CHAPTER 4 RESEARCH RESULT

This section presents the findings of the survey. It begins with a descriptive of the general characteristics of the respondent of participating organisations and engineers. This is followed by a discussion on major criteria in the content of compensation policy of individual organisation. The last section presents the level of commitment from the engineers. An in-depth comparison will also be made between organisation and overall compensation policy.

4.1 The Survey Result

About 25 public listed companies published in the CIDB Directory 2003-2004 were contacted but only 15 organisations gave a positive feedback. 15 questionnaires were being distributed and only 10 companies returned the questionnaires, therefore the feedback provides the response rate of 67 %. The Engineers responded in the individual companies ranged from 23 to 30 people. Total respondent of Engineers was 256.

Of all of the feedback from the 10 organisations and 256 Engineers responses, it was found that all questionnaires were usable, as they did not demonstrate any unanswered statements, nor prevailed inconsistency feedback.

4.2 PROFILES OF RESPONDENTS

The descriptive statistics for the profiles of organisation and the engineers are presented at Table 1 and Table 2. They were transformed from the raw data into a form that make them easy to understand and interpret.

4.2.1 Profile of participating organisations

The 10 companies were named A, B, C, D, E, G, H, P, Y and Z for the purpose of discussion for this study. They were being established for more than 10 years and organisation D was the oldest (39 years) meanwhile the youngest being company B (20 years). 7 companies had more than 250 numbers of employees and 3 companies had below 250 employees.

The paid-up and authorised capitals of each company were obtained from their Annual Report as per closing year 2002-2003 or from their website published in the internet, visited between 24th May – 27th May 2004. The biggest financial capital was found to be company H having RM 517 Million and RM 1.2 Billon for the paid-up and authorised capital respectively. The sample comprised five companies listed in the main board and five in the second board of KLSE.

4.2.2 Background of individual company

It is important for the study to further diagnose the background of each participating organisation so that it would provide a better interpretation towards the result.

NOTE: The background of the company mentioned here is a general version and modified, which does not reflect exactly the actual company and was created for the purpose of this study only.

<u>Company A:</u>

This company is listed in the second-board of KLSE in 2001. It was being established by a group of engineers in 1979 with the project ranged from housing, factories, infrastructure, institutional and high-rise building.

With the 25 years of track record, they are committed to provide excellent quality works with reliable products. The company is now transforming into a leading reputable organisation engaging in Turnkey or Design Built construction activities.

The company has 4 members in the Board of Directors and now they are building a foundation in the Asia region market.

Company B:

This company is listed in the main-board of KLSE in 1993. The paid-up capital as at 2003 was RM133 Million and turnover of RM310 Million. The company focussed on infrastructure, building and services, and the main activity is on pre-casting work and they are having about 9 factories all over the country.

They preached their commitment towards quality is a continuing pursuit and their approach is to provide tailor-made solutions to its clients in the most cost-efficient manner.

Company C:

The company was found in 1976 and formerly was one of the largest integrated mining companies. They transformed into an investment holding company with the interest in the infrastructure, utilities, construction and engineering sectors. The holding has 130 employees and the group has 3150 employees as per year 2003.

The core values of the company are innovation, transparency and integrity, as well as commitment to the employees and the community they work in. The vision of the company is to be recognised as a premier infrastructure, utilities and engineering group of companies.

Their strategic objectives among others are to maximise shareholders value, practice good corporate governance, exceed customers expectations, respect and loyalty, and to the preferred employer providing challenging career opportunities.

The company has 11 members of Board of Directors of which 5 are non-executive directors.

Company D:

The company was formed in 1965 and the principle business was trading scrap iron. It developed as the biggest trading house and branched out in a few locations within Malaysia, and 10 years after that they ventured into international market. Later they diversified into few other businesses and the holding company became the construction giant in the region.

They were public listed in KLSE in the main board in 1992. As per year ended 2003, their authorised share capital was RM1Billion. The issued and paid-up capital was RM94 Million.

They obtained a few awards: International AgaKhan Award 1983, The Int. Construction Award 1996, and The Int. Tradition and Advertising Award 1996.

The company vision is "To be the PREMIER COMPANY with the BEST RESOURCES providing EXCELLENT construction services and products".

Currently they are into construction, civil engineering and property development. They claimed that they are the market leader in the construction industry.

Today, this company is probably having the largest team of engineers. The company's strength rest in its people - young, versatile, well qualified and result-orientated. This, complete with the Group financial strength is an important formula for success, so they claimed.

"So far they had never retrenched people since its formation". This company also claimed that they conduct compensation survey to ensure the employee receive industry standard salaries. Among other benefits include bonus, ESOS, training and career development.

Company E:

This company claimed that they are a multifaceted organisation that has contributed significantly to the building of a new Malaysia. Established in 1973 and went for listing in the main-board of KLSE in 1998.

They claimed that they were the Malaysia's premier engineering corporation, focussing on industry sectors essential to the nation building, oil and gas, power, water and infrastructure.

The vision of the company is to be a corporation of substance and international repute, a preferred provider of integrated engineering and construction solution, and an owner and operator of facilities, utilities and infrastructure industries.

The mission is to provide engineering solution and achieve preferred status by performing work of outstanding value which satisfies their customers' requirement, fulfils their employees' needs for job satisfaction and uphold the public interests for integrity, safety and sensitivity.

Company G:

This organisation was formed from mergers of three separate companies. All the three were established in 1965, 9170 and 1981. They became one solid company in 1984 and changed name as what they are called now. The company went listing in 1986 in the main-board, with a market capitalisation of RM66 Million, with a total asset of RM 172 Million.

They have a strong believe that ordinary, but determined people make the dynamic organisation. Thus, manpower development is a mandatory measures to ensure that the best people run the organisation.

They also claimed that the people are continuously trained. They provide in-house training programmes, technical courses, motivational, accounting knowledge, finance, taxation and computer courses in order to keep its staff abreast with the development in the industry as well as in the business environment as a whole.

The company vision is to be an internationally competitive Malaysian builder of world-class infrastructure and buildings. The mission is to uphold the highest standard of performance in all ventures with the "Mark of Excellence".

This company has 10 Board of Directors of which 4 are non-executive directors.

Company H:

This company aims to be PROGRESSIVE organisation that will optimise resources, provides SUPERIOR QUALITY products and services, and delivering CUSTOMER SATISFACTION while increasing values to their SHAREHOLDERS and STAKEHOLDERS.

They were the first construction company to be accredited the ISO 9002 Quality System Certification in building and civil engineering. The company was established for more than 20 years, and listed in the main-board of KLSE in 1993 with the paid-up capital of RM 517Million. The turnover for year 2002 was RM 1.2Billion.

The company has 12 members in the Board of Directors with 7 members of non-independent non-executive directors. The workforce as per 2003 was 1700 comprised of multi-racial high calibre employees of international standards. They believe the essence of company success lies within human resource development and advancement of effective and dedication staff. Therefore, the Group's greatest emphasise lies in the people management and training of its employees.

The company received many awards, among others were Outstanding Engineering Awards 2003, KLSE Corporate Sartorial Award 2002 and 2001, Construction Industry Award 2002 and many others.

Company P:

This company was incorporated as private limited in 1988, and they became a limited company in 1993 and got listed in KLSE on 1994.

This company provides 'total maintenance' works for highways, roads and pavement rehabilitation work in Malaysia. The company has eight members of Board of Directors. Their vision is to be the recognised leader in integrated facilities maintenance that delight shareholders, customers and contribute to the economic growth and vision of the nation.

Company Y:

This company was grown up from a family business in 1967 and listed in the second-board of KLSE in 1999. The company started of with trading activities in building materials and now claimed as the leading service provider in building materials and construction works.

Their vision of the company is to be acknowledged as a leader in quality construction services and the most preferred building materials provider. Their mission statement portray that they are dedicated to provide superior construction services that meets their clients' need and exceed their expectations.

Their strong philosophy: Commitment, Flexibility, Teamwork, Reliability, Quality, Respect.

Company Z:

This company was established in 1967, registered as a sole proprietorship performing general earthmoving works. Since then, the company grew to become one of Malaysia's leader construction-based companies, with the capability to undertake the construction of roads, expressway, bridges, interchanges, public utility and specialised building works.

The company also has diversified into property development, hospitality, leisure and e-commerce. They were listed in 1993 in the second-board, and transferred to main-board in 2002.

Their vision is to be a progressive and globally focussed corporation that provides itself on proven track record in performance, reliability, excellent in quality and creativity in all services and products that they offer. Their philosophy

is: Progressive, Globally Focussed, Performance, Reliability, Excellence in Quality and Creativity.

The company has active 10 members of Board of Directors.

4.2.2 Profile of participating Engineers

Table 2 demonstrates the profile of the participating engineers for the survey. They was a total of 256 engineers participated and the age distribution is about the same percentage i.e. 35 percent were below 30 years old, 33 percent were between 30-39 years old and 32 percent were above 40 years old.

The sample comprised of male 76 percent and female 24 percent. Majority of the sample were married (64 percent), single comprised of 35 percent and 1 percent quoted as others. The tenure with the current company showed that 12 percent just joined the company, 28 percent have worked 1-5 years, 37 percent worked for 5-10 years and 23 percent have worked for more than 10 years. As for the total working experience, it showed quite an equal distribution as 30 percent had less than 5 years, 38 percent experienced between 5-10 years and 32 percent had more than 10 years of experience.

The distribution of type of work of the participating engineers were rather almost equal percentage, as 23 percent were design engineer, 26 percent were site engineers, 15 percent were contract engineers, 16 percent were business development engineer and 20 percent quoted as others.

In term of ethnic group, Table 3 shows that 38 percent of the sample was Malays, 46 percent was Chinese, 9 percent was Indian and 7 percent comprised of others.

4.3 MEASUREMENT FOR INDIVIDUAL ORGANISATION

The rank chosen by participating organisations and engineers are shown in Table 4 and Table 5 respectively. In order to establish the main criteria in their policy, the statements were grouped according to the identification as described in Chapter Three, and the mean value was obtained to further analyse the variables.

4.3.1 Criteria for Compensation Policy

Table i) below demonstrates the result of the extent of compensation policy in individual company:

TABLE i): Mean and rank for the extent of compensation policy

Company / Policy	Internal Equity	External Equity	Performance	Secrecy / Open
A	3.80 *(1)*	2.25 *(3)*	3.67 *(2)*	4.00
B	2.40 *(2)*	2.25 *(3)*	4.00 *(1)*	2.00
C	2.40 *(3)*	2.50 *(2)*	4.00 *(1)*	4.00
D	2.40 *(3)*	3.00 *(2)*	4.00 *(1)*	1.00
E	3.00 *(1)*	2.00 *(3)*	2.33 *(2)*	1.00
G	2.40 *(2)*	2.25 *(3)*	3.33 *(1)*	3.00
H	2.80 *(3)*	3.00 *(2)*	4.00 *(1)*	1.00
P	4.00 *(1)*	2.00 *(3)*	3.33 *(2)*	4.00
Y	3.80 *(1)*	2.00 *(3)*	3.33 *(2)*	4.00
Z	2.60 *(3)*	2.75 *(2)*	4.00 *(1)*	2.00

From the Table i) above, it can be clearly seen that organisations had different criteria in establishing their compensation policy. As for secrecy in the policy, the result demonstrated a quite surprising fact that majority of the organisations preferred an open policy. This is similar with the finding by Lawler (1971) proving

that employees expect less secrecy in the compensation policy and looking forward for an open communication. This scenario was so much different in organisations of the past millennium whereby most organisations believed that compensation policy should be kept confidential, except to the salesperson (Stephen H. Appelbaum 2000).

4.3.2 Level of Organisational Commitment

TABLE ii): Mean and rank for the organisational commitment

Company / Policy	Employees Commitment	Satisfied with current reward	Satisfied with work environ.
A	1.57 *(9)*	1.47 *(9)*	1.78 *(9)*
B	2.17 *(7)*	1.66 *(7)*	2.16 *(7)*
C	2.80 *(5)*	2.62 *(5)*	3.02 *(5)*
D	3.15 *(1)*	3.20 *(1)*	3.54 *(1)*
E	2.95 *(4)*	2.77 *(4)*	3.39 *(4)*
G	3.12 *(2)*	3.06 *(2)*	3.52 *(2)*
H	3.05 *(3)*	2.91 *(3)*	3.44 *(3)*
P	1.82 *(8)*	1.53 *(8)*	1.91 *(8)*
Y	1.55 *(10)*	1.38 *(10)*	1.66 *(10)*
Z	2.51 *(6)*	2.30 *(6)*	2.71 *(6)*

From the table above, all organisations had proven that the commitment has a positive relationship with satisfaction of compensation and also satisfaction of working environment.

It is also found that Company D was having the highest level of commitment. The engineers were also having the highest level of satisfaction with their current compensation packages, as well as the most satisfied with the working environment.

The second rank is company G, followed by company H. It is noticed that when the employees are committed, they will be satisfied with the compensation packages and satisfied with the working environment. The same trends can be seen to all of other organisations.

Therefore, we can say that there is a positive relationship between commitment and satisfaction of compensation and satisfaction of working environment. As at this point of time, it is still pre-mature to conclude on the hypothesis. We shall diagnose further other results that could carry more weight and perhaps only then we can make a strong conclusion.

4.3.3 Percentage for expectation from Engineers

The percentage for the expectation of engineers for individual organisation is shown in Table 6. The highest engineers' expectation from all of the organisations was the external equity (56.5 percent), and company D being the majority in rating this as their most expected, provided percentage of 76 percent, and the next highest were company H and G being 71 percent and 68 percent respectively.

Compensation that linked to the company achievement was preferred mostly by engineers from company Y (20 percent) and C (17 percent). While company D and H (9 percent) and G (10 percent). The overall percentage contribution was 13.4 percent.

As for the internal equity, engineers from both company A and P contributed the highest percentage at 30 percent, while company Y was 27 percent. Company D, H and G provided a same percentage of 12 percent. The overall percentage of the expectation was 20.6 percent.

The compensation that tied directly with staff performance seems to be the least expected by overall engineers (9.5 percent). Company D, H and G only had 3,8 and 10 percent respectively. The highest expectation on staff performance was company Y (23 percent) and company C (13 percent).

It can be concluded from the above result that most engineers expected the compensation to be based according to the following importance:

- external equity
- internal equity
- company's achievement
- staff performance

As for the perception towards the current compensation policy as whether their compensation packages are among the best in the market (Statement 18) company D and G obtained the same value and being highest mean value (3.95) followed by company H (3.87) and company E (3.89).

This is also parallel with the organisation feedback which shown in Table 4, whereby company D, G and H revealed that they considered that they were among the best compensation packages available in the market (rating of 4), while company E rated as 3.

4.4 OVERALL CRITERIA OF COMPENSATION POLICY

The mean value for overall criteria that was used to establish compensation policy is illustrated in Table 7. From the result, the study conclude that the most important criteria used in establishing the compensation policy can be summarised as follow:

- The compensation policy is designed to attract, retain and encourage commitment of the employees.

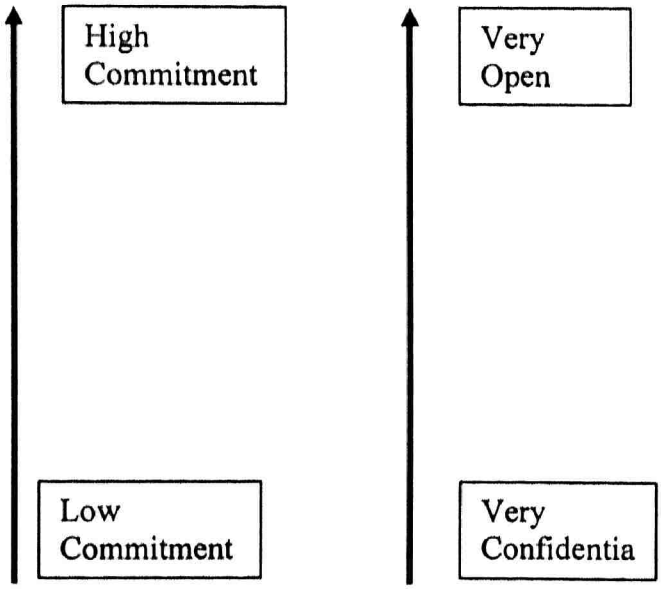
- The most important criteria chosen by organisations is performance-based policy (mean value of 3.6)
- The next important being the Internal equity (2.96), followed by the external equity (2.55).
- Majority of the sample practice openness about the level of compensation policy (2.6)

4.5 DISCUSSION OF RESULT

From the earlier Table i) and ii) the study summarised the commitment according to their level and main factors chosen in establishing their compensation policy as follow:

FIGURE iii) The relation between commitment and organisation

Mean	Org.
3.15	D
3.12	G
3.05	H
2.95	E
2.80	C
2.51	Z
2.17	B
1.82	P
1.57	A
1.55	Y



Diagnostic on high level of commitment:

i) **Company D**

Company D is found to be having the highest level of commitment among the rest of the companies. They also obtained the highest in term of satisfaction of the compensation provided by the current company, as well as satisfaction with the working environment. Both, company and employees revealed that the compensation rate was among the best in the industry. The company practiced a very open approach in establishing the policy, which also expected by the employees.

As mentioned in their vision statement, the management consider very highly upon their resources, besides portraying the company stability. They also stressed out that they had never retrenched people since its formation. They conduct annual survey on compensation to ensure the employees receive the industry standard salaries, and provide supplementary compensation.

Company D placed the highest consideration on performance, followed by external equity and internal equity in establishing their compensation policy. They claimed that they did not face difficulties to get new professional staff, and they believed strongly that to retain and motivate staff are through providing a better rewards.

The majority of the respondent in company D aged above 40 years old and majority were married. 40 Percent of them had worked in the organisation between 5-10 years and 40 percent had worked for more than 10 years. Even though these people had vast and broad working experience but they did not shift job often, the years in tenure and working experience did not have much different, therefore we can say,

perhaps most of the senior engineers had worked here since they first started their first job.

Majority of the respondent stayed in the company was not because of they found difficult to find another job, neither because they had lots of financial commitments. It was purely they love about the company, the compensation they get and the working environment.

ii) **Company G**

Company G is ranked as the second highest level of commitment. As mentioned earlier, the satisfaction in the current compensation packages and working environment will correlate with the commitment. As company D, both employer and employees considered that their compensation policy was among the best in the market. This company also emphasised on the manpower development, and human resource management as their important factor to succeed. They claimed that their employees are continuously trained and provide career development.

Company G rated performance as the most important criteria, followed by internal equity and external equity. They also believed that being open about the policy is important.

71 percent of the respondent was married and 46 percent of them had worked between 5-10 years and 42 percent had worked more than 10 years. Almost half of the respondent aged below 30 years old. This shows that even though they were new to the companies, but they were highly committed. The company mentioned that they did not face problems in getting professional staff. They also usually maintain the compensation rate despite the economic downturn.

The respondent did not commit in the organisation due to the difficulties in finding another job, neither due to high financial commitments. They love and satisfied with the company, the compensation level and working environment.

iii) Company H

Company H also had a high level of organisational commitment, and parallel with the satisfaction towards the compensation and working environment. They strongly believed that the essence of company success lies within human resource development and advancement of effective and dedication staff. The company emphasise a lot of effort in people management and training of its employees. The company was the first construction based who was accredited the ISO 9002. They claimed also that the compensation practise was among the best in the industry.

Company H adopted the compensation policy based on the performance being the most important, then external equity and followed by internal equity. They faced no difficulties in getting new professionals, and usually maintain the compensation level during downturn. Being open about the compensation practices is prominent in this organisation in order to achieve the company's objective.

The company had 40 percent of participating employees that had worked between 5-10 years and 48 percent worked for more than 10 years. 80 percent of the respondent is married. Majority of them felt that their superior would be disappointed if they leave the company, provide the evidence of a strong sense of belonging towards their job.

The same trend is seen with regards to reasons why they stay long in the company as proven by company D and G.

Other organisations that were having high level of commitment were obtained from company E, C, Z and B. The same trends were found pertaining to the relationship of compensation policy and the level of organisational commitments.

Diagnostic on the low level of commitment:

i) **Company Y, A and P**

Company Y is ranked the lowest commitment portrayed by the engineers., followed by company A and P. The level of satisfaction with the compensation and work environment were also indicated to be the lowest. Company Y was a family business and by looking at the company's philosophy, they emphasis more towards company success, very little or none on human relationship. The same findings obtained from company A and P.

The companies adopted internal equity as their main criteria, followed by performance and only then external equity in establishing their compensation policy. By not providing about the market rate in their employee's benefits, it is found that the organisational commitment was very low indeed compared with those consider highly on external equity. Exploring deeper into the survey result, both employer and employees revealed that their compensation packages are not among the best in the market.

These companies employed mostly fresh engineers in their organisations, majority aged below 30 years old with below 5 years of working experience. None of them had more than 10 years tenure in their companies. The turnover rate of employees must be high in these companies; therefore only fresh engineers were willing to work in this

organisation, perhaps to gain experiences only. Statement 7 of policy survey supported the fact that the companies faced difficulties in getting professional staff.

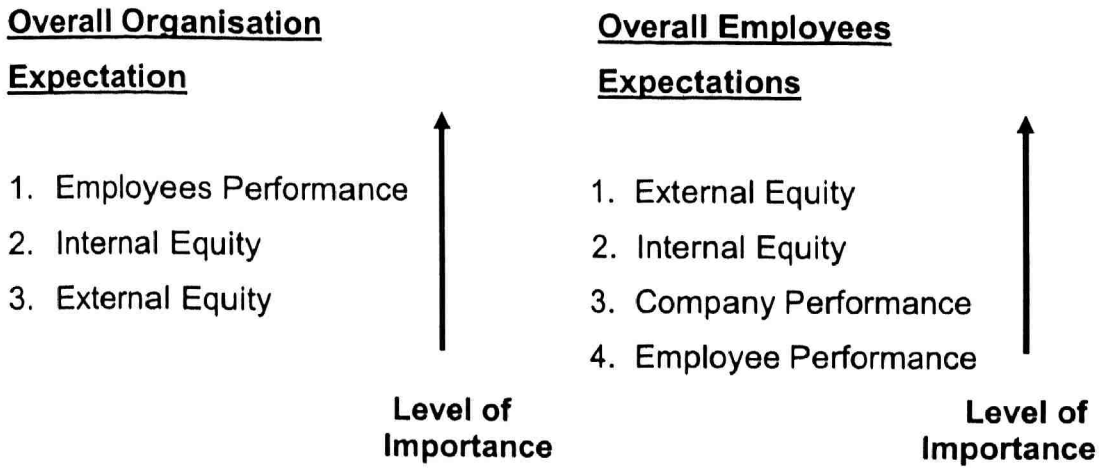
All of the three companies kept very confidential on the compensation policy, and this results the unsatisfactory among the employees. The main reasons why they stayed in the companies are due to difficulties to find another suitable job and they had many financial commitments. Most of the respondent did not feel that their superior would be disappointed if they were to leave the organisations.

Looking at the above diagnostics, it can be concluded that the trend is rather uniform. In other words, we can say that the higher the compensation level, the higher the organisational commitment's level. The commitment has a significant positive correlation with being loyal, strong sense of belonging, proud about the company and satisfied with the work environment.

Therefore, the study **rejects the Null Hypothesis**, claiming that there were no relationship between the compensation policy and the level of organisational commitment.

Comparison between overall organisations' expectation and overall employees' expectation can be illustrated as shown in Figure iv) below:

FIGURE iv) Comparison between employers and employees expectations



From the above result, it is shown that there is a contradicting expectation as the overall participating organisations expected the employees' performance to be the most important criteria, but the employees expected to get the external equity as the most significant criteria. Next important criteria they had the same expectation i.e. the internal equity. While, the overall organisation expected the external equity to be the third criteria, and on the other hand the employees rated the performances instead.