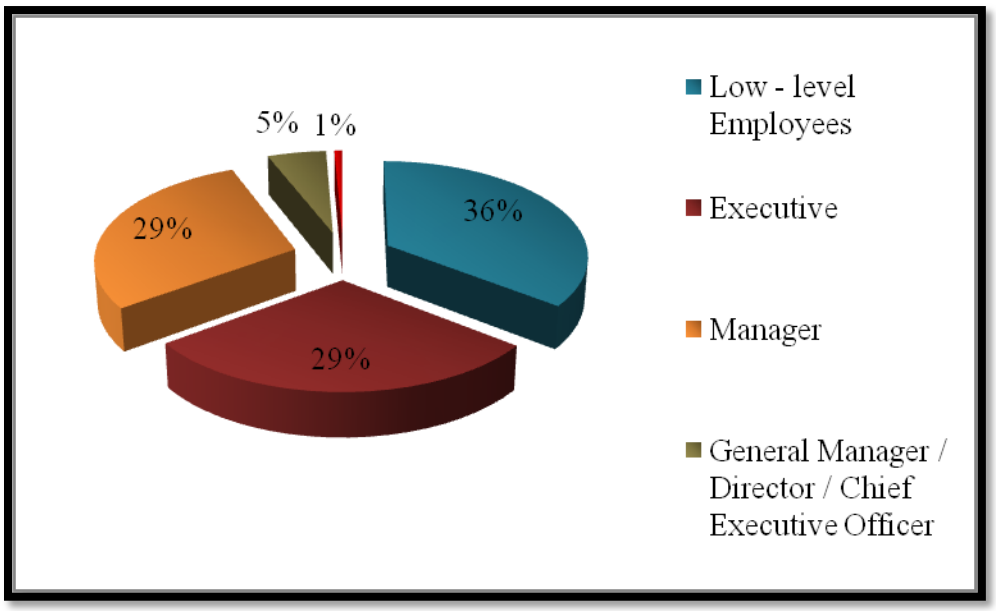
Source: Developed for the research

Figure 4.8: Years Worked of Respondents



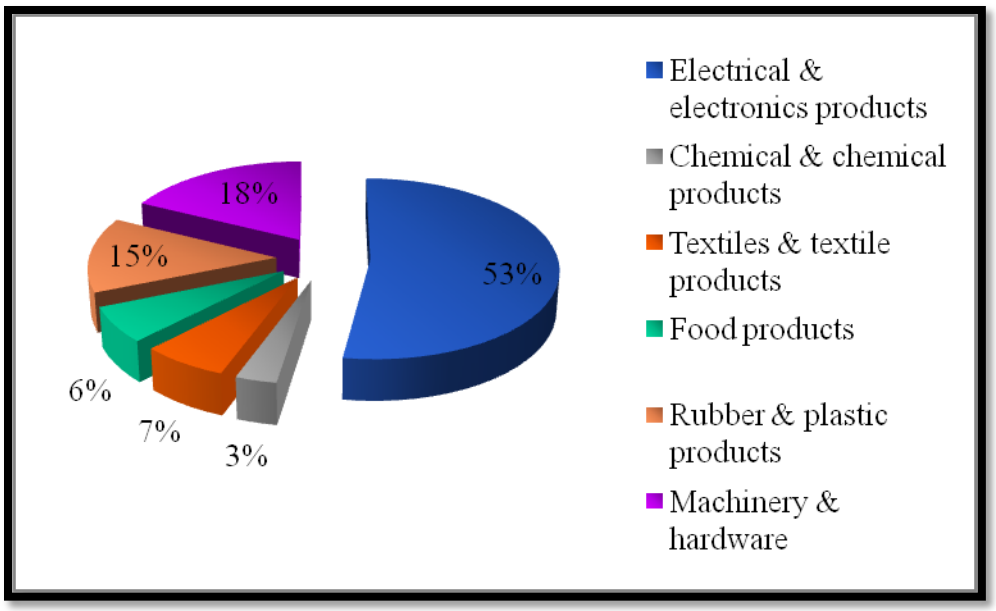
Source: Developed for the research

Figure 4.9: Job Position of Respondents



Source: Developed for the research

Figure 4.10: Categories of Product and Services



Source: Developed for the research