

Chapter 5 clarifies the findings of the study, and concludes the relationship between compensation policy and the level of organisational commitments. In addition, it presents the implications of the study and further recommends for future research.

5.1 Summary of the study

The study had undergone an in-depth exploration in measuring the relationship between the compensation policy and level of employee's commitments in organisations. Hypothesis was developed to address significant believe gathered from the secondary data and literatures review.

The main contents of the compensation policy, being independent variable, that have been identified to be prominent to organisational practice are internal equity, external equity, performance-related policy, and the level of secrecy in the compensation exercise. The organisational commitment was chosen to be the dependent variable.

An in-depth exploratory research was carried out on 10 public listed construction-based companies in Kuala Lumpur registered with CIDB under Grade 7. The research result was being analysed by the mean values obtained from the survey with the help of Excel Spreadsheet programme.

The research result demonstrates strong support to reject the Null Hypothesis. In additional, the study also revealed a few notable conclusions. The result of this study is similar with the finding of Ronald G. Ehrenberg (1990), claiming the better compensation rate the higher the organisational commitment.

Demographically, the survey result revealed that age and tenure correlated positively with the commitment. It is found that the senior engineers and longer tenure had higher commitment than junior engineers. The fresh and junior generation who are rather new to the working environment think that there is immense opportunity out there for them. Thus, they may not feel that they have to be loyal to their current organisation. On the hand, the more senior generation feel that they have bigger responsibility towards the career and the family.

The older generation (higher level of commitments) also felt proud about their organisation, love their work environment. Having said that, surprisingly majority of them expressed that they would not work there until their retirement. Similarly, the top three organisations that have high level of commitment, majority of them were still considering shifting job and did not feel bad to leave the organisations if were given the opportunity for a better offer. Obviously, they will only shift to another organisation if the compensation level is higher.

Another prominent finding is that the older the employees the more difficult for them to find another jobs. This is because organisations nowadays prefer to recruit the junior engineers as their demand and expectations would be lesser, opportunity to train, easier to mould and they are more exposed to the new technologies. Probably, this is the reason why the older generation is more committed as compared to the younger generation.

There is prominent contradiction with regards to expectation from both employer and employees, beside some general agreements. Overall organisations expected performance should be the most important criteria, while the overall employees expected the external equity to be the most prominent criteria. The next important factor, the internal equity that were expected by both overall employers and overall employees.

All of the organisations revealed that their main concern in establishing the policy are to attract new employees, to retain, and to encourage commitments. This is similar to many past researches in the past, such as Julie L. Hotchkiss (1989) and Barnett, R (1995).

Keeping the compensation system secret is no longer in practice in these modern days. Open communication policy is expected from the employees.

The study did not explore whether the type of works, race and gender have relationship with the organisational commitment. According to past research carried out by Mathew and Zajac (1990) that gender has no direct effect on overall commitment.

Finally, in order to meet both effectiveness and efficiency criteria, compensation policy must provide stability while at the same time remaining sufficiently flexible to meet the external pressure of changing conditions and situations.

5.2 Implications of the study

The high turnover rate of employees has becoming very alarming in today's organisational problem. Compensation policy is one of the significant factor that can be used as a tool not only to retain them, but also to develop a long lasting commitment with the organisation.

Nowadays, the company's owner and the human resource professionals have undergone substantial changes in their routine work, particularly in establishing the compensation policy to cater the needs and wants of the workforce. The changing nature of the current business environment, characterised by restructuring, merger, downsizing, overwhelming change in technology, loss of job security, and outsourcing shows that commitment cannot be viewed the same way as before when employees could expect to spend their entire career with a

single organisation. Those practitioners and managers involved in the exercise also need to re-consider the emerging nature of employment relationship and the importance of being able to attract, to maintain and to encourage the organisational commitment within their organisation.

The study results indicated that compensation policy has high significant effect on enhancing various level of employees' commitment. Correlations to age, tenure, external and internal equity, sense of belonging, working environment and openness about the compensation exercise are very high indeed. Therefore, organisations should focus on developing initiatives that matters most to encourage commitment by all means. Well-compensated employees help foster loyalty to the organisation and obviously enhance the motivation in achieving the company desired goals and objectives.

Another important point is that, even though employees are committed, it does not necessarily mean that they will stay in the organisation forever until their retirement. The study also proves that they will consider leaving the company if they were given a better job and better compensation rate.

5.3 Limitation of the study

This study focused on the target population in Kuala Lumpur only. Although it can be generalised from the sample of the population studied, the findings of this study refer to the participants in a specific location only. The sample may not necessarily present the content of compensation policy and the level of organisational commitment in all the states of Malaysia.

Although the study findings are consistent with the hypothesis, we cannot rule out the possibility that there would be biasness in the responses due to the differences in engineers' attitudes and background. We did not actually find out

the turnover rate of the employees in the organisations, due to the fact that it would be a very sensitive issue.

The content or criteria of compensation policy was ready printed in the questionnaire duly rate by the respondents. Individual organisations may have their own policy that did not explored in this study. This is because there was a strong feeling that policies are normally treated very confidential, and should not be revealed/exposed especially to outsiders; therefore the study did not explore the opportunities to gain the individual organisation policy.

5.4 Recommendations for future study

Due to the limitation of this study, it would be highly recommended that further research be done in organisations beyond Kuala Lumpur area, at least to the Klang Valley. In addition, the future research should obtain the actual content of the compensation policy in the organisations, besides incorporating several other variables in the study.

Another important factor to be considered in the future research is that, the assessment from immediate superiors towards the commitment provided by their subordinates. This can be useful as the immediate superiors would be able to confirm the level of commitment provided by the subordinates.

TABLES

TABLE 1: Profile of participating Organisation (N=10)

Organisation	Years of Establishment	Workforce	Paid-up Capital	Authorised Capital	Year listed KLSE	Listing Board KLSE
A	25	>250	5.3M	800M	2001	Second Board
B	20	<250	133M	400M	1993	Second Board
C	28	>250	7.2M	300M	1998	Main Board
D	39	>250	94M	1.0B	1992	Main Board
E	31	>250	74M	1.0B	1998	Second Board
G	20	>250	66M	500M	1986	Main Board
H	22	>250	517M	1.2B	1993	Main Board
P	16	<250	5.8M	700M	1994	Second Board
Y	37	<250	3.3M	300M	1999	Second Board
Z	37	>250	7.0M	500M	1993	Main Board

TABLE 4: Score of content of Compensation Policy from participating organisation

Org. Policy	S1 Compensation is based on internal equity	S2 The reward level doesn't consider market rate	S3 The reward level is according to seniority	S4 The com. policy is designed to attract new staff	S5 The com. policy aimed at retaining high quality staff
A	4	2	4	4	4
B	2	1	3	4	4
C	2	1	2	4	4
D	2	1	2	4	4
E	3	2	3	4	4
G	2	1	3	4	4
H	2	1	3	4	4
P	4	2	4	4	4
Y	4	2	4	4	4
Z	2	1	3	4	4

Continue....

Org. Policy	S6 The com. policy is to encourage commitment	S7 The org. often face difficulty to recruit prof. staff	S8 The only way to retain staff is thru better rewards	S9 The org. increase rate when competitors do so	S10 Usually maintain rate during econ. downturn
A	4	3	4	2	1
B	4	2	4	3	3
C	4	1	4	4	3
D	4	1	4	4	3
E	4	4	3	1	1
G	4	3	4	3	3
H	4	1	4	4	3
P	4	4	3	1	1
Y	4	4	3	1	1
Z	4	1	4	4	3

Continue....

Org. Policy	S11 Proactively adjust rate whenever necessary	S12 The rate is in accordance to staff performance	S13 The rate is based on individual merit	S14 The rate is based on work-team performance	S15 Information on reward level is kept confidential
A	1	3	4	4	4
B	2	4	4	4	2
C	2	4	4	4	4
D	4	4	4	4	1
E	1	2	2	3	1
G	2	3	3	4	1
H	4	4	4	4	1
P	1	3	3	4	4
Y	1	3	3	4	4
Z	3	4	4	4	2

Continue...

Org. Policy	S16 When org. doesn't achieve target rate will be adjusted	S17 The org. strives to maintain internal equity	S18 Reward rate is usually same for similar jobs	S19 There's a formula to ensure the rate for internal equity	S20 Similar policy across board, branches & sites
A	4	4	3	4	4
B	3	2	3	2	3
C	3	2	4	2	3
D	3	2	4	2	3
E	4	4	1	4	4
G	3	2	3	2	3
H	3	3	4	2	3
P	4	4	4	4	4
Y	4	4	3	4	4
Z	3	2	4	2	3

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<div> <div>Q14</div> <div>Do you consider your company as one of the top?</div> </div>	
<div> <div>Policy</div> </div>	<div> <div>A</div> <div>B</div> <div>C</div> <div>D</div> <div>E</div> <div>G</div> <div>H</div> <div>P</div> <div>Y</div> <div>Z</div> </div>
	<div> <div>2</div> <div>2</div> <div>3</div> <div>4</div> <div>3</div> <div>4</div> <div>4</div> <div>2</div> <div>1</div> <div>2</div> </div>

TABLE 5: Mean scores for commitment measurement from participating engineers

Org- Policy	S1 I'm proud to tell others that I work here	S2 I'm happy to work here until my retirement	S3 I feel the strong sense of belonging to this organisation	S4 I don't feel bad to leave this organisation (reverse rate)	S5 Other employees are like my family members
A (26)	1.95	1.46	1.62	1.29 (2.71)	2.53
B (25)	2.95	1.96	3.19	1.60 (2.4)	2.82
C (23)	3.42	2.11	3.31	2.29 (1.71)	3.21
D (30)	3.93	2.23	3.56	2.65 (1.35)	3.51
E (26)	3.85	2.17	3.31	2.52 (1.48)	3.32
G (24)	3.91	2.21	3.45	2.62 (1.38)	3.60
H (25)	3.91	2.21	3.49	2.55 (1.45)	3.54
P (24)	2.76	1.75	1.87	1.44 (2.56)	2.42
Y (24)	2.74	1.23	1.35	1.18 (2.82)	2.47
Z (29)	3.40	2.06	3.28	1.90 (2.10)	2.89

Org- Policy	S6 The organisation provides my personal growth	S7 It provides the challenges I look for in a job	S8 The organisation deserves my loyalty	S9 I feel a strong commitment to the organisation	S10 I feel my superior will be disappointed if I leave
A	1.55	1.56	1.75	1.54	1.56
B	1.76	1.96	2.21	2.02	1.89
C	2.24	3.27	3.56	3.44	2.38
D	3.82	3.92	3.97	3.92	2.72
E	3.65	3.49	3.72	3.62	2.48
G	3.76	3.52	3.89	3.89	2.56
H	3.78	3.47	3.82	3.82	2.59
P	1.86	1.85	1.89	1.67	1.79
Y	1.45	1.59	1.66	1.43	1.67
Z	1.97	3.12	2.78	2.78	2.23

Org. Policy	S11 I stay in this org. because I like the people in it	S12 It is not right to leave even if I get a better job offer	S13 I stay on my job because it is difficult to get a better job	S14 I stay because I have lots of financial commitment	S15 I stay here because I like the work environment
A	1.72	1.37	3.20	3.24	1.56
B	2.12	1.28	2.62	2.89	2.12
C	3.19	1.48	2.2	2.69	3.19
D	3.23	1.76	1.57	1.56	3.23
E	3.28	1.45	1.87	1.97	3.22
G	3.35	1.89	1.98	1.68	3.35
H	3.24	1.56	1.86	1.67	3.18
P	1.78	1.36	2.98	2.86	1.62
Y	1.49	1.28	3.42	3.42	1.32
Z	2.89	1.39	2.41	2.67	2.67

Org. Policy	S16 Other organisations unable to pay as much as here	S17 The rewards I have here is more than I expected	S18 Do you think your com. rate is among the best in the market?
A	1.58	1.35	1.89
B	1.87	1.45	2.82
C	3.48	1.76	2.86
D	3.87	2.52	3.95
E	3.56	1.98	3.89
G	3.78	2.34	3.95
H	3.67	2.15	3.87
P	1.68	1.38	2.53
Y	1.48	1.27	1.62
Z	3.25	1.34	2.76

TABLE 6: Percentage for expectation of participating engineers according to most expected to least expected

Org. Policy	S 18 i) Reward should be based on external market rate (%)	S 18 ii) Reward should be linked with company achievement (%)	S 18 iii) Reward should be based on internal equity (%)	S 18 iv) Reward should be tied directly with staff performance (%)
A	45	15	30	10
B	55	12	23	10
C	50	17	20	13
D	76	9	12	3
E	65	12	15	8
G	68	10	12	10
H	71	9	12	8
P	50	15	30	5
Y	30	20	27	23
Z	55	15	25	5
Mean	56.5	13.4	20.6	9.5

TABLE 7: Mean Value for overall content of Compensation Policy

St	Content of Compensation Policy	Total Score	Mean Value
S1	Compensation is based on internal equity	27	2.7
S2	The reward level doesn't consider market rate	14	1.4
S3	The reward level is according to seniority	31	3.1
S4	The com. policy is designed to attract new staff	40	4
S5	The com. policy aimed at retaining high quality staff	40	4
S6	The com. policy is to encourage commitment	40	4
S7	The org. often face difficulty to recruit professional staff	24	2.4
S8	The only way to retain staff is thru better rewards	37	3.7
S9	The org. increase rate when competitors do so	27	2.7
S10	Usually maintain rate during economic downturn	22	2.2
S11	Proactively adjust rate whenever necessary	27	2.7
S12	The rate is in accordance to staff performance	34	3.4
S13	The rate is based on individual merit	35	3.5
S14	The rate is based on work-team performance	39	3.9
S15	Information on reward level is kept confidential	26	2.6
S16	When org. doesn't achieve target, rate will be adjusted	34	3.4
S17	The org. strives to maintain internal equity	29	2.9
S18	Reward rate is usually same for similar jobs	33	3.3
S19	There's a formula to ensure the rate for internal equity	28	2.8
S20	Similar policy across board, branches & project sites	34	3.4
S21	Do you consider your com. rate as on eof the top in market?	27	2.7

TABLE 8: Mean value according to group

Internal E	S1, S3, S17, S18 , S19	2.96
External E	S2, S9, S11, S20	2.55
Performance	S12, S13, S14	3.6
Secrecy	S15	2.6