

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

The issue of organizational commitment within the private sector, has, generally, received significant research. Scholars and researchers in the field of human resource management, organizational psychology and organizational behavior have given considerable theoretical and empirical attention in organizational commitment (Mowday, Porter and Steers, 1982; Meyer and Allen, 1997; Ahmad and Bakar, 2003; Payne and Huffman, 2005).

Organizational commitment has been defined as ‘the relative strength of an individual’s identification with and involvement in a particular organization’ (Mowday, Porter, and Steers, 1982) and a ‘psychological link between an employee and his or her organization that makes it less likely that the employee will voluntarily leave the organization’ (Allen and Meyer, 1996).

Organizational commitment reveals complex employee attitudes, including affective commitment involving emotional attachment to the organization, continuance commitment emphasizing the perceived investments vs. costs, and normative commitment concerning obligation-based considerations (Allen and Meyer, 1990). The multiple types of commitment consist of an employee’s belief in the organization,

willingness to work hard for it, and the desire to continue to work for it (Mowday et al., 1982). Higher or lower levels of commitment have been shown to be a major driver of employees staying with or leaving an organization (Cooper-Hakim and Viswesvaran, 2005). Low levels of commitment have been associated with increased incidences of absenteeism, tardiness and turnover which elevate expenses and lower productivity (Farrell and Stamm, 1988; Mathieu and Zajac, 1990; Cooper-Hakim and Viswesvaran, 2005). Low commitment is also linked to decrease motivation, low levels of morale (DeCotiis and Summers, 1987), decreased measures of altruism and compliance (Schappe, 1998), impoverish feelings of belonging, security, efficacy, goals and purpose in life, and a negative self-image (Mowday et al., 1982). In addition, non-committed employees may describe the organization in negative terms to outsiders, inhibiting the organization's ability to recruit high-quality employees (Mowday et al., 1982).

Organizational commitment is considered to be one of the most required in organizations and associated with a range of variables. This is because organizational commitment can predict important variables including absenteeism, organizational citizenship, performance and turnover (e.g., Mathieu and Zajac, 1990; Riketta, 2002; Wright and Bonett, 2002; Cooper and Viswesvaran, 2005). Therefore, employees are often considered to be a company's most valuable assets and one of the best ways to increase profitably is by increasing the returns on the assets.

However, there are limited study on Malaysian employee's organizational commitment in multinational corporation (MNC) especially France corporation. Most of the studies in Malaysia seem to focus on employee organizational commitment in Small and Medium Enterprise (SME), white-collar workers, academic librarians, Japanese MNCs (e.g., Ahmad and Bakar, 2003; Moha, Munir, Zikri, Hasan, Norizan and Junaimah, 2007; Noor and Noor, 2006; Ab Rahman, Senik and Kemat, 2008).

In Malaysia, foreign MNCs bring with them a preferred managerial style, policies and practices in managing employees and it is influenced by their business objectives and the local environment (Henley, 1983; Abdullah and Keeny, 1995; Wad, 1998). In the study of Harzing (2001), reveals that the increasing use of expatriates as supervisors in local subsidiaries to control, coordinate and contribute to achieving MNCs' global centralized strategy. MNCs tend to introduce different home country practices to efficiently manage and control local operations. It is likely that those MNCs developed by Asian economies would have a different set of values and human resource practices, compared to those MNCs from non-Asia world, e.g. Europe, America and Oceania countries (e.g., James and Jennifer, 2002; Teresa and Iris, 2006).

There have been several studies conducted on MNCs' human resource management (HRM) practices in other countries. Japanese MNCs have a strong tendency to transfer their parent country's HRM practices, which are called the 'Japanese-style HRM', and to control their local subsidiaries through the overseas assignment of parent country

expatriates (Peterson, Napier and Shim, 1996). For example, the seniority wage and promotion system, lifetime employment, extensive training program, group oriented approaches (Gomez-Mejia and Welbourne, 1996) are features of Japanese firms. In contrast, Western MNCs reward performance, not seniority (Mroczkowski, Linowes and Hanaka, 1992). Pay is contingent on performance and the performance reward tie is strong and mainly individual based.

There is evidence in the literature of variation HRM practice based on the nationality of ownership of the MNCs (Lachman, Nedd, and Hinings, 1994; Bird and Beechler, 1995). For example, United States MNCs are often centralized and formalized, and innovators in industrial relations in avoiding union recognition. In contrast, Japanese MNCs have strong but informal centralized co-ordination with a network of Japanese expatriate managers, yet are likely to adapt HRM practices to local conditions due to the perceived periphery status of subsidiaries. Country-of-origin factors can also be divided into core and periphery values, the former being more consequential in determining company practice than the latter (Lachman, Nedd, and Hinings, 1994).

This quantitative research attempts to examine the influence of Malaysian employees' personal characteristics and work-related attitudes on their organizational commitment level. Malaysian employees' of a France MNC will be surveyed in this research.

1.2 Research Objectives

The main objective of this study is to determine if selected personal characteristics and work-related attitudes significantly explained variance in the organizational commitment level of a France MNC located at Klang Valley. Moreover, the study can shed some lights into possible differences between the western country employee's organizational commitment with Malaysian employees' in MNC context. More specifically, the specific objectives outline below are addressed and presented as below.

- To examine Malaysian employees' personal characteristics and work-related variables in a France MNC and how these two variables jointly interact on affecting organizational commitment;
- To investigate the influence of personal characteristics on Malaysian employees' organizational commitment in a France MNC;
- To investigate whether work-related variables predict Malaysian employees' organizational commitment in a France MNC
- To determine types of Malaysian employees' personal characteristics that influence each dimensions of organizational commitment in a France MNCs;
- To recommend appropriate human resource management policies and practices to enhance employees' organizational commitment in a France MNC.

1.3 Research Questions

The following research questions are proposed in order to find support for the factors that influence the organizational commitment relationship of a France MNC's employees.

- Do personal characteristics and work-related variables jointly interact on organizational commitment?
- Do personal characteristics serve as significant predictors of organizational commitment?
- Do work-related variables serve as significant predictors of organizational commitment?
- Do personal characteristics influence employees' organizational commitment dimensions?

1.4 Significance of the Study

This study will be providing empirical evidence on the influence of personal characteristics and work-related variables of Malaysian employees in a France MNC. Organizational commitment has received a great deal of interest in the past decade. Organizational commitment is important to researchers and organizations because of the desire to retain a strong workforce. Researchers and practitioners are keenly interested in understanding the factors that influence an individual's decision to stay or leave an organization.

Most of organizations are interested in assessing the current state of employee organizational commitment. By examining different levels of personal characteristics and work-related variables and how these two variables jointly interact on organizational commitment, hopes to gain some insight understanding the behavior of organizational commitment within MNCs. Furthermore, it is predicted that the findings of study should able to provide certain guidance regarding the choice of practices aim to nurture high organizational commitment. At the same time, it also predicted can provide information to the Malaysian employees' regarding their status as a workforce in relation to the organization they are engaged in.

France MNC is chosen in this study because of significance growth of Foreign Direct Investment (FDI) from France to Malaysia. The total FDI from France to Malaysia is at about USD1.6 billion and an estimated 160 French companies in Malaysia, employing more than 22,000 Malaysians (Malaysia-French Chamber of Commerce and Industry, 2004). Because of this growing involvement in Malaysia, the need for expatriate managers to have a better understanding of Malaysian employees and workplace is becoming increasingly important. Their job is not only to understand the differences between Malaysian and expatriates, but to adjust the relationship the organization and its employees to be in line with cultural values of Malaysia. As a result, the major challenges face by the expatriate managers including building an appropriate relationship in a host country such as Malaysia and developing and maintaining organizational commitment among the country's employees.

The theoretical significance of this study is that there has been very little organizational commitment research conducted within France MNC. The results of this study will build upon the small amount of existing knowledge that helps expatriates understand Malaysian employees' organizational commitment.

1.5 Research Methodology

A survey of Malaysian employees is carried out in August 2009. The purpose of the survey is to examine the extent of the organizational commitment of these Malaysian employees in a France MNC. In addition, this study also attempts to identify whether the independent variables of personal characteristics and work-related variables are related to their organizational commitment. Primary data is collected using a questionnaire. A total number of 150 respondents are stratified randomly from a France MNC in Klang Valley, Malaysia.

Based on a thorough literature review, an appropriate research instrument is designed to test the effect of personal characteristics and work-related variables identified from that review (the independent variables) on the organizational commitment of the respondents. The data is analyzed using Statistical Package for the Social Sciences (SPSS) software. Significant tests are carried out using a 10% significance level. SPSS is used to generate output for determining conclusions for significance tests.

Correlation statistics is used to examine relationship between dependent variable (employees' organizational commitment) and independent variables (personal characteristics or work-related variables). Correlation is used to understand and explain the nature of causal relations between phenomena. Further, the hypotheses are examined using *t*-tests and One-way Anova. This is to determine the statistical significance between a sample distribution mean. Further, the results of each hypothesis is set out and discussed individually.

Multiple regression analysis describes the changes in a dependent variable (employees' organizational commitment), associated with changes in one or more independent variables (personal characteristics or work-related variables).

The study concerns about personal characteristics and work-related variables in affecting Malaysian employees' organizational commitment in a France MNC. In this study, organizational commitment is recognized as a multidimensional concept (Meyer and Allen, 1991). This multidimensional approach views an employee's attachment to the organization in three component model of commitment consisting of affective, normative, and continuance.

Firstly, the study examines the relationship among employees' organizational commitment and personal characteristics and work-related variables. The study tends to find out any relationship among those variables.

Secondly, the study examines the influence of personal characteristics included age, gender, tenure, marital status and education level on organizational commitment. The study sought to answer whether relationship does exist between these variables. There are studies provide evidence that relevance of certain personal characteristics in predicting an individual organizational commitment (e.g., Mathieu and Zajac, 1990; Allen and Meyer, 1993; Ahmad and Bakar, 2003).

Thirdly, work-related variables have been identified in the empirical literature to have statistically significant effect on organizational commitment among employees (e.g., Steers, 1977; Kanter, 1979; Mathieu and Zajac, 1990). These six work-related variables are job satisfaction, job involvement, job autonomy, job performance, role conflict and role clarity.

Finally, the study is to suggest some truth in the relevance of certain personal characteristics in predicting individual's organizational commitment. Moreover, work-related variables such as job satisfaction, job involvement, job autonomy, job performance, role conflict and role clarity would have predictive relationship with organizational commitment. The study findings should benefit to France MNC on company policies and strategies with respect to enhance employees' commitment and its strategic human resource management.

1.6 Structure of the Research Report

In **chapter 2**, review of literature on organizational commitment will be discussed from a theoretical perspective. Thus, the literature review of personal characteristics and work-related variables which define as antecedents to organizational commitment will be presented. The discussed personal characteristics are age, gender, tenure, marital status and educational level, whereas work-related variables are job satisfaction, job involvement, job autonomy, job performance feedback role conflict and role clarity. Each variable will be discussed separately with reference to the literature review, definition, antecedences and correlates of the constructs. This chapter will conclude with a summary and chapter conclusion.

In **chapter 3**, development of hypotheses and research design will be discussed. The brief description of research design will be presented. The chapter will be concluded by outlining measurement tools.

In **chapter 4**, the predictability of personal characteristics and work-related variables as antecedents and correlated to organizational commitment are explored. The findings will be reported and interpreted. The explanatory value among personal characteristics, work-related variables and organizational commitment are explored. The chapter will conclude with a summary.

In **chapter 5**, conclusions, limitations and recommendations will be presented. Discussions relating to the literature findings and the results from the empirical study will be presented. Then, the limitation and recommendations of the research will be discussed. The chapter summary will conclude this chapter.

In the next chapter, an overview of organizational commitment, personal characteristics and work-related variables will be examined from a theoretical perspective. The concept and determinants of the organizational commitment will be defined and the complexity of the construct will also be discussed. Each variable of personal characteristics and work-related variables will be presented.