# THE EFFECTIVENESS OF COMPENSATION & BENEFITS AND PERFORMANCE APPRAISAL ON EMPLOYEE ENGAGEMENT AMONG EMPLOYEES IN FELDA GLOBAL VENTURES HOLDINGS BERHAD (FGVHB)

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### THE EFFECTIVENESS OF COMPENSATION & BENEFITS AND PERFORMANCE APPRAISAL ON EMPLOYEE ENGAGEMENT AMONG EMPLOYEES IN FELDA GLOBAL VENTURES HOLDINGS BERHAD (FGVHB)

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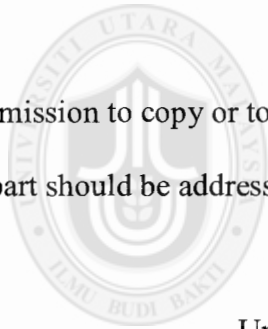
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# ABSTRACT

The study aims to examine the relationship between compensation & benefits and performance appraisal to the employee engagement among employees in Felda Global Ventures Holdings Berhad (FGVHB). The questionnaire was distributed to approximately 400 randomly selected employees under Cluster and Division in FGVHB, of which a total of 385 responses were obtained. However only 377 questionnaires were completed and used for the analysis of this study. The data were analysed analyzed using Statistical Package for the Social Sciences (SPSS) version 22.0. The statistical method of Pearson correlation was employed to determine the existence of any relationships between compensation & benefits and performance appraisal with employee engagement. Regression analysis was conducted to examine which independent variables predict the Employee Engagement and Cronbach Alpha was used for further illustrate the reliability test. Throughout the statistical analysis of correlation analysis, it is found that there is a significant relationship between the two variables, which are compensation & benefits and performance appraisal with dependent variable: Employee Engagement. This study will help for FGVHB to improve on its current employee engagement initiatives, also further enhance and develop more engagement initiatives to improve engagement level in FGVHB. Likewise, limitation and recommendation for future research direction were also deliberated in this study.

**Keywords**: Employee Engagement, Compensation & benefits, Performance Appraisal

# ABSTRAK

Tujuan kajian ini adalah untuk mengkaji hubungan faedah & pampasan dan penilaian prestasi dengan penglibatan pekerja di kalangan pekerja di Felda Global Ventures Holdings Berhad (FGVHB). Soal selidik telah diedarkan secara rawak kepada 400 petugas di bawah Kluster atau Bahagian di FGVH di mana sebanyak 385 soal selidik diterima semula. Walaupun begitu, hanya sebanyak 377 set soal selidik yang dijawab lengkap dan digunakan untuk kegunaan analisa dalam kajian ini. Data berkenaan dianalisa dengan menggunakan "Statistical Package for the Social Sciences" (SPSS) version 22.0. Kaedah korelasi Pearson telah digunakan untuk menentukan kewujudan hubungan antara faedah & pampasan dan penilaian prestasi dengan penglibatan pekerja. Analisa regresi digunakan untuk memeriksa pembolehubah bebas yang paling penting yang menentukan penglibatan pekerja dan Cronbach Alpha digunakan. untuk menguji ketetapan data. Sepanjang analisa korelasi, didapati tedapat hubungan yang signifikan antara dua pembolehubah iaitu Faedah & Pampasan dan Penilaian prestasi dengan Penglibatan Pekerja. Kajian ini akan membantu FGVHB untuk meningkatkan iniasitif semasa penglibatan pekerja serta akan dapat membangunkan lain-lain inisiatif untuk meningkatkan tahap penglibatan pekerja di FGVHB. Begitu juga, limitasi dan cadangan untuk kajian akan datang juga telah dibincangkan dalam kajian ini.

Kata kunci : Penglibatan Pekerja, Faedah & pampasan dan Penilaian prestasi

# ACKNOWLEDGEMENT

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| | |
|---|---|
| FGVHB | Felda Global Ventures Holdings Berhad |
| IV | Independent Variable |
| DV | Dependent Variable |
| PA | Performance Appraisal |
| Gen | Generation |
| HR | Human Resource |
| HRM | Human Resource Management |
| PMS | Performance Management System |
| PA | Performance Appraisal |
| N | Symbol of population |
| SPSS | Statistical Package for the Social Science |
| KPI | Key Performance Indicator |

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# CHAPTER 1

## INTRODUCTION

## 1.1 INTRODUCTION

This chapter discusses the background of the study, problem statement, research objectives and research questions. The significant of the study, definition of key terms and organization of the study also being discussed in this chapter.

## 1.2 BACKGROUND OF THE STUDY

Employee is the most important asset of an organization as their contribution to the growth and success to the organization (Danish & Usman, 2010). Hence, organization need to maintain strong level of engagement among their employees in order to maintain competitive advantage in the business arena. Employee engagement is one of the areas that is attractive to be studied by most researcher all over the world and from their perspective employee engagement as:

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*"Employee engagement is the important variable of interest to organizations". (Avery, McKay & Wilson, 2007).*

*"Employee who engaged with their organization have a sense of responsibility and always deliver beyond expectations". (Anand, 2011).*

*"A positive attitude held by the employee towards the organization and its value. An engaged employee is aware of the 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 employee and employer." (Robinson & Perryman, 2004).*

*"Employee engagement has become a critical driver of the organization, and it affects the employee motivation, morale, productivity, retention and also individual satisfaction". (Saborn & Ochler, 2014).*

In other words, employee engagement is the where employees were engaged physically and emotionally, full motivated in their work, then it will be translated to in how they perform and contribute.

Rationally, this study attempts to examine the relationships between the determinants and employee engagement among employees in Felda Global Ventures Holdings Berhad (FGVHB). Besides, this study aims to discuss and examine two drivers in employee engagement which are compensation & benefits and performance appraisal.

Felda Global Ventures Holdings Berhad (FGVHB) has become the one of the leading global agribusiness in Malaysia and also has be recognized as the world's largest producer of crude palm oil (CPO). In addition FGVHB has also become the second largest palm oil refiner in Malaysia. It was incorporated in Malaysia as private limited company as Felda Holdings Berhad on 2007. Between Felda Land Development Authority (FELDA) and FGVHB they have separate identity and business's focuses. The main business's focus for FGVHB is to be the commercial & business arm of Federal Land Development Authority (FELDA) while FELDA will only concentrate on their land management and settler's matters. As "Conglomerate Company", for the past 10 years FGVHB has expand their business in more than 10 countries across Asia, North America and Europe.

On 28 June 2012, the company was listed on the main market of Bursa Malaysia Securities Berhad as Felda Global Ventures Holdings Berhad. Since then, FGVHB has been a solid and aggressive player in the Malaysian Palm Oil Industry. As at 31st December 2016 their market capitalisation has achieved about RM5.65 billion. FGVHB also achieved market capitalisation about RM16.6 billion. FGVHB has focus on three core business sectors which are Plantation Sector, Logistics & Others (LO) Sector and Sugar Sector. As on 1st January 2018, FGVHB has own strength with more than 18,700 workforce in the group from FGVHB subsidiaries as well as joint-venture companies and associates. FGVHB has aspire to be one of the top 10 agri-business conglomerate in the world by 2020.

Nowadays, Palm Oil Industry has becoming increasingly competitive and most of the companies in this industry have developed strategies to help establish in competitive

advantage. In their quest to gain an edge over their competitors, FGVHB realized they need to shows attention upon the executors of the organizational strategies which is the employees. In order to achieve this, the organization are encouraged to pursue strategic in term of leverage their human capital, where employee engagement will be exactly fits within this perspective. To be align with the emerging trends, this study will focus on the two (2) important of Human Resources Management (HRM) practices which are compensation & benefits and performance appraisal that should be contributed to employee engagement in FGVHB.

As stated before, employee engagement need to become one of the business priority for organization. This will give benefit to the organization during times of economic and more critically, when market conditions are uncertain and volatile. They know when they have highly engaged workforce it will be essential for growth and business's survival to the organizations. Certainly, one of the benchmark of successful in growth of the organization can be viewed on its financial and profitability. Research conducted by Saks (2006) has found positive relationships between employee engagement with organization outcomes, which in turn lead to better financial performance and profitability of the company. The Gallup Organization (2004) also has found a significant relationship between customer loyalty, business growth, and profitability with employee engagement.

This has been supported from many previous studies such as by former General Electric CEO Jack Welch , has quoted; *"In identifying the three best measures of company's health, is based on employee engagement first, with customer satisfaction, and free cash*

*flow coming in second and third, respectively"* (Welch & Welch, 2006). Previous study

has identified that those employees who are engaged they will prefer to serve and stay

longer to their organization ( Ramsay & Finney, 2006). This can be example through the

company like Software Giant Intuit, they found that their employees who are engaged will

1.3 times more likely to be high performers than employee that disengage. Besides, those

disengage employee tendency voluntarily to leave the company are five times more than

the engage employee (Ramsay & Finney, 2006).

In order to maintain the efficiency and effectiveness of operation of FGVHB, employee

engagement should be one of the important strategies in their business development where

they need to emphasize on human resource management aspects. If every part of human

resources management aspects is not be functionally in appropriate manner, employees

will fail to be engage themselves in their job. This is because, employees tend to feel that

their presence are not been valued by the company, and there are also cases that employees

feel that their contribution to the company are not been recognized accordingly.

Disengagement will also can contribute to such kind of mismanagement. As an example,

disengagement of employees will find thousands of excuses to not actively participate in

company programs, low productivity which they will only do what need to do without put

an extra effort to go beyond his capabilities and sometime up to the extent employees

missing from the company premises during working hours because nobody care about

them.

Compensation & benefits also influence and encourage employee's with enthusiasm to go

the extra mile beyond their ability rather than doing the minimum. Rothwell & Kazanas

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(2003) defined compensation as a feedback received by employee in form of monetary and non-monetary. It also can be categorized as direct or indirect compensation. Direct compensation such as salary received every month and indirect compensation is a payment in form of others than money. Milkovich (2014) quoted that; *"compensation is a reward received by employee based on anything employee do at the moment they work"*. While in an article written by Hwang & Kleiner (2002), they mentioned the purpose of the compensation as to ensure that employees who are injured during their work will be provided monetary assistance accordingly under Workers Compensation Act. Besides, the purpose is not only to provide a monetary assistance to an injured employee and but also to showed the employer's concern on the employee's welfare especially during the employee's difficulty. Benefit is one of the part of reward that given to the employee in different form than compensation (Murphy,2010). Usually, benefits can also be view in term of pension, health, day off and any kind of allowances. Benefit can give another important role in reward strategies because it can improve the quality of self and job of employees. When, the employee benefit programme is rightly planned, they can drive to the high level of employee engagement to enhance the business performance. Lately, employee benefits have be expanded by only taking consideration of increased of cost of living, increasing demographics diversity in workforce and more employers looking to differentiate themselves as the "Employer of choice" (Omar, 2011).

In FGVHB, the company has implemented three main component of extrinsic compensation which is guaranteed pay, variable pay and benefits. Whereas this common form that most employees were prefer to have is the "base salary". FGVHB has its own salary structure for executive and non-executive levels. For the lowest position as general

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workers (non-executive) their salary starts from RM1000 that also comply with minimum wages act. The highest salary for non-executive level involves Technical Specialist position such as Electrical Chargeman or any competent position which the salary in ranging between of RM1800 to RM5500. There also "competent allowances" given based on certain competent certification that employees have such Chargeman A4 certification, will be provided RM400 while for Chargeman BO certification will be provided with amount RM800. This form of compensation is recognized as a reward competency-based pay whereby employees are rewarded based on their mastering certain knowledge, competent in a specific skills and also using their abilities to perform certain job or tasks given. This types of pay increases engagement will develop the employee's pride in their new mastery (Vance, 2006). For Executive level, salary structure starts from Assistant Executive position where the starting salary is RM1500 and the highest position in Executive level is Group President cum as Chief Executive Officer FGVHB. Other Guaranteed pay that is implemented in FGVHB such as allowances are subject to employees to meet certain criteria such accountability, hardship, housing, and covering allowances. In an example, for those who are not provided with houses, they will be entitled for housing allowance but subjected to certain criteria The second component can be categorize into a non-fixed monetary reward. Basically, this employer will paid to employee based on certain standard of performance or results that need to achieve by their employee. Annual bonus is the example of variable pay that FGVHB practices and the amount of bonuses for each employee be paid based on company and individual performance. Lastly, for benefits component, FGVHB also provides medical benefit that is allocated to all employees including their family. Besides, long service award is be

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given to FGVHB's employees who serve more than 25 years and for employees who work in rural area, they are provided with staff quarters..

Besides compensation function, another function of human resource management that may affect employee engagement is performance appraisal. Based on Meenakshi (2012) research on performance appraisal, he quoted that; *"performance appraisal is not just about rating employees, it a basis for administrative decisions such as promotion, allocation of financial rewards, employee development and identification of training needs"*. While from Dessler (2008) research, he defined performance appraisal as; *"It can also be defined as a system that encompasses setting employee standards, looking at employee standards, looking at employee's actual job performance, assessing that performance against the standards, giving feedback to the employee on the performance with inform how to improve it in the future and setting new goals with expectations for another period"*. In brief, performance appraisal has grown in many management perspective, so it is important in shaping employee perception of justice also become more important. The outcomes and processes which are perceived as unfair, will affected the employee's contribution and engagement towards organization (Rowland & Hall, 2013).

In FGVHB, performance appraisal has been implemented since 2008 when it involve the whole performance appraisal. Prior this the company adopted the performance "star rating approach" as part of performance appraisal then on 2010, Key Performance Index (KPI) become the main evaluation. For the new approach, beside KPI, the employee will be evaluated their competency. Every each employees have to achieve the KPI where it has be set in early year based on the every company's goal. This exercise also has be

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implemented by the KPI is varies according to the position but in general every employee must attend training for increasing their knowledge on Job. In addition, in competency evaluation, the employee will be evaluate based the company's core values including partnership, respect, integrity, dynamic, enthusiasm. Key Performance Index (KPI) is set for mid-year review, feedback session and final evaluation. Every employee will be evaluated based on 80% of KPI result and 20% of evaluation of competency result. Moreover, FGVHB also used Bell Curve system in a part of the performance appraisal process.

## 1.3 PROBLEM STATEMENT

*"Malaysia's palm oil industry has come a long way from 100 years ago, along with challenges and greater successes. The last 100 years had seen big advancement in Malaysia palm oil industry. Over the last 100 years, we have become a major producer of palm oil and there has been much progress to the whole industry to date,"* cited by Plantation Industries and Commodities Minister Datuk Sri Mah Siew Keong ( New Straits Times, 22 May 2017). Therefore, in order to ensure FGVHB remain be one of competitive player in palm oil industry, it is crucial for them to emphasize on employee engagement in the organization. Employee it is the most important asset in the organization that can contribute to the successful of the company in term of performance. Some studies have showed, employee engagement can be the factor that can influence the individual performance, fiscal performance and organization performance (Bates, 2004; Baumruk, 2004; Harter, Schmidt & Hyes, 2002; Richman, 2006). In others word, an engaged

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employee will always improve their performance together with their colleagues to ensure it will benefit to the company performance.

In contrast, what will happen to FGVHB if their employees are disengaged or their level of employee engagement among their employees are low? According to White (2006), he quoted that; *"employees who are not engaged will tendency to be such as, firstly, that they wasting their effort and talent on tasks that may not matter much. Secondly, that they certainly do not show full commitment, not dissatisfied enough to make a break. Lastly, that they are not sticking around for things to change in their organization. They have far more misgivings about their organization in terms of performance measures such as customer satisfaction"*.

In the nutshell, it is vital for FGVHB as listed company to know what factors that contribute to engage or disengage of the employees. It also is important to establish the top management expectation and also what the employee's needs. Any small issues that will reflect of disengage of the s employees will bring bad image to FGVB and directly their share price will also be affected.

For the financial year of 2015 and 2017, FGVHB partnered with Aon Hewitt Consulting to conduct the Employee Engagement Survey (ESS). In order to align with "Malaysia Best Employer" benchmark, FGVHB targeted EES score must at least on 87%. However, the

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EES result for 2017 showed that employee engagement percentage in FGVHB is 73% still remain as on 2015 EES score. Besides, the score is reduced compared to 2012 where the engagement score was 80%. Every EES practice, FGVHB usually will conducted an active session with management, Head of Human Resource or even with union representative to discuss any action plan to improve the EES score. However, the result showed rather all the action plan or Human Resource initiatives that has be implemented was really effective to FGVHB's employees.

For the previous 3 years, there are lots of Human Resources (HR) initiatives that have been implemented such as introduction of FGVHB core values, new HRMS system, e-performance, Talent Management & succession planning exercise, new reward structure & Long Term Incentive Plan (LTIP) but the ESS result did not align with the numbers and maybe the effectiveness of HR initiatives. The improvement of employee's benefits that are being introduced did not seem to give significant impact towards employee engagement in FGVHB. It can be showed by the EES's result still remain on 73% for 2015 and 2017. Even, every year young talented employees specifically among that can recognize in critical position such as engineer, estate supervisor, planter, mill operator or electrical charge man still left FGVHB. This case can be align with previous study by Lim (2010) that has found Malaysian employees will only want to stay with their organizations with the average not more than 3 years if there no employee engagement. Hence, this impact could be the crucial issue to the organization, especially in FGVHB when the best and brightest employee leave. Moreover, those who are recognized as "talent", "competent" or any position that can be categorized as "critical position" such as Planter,

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Estate Supervisor, Mill Engineer, or Electrical chargeman need to be engage with organization in order to ensure the business continuity of the company. The engagement of those who stayed behind will be low as they feel the need to leave the company, as their workload is often heavier. Automatically, it can effect on the extra expenses to the organization when overtime needed to cover the shortage of manpower and any cost to replace and hiring new employees. It is costly to manage turnover in the organization when company need to expenses certain cost purposely for new hiring and providing employees training. Besides they will also need to consider the hidden cost such as the "leaving of the talented employees" whereas their same experiences or expertise it hard to be replace by someone new.

Meanwhile, based on the EES result showing that the for two "popular" engagement driver such as reward & recognition and performance management are increased. For reward & recognition driver increase from for the year 2015 is 66% to 68% for the year 2017. While performance management driver for the year 2015 is 66% to 69% for the year 2017. However, most of the FGVHB staffs still said that there is not competitive with similar jobs that they might find elsewhere. There also felt that company does not rewards its employee fairly and accordingly to their working experiences. In other words, their perception is the compensation & benefits package still can be improved while the cost of living nowadays also have increase. In the competitive palm oil industry well there are also a huge companies like SIME DARBY, Tradewinds, IOI Plantations, and Tabung Haji (TH) Plantations where they are compete each other with FGVHB to get the best and talent employee, reward package seem to be a vital attraction to them. Without a good

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reward systems it can bring to low of employee engagement among employees in FGVHB. It also be supported by previous research, Jenkins (2008) stated that; *"it is the need for organization to engage, attract, motivate, and retain the best talent, it suggested that the organization are required to change the way they recruit and provide reward abd recognition package especially to the young generation"*.

There are also cited form previous researcher that *"A happy worker is a productive worker, and if the management just showers employees with the privileges that make them happier, performance will follow. Considerable evidence demonstrates that this is not the case. Both happy and unhappy workers can be either productive or unproductive. Ensuring that employees see a linkage between rewards and performance creates the condition in which employee involvement and engagement generate organizational as well as individual returns"* (Gerald E. Ledford 2010).

As well as listed company, FGVHB also has implemented Performance Management System since 2008 and it has been the best indicator to identify employee's performance. However, through the previous years of implementation of the PMS system there are no doubt certain people did not believed the effectiveness of the implementation performance that implemented in FGVHB. Moreover, most of the employees believed that their company's performance management process will assist to improve their and company's performance (Pulakos, 2009). Nevertheless, if themselves did not believe the effectiveness performance appraisal system it will bring the disengaged of the employees to the company. In FGVHB, "Bell curve system" has been a main component in performance

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appraisal process whereas the final employee's performance score was relied on the bell curve system. Beside by using Bell curve system, it directly make organization to implement the "force ranking system" where organization need to segregate employee's performance result into a few categories which are "the best, average and worst performers". Then organization need to nurture the best and discard the worst through a certain personal development program. Previously, the salary increment was paid based on final score of assessment but now, the practice has been change where it final score of assessment is only be used for bonus paid and promotion. Along the way of implementation of performance appraisal, there are certain issues that have been raised by FGVHB's employee and raised up by Companies Unions especially on transparency of performance appraisal, cronyism, and the especially the effectiveness of Bell Curve system.

In fact, even there a lots of studies on employee engagement it seem there still a gap in employee engagement that can be explore in this field especially in FGVHB. This has been supported in previous study, Robinson et al. (2004) commented that; *"engagement is big in the HR consultancy market, yet there is a dearth of academic research in this area"*. Likewise, it also supported by Saks (2006) that also stated that there are still lack of research on employee engagement in academic literature. Furthermore, FGVHB should now how important to invest in any option in order to ensure the high level of employee engagement. They should realized there are highly significant of relationship between employee engagement to the FGVHB's business result in term of performance, profit and productivity. The definition of "employee" should be view as important asset to the

company that they will the key of successful of the company and FGVHB need strive to create high engagement among their employees.

Since there are few grievance on compensation & benefits and performance appraisal, there is a need to conduct academic research to study this variables towards employee engagement in FGVHB. Thus, this study was carried out to identify the determinants of employee engagement by two independent variables that were taken into consideration namely compensation and benefits and performance appraisal.

## 1.4 RESEARCH QUESTIONS

This study is attempted to answer some research questions in order to achieve the above mentioned objectives:

1) Do compensation and benefits have impact on employment engagement?

2) Does effectiveness of performance appraisal system has impact on employment engagement?

## 1.5 RESEARCH OBJECTIVE

This study is attempted to achieve several objectives which are:

1) To determine whether compensation and benefits have effect with employment engagement.

2) To determine whether performance appraisal influence with employment engagement.

## 1.6    SIGNIFICANCE OF THE STUDY

Employment engagement is a recent topic that is being discussed at many organizations which to be a vital component to ensure the successful of the organization. In the other words, when employees feel that they are engaged to their work, they will feel a connection with the company. They will realized whatever work or task given to them is important because they fell as part of the organization. Any negative action or behaviour towards the work given will affected to negative result for the organization. While, employees who are engaged will happier and work harder than expected with the company without feel stressful.

The importance of this study is to identify the effectiveness of compensation & benefits and performance appraisal will contributes to employment engagement in Felda Global Ventures Holdings Berhad (FGVHB). These two factors are linked with each other to play a role in creating positive culture within employees. Workers who feel disengaged are more tendency to think negatively things to say about their company especially when it comes to a bad reward system for employees that perform well. If a disengaged employee leaves or be fired by his/her employer, he is able to express their frustrations to any social forums and sites such as through "*Facebook, Instagram, Whechat or Whatapps*". This action will absolutely bring a prompt negative feedback to FGVHB's image and reputation as one listed company. Moreover, it will also influence the shared price of FGVHB where most probably will be decrease.

Result from this study will help organization to train its leaders on maximizing any initiatives to boost the effectiveness of compensation & benefits package and performance appraisal system in FGVHB. A good performance appraisal system and rewards will impact to less turnover especially to talented employee. If the employee was engaged and feel appreciated, the tendency to look for other employment opportunities will going to be low. Thus, by developing or any initiative to develop the culture of employee engagement can be the key to reducing turnover rated and boosting employee retention.

Managers of the companies can no longer ignore the reality the important of employee engagement. Leaders in organization must realize that in today's business environment, being skilled to know how to ensure employees are engaged to the company is the vital thing. Employees who are engaged at work will always feel satisfied with their careers and more happier compare with others employees who are not engaged. This study will help managers to realize that an engaged employees will influence the company productivity as same as making profits to the company. Employee engagement is basically will benefits both rather to employees or employers.

During the research, employees in the organization also shall be beneficial in term of the experiences and understanding about employee engagement. The questionnaires that been constructed will give them an idea on what is the importance of employee engagement towards the organization. Managers in the organizations also will have a guideline to

manage issues regarding rewards and performance appraisal systems towards employee engagement in FGVHB.

## 1.7 SCOPE AND LIMITATION OF THE STUDY

Scope of the study will be focusing on employees who are working in Felda Global Ventures Holding Berhad (FGVHB). The study focuses the effectiveness of compensation & benefits and performance appraisal that contributing to employee engagement. Population for this study involves all employees at FGVHB. In determining sampling framework, stratified proportionate random sampling will be employed.

Limitation in this study is due to the working commitment whereas it influence the time to finish the research early. Survey questionnaires will be handed out as the method of the investigation for this study. The following assumptions are also made:

1. Subject will respond to the survey independently

2. Subject will give full cooperation

3. Subject clearly understands of the questionnaire

4. Subjects provide truthful and sincere responses.

## 1.8 DEFINITION OF KEY TERMS

### 1.8.1 Employee Engagement

*"Employee engagement is defined in general as the level of commitment and involvement an employee has towards their organization and its value".* (Anitha,2013). Robinson et al. (2004) defined 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 benefits of the organization. The organization must work to develop and nurture engagement, which requires a two-way relationship between employer and employee".* While Anand (2011) stated that; *"employee engagement is the measure on how involved and committed the workers are towards the organization and values".*

### 1.8.2 Compensation & benefits

Compensation refer to an intrinsic and extrinsic reward received by employee after they done their work (Martocchio,2015). While, according to Milkovich and Newman (2004), employee benefits is part of the total compensation package, other than pay for time worked, provide to employees in whole or in part by employer payment e.g. life insurance, pension, and vacation. Henderson (2000) explained employee benefits can be classified under these seven major groups which are, *"Disability income continuation, loss-of-job income continuation, deferred income, spouse or family income continuation, health and*

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*accident protection, property and liability protection and a special group of benefits and*

*services called perquisites".*

### 1.8.3 Performance Appraisal

Performance appraisal defined as a central role in Performance Management System; "*it is normally the vehicle behind which the organizational goals and objectives are translated into an individual's objective. It also remains the primary way of discussing and acting on the development of the individual*" (Fletcher, 2004). Moreover, previous research also stated that; "*Performance Appraisal as the system which has number and content, and associated with the business objectives and the development of skills and competencies of employees. At the same time, it also includes planning, training, and development, succession planning, setting and monitoring objectives and competences as well*". (Newaz, 2012).

## 1.9 ORGANIZATION OF THE THESIS

Generally, the body of a thesis consists of the following sections:

### 1.9.1 Chapter 1: Introduction

The opening Chapter 1 of the thesis provide a general introduction that discuss on the background of the study, problem statement, followed by research question, research objectives, the purpose of the study and finally the organization study.

### 1.9.2 Chapter 2: Literature Review

This chapter explain the literature that will support this study and focus on the literature of the dependent, moderating and independent variables. This chapter also covers the literature review on the related theories.

### 1.9.3 Chapter 3: Research Methodology

Chapter 3 provide a description of the research methodology, including the research design and appropriate instrument as the measurement tool concerning population and analysis unit of the study.

### 1.9.4 Chapter 4: Findings and Discussion

Chapter 4: examines and discusses the interpretation for the research findings. The results are summarize and categorize in multiple charts and tables to support the interpretation.

### 1.9.5 Chapter 5: Conclusion and Recommendations

This is the final chapter that will summarized the whole findings according to the research objectives that has been determined. The significance of the findings also be highlighted rather it has been aligned with the hypotheses that has be set. The recommendation and future research also be highlighted in this chapter.

# CHAPTER 2

# LITERATURE REVIEW

## 2.1 Introduction

This chapter attempts to provide the overview of the past researchers on employee engagement. In addition it will focuses on the related literature review that describes the connection between compensation & benefits, and performance appraisal with employee engagement. The literature reviews are used to develop theoretical framework and hypothesis of the study. This chapter begins with the definition on employee engagement from practitioner and academic point of view, dimension of employee engagement, definition of compensation and benefits, definition of performance appraisal, and an overview of previous study on theses both two factor that drive to employee engagement.

## 2.2 Employee Engagement

Employee engagement has been defined differently by different researcher and Human Resource practitioner. Even there are a lot of interest and discussions, many of scholars feel the concept of employee engagement still need to drill down because of lacks a universal definition, inconsistencies of result and overlapping definitions. Since then, many researchers and scholars have given their own perspectives on the concept of employee engagement with different of variable that can contribute to employee engagement. The term of employee engagement was initiated by Kahn in 1990 with his first conceptualized it as the "harnessing of Organizational members" selves to their work roles. He added that in engagement "people employ and express themselves physically, cognitively and emotionally during role performances". While there some researcher agreed with Kahn's personal engagement definition (1990, 1992), Aktouf (1992) also defined employee engagement play important role to deal with the lack of commitment and motivation among employees. Harter et al. (2002, 2003) quoted that; *"employee engagement as occurring when individuals are emotionally connected to others and cognitively vigilant and is understood to be the individual's involvement and satisfaction as well as enthusiasm for work"*.

Previous research by Baumruk (2005) have also showed there are relationship between the emotional and intellectual commitment and employee engagement. Even, employee engagement can also be the one of the solution of retention or to reduce turnover. Frequent

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studies believed that the presence of higher levels of employee engagement will reduces the turnover of employees in the organization (Maslach, Schaufeli, & Leiter, 2001; Saks, 2006; Shuck, Reio, & Rocco, 2011). In addition, from previous studies also agreed that employee engagement will influence the turnover by increase the level of employee loyalty to the organization and they quoted; *"engagement is about passion and commitment the willingness to invest oneself and expand one's discretionary effort to help the employers succeed, which is beyond simple satisfaction with the employment arrangement or basic loyalty to the employer"*, cited by Blessing White, 2008; Erickson, 2005; Macey, and Schnider, 2008.

Furthermore, according to Robinson (2004), employee engagement also can be defined as *"two-way relationship between the employer and employee"*. This is in line with Institute of Employment Studies (2004) on employee engagement, where they gave a clear definition that employee engagement is because of the result from two-way relationship among employer and employee and there are certain thing to be done both sides to influence the employee engagement. In addition, Robinson (2004) defined 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 its works with colleagues to improve performance within the job for the benefits of the organization. Employees are more likely to engage themselves in work in return for the resources and benefits provided by their organization"*. Finally, employee engagement can be also be defined in the simple term by Frank & Taylor (2004) as *"the amount of discretionary effort exhibited by employees in their job"*.

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## 2.3 Dimension of Employee Engagement

Over the 30 years, many of researcher comes out with a lots of model on employee engagement to view in others dimension employee engagement. One of them is Gallup Organization where there are actively studies on employee engagement. Based on Gallup (2012) research, they also quoted there are three type of employee which are; *"firstly, engaged employees: work with passion and feel profound connection to their organization. They drive innovation and move the organization forward. Secondly, Not engaged employee; employees are essentially checked-out. They are sleepwalking through their workday, putting time but not energy or passion in their work. Finally, actively disengaged; employees are not just unhappy at work but they busy acting out their unhappiness. Every day, these workers undermine what their engaged co-workers accomplish".*

Besides, Robinson (2007) also have done similar study which he has categorized employees into three categories. They quoted that; *"firstly, engaged employees work with passion and feel a profound connection to their organization. They drive innovation and move the organization forward, secondly, not engaged employee is employees are making no active contribution to the success of the organization. They are putting in their time, but no energy or passion into their work and lastly actively disengaged employees are not just unhappy at work, but also out their unhappiness. These workers undermine the efforts of engaged workers".* These all categories also supported by the Gallup discussion above.

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In an extension of the Gallup findings, Ott (2007) has cited; *"Gallup research and found that higher workplace engagement predicts higher earnings per share (EPS) in publicly-traded businesses, with more than four engaged employee for every one actively disengaged, experienced 2.6 times more growth in EPS than did organizations with a ratio of slightly less than one engaged worker for every one actively disengaged employee".*

Besides, from Gallup's research ( The Gallup Organization, 2004) they found that the level of employee engagement was are varies among certain countries such in Australia is 18%, China is 12%, Japan is 9%, New Zealand is 12% and Singapore level is 9% respectively. Consequently, survey research by Gallup (2013) reveals there are still low level of engagement in many countries. From the result, Gallup stated that; *"at present only 13 percent of employees around the globe are engaged on their job and disengaged workers continue to outnumber their engaged counterparts at a rate of nearly 2 to 1. In the US, for instance, 52 percent of employees in the workforce are reportedly disengaged in their jobs. Similarly, 68 percent of Chinese workers are reported to be disengaged in their work".* Basically, the differences of level employee engagement among countries may because of the stability of economic, cultures, and government leadership that will influence the employee engagement.

While, from previous engagement studies conducted by Gibbons (2008), he has identified eight main factors that will influence the employee engagement and he stated that; *"trust and integrity, line of sight between individual performance and company performance,*

*personal relationship with one's manager, career growth opportunities, pride of the company, employee development, nature of the job; and team members".* However, International Survey Research (2003) has identified these factors of employee engagements are varied among. For instance, ISR found that the company management's factor is also important to influence the employee engagement level among countries such as UK and US. Besides, they also found that the long-term employment and career opportunities that provided by organization also play a role to influence employee engagement.

Therefore, based on the previous literature review and studies, employee engagement has be the vital role in improve the organization in any aspects. Besides, as stated before there are many of determinants that contribute to employee engagement. In this study, below are two critical drivers which lead to employee engagement that have identified by the past studies.

## 2.4 Compensation and benefits

Rothwell & Kazanas (2003) defined compensation as a feedback received by employee in form of monetary and non-monetary. It also can be view as what employees receive in the exchange for their work in an organization and it includes all forms of pay and rewards that received by employees so that they can perform the jobs given. Amuedo-Dorantes & Mach, (2003) in his study has defined compensation as the combination of area of the

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financial rewards (salary, increment, bonuses or any remuneration) and non-financial rewards (such as the type of leaves, insurances, medical package and retirement scheme,) to attract and retain employees. Besides, compensation also can acknowledge as payable to the employees in return for their services (i.e., contributions or efforts toward the organization in a fair and equitable manner) (Tan, 2010).

Mortochhio (2006) also defined compensation as any variety of programmes that provide in any paid time off, employee services and or protection programmes that provided by companies. He has differentiated compensation into two categories which are; *"intrinsic and extrinsic rewards to employees after they performing their jobs. Together both intrinsic and extrinsic compensation describe a company's total compensation system. Intrinsic compensation reflects employee's psychological mind-sets that result from performing their jobs. While, extrinsic compensation includes both monetary and non-monetary rewards"*.

While, according to Bernadin (2007) compensation refers to any forms of financial returns in any tangible benefits that employee received where it is as part employment contract. He stated that, *"compensation is divided into two parts and these are cash compensation which is the direct pay provided by employer for work performed by the employee and fringe compensation which refers to employee benefit programmes. Cash compensation has two elements which include base pay and pay contingent. Base pay has to do with hourly or weekly wages plus overtime pay, shift differential and uniform allowance meanwhile, pay contingent is concerned with performance allowances such as merit increases, incentive pay bonuses and gain sharing. Fringe compensation on the other*

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*hand refers to employee benefits programmes. Fringe compensation also has two parts to it which are legally required benefit programmes and discretional benefits ".*

The concept of employee compensation and benefits can also be discussed in more details in different view such as rewards, recognition, and benefits.

## 2.4.1 Rewards

Reward refer to the all compensation and incentives which is both for financial and non-financial that provided by organization to their employees in return for their contribution (Mondy, 2012). Reward serve to motivate employees to perform well in order to achieve organizational goals (Zakaria, et al., 2012). In other hand, recognition refers to acknowledgement given by employers to their employees when they perform well on their contribution (Phillips & Edwards, 2008). Indeed, rewards can be also view different categories such in benefit form like financial benefits and tangible services that an employee received because of employment relationship with the organization (Bratton & Gold, 1994).

Undoubtedly, rewards can influence the level employee performance when they be rewarded accordingly. Hence, a good reward system in any organization absolutely will how employee react to the organization in term of performance, motivation, loyalty and engagement. Rewards system refer to any kind of program that set up by the organization to motivate employees through compensation and benefits. Without good reward systems, it will bring to disengage of employee and effect on the level of employee's performance.

This has be supported by previous research by Andrew and Sofian (2011) which stated that; *"many employees prefer to be distinctively rewarded and recognized for their outstanding performance"*, (Deeprose, 1994).

Study by Bandura (1977) has showed rewards can control behaviour externally. In example when the employee be rewarded accordingly based on their performance and they be paid bonuses accordingly these will boost up their motivation to work hard. Besides, previous studies have showed that reward can influence attitude or behaviour. For example, employee who are rewarded according by their effort on overtime work will tend to so again. It has be supported by Luthans (2002) where he found that reward can increase the likelihood behaviour to repeated overtime when they are rewarded accordingly. This has also aggred by Stajkovic 2003 that has pointed out that certain an incentive programmes will also increasing specific behaviours. While, from the previous study by Sarah (2015) view in other perspectives where reward be linked with individual long term career growth. She stated that the company need to create an "Employee Deal" which referred to the interactive reward package. Gemserv (2013) also believed that new reward strategy important to ensure optimum engagement employees.

According to Ali and Ahmed (2009), there is a significant relationship between reward and recognition with employee motivation and job satisfaction. Based on the existing studies, rewards can be differentiates into three main types that individuals seek from their organizational such as extrinsic, intrinsic and social reward (Williamson er al., 2009). Williamson (2009) has quoted; "firstly, *extrinsic rewards are the physical benefits provided by the organization such as pay, bonus, fridge benefits and career development*

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*opportunities. Second intrinsic rewards refer to the rewards that come from the content of the job itself, and encompass motivational characteristics of the job such as autonomy, role clarity and training. Third social rewards arise from the interaction with other people on the job and may include having supportive relationships with supervisor and co-worker".*

## 2.4.2 Recognition

Usually recognition is come together with reward. Without any recognition will make employees only expect on physical reward (De Lacy, 2009). It is important motivator beyond any reward to influence employee's behaviour (Wilches-Alzate, 2009). However, recognition is not sufficient in itself and must come along with rewards. Galsscock and Kimberly (1996) have differentiated the terms recognized recognition as psychological benefits whereas reward is a financial or physical benefits.

According to Nilay (2004), he has quoted that; *"recognition has contribute to employee's beliefs about themselves and helps make them think they are better than they thought they were. Employees with enhance self-esteem can develop feelings of self-confidence, strength, making difference to the organization and being a valued member"*. Nilay (2004) also emphasizes the worth of recognition in his article "cashless Employee Motivation". He found out that employees will demand of recognition from their organization because of their accomplishments in term of effort, knowledge and skill that contribute to company. It is important to them to be recognize because of their contribution as mentioned and this will as satisfier to them. Many of organizations have done a good

recognition program to ensure their employees were rewarded in non-monetary accordingly. Usually, most recognition program will not effect monetary value because usually there are possible no cost to the organization (Cook and Dixon, 2005).

In fact, Pinar (2011) stated that; *"employees work harder when they are recognized and appreciated for their effort toward the work and tasks have been given and this is a simple, easy and powerful strengthen system. When employees get recognized and appreciated they do their best to prove the skill, talents and abilities they have"*.

While Hsiu-Fen (2007) has quoted that; *"as employer, they cannot be denied that employee who feel appreciated and recognized are more positive about themselves and their abilities to contribute. For that, as employer they should improve recognition system which is powerful for both employees and organization"*. *"This is also affected to guarantees positive, productive and innovative organization environment. Even by 'saying thank you' as recognition will make the business successful"*, cited by David, Louis & Michael (2004).

To conclude, most of the employees will be more likely to engage when they receive rewards and recognition from their organization. Besides, they will respond positively with higher level of engagement. In other word, rewards and recognition come with complement each other in order to give impact on employee engagement.

### 2.4.3 Benefits

Benefit can be defined as a rewards that given to the employee in different form than compensation (Murphy, 2010). Usually in term of pension, health insurance, day off, and any kind of allowance. Benefit can give another important role in reward strategies because it can improve the quality of self and job of employee. *"Legally required certain benefit programmes include social security, workers compensation while discretional programmes include health benefits, pension plans, paid time off, tuition reimbursement, recognition award, foreign service premiums, responsibility allowance, child care, on campus accommodation, promotion, annual increment and a host of others"*, quoted by Bernadin (2007).

Benefits, in a nutshell it can be categorized in the form of indirect financial and non-financial payments whereas employees should receive continuously for their whole employment with the company.

### 2.5 Compensation & Benefits and Employee Engagement

An extensive previous research indicates that there are a lot of variables that lead to employee engagement such as include challenging work, interesting job assignments, and a good compensation and benefits. Reward it is a part of compensation whereas an essential attribute to employee engagement that can motivate employee to focus & perform in their work. Saks (2006) has quoted that; *"Attractive compensation comprises*

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*a combination of pay, bonuses other financial rewards as well as non-financial reward like extra holiday and voucher schemes".*

There are drivers that can be found that lead to employee engagement because of non-financial variables. It is doubtful, when employees will continue to work hard and they are not looking into how much they can earn from the company. Others no-monetary factors such manager leadership, company culture or career opportunities also lead to the employee loyalty to the organization. However, this does not mean that organization should ignore the financial compensation of their employees. In fact, in order to ensure reward be paid accordingly, performance should be linked with compensation and benefits. For example those who are outstanding well perform should be reward accordingly. Those who rewarded well will influence the employee engagement level. This has be supported by Stajkovic & Luthans (2001, 2003) studies where they found that reward and recognition have a positive relationship with employee's task performance and engagement.

In addition, those employee in any kind of categories should be paid accordingly because "equally" is important to every employee who are good or bad (Coffman, 2005). Meaning that, those who are recognize as performer should be treated equally with others who are in the same category. Besides, an organization should have a compensation systems that they can being fair and appropriate for certain employee's skill and effort that they have contributed to company.

A successful company should have a reward system so that the employees are motivate to work harder in the organization and also happy to be part of the organization. This is depend on how their employee engagement level in the organization. The popular belief organization that *"a happy worker is a productive worker, and if management show employees with the things that make them happier their performance will follow"*. This has been supported by Gerald (2010), he has identified that there linkage between rewards and performance that it will create the condition which employee involvement and engagement as well as individual returns. Through the previous research by Anitha (2014), she has also identified one of the factors contributing to employee engagement is compensation. From his research, it shows there is a significant relationship between employee engagement and compensation.

As part of compensation, rewards and recognition have already been established as a factors of engagement in previous research (Saks, 2006; Mohapatra and Sharma, 2010; Inoue, 2012). From the research by Piyali, Rai Chauhan, Gargi and Divya (2016), they have study whether rewards and recognition influence the employee engagement in private sector banks in India. From their findings, rewards and recognition has been found to be a strong factor that contribute to employee engagement. This study also supported by Houston (2000) and Jurkiewicz (1998) where they also recognize the same result whereas employees who received organizational rewards (e.g financial incentives and promotion opportunities) will be more engage with the organization. Similarly, majority researchers emphasize that need for recognition actually is a part of substantial reward portion of the workforce, regardless of status or profession (Saunderson, 2004).

A study by Saks and Rotman (2006) revealed there are also significant relationship between rewards and recognition with employee engagement. They noticed that; *"when employees receive rewards and recognition from their organization they will feel grateful to respond with higher levels of engagement"*. Meanwhile, Kahn (1990) observes the employee's level of engagement can be influence by the benefits they received. Therefore, undoubtedly, it has become essential for each organization to have suitable standards for remuneration and recognition package for their employees in order to expect a high level of engagement.

Kahn (1990) stated that, *"employees are found to vary in their levels of engagement as a function of their perception of benefits received from a role. Further, a sense of return on investment can come from external rewards and recognition in addition to meaningful work. Hence, if employee perceive that they would be receiving a greater amount of rewards and recognition for their role performance, they are likely to be more engaged at work"*. Thus, this has become one of the method to demonstrate how valuable employees to them by implement reward and recognition wisely (De Lacy, 2009). This also agreed by Maslach (2001) where found that that appropriate rewards and recognition are important for engagement.

Koyuncu (2006) has done research on women managers and professionals in Turkish bank on employee engagement study. He found that how rewards and recognition be implemented also contribute to employee engagement. He also identified the compensation and benefits be implemented should at par with the market offer. That will be the way employee will feel treated fairly and appreciated and contribute to engage

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employees at work. In fact, worst cases less of reward will also bring to burnout. Maslach and Leither (2008) found that if there are insufficient rewards (whether financial, institutional or social) this will create people vulnerability to burnout.

There also some research by Ling Suan Choo, Norsilah Mat and Mohammed Al-Omari (2013) on employee engagement in Malaysia electronics manufacturing firms. From their findings showed there are positive significant on employee communication, employee development and also rewards and recognition with employee engagement. Rewards and recognition factor has been the third predictor for employee engagement in their findings. This findings is in line with Maslach and Leiter (2008), who proposed that rewards and recognition is one of the area that potentially can enhance employee engagement.

According to Aon Hewitt's research in 2013 regarding trends in global engagement, showed pay has been as part of the reward. From the research, it has recognized "pay" as the third ranking most important factor that contribute to employee engagement. It showed that employees always believe that when employees are fairly paid and compensated for their contribution to organization performance, it will effected to certain employee engagement levels. Based on Aon Hewitt research also found that pay and bonuses will impact on the how extent employee will prepared to "say, stay and strive" for their organization. They also found out that the level of employee engagement will be varied among certain countries such in Asia Pacific and Latin America because of the factor of 'pay' and this will also contribute to the value proposition to attract, retain and engage talented employee. This has been supported by traditional engagement research by Herzberg (1959), he stated that *"pay is often thought of as a hygiene factor meaning that*

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*organizations have to get pay right to ensure they get the significant impact on employee engagement".* Herzberg (1959), explain by being given more money, benefits, a comfortable environment to work which are the element of "hygiene factor" will motivated them to accomplish higher level business outcome.

## 2.6 Performance Appraisal

Performance Appraisal has be considered as one of the most important activities of Human Resource Management (HRM) in both public and private sector (Bekele, Shigutu & Tensay, 2014). While, Armstrong (2006) from his recent literature on Performance Appraisal stated that; *"it needs to be carried out as part of a whole Performance Management System and none solely on its own. Performance Management can be defined as a systematic process for improving organizational performance by developing the performance of individuals and teams".* Armstrong (2006) also defined Performance Appraisal as; *"the formal assessment and rating in individuals by their managers at, usually an annual review meeting".* He quoted that; *"Performance Appraisal as central role in Performance Management System; it is normally the vehicle behind which the organizational goals and objectives are translated into an individual's objective. When a part of performance management, appraisal is much more tightly linked with the larger business environment".* While De Nisi and Griffen (2008) stated; *"performance management is typically reliant on performance appraisal, performance management is a broader and more encompassing process and is the ultimate goal of performance appraisal activities".*

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Performance Appraisal is a very important tool in any workplace and help to evaluate behavior of the employees at workplace (Anand, 2011). Meanwhile, the Chartered Institute of Professional Development (CIPD) have done a more comprehensive and in-depth definition on performance appraisal. They stated that; *"performance appraisal is an opportunity for individual employees and those concerned with their performance, typically line managers, to engage in a dialogue about their performance and development, as well as the support required from the manager"* (CIPD, 2013). While, Erdogan (2002) stated that *"performance appraisal is the formal process of observing and evaluating an employee performance"*. Lansbury (1998) also defined performance appraisal as process identifying, evaluating and developing the work performance of employees in the organization. Performance appraisal also defines as means of evaluating employees work performance over a given period of time (Nzuve, 2007).

According to Bohlander and Snell (2004), performance appraisal used for a specific purpose which are, to evaluate who is doing a good job or not. It also agree on the main way of discussion and personal development of individual in performance appraisal process (Flecther, 2004). From the previous research, most scholar identified performance appraisal can give benefits both organization and the employees who have done well performance appraised. Bailey (2014) stated that; *"performance appraisal has multiple objective; career development for the individual, and fair allocation of group reward/incentives for performance"*. Analoui and Fell (2002) in their study stated that;

*"63% of their respondent anticipating an overall positive effect on the implication of performance and job performance".*

According to Abd. Aziz (2003) the formal performance appraisal in organization had been used in helping administrative decision especially if when it involve of pay determination and promotions, career development and for Training Need Analysis (TNA) purposes. This align with the certain research that focused on others human resource practices. Research conducted by Ahmad (1999) where he found that most of the employees the goals of performance appraisal at their organization is for promotion and personal development planning. In addition, Latham and Wexley (1994) also found the similar effect of performance appraisal where it be used as the basic of decisions made regarding employee's promotion, demotion, transfer, salary increase and termination. Wiese and Buckey (1998) in their journal stated that; *"performance appraisal used to identify a feasible set of quality worker or candidates instead of the best person in an organization".* Orpen (1985) said that; *"role of appraisal is improving performance and performance appraisal has long been recognized as an important personnel function with the potential to improve employee motivation and their performance, also to provide management with the control needed to achieve organization objectives".*

## 2.6.1 Dimension of Performance Appraisal

Most of scholars and researchers have drill down on performance appraisal perspectives into different dimensions. Morinones, Sanches and Morentin (2011) claims that there are three dimensions that should be taken into account when study on performance appraisal which are; *"the type of measures used to rate performance, the person who carries out the appraisal, and the frequency with which the appraisal is conducted"*. From the literature review on performance appraisal and employee engagement, Greenberg (1986) who was one of the first to apply organizational justice theory to performance evaluation. The main things in his studies on performance appraisal is fairness. Through the performance appraisal process, giving rating stage will decided rather the appraisal is fair or not. Greenberg's (1986) work supported earlier research by Landy, Barnes and Murphy (1978) which stated that; *"an employees were more likely to accept an appraisal system and believe that their performance was rated fairly under certain conditions"*. The other theory that may related to performance appraisal is Equity Theory (Duggan, 2014). The equity theory, developed by John Stacey Adams on 1960, says that; *"satisfaction is based on a person's perception of fairness. This theory involves balancing the assessment of an employee's contribution to his job with the compensation and other reward associated with his success. Highly-paid and rewarded employees tend to be the most motivated to continue performing well on the job"*. Besides, employee who perform well in their job mostly in engage employee category.

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In order to ensure Performance Appraisal to be effective and useful, it is vital that both appraiser and appraise find the best procedure a productive tool to ensure the performance appraisal process are work. Flecther (2004) listed the three things that employees bring appraised looked for in a performance appraisal, these are; *"perceiving the assessment as accurate and fair, the quality of the existing relationship with the appraiser and the impact of the assessment on their rewards and well-being"*. Furthermore, Piggot-Irvine (2003) stated that; *"performance appraisal need to be effective the system should be confidential, informative, have clear guidelines and be educative. In order to have effective appraisal, the process must be embedded completely throughout the organization where the values shape part of the fabric of the everyday life of the workplace"*.

Rankind & Kleiner (1988) believed that effective performance appraisal have six key factors which are; *"Firstly, performance goals or the Key Performance Setting item must be specifically and clearly defined. Secondly, attention must be paid to identifying in specific and measurable terms. Third, what constitutes the varying levels of performance need to be identify, fourth, performance appraisal programs should tie personal rewards to organizational performance, fifth, the supervisor and employee should jointly identify ways to improve the employee's performance and finally, establish a development plan to help the employee achieve their goals ,the appraiser should be given feedback regarding his/her effectiveness in the performance appraisal process and the performance appraisal system regardless of the methodology employed must comply with legal requirements"*.

Moreover, performance appraisal need to meets the organization goals to ensure the effectiveness of the appraisal implementation. *"If the goals of the performance appraisal process are in contrast with the organizational goals, the resulting performance appraisal system could be harmful to effective organizational functioning"*, (Barett, 1967). The degree of involvement of subordinates in the appraisal is also important in order to be benefit to the success of the performance appraisal implementation. Cawlet et al (1988) proved that participation of appraise and appraiser is the important to ensure the effectiveness of performance appraisal. Those employees who giving employees a voice and empowers them to rebut ratings or feedback that they are unhappy with with influence the performance appraisal result (Roberts, 2003).

## 2.7 Performance Appraisal and Employee Engagement

Pertaining to perception of performance appraisal and employee engagement, only few scholars conducted the study on performance appraisal on employee engagement. Gupta and Kumar (2013) conducted a study to test relationship between performance appraisal justice and employee engagement in Indian Professional context. From her findings showed that there is significant positive relationship between performance appraisal dimension (Distributive, Procedural, Interpersonal and Informational Justice) and employee engagement. The study on employee engagement and performance appraisal also has conducted by Anand (2011). He realized that performance appraisal is one of the important Human Resource (HR) practices towards employee engagement level in ITC Maurya, India. The findings showed that the respondent is highly satisfies with both

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performance appraisal and employee engagement in the organization, including with the working environment at ITC Maurya.

Anitha (2014) has done the same study to identify the key determinants of employee engagement. She stated that; *"Simple random sampling was used to select the employees from middle and lower managerial levels from small-scale organization. A total of 700 questionnaires were distributed and 383 valid responses was collected. Regression and structural equation modelling were used to predict and estimate the relationships. From the findings, it was found that all identified factors were predictors of employee engagement ($r^2$, 0.672) and they also show a significant relationship between employee engagement and employee performance ($r^2$, 0.597)"*. This study also supported by Kim (2012) where there are significant relationship between work engagement and performance appraisal. Salanova (2005) also has done some research on employee performance and employee engagement. He has done a study on hotel front desk and restaurant employees. From his result, he found that employee engagement can influence employee performance and customer loyalty.

One of the key component of performance management system is the performance appraisal process. At this stage performance appraisal process will influence the employee engagement level whereas it also has be agreed by Vazirani (2007). The main activities during this stage are feedback session whereas will showed how 'transparent and fairness' the evaluation session between appraiser and appraise. He listed one of the critical drivers

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lead to employee engagement is performance appraisal. He stated that; *"the company which follows an appropriate performance appraisal technique (which is transparent and not biased) will have high levels of employee engagement. Hence, it shows fair performance appraisal and evaluation of an employee's performance is an important criterion for determining the level of employee engagement"*. This has also be supported research by Visha and Sushil (2013) where they have explored the relationship between performance appraisal fairness and employee engagement among the professional working in Indian subsidiaries of multinational corporations (MNCs), Indian private and public sector organizations. From the findings, showed a significant positive relationship between some performance appraisal justice dimensions and employee engagement.

According to Macey and Schneider (2008), *"trust has a central role in the engagement process as employees trust that their investment of energy, time, and personal resources will be rewarded"*. This is also supported by Macey (2009) where he stated that; *"engagement cannot exist without trust and fairness are the foundation for employees to feel and act engaged"*. Kahn (1990) from his research stated that; *"any situations that promote trust are predictable, consistent, clear and nonthreatening. One factor that promotes trust is a supportive management style that is consistent and not hypocritical. Such managerial behaviour promotes trust through the implementation of practices that are regarded by subordinates as predictable and fair"*.

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Besides, factors the influence the effectiveness of performance appraisal process such as stated before like fairness, transparent, and trust, "justice" will always be synonym with performance appraisal. This factor has a big implication on effectiveness of performance appraisal where Latham (2005) also notes that; *"effective performance appraisal must perceive as fair, and the factors contributing to fairness include distributive justice, procedural justice, interactional justice and voice"*. According to social exchange theory explored by Blau (1964) found that greater justice at workplace should be affected the employee's behaviours. Meaning that, how employee react by their behaviour on performance appraisal process is also influence by the 'justice' element. Based on the argument on the norms of reciprocity, Macey and Schneider (2008) observed that; *"engaged employees invest their time, energy or personal resource trusting that their investment will be rewarded (intrinsically or extrinsically) in meaningful way by the supervisor or management"*. *"Greater justice factor will more likely be related to an employee performing to ensure the effective outcome from the performance appraisal implementation"*, (Cropanzo, 2007; Elicker, 2006). Spell and Arnold (2007) also found that the effectiveness of performance appraisal implementation where he stated that; *"justice perceptions within a primary appraisal role, minimize psychological distress, anxiety and depression. Hence, during performance appraisal justice and fairness will be vital part to ensure the whole process of performance appraisal system will be effective"*.

Trust and justice where both important aspect in implementation of performance appraisal. It will determine the effectiveness of the performance appraisal process. Besides, from the literature review showed in order to enhance the level of engagement, trust and justice perceptions are really important. *"Performance appraisal sometimes evaluates employees*

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*on criteria that are irrelevant, or over which they have no control",* (Dobbins, Cardy, Facteau, & Miller, 1993). *"Such appraisals are not useful and are perceived by employees as unfair. In order for employees to feel comfortable employing and expressing themselves fully during role performances (displaying engagement) they must trust that their organization and managers will treat them fairly and justly. If the relationship between a manager and subordinate lacks trust, they are unlikely to have productive performance conversations that generate positive results", cited by* (Pulakos, Mueller-Hanson, & O' Leary, 2008).

From previous research has identified a few model of the performance appraisal process such as developed by Murphy and Denisi (2008). The model includes variable that can affected on the appraisal process such as business strategy, technology and organizational norms. Moreover, on existing model, Gruman and Saks (2011) have developed an engagement management model such as below.
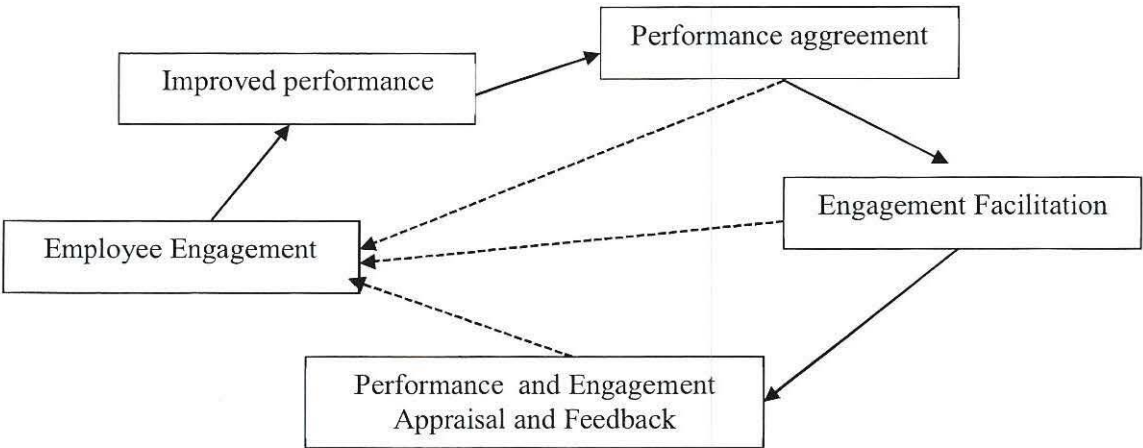


**Figure 1.1- The Engagement Management Model, source J.A Gruman, A.M. Saks, Performance Management and Employee Engagement (2011) 123-136**

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This model is model was developed by Gruman and Saks (2011) in order to provide an effective application of performance management system to ensure it give impact on employee engagement. Based on Figure 1, factors that with dotted lines represented the drivers of the employee engagement. The model started with "performance agreement" process when this stage will involve the negotiation between manager and subordinate. The psychological contract need to be reviewed to facilitate the development of engagement at first place. While, the second component which is involves "engagement facilitation" will focus on job design, leadership, coaching, supervisor support, and training where it is important to assist employees and facilitate the development of engagement. Next, "performance and engagement appraisal and feedback" focuses on perceptions of justice and trust as drivers of engagement. Through this component it will determine rather employee feel there are justice and trust exist in the element of performance appraisal. Manager need to provide an effective communication during this session by explaining the real performance of the employee. Employees will more motivated if they are being evaluated accordingly based on their current performance. From the model, each components contributes to employee engagement level which will influence improvement performance. Furthermore, engagement facilitation activities might change throughout the process depending on the needs of employees and based on appraisal and feedback.

Subbu and Selvarasu (2014) also used the same model above during their study about performance appraisal on employee's engagement. They found out most executives see a clear needs to improve employee engagement in the organization. It is important for them

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for establishing a good performance management system and improve the impact of their employee engagement. From their survey, they stated that many companies find it challenging to measure engagement and tie its impact to financial results; *"fewer than 50 percent of companies said they are effectively measuring employee engagement against business performance metrics like customer satisfaction or increased market share. A significant gap appeared between the views of executive managers and middle managers in this area. Top executives seemed much more optimistic about the levels of employee engagement in their companies, making them seem out of touch with middle management's sense of their front line worker's engagement".*

# CHAPTER 3

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter is to discuss about the research methodology that has be used to achieve the objective that in the Chapter 1. It will explained all the process systematically to gather and obtain the accurate information or data. This main component of this chapter is the research design and methodology which includes data collection methods for primary and secondary data. The population, sample size, instrument, data analysis and cost and time frame that have been used, and the design of the questionnaire also will be highlighted in this chapter.

## 3.2 Research design

Research design is a frame work that used as standard guideline for conducting the research. The process involve during conducting the research are collecting, measuring and analysing data in order to find answers for research questions, then comprehend how certain problems that befall in organization can be resolved (Sekaran and Bougoe, 2013).

## 3.3 Type of Research

The purpose of this study is to examine the relation effectiveness of compensation & benefits and performance appraisal to employee engagement among employees in FGVHB. This study can be categorized as correlation study because it was designed to examine the degree of relationship between independent and dependent variables. In this research compensation & benefits and performance appraisal are independent variables meanwhile employee engagement is dependent variable.

## 3.4 Data collection method

Primary data becomes the data that will be examined in determining whether the hypotheses of this study are supported or rejected. Thus, data for this study were collected via questionnaire.

Questionnaires have been distributed to employees in middle management and clerical categories in all subsidiaries companies in FGVHB. Besides, questionnaires also been distributed whether in Headquarter and also to others outside Klang Valley.

## 3.5    Population and Sample

### 3.5.1    Population

Population refers to the entire group of people or things of interest that the researcher wishes to investigate. In this study, it refers to the possible respondents that the researcher interested to generalize the result of the research. The population of this study covers all exempt staff in FGVHB which there will be from six core business cluster under company sectors. There are Corporate Centre, Upstream, Downstream, Research & Development, Rubber, Trading, Marketing, & Others (TLMO). The list of exempt staff in FGVHB was obtained from FGVHB Human Resource Department. The total of employee working at FGVHB is 18,531 including all staffs from managerial and operational level which are representing the total population for this research (N). According to table suggested by Morgan and Krejcie (1970), total sample will be between 375 to 377.   Table below indicates total of staffs in FGVH.

### Table 3.1 Total Population

| Cluster/Division | Company subsidiaries | Population (total employees) |
|---|---|---|
| Corporate Centre | 3 | 874 |
| Downstream | 3 | 713 |
| R&D | 5 | 1768 |
| Rubber | 1 | 568 |
| TLMO | 8 | 5055 |
| Upstream | 6 | 9553 |
| **Total** | **26** | **18,531** |

### 3.5.2 Sampling

A sample is a subset of the population. Samples are important as it represent all the members of a population for a research project. Therefore, selected samples are chosen to ensure that the sample is representative of the population. According to the table for determining sample size suggested by Krejcie and Morgan (1970) for the population of 18,531, the sample size 375 to 377 is needed to represent the population. Because of the sample size for this researcher is small and target respondent is from various departments and projects in the organization.

According to Sekaran and Bougie (2013), for a more viable and efficient alternative, a stratified random sampling may be used which involves the process of stratification or segregation. Since the number of population in this study was sample were working in different six cluster, the sample size was divided into proportionate sub-groups based on the actual population in each company. The calculation of sample is shown in table below:

*Proportionate formula:*

1.    <u>Total of employees of the stratum</u>   X 100   = x%

             Total of Population

2.    x%   X   Total of sample   =   Total sample for the stratum

Therefore, the number of questionnaires distributed to randomly-selected respondents for each company followed the sample size per **Table 3.2** below:

| Cluster/Division | Population | Proportionate | Sample Size |
|---|---|---|---|
| Corporate Centre | 874 | 5 | 18 |
| Downstream | 713 | 4 | 14 |
| R&D | 1768 | 10 | 36 |
| Rubber | 568 | 3 | 11 |
| TLMO | 5055 | 27 | 102 |
| Upstream | 9553 | 52 | 195 |
| | **18,531** | **100** | **377** |

**Table 3.2: Sampling Framework based on Proportionate Stratified Random Sampling**

### 3.5.3   Unit of Analysis

This study involves employees from all departments and projects in FGVHB. Hence, the unit of analysis for this study is individual includes non-executive or executive in FGVHB.

## 3.6 Research Framework



**INDEPENDENT VARIABLES (IV)**          **DEPENDENT VARIABLES (DV)**

Compensation & benefits

Performance Appraisal

Employee Engagement
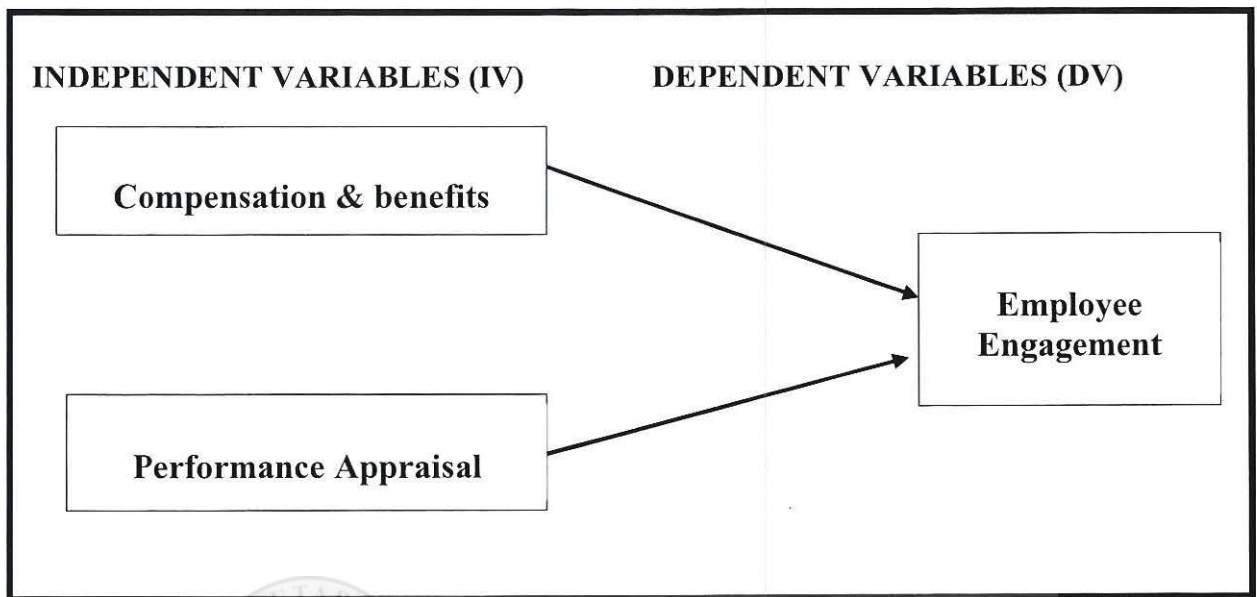
**Figure 3.1: Research Framework**

## 3.7 Hypothesis Development.

Based on research framework there are two hypotheses to be tested.

H1:    There is significant effect between compensation & benefits and employee engagement

H2:    There is significant influence between performance appraisal and employee engagement

### 3.8    Operation definition

### 3.8.1    Employee engagement

An "engaged employee" is one who is fully feel enthusiastic on their work and so takes positively action to increase organization's reputation and interest. While, employee engagement is defined as *"an individual involvement, satisfaction and enthusiasm for work"* (Harter, Schmidt & Hayes, 2002).

### 3.8.2    Compensation & benefits

Amudo, Doranntes and Mach (2003) in his study has defined compensation as the combination of area of the financial rewards and non- financial reward in return for their services to the organization and to attract and retain the employees. Example of financial reward such as pay, reward, remuneration or salary while and non-financial rewards such as annual leave, retirement scheme or accident and health insurance.  (Tan, 2010).

### 3.8.3    Performance Appraisal

Bohlandr and Snell (2004) have defined performance appraisal as a tool evaluate employee to doing a good job or not. While, Armstrong (2006) defined performance appraisal as a formal assessment to rating employee by their managers by annual review meeting.

### 3.9 Measurement and Instruments

In this study the questionnaire were adopted from original source and modified some of the questionnaire to suite with context of study. All section in the questionnaire is conducted in two languages that is English and Bahasa Melayu. The survey questionnaire used in this research consists four section as below:

**Section A – Demographic Profile**. In this section age, gender, marital status, education level, employee designation, length of service, total years of experience and income of the respondent will be asked.

**Section B - Compensation Benefits**. In this section is to measure perception of respondents regarding compensation & benefits. The questionnaire was adopt the instrument of the Pay Satisfaction Questionnaire (PSQ), Heneman and Schwab (1985) and Employment Benefits Satisfaction Questionnaire, Al-Shami and M. Chneim (2002).

**Section C – Performance Appraisal**. In this section is to measure perception of respondents regarding performance appraisal. The questionnaire was adopt from instrument used Chartered Institute of Personnel and Development (CIPD), Colquitt (2001), Amie Farrell (2013) and McColl (1993).

**Section D – Employee Engagement**. In this section is to assess the employee engagement level of the respondents. The questionnaire was adopt from instrument used by Job Engagement Scale (JES) which developed by Rich et al. (2010).

The questionnaires are designed to require response to four-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree) for respondent to rate their level of agreement for all statement about the independent and dependent variable. Table 3.3 show the rating scale that using in the questionnaire survey and table 3.3 indicated the measurements of variable that used in this study.

**Table 3.3** *Rating scales for independents and dependent variable.*

| Strongly Disagree | Disagree | Uncertain | Agree | Strongly Agree |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |

**Table 3.4 Distribution** *of Variables and measurement*

| Variables | Total no. of items | Scales | Sources |
|---|---|---|---|
| **Independents** Compensation & benefits | 7 <br><br> 13 | Likert Scale (1 - 5) | Pay Satisfaction Questionnaire (PSQ), Heneman and Schwab (1985). <br><br> Employment Benefits Satisfaction Questionnaire. Al-Shami and M. Chneim (2002) |

| Variables | Total no. of items | Scales | Sources |
|---|---|---|---|
| **Dependent**<br><br>Performance Appraisal | 16 | Likert Scale (1 - 5) | Chartered Institute of Personnel and Development (CIPD), Colquitt (2001), Amie Farrell (2013) and McColl (1993). |
| **Dependent**<br><br>Employee engagement | 18 | Likert Scale (1 - 5) | Job Engagement Scale (JES), Rich et al. (2010) |
| **TOTAL** | 56 | | |

## 3.10    Data Collection Procedures

A survey method via questionnaire has been used to collect data for this research about respondents' perception on understudied variables. According to Schermerhorn (2000) questionnaire not only low in cost but also will lead to mere openness and truthful responses. A total 400 set of questionnaires were given to Human Resource Manager   of

all subsidiaries of FGVHB for distributed to all employees started from 2st January 2017 until 28th February 2017. From 400 questionnaires a total of 385 sets of questionnaires were successfully collected.

## 3.11    Data Analysis

Data collected through the questionnaires will be analyzed using Statistically Package for Social Science (SPSS) version 22.

## 3.12    Pilot Study

The purpose of pilot test on only to make sure that the questionnaire well operates but also to ensure that the research instrument as a whole function well (Bryman and Bell, 2011). The result from pilot test will help the researcher to remove the uncertain question that are considered blur or unclear to the respondents. The necessary correction or improvement will be done to ensure that the respondents fully understand the questionnaire.

## 3.13    Reliability Test

To test the reliability of the instruments used in this research the reliability test has been conducted. Cronbach alpha value has been used to examine the instruments. A good reliability instrument is has closer value of Cronbach alpha to 1.00. It can be said that the Cronbach alpha should be more than 0.7 but according to Sekaran (2003) although the Cronbach Alpha of 0.6 is poor but it is acceptable.

## 3.14    Validity Test

The validity analysis is examined after determining reliability test for study (Sekaran, 2010). The validity analysis been performed to test whether the variables studied in this measurable. In validity analysis researcher will performed two tests that are face validity and constructed validity. For face validity, the questionnaire was referred to the expert human resource practitioner to make sure that the item asked were measuring understudied variables meanwhile for construct validity, the researcher will rely on the result from factor analysis.  This is to confirm whether or not the theorized dimension emerged (Skaran and Bougie, 2013).

## 3.15    Data Screening

Data screening has been used in order to identify the missing data and/or invalid data. Linearity test, Normality test and Multivariate test has been performed during data screening process.

### 3.15.1 Linearity Test

The relationship between independents and dependent variables has been examined using the linearity test. The result of analysis whether the relationship between independent and dependent variables is linear or otherwise will be shown using Scatter plot.

### 3.15.2 Normality Test

Skewness and Kurtosis has been used in order to test the normality of the data.  The purpose of normality test is to determine whether sample data has been drawn from a normally distributed population or not. Skewness and Kurtosis values between +1.96 and

−1.96 will be used in this research as suggested by Hair, J. F. Jr., Anderson, R., Tatham, R., & W. C. (1998).

### 3.15.3 Multivariate Outliers Test

Outlier is cases with extreme or unusual values on a single variable or combination variables (Meyer et. al., 2006). Multivariate box plot and Mahalanobis distance values has been evaluated during Multivariate outlier test.

### 3.16 Factor Analysis

Factor analysis was employed in relation to multiple-indicator measures to determine whether groups of indicators tend to bunch together to form distinct clusters, referred to as factors (Bryman and Bell, 2011). Factor analysis was used as the data reduction technique (Raykov, Marcouliders, 2008) in term of reduce a large number of related variables to a more manageable number, prior to using them in other analysis such as multiple regression or multivariate analysis of variance (MANOVA) (Tabachnick, 2008).

### 3.17 Correlation Analysis

Correlation analysis be used for examine the level of relationship between independent and dependent variables that be understudied. Pearson correlation coefficient is used to show the degree of linear relationship between independent and dependent variables. A correlation coefficient will show direction of the relationship and its magnitude on the two variables. The symbol of a correlation coefficient is $r$, and its range is from -1.00 to +1.00.

Stated by Muchinsky (1993); *"the closer the measure is to 1.00, the more likely the relationship is statistically significant".*). According by Meyer (2006) his interpretation on the strength of correlation is as follows:

**Table 3.5 Interpretation of strength of correlation coefficient**

| Value of Coefficient | Relationship between Variables |
|:---:|:---:|
| 0.5 | Strong |
| 0.3 | Moderate |
| 0.1 | Week |

## 3.18    Multiple Regression Analysis

Multiple regressions explain the relationship between multiple independent or multiple predictor variables and one dependent or criterion variable or in other word multiple regression analysis is used to test the hypothesis. According to Sekaran & Bougie (2010) multiple regression analysis widely used in research area. This analysis require two or more predictor variables, which explain the term, multiple regressions (Tabachnick, 2008).

### 3.18.1. Durbin – Watson

Durbin – Watson is the standard test for auto-correlation. Durbin-Watson statistic varies between 0 and 4. The Durbin- Watson value that close to 2.0 is indicates that there is no evident autocorrelation. Values close to 0 are indicative of positive auto-correlation, and values close to 4 indicate negative auto-correlation.

### 3.18.2 Multicollinearity

Multicollinearity exist in a predictive model when two or more independent or input variables in the model are related to each other, which lead to the inability in analyzing the important of the input variables in the model based on their invalid test statistics. Multicollinearity test can be conducted by calculating the variance Inflation Factor (VIF) and tolerance value of each independent variable. According to Kline (2005), smaller VIF value, usually less than 10.0 and tolerance value of greater than 0.10 but less than 1.0 would suggest absence multicollinearity.

### 3.18.3 F- Test

F statistic test shows whether all the independent variables included in the model have an influence simultaneously to dependent variable. According to Sekaran (2003) F test used to determine whether the independent variables significantly influence the dependent variable. It also to find out the regression model used to predict the dependent variable or not. Criteria for significant level in this test is 5% on the basis of decision making is that

if smaller than 0.05 means that all independents variables influence the dependent variable and vice versa.

### 3.18.4 R Squared Value

R squared value is a measure of association between the observed value and the predicted value of criterion variable (Tabanick 2008). The coefficient of determinant or R-Squared ($R^2$), describes the portion of the variance in the dependent variable that is explained by all the independent variable taken together. ($R^2$) is the square of the measure of association which indicates the percent of overlap between the predictor variables and criterion variable (Tabachnick & Fidell,2007). The value of ($R^2$)is between 0.0 and 1.0. The adjusted ($R^2$) is an estimate of the ($R^2$) when this model is used with new data set.

### 3.18.5 Beta Value

Standard regression coefficient or Beta coefficient is defined as the estimated result from a multiple regression analysis performed on the variables that have been standardized in which a process whereby the variables are transformed into variables with a mean 0 and the standard deviation of 1.

### 3.19 Conclusion

This chapter discussed briefly on methodology procedure in term of research design, conceptual, hypothesis development, data collection process and data analysis that used in this study. The finding of data analysis will be discussed in chapter 4.

# CHAPTER 4

# FINDINGS AND DISCUSSION

## 4.1 Introduction

This chapter provides and presents the findings of the study. The first part deliberated on data reliability and screening. The second part depicts the demographic analysis whereas the final segment of this chapter reports the findings which responds to the research objectives. The data of this study was analysed using statistical package for the social sciences (SPSS) version 22.0 for Windows. Frequency and percentage were applied in analysing the respondent's demographic profiles such as gender, race, age, marital status, position level, length of service, years in current position and current function. The statistical method of Pearson correlation was employed to determine the existence of any relationships between compensation & benefits and performance appraisal with employee engagement.

The questionnaire was distributed to approximately 400 randomly selected employees under 6 Cluster and Division in FGVHB, of which a total of 385 responses were obtained. However only 377 questionnaires were completed and used for the analysis of this study. According to table suggested by Morgan and Krejcie (1970), total sample will be 377 for total population of study around 18,000. Thus, 377 responses from the questionnaires obtained is very enough for this study. While according to Hair, Anderson, Tatham & Black (1995), response rate which is above 50% is generally regarded as acceptable whilst a response rate which is more than 80% would be greatly desired. In this study, the result rate of 100% was somewhat expected as the subject matter are common to FGVHB employee but some employees still were concerned on the confidentiality of their frank response to the survey as the researcher was a senior officer of the company.

## 4.2    Respondent Profile

For a population of 18,531 employees, the required sample size is 377. A total of 400 questionnaires were distributed to executive and non-executive employees in 6 Cluster and Division in FGVHB. A total of 377 completed questionnaires were received. The summary of the demographic analysis of the respondent who participated in this research study is shown in **Table 4.1**.

**Table 4.1 Total of Returned Questionnaires**

| Description | Number |
|---|---|
| Total Population | 18,531 |
| Total Sampling needed | 377 |
| Total Questionnaire Distributed | 400 |
| Total Questionnaire Returned | 385 |
| Percentage Questionnaire Returned | 96% |

### 4.2.1 Gender, Race, Age and Marital Status

The sample consisted of 22% female and 78% male respondents. Majority of the respondents are Malay. The majority of respondents (48%) are between 25 years to 34 years of age (Gen-Y and Millennials) whilst only 5% respondents are 55 years old and above. 19% are between the age of 35 and 44 years old whilst 21% are between 45 and 54 years old. While, respondents below 24 year age is 7%.

An overwhelming percentage of the employees (81%) are married and only 19% are single and divorced or widowed respectively.

### 4.2.2 Position, Level of Employment and Years of services

The majority of respondents (63%) are non-executives. Next largest group is the executives at 31% followed by managers at 4% and General Manager at 2%. Most of the respondents (38%) have been working in the organization between 6 to 10 years. more,

while 23% of the respondents have been working between 11 to 20 years, 23% respondents have been working more than 20 years and 16% have been working for less than 5 years.

### 4.2.3 Academic Qualification

The majority of the respondent's academic qualification are SPM with 53% followed with Diploma/Certificate (25%), and Degree with 19%. While just a few of respondent's qualification with Master (3%).

### 4.2.4 Monthly income

The majority of the respondent's monthly income in range RM1000-RM2000 with 49.9% followed with RM2001- RM3001 (19.6%), and for more than RM4000 (18.6%). While just a few of respondent's monthly income under range RM3001- RM4000 with 11.9%.

### 4.2.5 Current Functions

Most of respondents at 59% from categories 'Others' and most likely they are from projects such as mills, estate or any Department beside stated in the questionnaires. 11%of the respondents are from Procurement; 10% from Operations and 9% from Human Resource. The rest of the respondents (22%) are from other support functions such as Finance, HSE, Logistics, and IT.

The respondents profile seems to reflect the FGVHB demographic in that the number of male respondents far outweighs the female numbers and that the majority of them are

Generation-Y or Millennial i.e. below 35 years old. Only 4% of the respondents are above 55 years of age. The majority of the respondents at 81% are married. **Table 4.2** presents detailed information on the respondents' demographic profile.

Table 4.2   Demographic Analysis (n = 377)

|  | Variable | Frequency | Percentage (%) |
|---|---|---|---|
| **GENDER** | Male | 295 | 78 |
|  | Female | 82 | 22 |
| **AGE** | Below 24 years old | 28 | 7 |
|  | 23 to 34 years old | 183 | 48 |
|  | 35 to 44 years old | 70 | 19 |
|  | 45 to 54 years old | 79 | 21 |
|  | 55 years old and above | 17 | 5 |
| **MARITAL STATUS** | Single | 72 | 19 |
|  | Married | 305 | 81 |
| **ACADEMIC QUALIFICATION** | SPM | 201 | 53 |
|  | Diploma/Certificate | 95 | 25 |
|  | Degree | 71 | 19 |
|  | Master | 10 | 3 |
| **MONTHLY INCOME** | RM1000- RM2000 | 188 | 49.9 |
|  | RM2001 – RM3000 | 74 | 19.6 |
|  | RM3001-RM4000 | 44 | 11.9 |
|  | More than RM4000 | 70 | 18.6 |
| **CURRENT POSITION** | General Manager and above | 6 | 2 |
|  | Managers | 16 | 4 |
|  | Executives | 118 | 31 |
|  | Non-Executives | 237 | 63 |

| | Variable | Frequency | Percentage (%) |
|---|---|---|---|
| **LENGTH OF EMPLOYMENT** | Less than 5 years | 62 | 16 |
| | 6 to 10 years | 142 | 38 |
| | 11 to 20 | 87 | 23 |
| | 20 years or more | 86 | 23 |
| **YEARS OF SERVICES** | Below 5 years | 62 | 16.4 |
| | 6 to 10 years | 142 | 37.7 |
| | 11 to 20 years | 87 | 23.1 |
| | More than 20 years | 86 | 22.8 |
| **CURRENT FUNCTION** | Procurement | 40 | 10.6 |
| | HSE | 8 | 2.1 |
| | Human Resource | 35 | 9.3 |
| | IT | 4 | 1.1 |
| | Management | 14 | 3.7 |
| | Logistics | 2 | 0.5 |
| | Operation | 36 | 9.5 |
| | Finance | 16 | 4.2 |
| | Others (Mills, Estates, Others projects) | 222 | 58.9 |

## 4.3    Reliability Test

In order to test the reliability of the measurement used in this research, a pilot study was conducted. A reliability score of less than 0.60 is considered to be weak but a score of 0.80 range is considered as good whilst 0.70 is regarded as acceptable (Sekaran and Bougie, 2013), The closer the reliability coefficient to 1.0, the more the internal consistency reliability will be.

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The reliability test is the extent to which a measure is free of errors (Zikmund, Babin, Carr and Griffin, 2010) and produce consistent results (Gay and Diehl, 1996). **Table 4.3** showed that the summary of reliability test results for each variable in this research and **Table 4.4** showed Cronbach Alpha Value for each variables.

**Table 4.3    Reliability Test Result**

| Measurement | No. Items | Cronbach's Alpha (α) |
|---|---|---|
| Compensation & benefits  (CB) | 20 | 0.910 |
| Performance Appraisal (PA) | 16 | 0.974 |
| Employee engagement (EE) | 18 | 0.990 |

**Table 4.4 Cronbach alpha value for each variable understudied**

| Variable | Items | α value |
|---|---|---|
| | CB1.Bonus, increment or incentives | |
| **Compensation** | CB2.Fair monetary rewards | 0.910 |
| **& benefits** | CB3.Clearly about rewards schemes | |
| | CB4.Monetary rewards provided competitive compare others organization | |
| | CB5.Company administer the scheme properly | |
| | CB6.Motivate as receive rewards | |
| | CB7.Superior influence my rewards | |
| | CB8.Benefits package adequately | |

| Variable | Items | α value |
|---|---|---|
| | CB9.Received a lot of benefits | |
| | CB10.Value benefits satisfied me | |
| | CB11.Clear about fringe benefits | |
| | CB12.Satisfied entitlement of health & insurance benefits | |
| | CB13.Satisfied entitlement of leave benefits | |
| | CB14.Satisfied with sport & recreation | |
| | CB15.Satisfied with working uniform | |
| | CB16.Company follow benefits by laws | |
| | CB17.Benefits good compare other organization | |
| | CB18.Benefits quite same with friend's organization | |
| | CB19.Benefits commensurate with work | |
| | CB20.Benefits provided is fair | |
| | PA1.Greater understanding results expected | |
| **Performance** | PA2.Receive specific and accurate feedback | |
| **appraisal** | PA3.Feel motivated after performance appraisal | |
| | PA4.Improves relationship with manager | |
| | PA5.Time spent on PA is worthwhile | |
| | PA6.Performance review improve job performance | |
| | PA7.romotion is based on PA | 0.974 |
| | PA8.erformance goals are clearly defined | |
| | PA9. process supports company's strategy | |

| Variable | Items | α value |
|---|---|---|
| | PA10.erformance review give opportunity set personal goals | |
| | PA11.All infomation in PA is confidential | |
| | PA12.makes better understanding on should do | |
| | PA13. in my company is fair | |
| | PA14.Clearly understand purpose of PA | |
| | PA15.Since participate in PA, i developed personally | |
| | PA16. systems helps identify areas for development | |
| Employee Engagement | EE1.Work intensity on my job | |
| | EE2Exert my full effort to my jo | |
| | EE3.Devote a lot of energy to my job | |
| | EE4.Try hardest to perform | |
| | EE5.Strive as hard to complete my job | |
| | EE6.Exert a lot of energy on my job | |
| | EE7.Enthusiastic about my job | 0.990 |
| | EE8.Feel energetic about my job | |
| | EE9.Interested in my job | |
| | EE10.Proud of my job | |
| | EE11.Positive about my job | |
| | EE12.Excited about my job | |
| | EE13.At work, my mind is focused on my job | |
| | EE14.At work, i concentrate on my job | |
| | EE15.At work, i focus a great deal of attention on my job | |

| Variable | Items | α value |
|---|---|---|
| | EE16.At work, i absorbed in my job | |
| | EE17.At work, i am absorbed in my job | |
| | EE18.At work, i devote a lot of attention to my job | |

## 4.4 Data Screening

In order to guarantee that the collected data are normal, homogeneous and linear, a data screening was undertaken. The results included normality test and linearity test on this research. For purposes of linearity test, the researcher had conducted scatter plotting as well as testing the normality by measuring values of skewness and kurtosis.

### 4.4.1 Normality Test

To test normality of data, the researcher examined Skewness and Kurtosis values of variables. If the values of Skewness and Kurtosis exceeded a critical value, then the distribution is non-normal in terms of its characteristics (Hair Jr, et al., 1998). The suggestion for the critical values for Skewness and Kurtosis values are ±1.96 which corresponds to a 0.05 error level. **Table 4.5** shows the Skewness and Kurtosis values for each variable dimension in this research.

**Table 4.5   Skewness and Kurtosis Values**

| Variables | Skewness | Kurtosis |
|---|---|---|
| Compensation & benefits (CB) | 0.103 | 0.252 |
| Performance Appraisal (PA) | 0.321 | 0.689 |
| Employee engagement (EE) | 0.110 | 0.444 |

### 4.4.2   Linearity Test

To examine the linearity between independent variables and dependent variable, the researcher referred to the scatter plot graphs. The scatter dots represent the relationship between variables and must be in a straight line. **Figure 4.1** below are the scatter plot graphs which show the linearity pattern between the different variables.

From the diagram below, it can be seen that all scatter plot graphs are linear. Although the overall point is not perfect, scattered dots appears to reflect a sufficient linearity in the relationship between independent variables and dependent variable.

**Figure 4.1   Scatter Plot Graph**
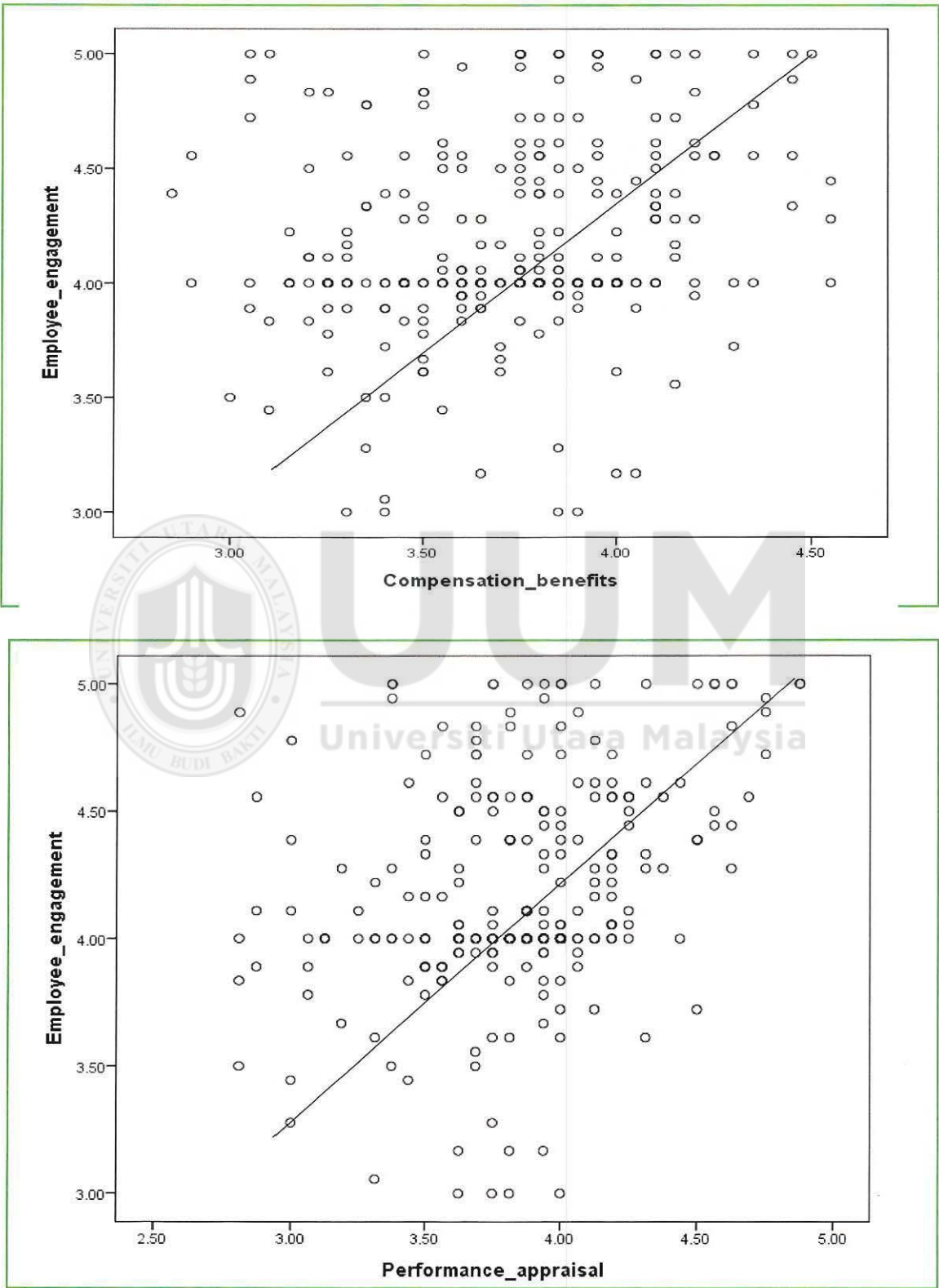
## 4.5    Removal of Outliers

Cases with extreme or unusual values on a single variable or a combination of variables are termed as outliers (Meyers, Gamst and Guarino, 2006). Outliers are extreme values that do not seem to fit with the majority of a data set. The outliers in this study were removed so that these extreme values cannot have a large effect on any conclusions of this study. The extreme samples or outliers were detected using Mahalanobis' distance process.

These process was conducted repeatedly, and out of 377 original samples, 84 outliers have been detected and removed from future analysis in this study. Therefore, the remaining respondents for further analysis are 293.

**Figure 4.2** below which depicts the Mahalanobis Box Plot has shown that there are extreme values. It shows that all outliers have been removed using Mahalanobis' distance and the researcher has discarded 84 cases that identified as outliers and removed from future analysis in this study.

**Figure 4.2  Mahalanobis Box Plot**
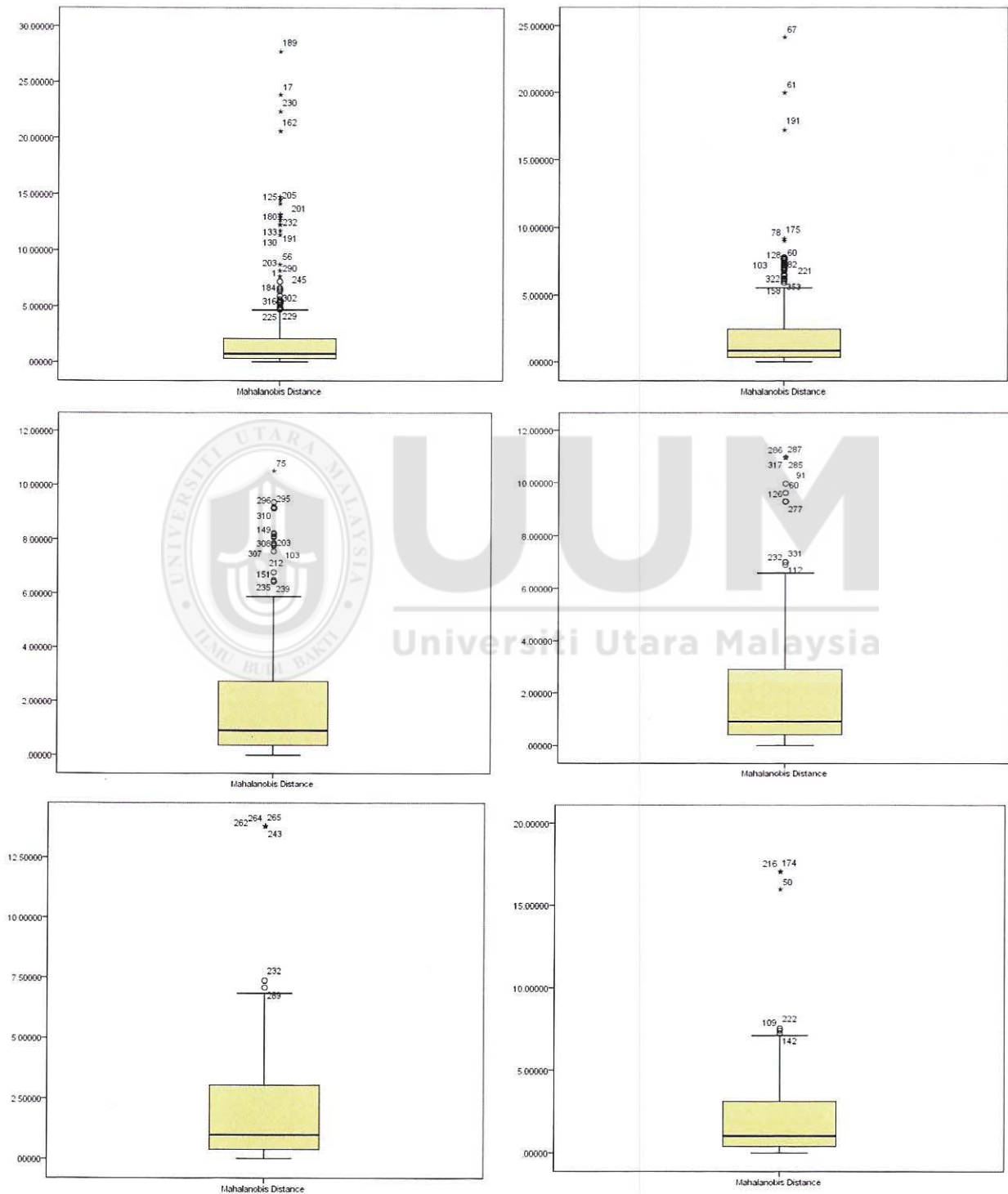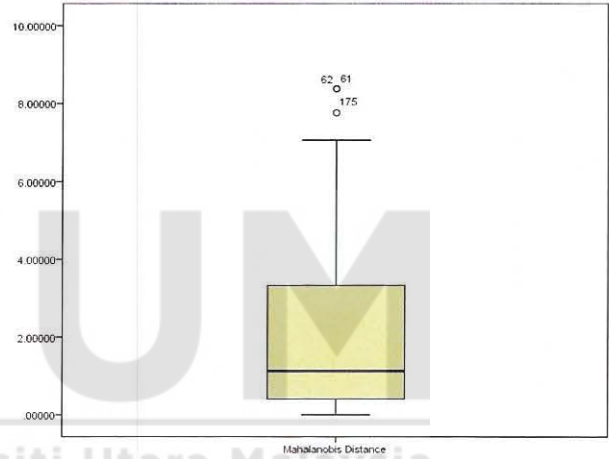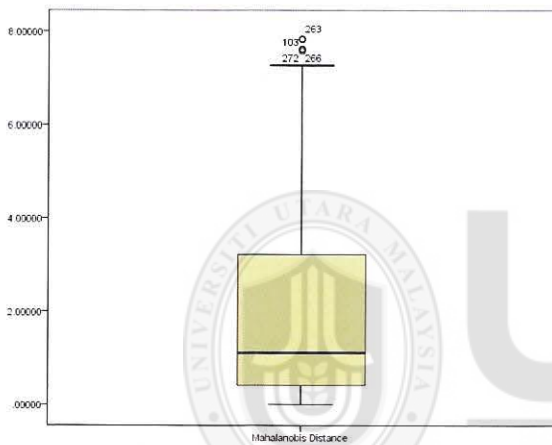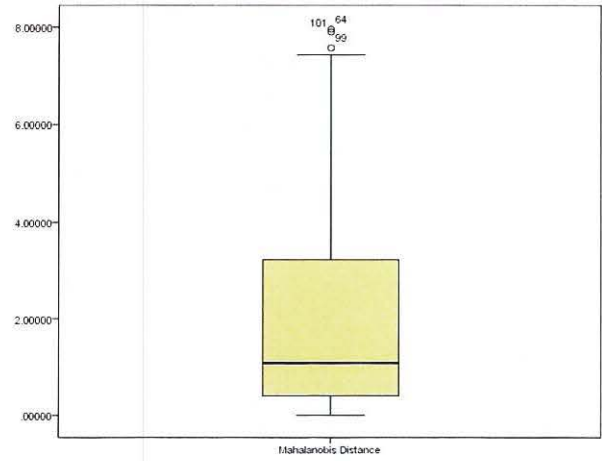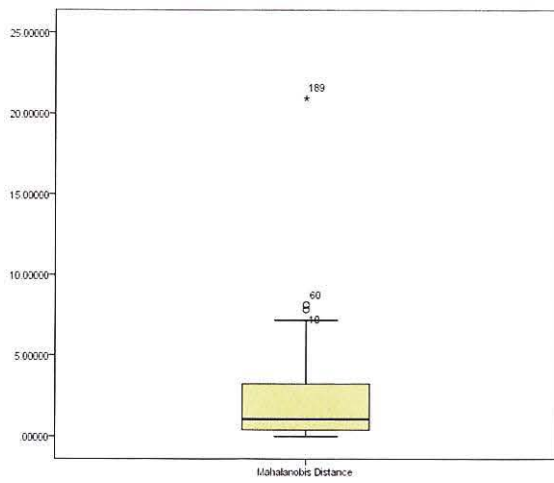
## 4.6    Factor Analysis

The purpose of factor analysis is to summarize the structure of a set of variables. In addition, it will determine whether items are tapping into the same construct or not (Coakes, Steed and Ong, 2010). This is the most popular method for determining construct validity (Sekaran, 2003).

Factor analysis was performed separately for each set of independent and dependent variables based on the study instruments. The idea was to determine the discriminant factors and the convergent of items bunched in particular dimensions or factors.

Before the factor analysis was executed, firstly, the researcher will examined the anti-image correlation, KMO test and Bartlett's test. The anti-image correlation shows that all measures of sampling adequacy (MSA) values for all variables are well above the acceptable level of 0.5. In addition partial correlations results show that all values are not exceeding 0.7. Hence, the variables are appropriate for factor analysis.

For the purpose to ensure the appropriateness to conduct factor analysis there are other tests were performed such as Bartlett test and KMO measurement. According to Meyers, Gamst and Guarino (2006), KMO measurement of sampling adequacy for every variable must be greater than 0.70 and Bartlett's test must be significant at a significant level of $\rho < 0.05$. **Table 4.6** below indicated the KMO and Bartlett's test values for each variable used in this study.

**Table 4.6   KMO and Barlett's Test Value**

| Variables | KMO Value | Barlett's Test Value |
|---|---|---|
| Compensation & benefits (CB) | 0.828 | 0.00 |
| Performance Appraisal (PA) | 0.906 | 0.00 |
| Employee engagement (EE) | 0.946 | 0.00 |

**Table 4.6** shows that the KMO value score for intention to leave, job satisfaction, and job-related stress is 0.828, 0.906 and 0.946. In addition, the Barlett's test value revealed that each variable in this study have significant level at $p<0.05$. Therefore, this score value has allowed the researcher conducted a factor analysis process.

### 4.6.1   Factor Analysis for Compensation & benefits

**Table 4.7** below revealed that the anti-image correlation which indicates the size of sampling adequacy (MSA) for all variables. MSA value must exceed the acceptance level of 0.5. Therefore, in measuring the Compensation & benefits (CB), no items were removed because all items are in a level of acceptance and for partial correlation, all values are below 0.7.

# Table 4.7 Anti-image Correlation Results (Compensation & Benefits)

| | | CB1 | CB2 | CB3 | CB4 | CB5 | CB6 | CB76 | CB8 | CB9 | CB10 | CB11 | CB12 | CB13 | CB14 | CB15 | CB16 | CB17 | CB18 | CB19 | CB20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Anti-image Correlation | CB1 | .755[a] | -.357 | -.078 | -.131 | .035 | -.107 | -.020 | .052 | -.061 | -.009 | .032 | -.010 | -.027 | .013 | -.080 | .144 | .024 | -.013 | .025 | -.051 |
| | CB2 | -.357 | .800[a] | -.176 | -.057 | -.167 | -.031 | .029 | -.133 | -.042 | .012 | -.002 | .060 | .041 | .046 | .026 | .012 | -.006 | .054 | .057 | -.134 |
| | CB3 | -.078 | -.176 | .837[a] | -.221 | -.128 | -.052 | -.090 | -.024 | -.023 | -.009 | -.089 | -.033 | .098 | .068 | .039 | -.075 | -.014 | -.005 | .073 | .015 |
| | CB4 | -.131 | -.057 | -.221 | .879[a] | -.176 | -.138 | -.024 | .035 | -.055 | -.047 | .020 | -.009 | .039 | .031 | .013 | -.096 | -.146 | -.101 | .000 | -.066 |
| | CB5 | .035 | -.167 | -.128 | -.176 | .857[a] | -.056 | -.097 | -.063 | -.002 | -.048 | -.069 | .005 | -.038 | -.107 | -.168 | .121 | .076 | -.131 | -.134 | .063 |
| | CB6 | -.107 | -.031 | -.052 | -.138 | -.056 | .676[a] | -.314 | .011 | .077 | .009 | -.015 | -.065 | -.144 | .058 | .064 | -.116 | .005 | .116 | -.055 | .068 |
| | CB7 | -.020 | .029 | -.090 | -.024 | -.097 | -.314 | .681[a] | -.062 | -.038 | .005 | .030 | .011 | -.013 | .088 | -.014 | .058 | .092 | -.054 | .006 | .011 |
| | CB8 | .052 | -.133 | -.024 | .035 | -.063 | .011 | -.062 | .853[a] | -.347 | -.143 | -.207 | .110 | -.016 | -.041 | -.021 | -.039 | -.040 | .055 | .006 | -.053 |
| | CB9 | -.061 | -.042 | -.023 | -.055 | -.002 | .077 | -.038 | -.347 | .865[a] | -.139 | -.091 | .011 | -.101 | .068 | .037 | -.023 | -.050 | -.001 | -.141 | .038 |
| | CB10 | -.009 | .012 | -.009 | -.047 | -.048 | .009 | .005 | -.143 | -.139 | .930[a] | -.128 | -.113 | -.052 | .007 | -.050 | -.048 | .001 | -.096 | -.179 | -.063 |
| | CB11 | .032 | -.002 | -.089 | .020 | -.069 | -.015 | .030 | -.207 | -.091 | -.128 | .887[a] | -.115 | .116 | -.152 | .014 | -.087 | -.159 | .033 | .018 | -.035 |
| | CB12 | -.010 | .060 | -.033 | -.009 | .005 | -.065 | .011 | .110 | .011 | -.113 | -.115 | .786[a] | -.262 | .056 | -.077 | -.124 | -.021 | .034 | .062 | -.155 |
| | CB13 | -.027 | .041 | .098 | .039 | -.038 | -.144 | -.013 | -.016 | -.101 | -.052 | .116 | -.262 | .772[a] | -.093 | .047 | -.134 | -.105 | -.018 | -.007 | -.029 |
| | CB14 | .013 | .046 | .068 | .031 | -.107 | .058 | .088 | -.041 | .068 | .007 | -.152 | .056 | -.093 | .830[a] | -.291 | -.017 | -.059 | -.199 | -.036 | -.090 |
| | CB15 | -.080 | .026 | .039 | .013 | -.168 | .064 | -.014 | -.021 | .037 | -.050 | .014 | -.077 | .047 | -.291 | .807[a] | -.157 | -.148 | .028 | .006 | .021 |
| | CB16 | .144 | .012 | -.075 | -.096 | .121 | -.116 | .058 | -.039 | -.023 | -.048 | -.087 | -.124 | -.134 | -.017 | -.157 | .797[a] | -.031 | .078 | .045 | -.088 |
| | CB17 | .024 | -.006 | -.014 | -.146 | .076 | .005 | .092 | -.040 | -.050 | .001 | -.159 | -.021 | -.105 | -.059 | -.148 | -.031 | .873[a] | -.281 | .021 | -.109 |

83

| | CB1 | CB2 | CB3 | CB4 | CB5 | CB6 | CB76 | CB8 | CB9 | CB10 | CB11 | CB12 | CB13 | CB14 | CB15 | CB16 | CB17 | CB18 | CB19 | CB20 | CB1 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CB18 | -.013 | .054 | -.005 | -.101 | -.131 | .116 | -.054 | .055 | -.001 | -.096 | .033 | .034 | -.018 | -.199 | .028 | .078 | -.281 | .796[a] | .104 | -.139 | |
| CB19 | .025 | .057 | .073 | .000 | -.134 | -.055 | .006 | .006 | -.141 | -.179 | .018 | .062 | -.007 | -.036 | .006 | .045 | .021 | .104 | .771[a] | -.576 | |
| CB20 | -.051 | -.134 | .015 | -.066 | .063 | .068 | .011 | -.053 | .038 | -.063 | -.035 | -.155 | -.029 | -.090 | .021 | -.088 | -.109 | -.139 | -.576 | .809[a] | |

a. Measures of Sampling Adequacy (MSA)

To identify the number of compensation & benefits, the researcher examined total of factors extracted from the Eigenvalues table. In evaluating Eigenvalues, the researcher considered factors that scored Eigenvalues 1 or greater and total cumulative variance percentage more than or equal to 60%. Referring to **Table 4.8**, the researcher only obtained seven factor score of Eigenvalue. Total compensation & benefits involved in this research are seven.

**Table 4.8 Eigenvalue for Compensation & Benefits**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 4.963 | 24.816 | 24.816 | 4.963 | 24.816 | 24.816 |
| 2 | 2.196 | 10.978 | 35.793 | 2.196 | 10.978 | 35.793 |
| 3 | 1.490 | 7.448 | 43.242 | 1.490 | 7.448 | 43.242 |
| 4 | 1.286 | 6.428 | 49.669 | 1.286 | 6.428 | 49.669 |
| 5 | 1.068 | 5.341 | 55.011 | 1.068 | 5.341 | 55.011 |
| 6 | .997 | 4.985 | 59.995 | .997 | 4.985 | 59.995 |
| 7 | .892 | 4.462 | 64.457 | .892 | 4.462 | 64.457 |
| 8 | .840 | 4.201 | 68.658 | | | |
| 9 | .731 | 3.653 | 72.311 | | | |
| 10 | .686 | 3.430 | 75.740 | | | |
| 11 | .646 | 3.230 | 78.970 | | | |
| 12 | .596 | 2.982 | 81.952 | | | |
| 13 | .559 | 2.793 | 84.746 | | | |
| 14 | .535 | 2.677 | 87.422 | | | |
| 15 | .510 | 2.549 | 89.972 | | | |
| 16 | .475 | 2.377 | 92.349 | | | |
| 17 | .459 | 2.294 | 94.642 | | | |
| 18 | .418 | 2.088 | 96.730 | | | |
| 19 | .392 | 1.959 | 98.689 | | | |
| 20 | .262 | 1.311 | 100.000 | | | |

Extraction Method: Principal Component Analysis.

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Factor loading was used to indicate items that were clustered in each factor. This research has applied ±0.35 as the minimum value for factor loading.

Based on **Table 4.8** results, the researcher extracted 7 Factors by Rotated Component Matrix. Factor 1 consist of 4 items including "The company provides the benefit package adequately for my position", "A lot of benefits I had received from my employment", "In general, the value of the benefit satisfied with me", and "The company provides me with clear information about fringe benefits on my employment". Factor 2 consist of 4 items including "My recent bonus, salary increment or incentive drive me to work harder", "The monetary rewards were fairly determined based on my work", "I know clearly about the information related to reward schemes", and "The monetary rewards provided to me are competitive compares to the organization". Factor 4 consist of 2 items including "My benefits are commensurate with the work I do" and "Overall, the entitlement of the benefits provided by the company is fair among employees". While factor 3, factor 5, factor 6 and factor 7 have been removed from the analysis because they did not achieve sufficient level of reliability.

## Table 4.9 Rotated Component Matrix for Compensation & benefits

| Questionnaires | Component | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| CB8 :Benefits package adequately | .791 | .112 | -.020 | .169 | .013 | .115 | .072 |
| CB9 :Received a lot of benefits | .708 | .136 | .057 | .280 | .071 | -.074 | .048 |
| CB11 :Clear about fringe benefits | .667 | .074 | .174 | .000 | .187 | .235 | -.049 |
| CB10 :Value benefits satisfied me | .517 | .083 | .213 | .420 | .186 | .119 | .052 |
| CB1 :Bonus, increment or incentives | -.084 | .789 | -.005 | .181 | -.028 | .039 | .048 |
| CB2 :Fair monetary rewards | .212 | .778 | -.065 | .125 | -.037 | .049 | .025 |
| CB3: Clearly about rewards schemes | .295 | .587 | .067 | -.273 | .203 | -.060 | .217 |
| CB4 :Monetary rewards provided competitive compare others organization | .189 | .523 | .178 | .022 | .435 | .016 | .232 |
| CB12: Satisfied entitlement of health & insurance benefits | .022 | .055 | .731 | .164 | .079 | .049 | .019 |
| CB16 :Company follow benefits by laws | .311 | -.004 | .682 | -.137 | -.031 | .183 | -.044 |
| CB13: Satisfied entitlement of leave benefits | -.010 | -.077 | .617 | .310 | .126 | .019 | .164 |
| CB19: Benefits commensurate with work | .285 | .079 | .096 | .796 | .068 | .115 | .037 |
| CB20: Benefits provided is fair | .257 | .187 | .235 | .697 | .249 | .139 | -.076 |
| CB18: Benefits quite same with friend's organization | .036 | .011 | -.044 | .165 | .840 | .168 | -.002 |
| CB17: Benefits good compare other organization | .263 | .082 | .267 | .097 | .641 | .188 | -.147 |
| CB15: Satisfied with working uniform | .093 | .076 | .173 | .025 | .048 | .843 | -.032 |
| CB14: Satisfied with sport & recreation | .120 | -.081 | .057 | .208 | .309 | .692 | -.110 |
| CB5: Company administer the scheme properly | .237 | .332 | -.114 | .179 | .232 | .415 | .371 |
| CB7: Superior influence my rewards | .064 | .035 | -.078 | .000 | -.004 | -.042 | .849 |
| CB6 :Motivate as receive rewards | -.036 | .229 | .313 | -.020 | -.109 | -.071 | .684 |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.[a]

a. Rotation converged in 7 iterations.

**Table 4.10** depicts that Cronbach's Alpha value ($\alpha$) for Compensation & Benefits after factor analysis process. Factor 1 for Compensation & benefits consists of 4 items of which the Cronbach's Alpha value is 0.750. The researcher had renamed this factor as "Benefits". Factor 2 consists of 4 items of which the Cronbach's Alpha value is 0.692 and renamed as "Rewards". Factor 4 consists of 2 items of which the Cronbach's Alpha value is 0.810. Based on previous researches related to this study, the researcher decided to rename this factor as "Fairness of benefits". Therefore, Factor 1, Factor 2 and Factor 4 continued to be used for further analysis.

**Table 4.10 Reliability Values for Compensation & benefits after Factor Analysis**

| Compensation & benefits | Cronbach's Alpha ($\alpha$) after factor analysis |
|---|---|
| Factor 1   Benefits | 0.750 |
| Factor 2   Rewards | 0.692 |
| Factor 4   Fairness of benefits | 0.810 |

### 4.6.2    Factor Analysis for Performance Appraisal

Referring to **Table 4.11**, the results revealed that the anti-image correlation which indicates the size of sampling adequacy (MSA) for all variables. The MSA value must exceed acceptance level of 0.5. Therefore, in measuring Performance Appraisal (PA), no items were removed because all items are in a level of acceptance and for partial correlation, all values are below 0.7.

# Table 4.11 Anti-image Correlation Results (Performance Appraisal)

| | | PA1 | PA2 | PA3 | PA4 | PA5 | PA6 | PA7 | PA8 | PA9 | PA10 | PA11 | PA12 | PA13 | PA14 | PA15 | PA16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Anti-image Correlation | PA1 | .909[a] | -.194 | .030 | .063 | -.111 | -.050 | .090 | .018 | -.113 | -.002 | -.014 | -.054 | .045 | -.212 | -.033 | -.094 |
| | PA2 | -.194 | .856[a] | -.199 | -.154 | -.084 | -.124 | -.117 | -.064 | .112 | .013 | .064 | -.021 | -.306 | .166 | .131 | -.013 |
| | PA3 | .030 | -.199 | .922[a] | -.313 | -.163 | -.083 | .044 | -.111 | -.071 | .085 | -.013 | -.092 | -.004 | -.057 | -.070 | -.028 |
| | PA4 | .063 | -.154 | -.313 | .886[a] | -.050 | -.243 | -.183 | .042 | -.019 | .112 | -.026 | .029 | .048 | .015 | -.056 | -.012 |
| | PA5 | -.111 | -.084 | -.163 | -.050 | .941[a] | -.243 | .052 | -.107 | -.042 | -.077 | -.018 | .005 | -.091 | -.025 | -.041 | .088 |
| | PA6 | -.050 | -.124 | -.083 | -.243 | -.243 | .915[a] | -.065 | -.029 | -.012 | -.287 | .129 | -.006 | -.010 | -.027 | -.100 | -.057 |
| | PA7 | .090 | -.117 | .044 | -.183 | .052 | -.065 | .915[a] | -.142 | -.215 | -.060 | -.119 | .071 | -.148 | -.012 | .039 | -.042 |
| | PA8 | .018 | -.064 | -.111 | .042 | -.107 | -.029 | -.142 | .923[a] | -.357 | -.046 | -.020 | .033 | -.094 | -.124 | -.136 | .062 |
| | PA9 | -.113 | .112 | -.071 | -.019 | -.042 | -.012 | -.215 | -.357 | .914[a] | .007 | -.034 | -.112 | -.014 | -.071 | .018 | -.088 |
| | PA10 | -.002 | .013 | .085 | .112 | -.077 | -.287 | -.060 | -.046 | .007 | .880[a] | -.279 | -.129 | .023 | -.015 | -.073 | -.064 |
| | PA11 | -.014 | .064 | -.013 | -.026 | -.018 | .129 | -.119 | -.020 | -.034 | -.279 | .851[a] | -.179 | -.178 | .040 | -.030 | .026 |
| | PA12 | -.054 | -.021 | -.092 | .029 | .005 | -.006 | .071 | .033 | -.112 | -.129 | -.179 | .927[a] | .011 | -.195 | -.100 | -.086 |
| | PA13 | .045 | -.306 | -.004 | .048 | -.091 | -.010 | -.148 | -.094 | -.014 | .023 | -.178 | .011 | .910[a] | -.215 | -.054 | .004 |
| | PA14 | -.212 | .166 | -.057 | .015 | -.025 | -.027 | -.012 | -.124 | -.071 | -.015 | .040 | -.195 | -.215 | .894[a] | .030 | -.299 |
| | PA15 | -.033 | .131 | -.070 | -.056 | -.041 | -.100 | .039 | -.136 | .018 | -.073 | -.030 | -.100 | -.054 | .030 | .911[a] | -.334 |
| | PA16 | -.094 | -.013 | -.028 | -.012 | .088 | -.057 | -.042 | .062 | -.088 | -.064 | .026 | -.086 | .004 | -.299 | -.334 | .892[a] |

a. Measures of Sampling Adequacy(MSA)

Referring to **Table 4.12**, factor analysis for Performance Appraisal extracted 4 factors in this study. The factors have extracts score of 61.90% from cumulative variance Eigenvalues.

**Table 4.12   Eigenvalues for Performance Appraisal**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 6.406 | 40.037 | 40.037 | 6.406 | 40.037 | 40.037 | 3.089 | 19.307 | 19.307 |
| 2 | 1.535 | 9.591 | 49.628 | 1.535 | 9.591 | 49.628 | 2.932 | 18.326 | 37.633 |
| 3 | 1.071 | 6.694 | 56.322 | 1.071 | 6.694 | 56.322 | 2.246 | 14.038 | 51.671 |
| 4 | .892 | 5.578 | 61.900 | .892 | 5.578 | 61.900 | 1.637 | 10.229 | 61.900 |

Extraction Method: Principal Component Analysis.

**Table 4.13** below showed that Factor 1 consist of 4 items including "I receive specific and accurate feedback from my manager on my past performance", "I feel more motivated after performance appraisal", "It improves the relationship with my manager", "I feel that time spent on PA is well worthwhile", and "Performance review improves job performance". Factor 2 consist of 5 items including "I take greater understanding of the results expected of me", "Performance appraisal makes me better understand what I should be doing", "I clearly understand the purpose of the performance appraisal", "Since participating in the Performance Appraisal process, I have developed personally", and "The Performance Appraisal system helps identify areas for development ". Factor 3

consist of 4 items including "Promotion is purely based on Performance Appraisal", "Performance goals are clearly defined in the appraisal process", "The Performance Appraisal process supports the company's strategy", and "Performance appraisal in my company is fair". While factor 4 have been removed from the analysis because they did not achieve sufficient level of reliability.

**Table 4.13 Rotated Component Matrix for Performance Appraisal**

| Questionnaires | Component | | | |
| --- | --- | --- | --- | --- |
| | 1 | 2 | 3 | 4 |
| PA4: Improves relationship with manager | .751 | .096 | .211 | .010 |
| PA2: Receive specific and accurate feedback | .739 | .017 | .260 | .020 |
| PA6: Performance review improve job performance | .706 | .346 | .109 | .248 |
| PA3: Feel motivated after performance appraisal | .695 | .289 | .257 | .032 |
| PA5: Time spent on PA is worthwhile | .657 | .279 | .159 | .204 |
| PA systems helps identify areas for development | .131 | .757 | .175 | .121 |
| PA14: Clearly understand purpose of PA | .091 | .718 | .377 | .083 |
| PA15: Since participate in PA, i developed personally | .244 | .630 | .083 | .252 |
| PA1: Greater understanding results expected | .243 | .625 | .083 | -.017 |
| PA12: makes better understanding on should do | .099 | .575 | .134 | .414 |
| PA7: Promotion is based on PA | .324 | .031 | .720 | .187 |
| PA9: process supports company's strategy | .165 | .435 | .669 | .094 |
| PA8: Performance goals are clearly defined | .311 | .348 | .647 | .125 |
| PA13: in my company is fair | .366 | .186 | .568 | .218 |
| PA11: All information in PA is confidential | .006 | .049 | .341 | .776 |
| PA10: Performance review give opportunity set personal goals | .222 | .298 | .044 | .752 |

Table 4.14 depicts that Cronbach's Alpha value (α) for job satisfaction after factor analysis process. Factor 1 for job satisfaction consists of 5 items of which the Cronbach's Alpha value is 0.789. The researcher had renamed this factor as "Process". Factor 2 consists of 5 items of which the Cronbach's Alpha value is 0.785 and renamed as "". Factor 3 consists of 4 items of which the Cronbach's Alpha value is 0.784. Based on previous researches related to this study, the researcher decided to rename this factor as "Fairness". Therefore, Factor 1, Factor 2 and Factor 3 continued to be used for further analysis.

Table 4.14 Reliability Values for Performance Appraisal after Factor Analysis

| Performance Appraisal | Cronbach's Alpha (α) after factor analysis |
|---|---|
| Factor 1   Process | 0.789 |
| Factor 2   Result | 0.785 |
| Factor 3   Fairness | 0.784 |

### 4.6.3    Factor Analysis for Employee Engagement

Referring to **Table 4.15**, the results revealed the anti-image correlation which indicates the size of sampling adequacy (MSA) for all variables. MSA value must exceed acceptance level is 0.5. Therefore, in measuring job related stress, no items were removed because all items are in a level of acceptance and for partial correlation, all values are below 0.7.

## Table 4.15 Anti-image Correlation Results (Employee Engagement)

| | | EE1 | EE2 | EE3 | EE4 | EE5 | EE6 | EE7 | EE8 | EE9 | EE10 | EE11 | EE12 | EE13 | EE14 | EE15 | EE16 | EE17 | EE18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Anti-image Correlation | EE1 | .953[a] | -.419 | -.002 | -.075 | -.080 | -.032 | .040 | -.090 | .110 | .033 | -.047 | .036 | -.073 | .008 | -.058 | -.109 | .000 | .101 |
| | EE2 | -.419 | .931[a] | -.330 | .062 | -.147 | .133 | -.044 | -.042 | -.079 | -.105 | -.057 | .079 | .060 | -.069 | .049 | -.014 | .023 | -.102 |
| | EE3 | -.002 | -.330 | .938[a] | -.190 | .037 | -.275 | .142 | .054 | .071 | -.012 | .052 | -.102 | -.089 | .001 | -.026 | .137 | .088 | -.075 |
| | EE4 | -.075 | .062 | -.190 | .945[a] | -.429 | .083 | -.083 | .023 | -.044 | -.038 | .011 | .115 | .030 | -.040 | .035 | -.139 | -.006 | -.016 |
| | EE5 | -.080 | -.147 | .037 | -.429 | .926[a] | -.250 | .076 | .016 | .040 | -.150 | -.079 | -.112 | .088 | .174 | -.167 | .063 | -.111 | .098 |
| | EE6 | -.032 | .133 | -.275 | .083 | -.250 | .941[a] | -.045 | -.150 | -.076 | -.105 | .065 | .205 | .062 | -.054 | .085 | -.086 | -.158 | -.059 |
| | EE7 | .040 | -.044 | .142 | -.083 | -.076 | -.045 | .967[a] | -.213 | -.136 | .010 | -.095 | -.125 | .105 | .098 | -.162 | -.080 | .014 | .032 |
| | EE8 | -.090 | -.042 | .054 | .023 | .016 | -.150 | -.213 | .962[a] | -.232 | .035 | -.185 | -.130 | -.102 | -.122 | .039 | .076 | .033 | -.014 |
| | EE9 | -.110 | -.079 | .071 | -.044 | .040 | -.076 | -.136 | -.232 | .960[a] | -.291 | -.091 | -.057 | .008 | .029 | .068 | -.053 | -.102 | .072 |
| | EE10 | .033 | -.105 | -.012 | -.038 | -.150 | -.105 | .010 | .035 | -.291 | .955[a] | -.274 | -.025 | -.148 | -.049 | .067 | -.097 | .137 | -.048 |
| | EE11 | -.047 | -.057 | .052 | .011 | -.079 | .065 | -.095 | -.185 | -.091 | -.274 | .966[a] | -.088 | .096 | -.030 | -.063 | .036 | .015 | -.089 |
| | EE12 | .036 | .079 | -.102 | .115 | -.112 | .205 | -.125 | -.130 | -.057 | -.025 | -.088 | .953[a] | -.188 | -.040 | .025 | -.147 | -.187 | -.004 |
| | EE13 | -.073 | .060 | -.089 | .030 | .088 | .062 | .105 | -.102 | .008 | -.148 | .096 | -.188 | .947[a] | -.175 | -.229 | -.194 | .062 | -.173 |
| | EE14 | .008 | -.069 | .001 | -.040 | .174 | -.054 | .098 | -.122 | .029 | -.049 | -.030 | -.040 | -.175 | .959[a] | -.287 | -.058 | -.119 | -.084 |
| | EE15 | -.058 | .049 | -.026 | .035 | -.167 | .085 | -.162 | .039 | .068 | .067 | -.063 | .025 | -.229 | -.287 | .946[a] | -.314 | -.044 | -.132 |
| | EE16 | -.109 | -.014 | .137 | -.139 | .063 | -.086 | -.080 | .076 | -.053 | -.097 | .036 | -.147 | -.194 | -.058 | -.314 | .959[a] | -.096 | -.067 |
| | EE17 | .000 | .023 | .088 | -.006 | -.111 | -.158 | .014 | .033 | -.102 | .137 | .015 | -.187 | .062 | -.119 | -.044 | -.096 | .926[a] | -.531 |
| | EE18 | .101 | -.102 | -.075 | -.016 | .098 | -.059 | .032 | -.014 | .072 | -.048 | -.089 | -.004 | -.173 | -.084 | -.132 | -.067 | -.531 | .933[a] |

a. Measures of Sampling Adequacy (MSA)

Referring to **Table 4.16**, factor analysis for Employee Engagement was extracted to 2 factors in this study.

**Table 4.16   Eigenvalues for Employee Engagement**

| Compone nt | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 10.296 | 57.202 | 57.202 | 10.296 | 57.202 | 57.202 | 6.575 | 36.526 | 36.526 |
| 2 | 1.733 | 9.628 | 66.831 | 1.733 | 9.628 | 66.831 | 5.455 | 30.304 | 66.831 |

Extraction Method: Principal Component Analysis.

Referring to the table above, the factors have extracts score of 66.83% from cumulative variance Eigenvalues. Factor loading was used to indicate items that were clustered in each factor. This research has applied ±0.35 as the minimum value for factor loading.

**Table 4.17** shows that Factor 1 consists of 9 items including "I work intensity on my job", "I exert my full effort to my job", "I devote a lot of energy to my job", "I try my hardest to perform well on my job", "I strive as hard as I can to complete my job", "I exert a lot of energy about my job", " I am enthusiastic about my job", "I feel energetic about my job", "I am interested in my job", "I am proud of my job" and "I feel positive about my job". While, Factor 2 was discarded from further analysis because it did not achieve sufficient level of reliability.

## Table 4.17  Rotated Component Matrix for Employee Engagement

| Questionnaires | Component | |
|---|---|---|
| | 1 | 2 |
| EE5: Strive as hard to complete my job | .816 | .213 |
| EE4: Try hardest to perform | .768 | .228 |
| EE2: Exert my full effort to my job | .759 | .275 |
| EE9: Interested in my job | .727 | .345 |
| EE6: Exert a lot of energy on my job | .725 | .275 |
| EE3: Devote a lot of energy to my job | .722 | .261 |
| EE1: Work intensity on my job | .720 | .309 |
| EE7: Enthusiastic about my job | .718 | .343 |
| EE10: Proud of my job | .713 | .390 |
| EE8: Feel energetic about my job | .674 | .433 |
| EE11: Positive about my job | .652 | .391 |
| EE13: At work, my mind is focused on my job | .241 | .827 |
| EE18: At work, i devote a lot of attention to my job | .317 | .813 |
| EE15: At work, i concentrate on my job | .249 | .813 |
| EE16: At work, i focus a great deal of attention on my job | .356 | .805 |
| EE17: At work, i absorbed in my job | .415 | .769 |
| EE14: At work, i am pay a lot attention to my job | .338 | .764 |
| EE12: Excited about my job | .334 | .696 |

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.[a]

a. Rotation converged in 3 iterations.

## 4.7    Correlation Analysis

**Table 4.18** shows that the relationship between Employee Engagement, Performance Appraisal and Compensation & benefits. The relationship between Compensation & Benefits (Benefit, Rewards, and Fairness) and Employee Engagement showed a positive direction of r = 0.130*, r = 0.134*, and r = 0.106. The relationship between Performance Appraisal (PA process, PA Result, PA fairness) and Employee Engagement shows a positive direction at r = 0.193**, r = 0.370** and r = 0.194**. Therefore, Performance Appraisal and Compensation & Benefits have significant relationship at level p>0.01.

**Table 4.18    Summary Correlation Results between Performance Appraisal, Compensation & benefits and Employee Engagement**

| Independent Variables | Employee Engagement |
|---|---|
| **Benefit** | 0.130* |
| **Rewards** | 0.134* |
| **Fairness benefits** | 0.106 |
| **PA process** | 0.193** |
| **PA result** | 0.370** |
| **PA fairness** | 0.194** |

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

**Table 4.19   Correlation Results between Performance Appraisal, Compensation & benefits and Employee Engagement**

| | | Benefits | Rewards | Fairness Benefits | PA Process | PA result | PA fairness | Employee Engagement |
|---|---|---|---|---|---|---|---|---|
| Benefits | Pearson Correlation | 1 | .357** | .519** | .491** | .407** | .724** | .130* |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 | .026 |
| | N | 294 | 294 | 294 | 294 | 294 | 294 | 294 |
| Rewards | Pearson Correlation | .357** | 1 | .264** | .423** | .338** | .347** | .134* |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .000 | .021 |
| | N | 294 | 294 | 294 | 294 | 294 | 294 | 294 |
| Fairness Benefits | Pearson Correlation | .519** | .264** | 1 | .443** | .415** | .376** | .106 |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .000 | .000 | .071 |
| | N | 294 | 294 | 294 | 294 | 294 | 294 | 294 |
| PA Process | Pearson Correlation | .491** | .423** | .443** | 1 | .503** | .407** | .193** |
| | Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .000 | .001 |
| | N | 294 | 294 | 294 | 294 | 294 | 294 | 294 |
| PA result | Pearson Correlation | .407** | .338** | .415** | .503** | 1 | .389** | .370** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | .000 | .000 |
| | N | 294 | 294 | 294 | 294 | 294 | 294 | 294 |
| PA fairness | Pearson Correlation | .724** | .347** | .376** | .407** | .389** | 1 | .194** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | | .001 |
| | N | 294 | 294 | 294 | 294 | 294 | 294 | 294 |
| Employee Engagement | Pearson Correlation | .130* | .134* | .106 | .193** | .370** | .194** | 1 |
| | Sig. (2-tailed) | .026 | .021 | .071 | .001 | .000 | .001 | |
| | N | 294 | 294 | 294 | 294 | 294 | 294 | 294 |

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

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

## 4.8    Multiple Regression Analysis

Multiple regression analysis was performed in order to identify which independent variables predict the Employee Engagement. Before pursuing regression analysis, researcher had ensured that there was no violation of regression assumptions occurred. Tests such as normality, linearity and multivariate outliers have been discussed earlier. In testing residual violation, the researcher had performed Casewise diagnostic and Durbin-Watson test. For Casewise diagnostic, any standardized residual value that is greater than ± 3 will portray a residual violation.  Another test to identify residual violation is Durbin-Watson test as showed in **Table 4.20.** The Durbin- Watson value in this research is 1.791. According to Montgomery, Peck and Vining (2001) if Durbin-Watson value is in the range of 1.5 to 2.5, no residual violation exists.

**Table 4.20    Durbin-Watson test**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-----|----------|-------------------|----------------------------|---------------|
| 1 | .460[a] | .212 | .195 | .35304 | 1.791 |

a. Predictors: (Constant), PA_fairness, Rewards, Fairness_benefits, PA_result, PA_Process, benefit

b. Dependent Variable: Employee_engagement

**Table 4.21  Beta Value Results of Performance Appraisal and Compensation & benefits**

Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 2.339 | .250 | | 9.361 | .000 | | |
| | Benefits | -.142 | .070 | -.174 | -2.041 | .042 | .384 | 2.601 |
| | Rewards | .029 | .044 | .039 | .657 | .512 | .779 | 1.284 |
| | Fairness Benefits | -.023 | .039 | -.037 | -.575 | .565 | .662 | 1.511 |
| | PA Process | .029 | .055 | .036 | .524 | .601 | .597 | 1.676 |
| | PA result | .444 | .064 | .445 | 6.918 | .000 | .675 | 1.481 |
| | PA fairness | .131 | .075 | .136 | 1.747 | .082 | .458 | 2.185 |

a. Dependent Variable: Employee_engagement

## 4.7.1  Regression Analysis Performance Appraisal and Compensation & Benefits towards Employee Engagement

In case wise test, the one case is discarded from the sample. Durbin-Watson value was 1.791 which is in a range to deny the existence of residual violation. $R^2$ value represents the coefficient of determination between predicted values of the dependent variable and the actual values of the dependent variable. **Table 4.22** shows that the value for $R^2$ is 0.212. This indicates that 21.20% of variance of the Employee Engagement was accounted by Performance Appraisal and Compensation & Benefits.

The F value is 12.643 where is significant at significance level of $\rho < 0.05$. This result indicated that a significant relationship exists between the weighted linear composite of the independent variables and the dependent variable. While the VIF value must less than 10 and Tolerance value must more than 0.1. **Table 4.22** showed that all tolerance values were exceeded 0.01 and all VIF values were below 10. Therefore no multicollinearity exists

Table 4.22   Regression Results between Performance Appraisals
and Compensation & Benefits towards Employee Engagement

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| Benefits | -.142 | .070 | -.174 | -2.041 | .042 | .384 | 2.601 |
| Rewards | .029 | .044 | .039 | .657 | .512 | .779 | 1.284 |
| Fairness Benefit | -.023 | .039 | -.037 | -.575 | .565 | .662 | 1.511 |
| PA Process | .029 | .055 | .036 | .524 | .601 | .597 | 1.676 |
| PA Result | .444 | .064 | .445 | 6.918 | .000 | .675 | 1.481 |
| PA Fairness | .131 | .075 | .136 | 1.747 | .082 | .458 | 2.185 |

a. Dependent Variable: Employee_engagement

**Table 4.23  Summary of Regression Results between Performance Appraisals and Compensation & Benefits towards Employee Engagement**

| Independent Variables | Model IV-DV |
|---|---|
| Benefits | -0.174 |
| PA Result | 0.445 |
| | |
| DF | 6, 282,288 |
| F Value | 12.643 |
| R2 | 0.212 |

Note: * Significant at the p<0.05 level

The $t$ test and significance levels allow the researcher to assess each variable's unique contribution to the prediction of the dependent variable. Performance Appraisal and Compensation & Benefits have significant prediction to Employee Engagement based on significant level at $\rho<0.05$ where sig. value for "Benefits" is 0.042 and "PA value" is 0.000. The regression result indicated that factor Benefits (Compensation & Benefits) affected negatively towards Employee Engagement while factor PA result (Performance Appraisal) positively affected Employee Engagement. Thus, factor Benefits is significantly and negatively affected Employee Engagement with Beta value 0.174. While PA result is significantly and positively affected Employee Engagement with Beta value 0.445.

## 4.9 Conclusions

This chapter underlines the results from data analysis procedures. In the first process, the researcher implemented data screening that applied the linearity test and normality test. The researcher had also removed some of the outliers. This process is followed by factor analysis and reliability test where the researcher examined the value of Cronbach's alpha. The researcher then executed correlation analysis as a final analysis. The researcher will use the findings in this chapter to discuss and make conclusions in Chapter 5.

# CHAPTER 5

## CONCLUSION AND RECOMMENDATIONS

### 5.1    Introduction

This conclusion section presents the deliberation and interpretation of the data findings in Chapter 4. The conclusion were clearly relate to the objective and results of this research. The purpose of the conclusion was to integrate the various issues covered in the research and draw logical deductions based on the research findings. Furthermore, the recommendation section in this report was the place where the suggestions were proposed based on the findings.

As overall, this study investigated the determined the relation relationship between the two independent variables namely compensation & benefits and performance Appraisal with the dependent variable which is employee engagement among employees in FGVHB. Secondary data were collected by distributing questionnaire by 400 staffs in FGVHB. Based on the result of factor analysis and **figure 5.1**, the researcher has successfully extracted six reliable dimension of factor analysis for both independent variables which namely as benefits, rewards, and benefits fairness for compensation & benefits variable. For performance appraisal (PA) variable, three factors were examined, namely, PA process, PA result and PA fairness. Other purpose

of this study is also explained which of the independent variables mentioned is the highest influence in employee engagement level in FGVHB.
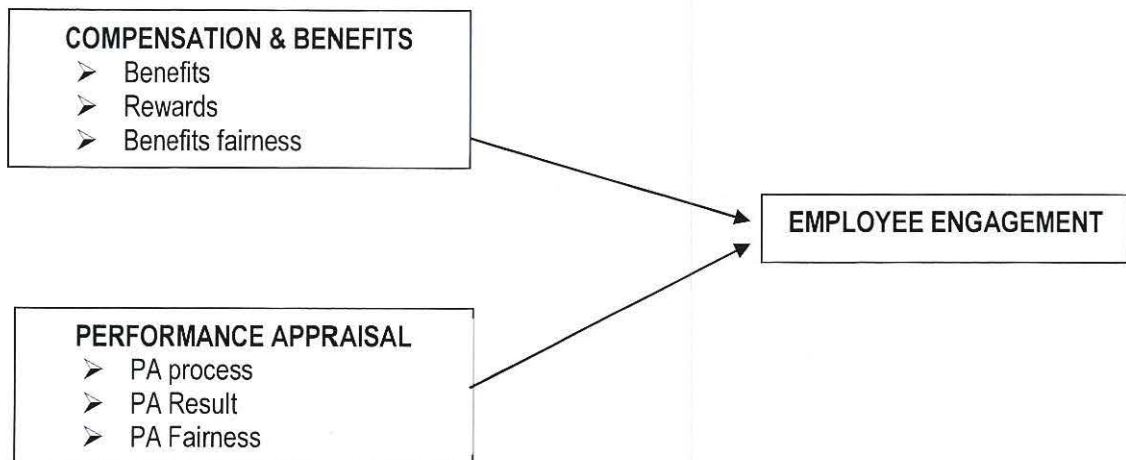


**Figure 5.1 Research Framework (Dimension of Compensation & benefits and Performance Appraisal)**

In the following discussion, result of each objective are reviewed and compared with the previous literature. Discussion on the key findings of this research is as follows.

## 5.2    Compensation & Benefits and Employee Engagement

The first research question aims to determine whether compensation & benefits influence employee engagement. Based on the result of correlation analysis, it was found a positive association between compensation & benefits and employee engagement. The relationship between three dimensions of compensation & benefits which is benefits, rewards and fairness and employee engagement indicate a positive direction at r = 0.130*, r = 0.134*, and r = 0.106. Therefore performance appraisal have significant relationship at level p>0.01. This means the more compensation &

benefits provided to employees, the higher employee engagement among employees in FGVHB. This is aligned with the previous research by Anitha (2014), she has identified there is a significant relationship between employee engagement and compensation.

Based on the result from the factor analysis of this study, the researcher has successfully extracted 3 dimension of compensation & benefits namely benefits, rewards and fairness. All these dimension score Cronbach Alpha values that well above 0.7. Hence these dimension of compensation & benefits are reliable.

In Chapter 4, the researcher has restated the hypotheses according to the result of factor analysis. Therefore, in order to decide whether the hypothesis is supported or rejected, multiple regression analysis was performed. From the analysis showed compensation & benefits have significant prediction to employee engagement based on significant level at $p<0.05$ where sig. value for "Benefits" is 0.042. In this research, the regression result indicated that factor Benefits (Compensation & Benefits) was significantly and negatively affected Employee Engagement with Beta value -0.174. Hence, this supports the second hypothesis (H1) of this study that there is a significant effect between compensation & benefits and employee engagement.

The plausible explanation for this situation such as means when less benefits was allocated to employees the more high level of employee engagement. Employee benefits are non-salary compensation that can vary from every company. An employee benefits package can includes in monetary and non-monetary value. All benefits which in monetary value like insurance, medical plan, paid time off, gratuity or some types employee benefits that are mandated by law, including minimum wage, and social security. While employee benefits in non-monetary package for example such as leave,

flexible working hours, and recognition. Normally, most employees want their company provide a lot of benefits to them which will bring to foster greater employee engagement. But not in FGVHB where the researcher found that benefits is significantly and negatively affected employee engagement.

With the FGV financial year 2016 recorded that total Profit Before Zakat & Tax (PBZT) came in at RM263.07 million against RM452.55 million in 2015 (FGVHB, 2016 Annual Report) where may cause some less allocation on compensation and benefits such as in bonus payout or increment percentage. Through the year 2016 and 2017 there a lot of cost control initiatives be implemented by FGVHB such overtime time control, mileage claim control and low rate of increment with the across the board rate for all employees. With the tough year faced by FGVHB management, it also seem be supported by the employees when all those cost control iniative be implemented. It is because even monetary benefits seem to be affected because of the company performance, but the non-monetary benefits in FGVHB look like to be strong. Hence, FGVHB instead of increase monetary benefits the company needs propose to increases the non-monetary benefits rather than monetary benefits. FGVHB keep maintained an excellent non-monetary benefits such as maintained RM50,000 coverage per employee for medical plan, introduced flexible working hours, expanded the type of unrecorded leave for family decease, and paternity leave. All this iniative that related with non-monetary indirectly will make employee more engage with company.

## 5.3    Performance Appraisal and Employee Engagement

Similar to the first independent variable, the result of the multiple regressions has also shown a significant relationship between performance appraisal and employee engagement. The three dimensions of performance appraisal (PA) which is PA process, PA Result, and PA Fairness shows positive direction relationship with employee engagement where the correlation coefficient at r = 0.193**, r = 370**, and r = 0.194**. This is supported by previous research by Vazirani (2007) where he listed one of the critical drivers lead to employee engagement is performance appraisal.

Based on the result from the factor analysis of this study, the researcher has successfully extracted 3 dimension of performance appraisal namely PA Process, PA Result, and PA fairness. All these dimension score Cronbach Alpha values that well above 0.7. Hence these dimension of performance appraisal are reliable.

From the regression analysis showed performance appraisal have significant prediction to employee engagement based on significant level at $\rho<0.05$ where sig. value for "PA Result" is 0.000. In this research, the regression result indicated that factor PA Result (Performance Appraisal) was significantly and positively affected Employee Engagement with Beta value 0.445. Hence, this supports the second hypothesis (H2) of this study that there is a significant influence between performance appraisal and employee engagement. The explanation for this situation because of the implementation of performance management system in FGVH was aligned with reward and recognition back to staffs. Promotion, increment and bonuses allocation to the employees was be determined by the final Performance Management Score (PMS) which is actually the "PA result". Meaning that when the performance result increase and this will effected the employee engagement in FGVHB. For those employee who

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get the rating 4 and above for the PMS score will always demand for the best increment and bonus rate to them. From this findings shows, employees in FGVHB agree that PMS system that has implemented in FGVHB was be aligned with reward system. Those who was performer will be rewarded accordingly rather through promotion exercise, increment or bonus pay-out. Hence, most of the FGVHB employees will feel more engage with company.

## 5.4    Implication of the Study

The research findings could benefit to the organization and are likely to have important implication for HR practitioners. The organization will be able to improve the compensation & benefits package and performance appraisal system to increase the level of employee engagement in FGVHB. The significant of relationship identified during this study also can help management in FGVHB to understand why employees are engaged or disengaged at work. A critical role of HR managers is to provide explanation how the process of compensation & benefits package and the performance appraisal be implemented in FGVHB to the employees to ensure they will not feel all those iniative will give disadvantages to them.

This study also provide insights into the correlation between compensation & benefits and performance appraisal with employee engagement within a Malaysian multi-national company in the palm oil industry. It contributes to the knowledge on factors behind employee retention that have emerged as unique to the employees in such industry in Malaysia.

## 5.5    Limitations of the Study

Firstly, the survey was conducted in the context of a Malaysian company in the palm oil industry. The findings of this study is limited to the populations of approximately 18,531 executive and non-executive employees of Felda Global Ventures Holding Bhd. The number of employees and sample size is also comparatively minor to allow generalisation to be made on the Malaysian palm oil industry. Furthermore, survey did not include daily paid workers and foreign workers which are this categories also play the major role in plantations. Replicating this study across different other organisations may provide better insight into such issues prevailing in palm oil industries in general in Malaysia. Making use of random sample across different industries and size of organisations can also provide for more convincing generalisation of the results.

Secondly, this study did not make the differentiation between different generations of employees in the company. The majority of respondents (48%) are between 25 years to 34 years of age (Gen-Y and Millennials) whilst only 5% respondents are 55 years old (Baby boomers) and above. Others studies has found by Meir, Stephen & Crocker (2010), that another way of motivating and getting Generation Y (born from 1981-2001) to be engaged with the organization is through their job characteristics where they like to be challenged in their daily task.  According to Nagle (1999, cited in Meir, et al., 2010) Gen Y needs to be motivated and engaged with the organizations through reward and recognition. Young generation or Gen Y has become the fast growing workforce in the industry, so organization needs to know how to manage them. This is because they have different kind of preference of compensation, recognition, work life balance and support from organization. Therefore, management need to have different approach to engage this Gen Y compare others generations.

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Thirdly, whilst the two main variables of compensation & benefits and performance appraisal showed correlation with employee engagement toward FGVHB's employees there are other factors might have high influences to employee engagement which are not covered in this study. Factors such as leadership style, recognition, career development or certain employees competencies could well play major influences on an employee's engage or disengage to the company.

Lastly, there are limitation in this study regarding to the accuracy of data from the respondents as they deal with a very sensitive subject-matter. There is possibility that the responses from the employees did not reflect their real intention as they may perceive that their negative responses to questions on transparency of performance appraisal, how the company reward to staffs and employee engagement may somehow adversely affect their standing in the company. Despite the researcher's assurance that the respondents remain anonymous and that their responses remain confidential as the data was to be analysed collectively rather than individually, they might still be uncomfortable to be frank in their responses.

## 5.6    Recommendations

An engaged workforce is fundamental to sustained competitive advantage and accelerated business performance. The result of the research suggests that both compensation & benefit and performance appraisal has a significant linear relationship with employee engagement. This is based on its regression result (beta value, "benefits",-0.174 and "PA result, 0.445) which indicates that if organization increase the non-monetary compensation package, it will lead to increase employee

engagement level. While, through performance appraisal result, employee also believe it also effected to reward which will contribute to high employee engagement. However, which it is not surprising as monetary benefits that related as part of rewards is one of the important factors that keeps employee engage with the organization. This certainly could be due to increasing cost of living, demands of prevailing lifestyle and social responsibility. While, when more performance appraisal result be used as part of reward to the staffs, the more percentage it will contribute to the level of employee engagement.

Furthermore, the from the findings, it can be used by any interested parties to enhance or expand this research to develop any strategies specifically in developing an effective performance appraisal system and compensation package to increase the employee engagement in the organization. The researcher of this study has come out with few recommendation for the human resource department in cooperative companies to ensure employee will engage with the organization.

### 5.6.1    Non-monetary benefits

Most employees want the same things such as a fair and competitive salary, raises and promotions, health insurance and retirement funds. But besides high pay and generous benefits, as an employer they need to find what employees really want. Nowadays, with the current economy situation most organization included FGVHB need to search various fascinating non-monetary benefits that can provide to their staffs. Even this non-financial reward also commonly known as "nice-to-haves" benefits but it can be the backbone of the recruitment or retention strategy. Below are the non-monetary

benefits that can possible to create positive culture, more loyal, productive workforce and more engaged employees.

- **More autonomy**

From the research, 48% of respondents is from generation Y which is challenges are viewed differently from having more responsibilities. They want to mentally challenge and will prefer working without workload (Baruch, 2004). Load of documentation will bore to them. While the degree of autonomy will also affect the employee engagement in the organization. The degree of autonomy to his work allows employees to design his daily work. As an employee, they always want to be clear about what they need to do and prefer to have ample time to finish the job given. Even most of them they want the freedom to get the job done on their own. In order words, less supervision more autonomy given to them. When their supervisor is continuously checking on them, questioning their activities and micromanaging them, it is harder to focus on their work and harder to get things done. If their supervisor or managers trust their subordinate, they should give some freedom to work with their own idea but still under less monitoring. This is also a way to groom a leader with this style.

- **Recognition and appreciation**

Rewarded employee accordingly through monetary compensation & benefits is not only the best solution to engage them. Recognition can come as one of the solution whereas will not involve any cost. For example, recognize the people for their good job make them repeat the performance frequently by saying "thank you". Recognition and praise can be powerful workplace motivator to employees. In addition they will

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feel like they are really important and a part of the organization. It is easy and incredibly low cost to recognize and appreciate employees. It could be simple as giving them a pat on the back for a job well done or organize "employee of the month" program. It could be incentives for hard work, like gift cards to local restaurant or any small token. In addition, for those who recognized as "employee of the month" can be treated by lunch with their top management. This will give a great feeling when they have opportunity to get along during lunch with their top management and changing an ideas during the session. In meetings, the management also may mention the high achievers name and what they have achieved, not only to compliment the achievers, but also to motivate others to emulate, if not to exceed their performance level.

We all want to feel valued what we do and every each employees want to know their employers are grateful for and appreciative of their contributions to the organization. All these will be translated into high employee engagement level.

- **Flexible working hours**

Due to changes in social and lifestyle in today's environment have impact the awareness of flexible working arrangements in an organization. From the previous study showed that the competitive working environment and increasing workload has caused family and personal life being neglected (Mary & Chris, 1988). Therefore, as Cook (1992) suggested that through the implementation of flexible working hour's schedule, the responsibilities over children' safety and education will more secured. Nowadays, with both husband and wife are working usually need flexible working hour. Employee with flexible hour will more motivated than employee who are not

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with inflexible schedule. Giving employee schedule flexibility helps them to feel freer, even when the total hours worked remains the same. From the demographic of respondents, the research found out that 48% of respondent are 25 – 34 years old and 81% of respondents are married. Hence, the flexible working hours if be implemented will allows this cohort to focus on multiple roles in today's competitive working environments. Offering them the option to arrive earlier and leave earlier or to arrive later and stay later can make huge difference in their lives and in their level of job satisfaction. Previous years, FGVHB has also implemented the flexible working hours but be practice has be abolished because of certain reason. However, it should implement back because this strategy create balance between work and lifestyle. In other words, at least this can make FGVHB's employee feel that their management understand what are they need to face in their routine day.

- **Include employees and managers in compensation package design and launch.**

'Best' practices and sophisticated reward program designs fall if they are not properly rolled out and there no employee involvement. The best compensation package is because employers can identified what actually the most needed compensation item by employee and it must be affordable to be implement by the employers. Employers need to conduct a conversation with employee to clarify their expectation and they need to also be explain on the company financial performance. Sometime, employee will always demand a lot of thing related with compensation. But it is the employer's role to communicate with their employee rather the organization can fulfil their demand by looking on the company's financial. Thus, the compensation package must

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be "fair" rather to company or to their employees. They can be invited to "HR talk" to discuss on any issue relating reward or benefits policies. HR practitioner need also play a role to employees understand about performance metric and link to pay, and how pay programs works in the organization.

## 5.6.2  Performance based incentive

Most managers would agree that motivated, productive employees are crucial for any organization. Management can consider by implement performance-based incentive pay which usually can be categorize into two form. Firstly bonuses are offered to individuals based on assessments of their performance. PMS score need to be used again by FGVHB as a method to determine how much amount the employee be entitle. The incentive plan must be objective and fair to all employees. Secondly, a performance-based incentive plan should plan designed to motivate the employees to behave in ways that will result in achievement of company's goal or target. Such as, management allocate some budget for a reward package also known "gain sharing incentive". In the early of the early, management will set the KPI or target, and if the certain mills or estate in FGVHB achieve outstanding result whereas is beyond the target, all the employees in the estate or mill will entitle for the incentive. This reward system is based on the mill or estate performance and it will create the competitiveness among others employee to get the best result for their mills or estate.

### 5.6.3 Greater employee involvement in performance appraisal process

In order to ensure the implementation of performance appraisal reach its potential and be of the benefits to employees, it need involvement to all employees from the bottom to the top of management. Rankin & Kleiner (1998) quoted that; *"one of the key factors of Performance Appraisal was to have the manager and employee jointly identify ways to improve the employee's performance, and establish a development plan to support the employee in achieving their goals. When employees are involved they take a greater interest as they are given more of a voice. Greater employee participation is known to create an atmosphere of cooperation, reduces tension and appraiser – appraise conflict which could be cause by the appraisal"*, (Jordan, 1990).

### 5.6.4 Effective performance appraisal process

The vital element of implementation of performance appraisal is to ensure the effectiveness of the performance appraisal process. At the first place, employee need to agree that performance appraisal is not a tool to penalize employee. It is a tool measure employee's performance and as personal development planning. An effective implementation of performance appraisal absolutely will bring to effective employee engagement. Several important elements in performance appraisal process need to be emphasize such as:

- **Effective KPI setting**

Both appraiser and appraise need to be clear about the performance appraisal process during this stage. Appraise need to understand at early stage of KPI setting where their

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final performance score will influence the reward that they may get. The KPI item need to be create based be specific, measurable, achievable, reasonable and timeliness. It need to be cascade down from top to the bottom and need to be link with overall business plan, and strategy. In addition it need to be agree with both appraiser and appraise.

• **Effective of internal communication**

Effective employee engagement it is because there are well communication between appraisers and appraises during performance appraisal. Managers need to use the opportunity to provide positive communication during the first quarter of the year to set up the key performance index (KPI) until the evaluation and feedback session. It should be continuously session and managers should treat this practice as annual basis performance. Even, during the feedback session as appraiser, they also need feedback how their style or approach towards giving feedback rather can be accepted by appraise. The best way is managers need to listen and communication frequently with all employees during the session. Through this way it will make it easy for employees to tell them about problem and concerns.

• **Effective feedback session**

The final stage and important part in performance appraisal process is feedback session. An effective feedback session will ensure the effectiveness of performance appraisal whereas employee will know benefits of the performance appraisal. Allocated the proper schedule for feedback session about 60-90 minute of feedback sessions and discuss with appraise which area of performance need to be approve.

Appraiser need also ensure during the feedback session his subordinate personal development need to be discussed. After the session, appraiser or management need to be "walk the talk", all those personal development for his employees that has been discussed need to be executed.

## 5.7 Future Research

This study was conducted to achieve the set objectives. This research considers only limited for two variable which is compensation & benefits and performance appraisal with employee engagement. For future research, it is suggested add some others variables that possible contribute to employee engagement. To get more accurate results more questions should be included and the methodology study can be enhanced further by increasing the sample size. Future research should enlarge of data by adding respondent in others companies in the palm oil industries which will make a significant contribution to the result. Furthermore, research can also extend to certain generational cohort such Gen-X, Gen-Y and Baby boomers which is the result of employee engagement maybe should be different

## 5.8 Conclusions

The purpose of this study is to analyse and determine relationship between compensation & benefits and performance appraisal will contribute to employee engagement in FGVHB. The study of the relationship helps to fill a gap in the literature as employee engagement is a fairly new term. The result and data analysis from the research questionnaire indicates that both compensation & benefits and performance

appraisal have significant relationship with employee engagement. Six dimension or factors of these variables were analysed, namely as "benefits, rewards, fairness of benefits, PA Process, PA result and PA fairness". The result shows if organization increase the non-monetary compensation package, it will lead to increase of employee engagement. While, performance appraisal result also contribute to employee engagement when employee believe when they perform well, and be rewarded accordingly after performance evaluation.

Measurement without action can do more harm and do nothing with that findings will lead to employees feeling that they are not being heard. It can turn negatively impact morale and trust level. The real challenge is to ensuring FGVHB keep growing and perform well and at the same time their employee need to engaged with the organization. In order to thrive, FGVHB must provide any strategies and plan to ensure the result of employee engagement at least more higher than 2017. Employees are the "key assets of any organization" and if they are not given the appropriate space and happier workplace, then the sense of disengagement will be sets for the employees.

Meanwhile, reward and recognition if be improved could contribute to positive impact on employee's motivation and satisfaction. Thus, FGVHB should revised and develop a new reward system either in monetary or non-monetary that suitable with their current financial and it should be competitive with other companies in the same industry. "Win-win situation" should be implemented whatever reward system be planned must also liaised with the FGVHB financial performance if it will related to the monetary reward. In order hand, FGVHB can focuses on the non-monetary reward whereas they can implement a thousand of initiatives.

In summary, this study has shown that compensation & benefits and performance appraisal has a significant relationship towards employee engagement. Benefits, rewards, fairness of benefits, PA process, PA result and PA fairness has emerged as some of the factors influencing the employee engagement in FGVHB. The various initiatives that be recommended can be taken by FGVHB in order to help them to ensure all the employees engaged with organization.

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## QUESTIONNAIRES

## THE EFFECTIVENESS OF COMPENSATION & BENEFITS AND PERFORMANCE APPRAISAL ON EMPLOYEE ENGAGEMENT AMONG EMPLOYEES IN FELDA GLOBAL VENTURES HOLDINGS BERHAD (FGVHB)

Dear Sir/Madam

The purpose of this study is to examine the effectiveness of compensation & benefits and performance appraisal on employee engagement among employees in FGVHB.

*Tujuan kajian ini dijalankan adalah bagi mengkaji keberkesanan faedah & pampasan dan penilaian prestasi terhadap penglibatan pekerja di kalangan pekerja di FGVHB*

The questionnaire contains 4 (four) parts which has been designed to be easy to complete. All questions has be prepared in bilingual in English and Bahasa Malaysia. Your response is very important to this study and will be kept strictly confidential and only be used to serve for academic purpose only. It will take no longer than 10 minutes to complete it. I would appreciate it very much if you could answer each question thoroughly and honestly as possible in order to obtain its accuracy and validity. Should need any further clarification, please do not hesitate to contact me: 012-9640543.

*Soal selidik ini mengandungi 4 (empat) bahagian dan mudah untuk diisikan. Semua soalan telah disediakan dalam dwibahasa dalam Bahasa Inggeris dan Bahasa Malaysia. Maklum balas anda adalah sangat penting untuk kajian ini Setiap jawapan yang diberikan akan disimpan secara sulit dan hanya akan digunakan untuk tujuan kajian akademik ini sahaja. Ia hanya akan mengambil masa tidak lebih daripada 10 minit untuk menyiapkannya. Saya amat menghargainya jika anda boleh menjawab kesemua soalan dengan teliti dan jujur pasti memastikan ketepatan dan kesahihah dapatan kajian yang diperolehi. Sekiranya memerlukan sebarang bentuk penjelasan, boleh hubungi saya, 012-9640543.*

Please return the completed questionnaire at your earliest convenience.
Thanks you for time and cooperation
*Sila kembalikan set soal selidik ini seawall mungkin mengikut kesenangan Tuan/Puan*
*Terima kasih di atas masa dan kerjasasama yang diberikan oleh Tuan/Puan.*

Cordially,
**Ramdzan Radzi (815691)**
Master in Human Resource Management
Universiti Utara Malaysia Kuala Lumpur (UUMKL)

Supervisor:
**Dr.Zulkiflee bin Daud**
Universiti Utara Kuala Lumpur

1

**Section A: Demographic Information** *(maklumat peribadi)*

**Question below are about your background. Please tick ( √ ) in the appropriate box.**

*Soalan dibawah adalah mengenai latarbelakang saudara/saudari. Sila tandakan ( √ ) di dalam kotak yang disediakan*

1. **Gender** *(Jantina)* :

   Male    ☐      Female    ☐
   *(Lelaki)*       *(Perempuan)*

2. **Age:**
   *(Umur)*

   Below 25    ☐      25 to 34 years    ☐

   35 to 44 years    ☐      45 to 54 years    ☐

   55 and above    ☐

3. **Marital status**
   *(Status perkahwinan)*

   Single (bujang)    ☐      Married *(berkahwin)*    ☐

4. **Academic qualification**
   *(kelayakan akademik)*

   SPM    ☐      Diploma/Certificate    ☐

   Degree    ☐      Master    ☐

5. **Cluster**

   Corporate Centre    ☐      Trading    ☐
   Upstream       LMO    ☐
   Downstream    ☐      Other:_____    ☐

6. **Department** *(Jabatan)*

   Procurement *(Perolehan)*    ☐      Management *(Pengurusan)*    ☐
   HSE *(Keselamatan)*       Logistic *(Logistik)*    ☐
   Human Resource *(Sumber Manusia)*       Operation *(Operasi)*    ☐
   IT    ☐      Finance *(Kewangan)*    ☐
   Legal *(Perundangan)*       Other :_____    ☐
                    Cth: Kilang/Ladang dll

2

7. **Length of service** *(tempoh khidmat)*

**Below 5 years** *(bawah 2 tahun)*
**6 to 10 years** *( 5 hingga 10 tahun)*
**11 – 20 years** *( 10 hingga 20 tahun )*
**More than 20 years** *( lebih daripada 20 tahun)*

☐
☐
☐
☐

8. **Your position level in the company**
   *(kedudukan saudari/i di syarikat)*

Non-Executive *(non-eksekutif)*
Executive *(Eksekutif)*

☐
☐

Manager *(Pengurus)*
General Manager *(Pengurus Besar)*

☐
☐

9. **Monthly income** *(pendapatan bulanan)*

RM1000 – RM2000
RM 2001 –RM3000
RM 30001 –RM4000
More than RM4000

☐
☐
☐
☐

**Section B: Compensation & Benefits** *(Pampasan & Faedah)*

**Please read the following statements and circle ( O ) appropriately in the box that best explains your opinion. Circle ( O ) only one number for each statement.**

*Sila baca penyataan di bawah dan bulatkan jawapan yang bersesuaian pada pendapat anda. Bulatkan hanya satu jawapan bagi setiap penyataan.*

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| **Strongly Disagree** *(Sangat tidak setuju)* | **Disagree** *(tidak setuju)* | **Uncertain** *(tidak pasti)* | **Agree** *(Agree)* | **Strongly Agree** *(Strongly agree)* |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1. | My recent bonus, salary increment or incentives drive me to work harder *Bonus, kenaikan gaji atau insentif yang terbaru saya terima, mendorong saya untuk bekerja lebih keras* | 1 | 2 | 3 | 4 | 5 |
| 2. | The monetary rewards were fairly determined based on my work *Anugerah kewangan ditentukan berdasarkan preastasi kerja saya* | 1 | 2 | 3 | 4 | 5 |
| 3. | I know clearly about the information related to reward schemes *Saya tahu dengan jelas tentang maklumat yang berkaitan dengan skim ganjaran* | 1 | 2 | 3 | 4 | 5 |
| 4. | The monetary rewards provided to me are competitive compares to the organization *Ganjaran kewangan yang disediakan kepada saya adalah berdaya saing berbanding dengan organisasi lain* | 1 | 2 | 3 | 4 | 5 |
| 5. | The way company administer the monetary reward schemes is proper *Pendekatan syarikat menguruskan skim ganjaran kewangan adalah sesuai* | 1 | 2 | 3 | 4 | 5 |
| 6. | I am motivated to work harder if I receive the rewards *Saya bermotivasi untuk bekerja lebih keras jika saya menerima ganjaran* | 1 | 2 | 3 | 4 | 5 |
| 7. | My immediate superior has influence my monetary rewards *Penyelia saya mempunyai pengaruh ke atas ganjaran Kewangan saya* | 1 | 2 | 3 | 4 | 5 |

4

| | | | | | | |
|---|---|---|---|---|---|---|
| 8. | The company provides the benefit package adequately for my position<br>*Syarikat ini menyediakan pakej faedah-faedah yang mencukupi untuk jawatan saya* | 1 | 2 | 3 | 4 | 5 |
| 9. | A lot of benefits I had received from my employment<br>*Saya menerima banyak faedah dari pekerjaan saya* | 1 | 2 | 3 | 4 | 5 |
| 10. | In general, the value of the benefit satisfied with me<br>*Secara umum, saya berpuas hati dengan nilai faedah yang disediakan* | 1 | 2 | 3 | 4 | 5 |
| 11. | The company provides me with clear information about fringe benefits on my employment<br>*Syarikat memberikan saya maklumat yang jelas tentang faedah-faedah pekerjaan saya* | 1 | 2 | 3 | 4 | 5 |
| 12. | I am satisfied with my entitlement of health and insurance benefits provided by the company<br>*Saya berpuas hati dengan kelayakan untuk faedah kesihatan dan insuran disedikan oleh syarikat* | 1 | 2 | 3 | 4 | 5 |
| 13. | I am satisfied with my entitlement of leave benefits (annual leave, sick leave and compassionate leave<br>*Saya berpuas hati dengan kelayakan faedah cuti (cuti tahunan, suti sakit dan cuti ehsan)* | 1 | 2 | 3 | 4 | 5 |
| 14. | I am satisfied with sport & recreation club activities<br>*Saya berpuas hati dengan aktiviti kelab sukan dan rekreasi* | 1 | 2 | 3 | 4 | 5 |
| 15. | I am satisfied with my working uniform/corporate company shirt<br>*Saya berpuas hati dengan pakaian seragam/baju korporat* | 1 | 2 | 3 | 4 | 5 |
| 16. | The company follow benefits grant by the laws (Employment Act 1955,EPF and SOCSO)<br>*Syarikat memberi faedah yang ditetapkan oleh undang-undang (Akta Kerja 1955,KWSP, dan PERKESO)* | 1 | 2 | 3 | 4 | 5 |
| 17. | The benefits I received are good compare with the similar kind of work in other organization<br>*Faedah-faedah yang saya terima adalah lebih baik berbanding dengan di organisasi lain* | 1 | 2 | 3 | 4 | 5 |
| 18. | Benefits I receive are quite same with my friend in other organization<br>*Faedah yang saya terima sangat mirip dengan syarikat ahli keluarga saya bekerja* | 1 | 2 | 3 | 4 | 5 |

19. My benefits are commensurate with the work I do      1     2     3     4     5
*Faedah-faedah saya terima adalah sepadan dengan pekerjaan*
*yang saya lakukan*

20. Overall, the entitlement of the benefits provided by the     1     2     3     4     5
company is fair among employees
*Secara keseluruhan, faedah-faedah yang disediakan oleh*
*syarikat adalah adil bagi pekerja*

## Section C: Performance Appraisal / *Penilaian Prestasi*

Please read the following statements and circle ( O ) appropriately in the box that best explains your opinion. Circle ( O ) only one number for each statement.

*Sila baca penyataan di bawah dan bulatkan jawapan yang bersesuaian pada pendapat anda. Bulatkan hanya satu jawapan bagi setiap penyataan.*

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| **Strongly Disagree**<br>*(Sangat tidak setuju)* | **Disagree**<br><br>*(tidak setuju)* | **Uncertain**<br><br>*(tidak pasti)* | **Agree**<br><br>*(Agree)* | **Strongly Agree**<br>*(Strongly agree)* |

| No. | Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1. | I take greater understanding of the results expected of me.<br>*Saya sangat memahami keputusan yang diharapkan kepada saya* | 1 | 2 | 3 | 4 | 5 |
| 2. | I receive specific and accurate feedback from my manager on my past performance<br>*Saya menerima maklum balas yang spesifik dan tepat daripada Ketua saya terhadap prestasi saya yang lepas* | 1 | 2 | 3 | 4 | 5 |
| 3. | I feel more motivated after performance appraisal<br>*Saya merasakan sangat bermotivasi selepas penilaian prestasi dibuat* | 1 | 2 | 3 | 4 | 5 |
| 4. | It improves the relationship with my manager<br>*Ianya meningkatkan lagi hubungan dengan Ketua/Pengurus saya* | 1 | 2 | 3 | 4 | 5 |
| 5. | I feel that the time spent on PA is well worthwhile<br>*Saya merasakan masa yang digunakan semasa penilaian prestasi adalah sangat berbaloi* | 1 | 2 | 3 | 4 | 5 |
| 6. | Performance Review improves job performance<br>*Penilaian prestasi meningkatkan prestasi kerja saya* | 1 | 2 | 3 | 4 | 5 |
| 7. | Promotion is purely based on Performance Appraisal<br>*Kenaikan pangkat adalah berdasarkan penilaian prestasi* | 1 | 2 | 3 | 4 | 5 |
| 8. | Performance Goals are clearly defined in the appraisal process<br>*Matlamat prestasi dinyatakan dengan jelas semasa proses penilaian* | 1 | 2 | 3 | 4 | 5 |

| 9. | The Performance Appraisal process supports the Company's Strategy<br>*Proses penilaian prestasi menyokong strategi syarikat* | 1 | 2 | 3 | 4 | 5 |

10. Performance Reviews provide me with the opportunity to set personal goals
*Penilaian prestasi memberikan peluang kepada saya untuk menetapkan matlmat peribadi*  1 2 3 4 5

11. All the information obtained from PA is confidential
*Semua maklumat yang diperolehi semasa penilaian prestasi adalah sulit*  1 2 3 4 5

12. Performance appraisal makes me better understand what I should be doing.
*Penilaian prestasi menjadikan saya lebih memahami apa yang sepatutnya saya lakukan*  1 2 3 4 5

13. Performance appraisal in my company is fair
*Penilaian prestasi di syarikat saya adalah adil*  1 2 3 4 5

14. I clearly understand the purpose of performance appraisal.
*Saya jelas memahami tujuan penilaian prestasi*  1 2 3 4 5

15. Since participating in the Performance Appraisal process, I have developed personally
Semenjak saya terlibat dalam proses penilaian prestasi, saya telah membangunkan peribadi diri  1 2 3 4 5

16. The Performance Appraisal System helps identify areas for development
*Sistem Penilaian prestasi telah membantu saya dalam mengenalpasti bahagian yang boleh diperbaiki*  1 2 3 4 5

8

**Section D: Employee Engagement** *(penglibatan pekerja)*

**Please read the following statements and circle ( O ) appropriately in the box that best explains your opinion. Circle ( O ) only one number for each statement.**

*Sila baca penyataan di bawah dan bulatkan jawapan yang bersesuaian pada pendapat anda. Bulatkan hanya satu jawapan bagi setiap penyataan.*

| 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|
| **Strongly Disagree** *(Sangat tidak setuju)* | **Disagree** *(tidak setuju)* | **Uncertain** *(tidak pasti)* | **Agree** *(Agree)* | **Strongly Agree** *(Strongly agree)* |

1. I work with intensity on my job     1   2   3   4   5
   *Saya bekerja dengan penuh semangat terhadap kerja saya*

2. I exert my full effort to my job     1   2   3   4   5
   *Saya mengerahkan usaha sepenuhnya terhadap kerja saya*

3. I devote a lot of energy to my job     1   2   3   4   5
   *Saya menumpukan banyak tenaga untuk kerja saya*

4. I try my hardest to perform well on my job     1   2   3   4   5
   *Saya cuba lakukan yang terbaik dalam kerja saya*

5. I strive as hard as I can to complete my job     1   2   3   4   5
   *Saya berusaha keras seboleh mungkin untuk menyiapkan kerja saya*

6. I exert a lot of energy on my job     1   2   3   4   5
   *Saya mengerahkan banyak tenaga terhadap kerja saya*

7. I am enthusiastic about my job     1   2   3   4   5
   *Saya bersemangat terhadap kerja saya*

8. I feel energetic about my job     1   2   3   4   5
   *Saya rasa bertenaga terhadap kerja saya*

9. I am interested in my job     1   2   3   4   5
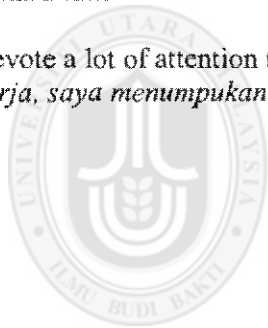   *Saya minat terhadap kerja saya*

10. I am proud of my job     1   2   3   4   5
    *Saya bangga terhadap kerja saya*

11. I feel positive about my job     1   2   3   4   5
    *Saya bersikap positif terhadap kerja saya*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 12. | I am excited about my job<br>*Saya teruja terhadap kerja saya* | 1 | 2 | 3 | 4 | 5 |
| 13. | At work, my mind is focused on my job<br>*Di tempat kerja, fikiran saya fokus kepada kerja* | 1 | 2 | 3 | 4 | 5 |
| 14. | At work, I pay a lot of attention to my job<br>*Di tempat kerja, saya berikan banyak perhatian terhadap kerja saya* | 1 | 2 | 3 | 4 | 5 |
| 15. | At work, I concentrate on my job<br>*Di tempat kerja, saya tumpukan perhatian terhadap kerja saya* | 1 | 2 | 3 | 4 | 5 |
| 16. | At work, I focus a great deal of attention on my job<br>*Di tempat kerja, saya memberikan segalanya tumpuan terhadap kerja saya* | 1 | 2 | 3 | 4 | 5 |
| 17. | At work, I am absorbed in my job<br>*Di tempat kerja, kerja adalah menjadi keutamaan saya daripada perkara lain* | 1 | 2 | 3 | 4 | 5 |
| 18. | At work, I devote a lot of attention to my job<br>*Di tempat kerja, saya menumpukan perhatian penuh terhadap kerja saya* | 1 | 2 | 3 | 4 | 5 |