



Faculty of Technology Management and Technopreneurship

**IMPLICATION OF JOB SATISFACTION AND ORGANIZATIONAL
COMMITMENT ON EMPLOYEE LOYALTY IN MANUFACTURING
COMPANIES**

Haikal Bin Ismail

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**IMPLICATION OF JOB SATISFACTION AND ORGANIZATIONAL
COMMITMENT ON EMPLOYEE LOYALTY IN MANUFACTURING
COMPANIES**

HAIKAL BIN ISMAIL

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DECLARATION

I declare that this thesis entitle “IMPLICATION JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT ON EMPLOYEE LOYALTY IN MANUFACTURING COMPANIES” is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature : 

Name : HAIKAL BIN ISMAIL

Date : 21 AUGUST 2013

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ABSTRACT

The purpose of this study is to examine the implication of job satisfaction and organizational commitment on employees' loyalty in manufacturing companies in Malaysia. In present study, three objectives of the study have been developed. The first objective is to investigate the current level of job satisfaction, organizational commitment and employee loyalty of employees in manufacturing companies in Malaysia. Second, the study aim to examine the significant differences of the study variables (i.e. job satisfaction, organizational commitment and employee loyalty) within demographic factors such as gender, age, etc. Lastly, the study aims to examine the relationships of the study variables. The results of study indicated that employees in manufacturing companies have moderate job satisfaction, moderate level of organizational commitment and slightly low level of employee loyalty. The results also revealed that the study variables have no significant differences within demographic factors. Lastly, the study found that job satisfaction and organizational commitment have significant impact on employee loyalty. Based on these findings, recommendations for manufacturing companies and for further study have been proposed.

ABSTRAK

Tujuan kajian ini adalah untuk mengetahui implikasi kepuasan kerja dan komitmen organisasi terhadap kesetiaan pekerja di dalam syarikat-syarikat pembuatan. Terdapat tiga objektif di dalam kajian ini. Objektif yang pertama bertujuan untuk mengkaji tahap kepuasan kerja, komitmen organisasi and kesetiaan pekerja di dalam syarikat-syarikat pembuatan di Malaysia. Objektif yang kedua bertujuan untuk mengkaji perbezaan di antara kepuasan kerja, komitmen organisasi dan kesetiaan pekerja terhadap faktor-faktor demografi seperti jantina, umur dan lain-lain. Akhir sekali, objektif ketiga bertujuan untuk mengkaji hubungan di antara kepuasan kerja, komitmen organisasi and kesetiaan pekerja. Hasil kajian menunjukkan pekerja-pekerja di syarikat pembuatan mempunyai tahap kepuasan kerja yang sederhana, tahap komitmen organisasi yang sederhana dan tahap kesetiaan pekerja yang sedikit rendah. Di dalam kajian ini, kepuasan kerja, komitmen organisasi dan kesetiaan pekerja tidak mempunyai perbezaan yang ketara dalam faktor-faktor demografi seperti jantina, umur dan sebagainya. Akhir sekali, kajian mendapati bahawa kepuasan kerja dan komitmen organisasi mempunyai impak yang besar terhadap kesetiaan pekerja. Berdasarkan keputusan kajian, cadangan kepada syarikat-syarikat pembuatan dan cadangan kepada kajian lanjut telah di buat.

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CHAPTER 1

INTRODUCTION

The purposed of this chapter is to provide an overview of the research. This chapter consists of five sections. The first section is to present the background of the study. In the second section, it presents problem statement to describe the issues of the study. In the third section, it presents the research objectives and questions to guide the present research. The significant of the study is presented in section four to describe the benefits of the study. Lastly, in the section five, it presents the limitation of the study.

1.1 Background of the Study

One of the competitive advantage resources in the company is the human resource or employee. Regardless of activities or sizes, a company achieves their competitive advantage with their employees, who are hired to do a specific jobs and tasks. The differences one's organization to others in achieving competitive advantage can be observed and measured through the comparison of their employees' attitude and behavior. This is because employees' attitude and behavior has direct impact on the organizational performance.

Employee loyalty is one of the issues related to employees' attitude and behavior. Since the employees' attitude and behavior have direct impact on organizational performance, this issue has attracted many researchers and practitioners to explore its dimensions, antecedents and consequences for the organization. Antoncic and Antoncic (2011) found that employee loyalty and firm growth showed positive relationship. This showed that, employee loyalty is important as a key success factor for the organization.

There are several arguments in the literature indicated that employee loyalty is important for organizational success. According to Aityan and Gupta (2011), organizations with loyal employee have significant competitive advantage and higher rate of survival compared to organization with less loyal employees. Thus, organizations used several strategies to improve and strengthen employee loyalty by offering a competitive pay, good working condition, career planning and professional development opportunities to employees (Wan, 2012).

It is undeniable that employee loyalty has many benefits to an organization for short-term and long-term organization's success. Many organizations are striving for an employee loyalty enhancement in the organizations, however, they still face difficulties in retaining employees since they are unable to identify factors that affecting employee loyalty towards the organization. This is because employee loyalty may arise from many different sources and impacted by numerous types of factors.

1.2 Problem Statement

In recent years, the manufacturing sector in Malaysia grows rapidly compared to previous decades. According to reports released by Malaysia Industrial Development Authority (MIDA), manufacturing sector accounted for the largest share of foreign direct investment (FDI) inflows, accounting for 50.1 percent of total FDI inflows ("MIDA Annual Conference", 2012). The manufacturing sector in Malaysia is expected to remain as a significant contributor to the growth of the country's economy as MIDA deputy chief executive officer II, Datuk Phang Ah Tong said MIDA has targeted manufacturing sector to contribute about RM 1.7 trillion to gross national income by 2020 ("MIDA Eyes RM 48 Billion Investment in Manufacturing Sector", 2013). This showed that manufacturing sector was major sector in contributing to Malaysia economy. However, many businesses in this sector are still struggling with employee issues such as the lack of skill labor, training and retaining current employees.

Human Resources Minister Datuk Seri S. Subramaniam in recent article stated that job hopping phenomena among young employees in Malaysia become a serious issue. According to him, due to the job market condition is very good; therefore, the young employees are taking advantage of the ample opportunities in the market ("Minister: Job-Hopping Trend Alarming", 2012). In conjunction of this issue, job hopping or practice of switching or quitting the job by the employees is huge problem for many organizations. This is because the organizations face highly cost process to replace employee who leaves the organization. Kyle (2007) indicated, to replace a lost employee cost the organization 150% of that person's

annual salary. From Malaysia perspectives, Malaysia Employers Federation (MEF) executive director Shamsuddin Bardan stated that in order to find replacement for each employee who quit, the organization had to spend an average RM25,000 to RM30,000 ("Costly Job Hopping", 2012).

The issue of employee turnover required more attention from the researchers and management. This issue is a crucial problem for all organizations no matter whether in public or private organization. It's become more important in the industry which contributes heavily to the country's GDP. Malaysia is developing country and it highly relies on the manufacturing sector. Thus, the potential growth of Malaysia can be impeded by the high turnover rates of employees in the manufacturing industry.

1.3 Research Objectives and Questions

Job satisfaction and organizational commitment are among the best predictors for employee loyalty (Pandey and Khare, 2011). They found that job satisfaction and organizational commitment have significant impact on the employee loyalty in the manufacturing sector. Thus, the purpose of this study is to investigate the implication of job satisfaction and organizational commitment on employee loyalty in manufacturing companies in Malaysia.

The main objectives of the study are:

- i. To examine the current level of job satisfaction, organizational commitment and employee loyalty in manufacturing companies.
- ii. To investigate the significant differences of job satisfaction, organizational commitment and employee loyalty within demographic factors such as gender, marital status, etc.
- iii. To investigate the relationship between job satisfaction, organizational commitment and employee loyalty.
- iv. To provide recommendation and suggestion for organizational improvement for employee loyalty.

The study is concerned to answer following questions:

- i. What is the current level of job satisfaction and organizational commitment of employees in organization studied?
- ii. Are there any significant differences of job satisfaction, organizational commitment and employee loyalty within demographic factors such as gender, marital status, etc.?
- iii. Is there any relationship between job satisfaction, organizational commitment and employee loyalty?

1.4 Significant of the Study

First at all, the significance of this study will provide wide information about the loyalty of employees in manufacturing companies in Malaysia. The study can be helpful to management to understand the overview of current condition regarding to job satisfaction, organizational commitment and employee loyalty in manufacturing companies.

In the addition, this study will be helpful to us to improve our understanding of how employee loyalty can be enhanced through job satisfaction and organizational commitment. The study will assist manufacturing companies to identify the key for developing employee loyalty in the organization.

The findings of this study would help managers and policy makers of companies as well as practitioners to formulate strategies and program for employee loyalty enhancement as well as to overcome turnover problem among employees in manufacturing industries.

Finally, this study can be useful not only a reference for further investigation about loyalty of employees in manufacturing sector, but also serves as a future reference for other researchers on the subject of employee loyalty.