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THE IMPACT EMPLOYEE ENGAGEMENT ON ORGANIZATIONAL
PERFORMANCE: AN EMPIRICAL STUDY OF PETRONAS OIL AND GAS
SUBSIADIARY

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“I declare that this project is the result of my own research expect as cited in the references. The research project has not been for any degree and it not concurrently submitted in candidature of any degree”

Signature:

Name

Date

DEDICATION

This thesis is dedicated to my father, who taught me that the best kind of knowledge to have is that which is learned for its own sake. It is also dedicated to my mother, who taught me that even the largest task can be accomplished if it is done one step at a time.

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ABSTRACT

This study is about the impact of employee engagement on organizational performance: An empirical study of Petronas Oil and Gas Subsidiary. Employee engagement is a good tool to help every organization to strive to gain competitive advantage over the others. People is one factor that cannot be duplicated or imitated by the competitors and is considered the most valuable asset if managed properly. Employee engagement is related to the empowerment. Employee empowerment can be a powerful tool for organizations can increase efficiency and effectiveness inside an organization. This study is to determine the factors influence employee engagement and find the relationship between empowerment, accept training, accept reward and employee participation. Lastly is to determine the most factors influence employee engagement.

Keyword: impact employee engagement, empowerment, accept training, accept reward dan employee participation

ABSTRAK

Kajian ini adalah tentang kesan penglibatan pekerja kepada prestasi organisasi: Satu kajian empirikal di anak syarikat Petronas Minyak dan Gas. Penglibatan daripada pekerja adalah element yang sangat penting untuk membantu setiap organisasi dalam usaha untuk lebih kelebihan daya saing berbanding yang lain. Pekerja adalah salah satu faktor yang tidak boleh ditiru oleh pesaing dan dianggap aset yang paling berharga jika diuruskan dengan baik. Memperkasakan pekerja dapat meningkatkan kecekapan dan keberkesanan dalam organisasi. Tujuan utama kajian ini adalah untuk menentukan faktor-faktor pengaruh penglibatan pekerja dan mencari hubungan antara kuasa, menerima latihan, menerima ganjaran dan penyertaan pekerja. Akhir sekali adalah untuk menentukan yang paling faktor yang mempengaruhi penglibatan pekerja.

Kata kunci: Kesan penglibatan pekerja kuasa, menerima latihan, menerima ganjaran dan penyertaan pekerja.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This study is about the impact of employee engagement on organizational performance: An empirical study of Petronas Oil and Gas Subsidiary. Employee engagement is a tool to help every organization to gain competitive advantage over the others. People is one factor that cannot be duplicated or imitated by the competitors and is considered the most valuable asset if managed properly. Employee engagement is related to the empowerment. Employee empowerment can be best tool for organizations can increase efficiency and effectiveness inside an organization. In this research there are few factors that influence employee engagement which are empowerment, accept training, accept reward and employee participation.

To ensure that engagement can be implementing in the organizations, organizational culture itself must have strong culture. Strong culture in the organizational is very helpful to implement engagement to enhance employees,

which leads goal achievement and increase the overall performance in the organizations.

1.2 Background of the study

According to Piasecka (2005), organizations usually start on change management with the aim of achieving critical improvement. With the change of management, we usually find changes in behavior and in the accepted way of doing things (Piasecka, 2005). Since we are in a process through which it is well understood that “human” asset is one of the most reliable sources of organizational performance, efficiency and effectiveness.

What makes one company more successful than another? Better products, services, strategies, technologies or, perhaps, a better cost structure? Certainly, all of these contribute to superior performance, but all of them can be copied over time. The one thing that creates sustainable competitive advantage and company value is the workforce, the people who are the company.

This study is about the impact of employee engagement on organizational performance: An empirical study of Petronas Oil and Gas Subsidiary. This organization has their own culture, which could affect the performance of the employees in the organizations. Organizational Culture encompasses values and behaviors that contribute to the social and psychological environment of an organization.

Researchers have linked culture in the organization with many organizational behaviors. They have also recognized the correlation culture of the organization and employee job performance (Sheridan, 2010), decision making

(Gamble & Gib, 1999) and productivity (Lunenburg, 2011). According (Schein, 1990) organizational culture is where common values and behavior of the people are considered as tool that leads to the successful achievement in the organizational goals.

Employee engagement has benefits for an organization such as delivering improved business performance, revenue growth, customer satisfaction, staff retention and efficiency (CIPD, 2013). Organizations have recognized the importance of their brand to their survival along with their reputation. “Engaged workers perform better than disengaged workers.” (Purcell, 2014).

Cook (2008) reports that several benefits of employee engagement through several forms of studies carried out by several associations. Examples include the Hay group which found that engaged employees were up to forty three percent more productive. Another example according to Cook (2008,) is that “studies show that ten per cent increases in employee engagement leads to a six per cent increase in customer satisfaction and a two per cent increase in profits”. These studies show the benefits for the organization and also highlight its importance for excelling in the market. It is the impact employee engagement on organizational performance

1.3 Problem Statement

Globalization has opened various chance and challenges for Malaysian organizations to struggle like international organizations. Globalization puts pressure on companies to fundamentally rethink and redesign their existing organizational processes, to increase production, speed and quality, while reducing costs and eliminating layers (Arnold, Arad, Rhoades & Drasgow, 2000). Organizations are finding they should to change how they doing business. These include the development of global marketplaces, rapid innovation in work technologies, shifting work force and customer demographics, and increasing demand for quality and flexibility in product and services (Hartmann, Maddaloni, & Manganelli, 2003).

Besides technological improvement, a developed, competent and engage workforce will give Malaysia organizations intensity over its opponent. Studies on engagement have shown that it has a powerful correlation to organizational performance in terms of higher productivity, job satisfaction and reduction in staff turnover in organizations (Ongori, 2007).

So, to achieve organizations performance, empowerment is a tool to increase employee performance. The organization needs for employee empowerment so that they will be making quick decisions and quickly respond to any changes in the environment. Employee empowerment is interest with believing, motivation, making indecision, and breaking the limitation between management and employees. Besides that, empowerment also hides the weakness of the workers and the organization and strengthens the autonomy, creativity, innovation, determination and persistence of the staff and makes conditions to avoid possible problems that they may face. In order to achieve the organizational objectives and increase employee performance, Petronas has taken an action to implement engagement on their employees.

This study will measure the perception and implementation of the concept of engagement from the all employees in who are made to respond about the feel of engagement and exist in their organization and the transmitters of engagement to the employees.

This study is will find on the cause of engagement that can improve the employee performance in the work. So, from that, we can know that how much of engagement influence to employee performance and why empowerment should be held in manufacturing industry sectors. Employee performance is important in every organization in all sectors. The effect of engagement also will be determined to see whether it can be related to the employee performance or not.

1.4 Research Question

The research questions for this study as per below:

RQ1: What are the relationships between empowerment, accept training, accept reward and employee participation toward engagement?

RQ2: What is the factors influence of employee engagement?

RQ3: What are the most influential factors of employee engagement?

1.5 Research Objective

The general objectives of this study are outlined below:

RO1: To determine the relationship between empowerment, accept training, accept reward and employee participation towards employee engagement.

RO2: To examine the factors influence of employee engagement

RO3: To investigate the most influential factors of employee engagement

1.6 Significance of Study

This study is to find out the factors influence employee engagement on organizational performance. This information and knowledge will enable employees to feel better understand about engagement. It also will help employees to better improve their individual and organizational performance give awareness about the goodness engagement. Besides that, it will also help managers to better control their employees improve their individual and organizational performance.

In addition, by having a good understanding about impact engagement on organizational performance it will give the organization a clear picture on how to shape their employee's attitudes in order to have higher organizational performance. The higher work performances have larger good impact on the organizational overall performance such as increase productivity, innovative, creative, reduced worker turnover rate, absenteeism and improve quality service. The employees of organizations can be the main operator of work process and It is proved that a capable and competent manpower that are considered as regarded as the foundation of national wealth and vital assets of the organization, bring lots of benefits to the organization.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

A study of literature is to answer to the problem statement and supports the researcher to complete the results of the empirical study. In this chapter a comprehensive literature overview of the constructs being investigated is provided. This chapter focuses on defining employee engagement and factors influence employee engagement.

A purpose of this chapter is to provide a review of past research efforts related to the impact employee engagement. A review from previous study also was also shown.

2.2 Employee Engagement

Employee engagement can be understood as the extent to which employees feel passionate about their jobs, commitment, and put extra effort into their work. When employees are engaged at work, they feel accountable with their job. Employee engagement is defined in general as the level of commitment and involvement an employee has towards their organization. When an employee is engaged, he is aware of his responsibility in the business goals and motivates his colleagues alongside for the success of the organizational goals. The positive attitude of the employee with his work place and its value system is otherwise called as the positive emotional connection of an employee towards his/her work.

There are previous studies about impact engagement. According to J. & Anitha (2014) The purpose of this paper is to identify the key determinants of employee engagement and their predictability of the concept. It also studies the impact of employee engagement on employee performance. It was found that all the identified factors were predictors of employee engagement; however, the variables that had major impact were working environment and team and co-worker relationship. Employee engagement had significant impact on employee performance.

The second previous study is from Paluku Kazimoto. This article analyzes factors on employee engagement and performance from selected retailing business enterprise. The finding show that the degree of retail employee engagement and level of job satisfaction were very high significance in retailing enterprise (Robinson, Perryman, & Hayday, 2004) define employee engagement as “a positive attitude held by the employee towards the organization and its value. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organization the

organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.

The literatures indicate that employee engagement is closely linked with organizational performance outcomes. Companies with engaged employees have higher employee retention because of reduced turnover and reduced intention to leave the company, increase productivity, profitability, growth and customer satisfaction. On the other hand, companies with disengaged employees suffer from waste of effort and bleed talent, earn less commitment from the employees, face increased absenteeism and have less customer orientation, less productivity, and reduced operating margins and net profit margins. Most researches emphasize that indicate positive impacts of employee engagement on the organizational performance.

2.3 Factors of influence employee engagement on organizational performance

2.3.1 Empowerment

According to Piasecka (2005), organizations typically start on change programs with the aim of achieving critical improvement. With the change of program, we usually find changes in behavior and in the accepted way of doing things (Piasecka, 2005). Since we are in a process through which it is well understood that “human” asset is one of the most reliable sources of organizational performance, efficiency and effectiveness, to demonstrate higher levels of efficiency, effectiveness, and performance.