

EMPLOYEE ENGAGEMENT: A QUALITATIVE RESEARCH ON CRITICAL FACTORS WITHIN MALAYSIA'S SME BUSINESSES

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Abstract

Employee engagement has been acknowledged as a vital factor contributing to organizational success and could have positive implications in all aspects of any business. For Small and Medium Enterprises (SMEs), they have to also focus on employee engagement to be successful. Hence, the objective of this paper is to explore the critical factors of employee engagement outcomes at organizational levels within SME business in Malaysia. The respondents for this study will be drawn from SMEs' top management in Malaysia. This study will be using convergent interviewing and content analysis as a data collection technique and data analysis technique respectively. Findings of this study are expected to make theoretical and managerial contributions.

Keywords: critical factors, employee engagement, Malaysia, SMEs

1. Introduction

Employee engagement has been acknowledged as a vital factor contributing to organizational success and could have positive implications in all aspects of any business (Bakker & Schaufeli, 2008). Many have argued that employee engagement predicts organizational-level outcomes that can have positive implications for organizations (Bates, 2004; Baumruk, 2004; Harter, et al., 2002; Richman, 2006) including SMEs (Kishore, et al., 2012). Hence, embracing employee engagement is viewed to be crucial to help organizations perform well.

In the case of SMEs, they not only encounter a dynamic and highly competitive environment (Koh, et al., 2009) but they also face issues of their own such as financial difficulty, shortage of experts, marketing of products, competition, and increasing cost factors (Salleh & Ndubisi, 2006; Muhammad, et al., 2010; Samad, 2007; Shah & Ali, 2011; Wafa, et al., 2005). In spite of these challenges, SMEs play a significant role in the country's economic development (Khalique, et al., 2011) and also as a source for creating employment opportunities and providing support to big companies (Hashim & Wafa, 2002). Thus, SMEs are considered to be the backbone of national economy (Radam, et al., 2008).

2. Research Problem

The performance of SMEs in Malaysia in terms of their contribution to the economy still leaves much to be desired. This problem must be addressed because it could jeopardize not only the performance of SMEs but also the country's aspiration to become a high income nation by 2020. Various studies have reported low productivity among SMEs. For example, the results of the 2005 Census of Establishment and Enterprises mentioned that SMEs' productivity was a lot lower than that of large enterprises with value added of only RM0.3 million per establishment as compared with RM41 million per establishment for large enterprises. In addition to that, there is low employee motivation to perform (Hill & Stewart, 2000) and inability to retain employees (Beaver & Hutchings, 2005; Chan, 2009; Fauzi, et al., 2013; Tee, 2013) in SMEs. Also, it is suspected that employee engagement might be an issue in SMEs. Therefore, there is a need to study employee engagement in SMEs by focusing on that issue with the intent of suggesting ways of improving their performance.

Using converging interviews as a data collection method, content analysis will then be employed to determine the critical factors of organizational-level outcomes of employee engagement. By identifying the critical factors, top managers of SMEs will be able to make strategic adjustments within organizations to achieve better performance. As such, this research will be guided by the following research problem/question: "How can critical factors that could be influenced by outcomes of employee engagement within the SME business be established, and why should this be done?"

3. Justification of Research

The first reason to conduct this research is recognition of the importance of SMEs' contribution and performance. SMEs contribution to the economy of Malaysia is crucial, but the fact that they are still unable to reach their full potential has made this research significant. In addition, SMEs having their own internal and external constraints that make them unique may not allow practices employed by large-scale organizations to be applicable to them (Cardon & Stevens, 2004).

The second reason is the importance of leveraging the human resources through employee engagement in SMEs. With the concentration of SMEs in Malaysia in the service sector, it indicates a higher percentage of employment is in that particular sector. Employees are the most valuable asset owned by SMEs; this creates a necessity to embark on this research to develop a framework to boost the performance of firms through employee engagement.

Finally, the third reason is the gap in research. While numerous studies have addressed the outcomes of employee engagement, only a handful focused on organizational-level outcomes of employee engagement. Further, none of the studies have examined critical factors of organizational-level employee engagement outcomes. Empirical studies exploring organizational-level outcomes of employee engagement in SMEs are lacking as well.

4. Literature Review

The review of literature provides evidence that the outcomes of employee engagement have two levels; individual-level and organizational-level (Jose & Mampilly, 2012; Kahn, 1990). Scholars agree that employee engagement must first impact individual-level outcomes to have impact on organizational-level outcomes (Gruman & Saks, 2011; Kular, et al., 2008; Saks, 2006; Swetha & Kumar, 2014). Thus, the focus of this research will be on organizational-level being the ultimate outcome of employee engagement.

After full examination of the related articles on employee engagement based on specific criteria, a total of 15 articles were selected. All of the 15 selected articles were published in refereed journals including journal impact factor, Scopus, and ISI. Investigation of the outcome(s) of employee engagement used cognitive component, and/or emotional component, and/or behavioral component, or a combination of the three components in their definitions of employee engagement. Of the articles selected, the studies were all conducted in general business settings and none of these studies were done specifically in the context of SMEs.

Next, the review of literature of the 15 articles on the organizational-level outcomes of employee engagement has unveiled six organizational-level outcomes – namely employee retention, profitability, absenteeism, customer satisfaction, productivity, and business growth – as shown in the following Table 1.

The first outcome of employee engagement at organizational-level is employee retention. Retention is viewed not as the opposite of turnover, but it is applied to determine what is wanted rather than what is not wanted (Browell, 2003; Frank, et al., 2004; Waldman & Arora, 2004). For this reason, this outcome will be considered in this research for further investigation.

The second outcome of employee engagement at organizational-level is profitability. Profitability refers to the ability to generate, sustain, and increase profits (White, et al., 2003) obtained by the enterprise from activity of transformation and/or change or surplus which appears in the final phase of the economic circuits (Pälälaoia, 2011). Hence, this outcome will be considered in this research for further investigation.

Table 1: Analysis on the Critical Factors of Employee Engagement Outcomes at Organizational-Level

| | | Critical Outcomes of Employee Engagement Outcomes at Organizational-Level | | | | | | Total |
|---|-----------------------------------|---|---------------|-------------|-----------------------|--------------|-----------------|-------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | |
| | Source | Employee Retention | Profitability | Absenteeism | Customer Satisfaction | Productivity | Business Growth | |
| 1 | Harter et al. (2002) [4] | √ | √ | x | √ | √ | x | 4 |
| 2 | Bhatnagar (2007) [33] | √ | x | x | x | x | x | 1 |
| 3 | Heger (2007) [34] | √ | √ | x | x | √ | x | 3 |
| 4 | Xanthopoulou et al. (2009) [35] | x | √ | x | x | x | x | 1 |
| 5 | Schaufeli et al. (2009) [36] | x | x | √ | x | x | x | 1 |
| 6 | Ram et al. (2011) [37] | x | x | x | √ | x | x | 1 |
| 7 | Heriyati and Ramadhan (2012) [38] | √ | x | x | x | x | x | 1 |
| 8 | Suharti and Suliyanto (2012) [39] | √ | x | x | x | x | x | 1 |
| 9 | Balakrishnan et al. (2013) [40] | √ | x | x | x | x | x | 1 |

| | | | | | | | | |
|----|-------------------------------|---|---|---|---|---|---|---|
| 10 | Chat-Uthai (2013) [41] | √ | x | x | x | x | x | 1 |
| 11 | Jauhari et al. (2013) [42] | x | √ | x | √ | x | x | 1 |
| 12 | Merrill et al. (2013) [43] | x | x | √ | x | x | x | 1 |
| 13 | Soane et al. (2013) [44] | x | x | √ | x | x | x | 1 |
| 14 | Alias et al. (2014) [45] | √ | x | x | x | x | x | 1 |
| 15 | Gorgievski et al. (2014) [46] | x | x | x | x | x | √ | 1 |
| 16 | Total | 8 | 4 | 3 | 3 | 2 | 1 | |
| | Selected for this study | √ | √ | √ | √ | √ | √ | |

Source: develop for this research

The third outcome of employee engagement at organizational-level is absenteeism. Absenteeism is defined as the failure of an employee to report to work at a given location and time when expected to do so (Marthichhio & Jimeno, 2003; Patton & John, 2007; Robbins, 2003). The relationship between employee engagement and absenteeism is negative, which means the higher the level of employee engagement, the lower the incidences of absenteeism by a given employee. Therefore, this outcome will be considered in this research for further investigation.

The fourth outcome of employee engagement at organizational-level is customer satisfaction. Customer satisfaction is defined as a post choice evaluative judgment response by the consumer to the purchase and use of a product resulting from the comparison of the result of the product to some set standard prior to purchase (Churchill & Suprenant, 1982; Halstead, et al., 1994; Oliver, 1980; Tse & Peter, 1988; Westbrook & Oliver, 1991). Hence, this outcome will be taken into account in this research for further investigation.

The fifth outcome of employee engagement at organizational-level is productivity. Productivity is defined as sales, work quality, and activities accomplished on schedule (Culnan & Blair, 1983), a ratio depicting the volume of work completed in a given amount of time (Ricardo & Wade, 2001) as well as with reference to output (Singh & Mohanty, 2012). Therefore, this outcome will be counted in this research for further investigation.

Finally, the sixth outcome of employee engagement at organizational-level is business growth. Business growth can be defined in terms of revenue generation and expansion of volume of business (Gupta, et al., 2013), growth of sales (Coad & Rao, 2008; Huynh & Petrunia, 2010) as well as extensive asset growth (Bigsten & Gebreeyesus, 2007; Choi, 2010). For this reason, this outcome will be considered in this research for further investigation.

Based on the above findings, the discussion proceeds to look at the relationship between employee engagement and its outcomes at organizational-level in SMEs. To date, the existing studies on employee engagement in SMEs have focused on examining the antecedents of employee engagement such as health at work initiative (“fair chance at work”) (Griffin, et al., 2005), self-monitoring (Boz, et al., 2014), human resource management (Davies & Crane, 2010), healthy organizational practices (Acosta, et al., 2012), and innovative HR strategies (Kishore, et al., 2012).

With respect to the empirical research on the organizational level outcome of employee engagement in SMEs, there are two studies available. The first study was conducted by Sanda and Ntsiful (Sanda & Ntsiful, 2013) on the relationship between employee engagement in SMEs and employee retention. The second study was conducted by Shusha (Shusha, 2013) and it examined the relationship between psychological engagement with both withdrawal behavior and withdrawal intentions.

These studies, even though they examined employee engagement and its outcomes, are not selected because they do not satisfy the article selection criteria of this research. Nevertheless, these two studies provide a strong platform for this research to propose that the six employee engagement outcomes at organizational-level in a general business setting require further investigation in the SME business setting.

5. Theoretical Framework

The review of the existing literature on employee employment has unveiled six organizational-level outcomes of employee engagement – specifically employee retention, profitability, absenteeism, customer satisfaction, productivity, and business growth. These six outcomes are then grouped into a financial factor and a non-financial factor according to their definitions. The financial factor comprises three organizational-level outcomes – namely profitability, productivity and business growth. For the non-financial factor, another three organizational-level outcomes of employee engagement at organizational-level are listed that are employee retention, absenteeism, and customer satisfaction. The proposed conceptual framework of this research is shown in Figure 1.

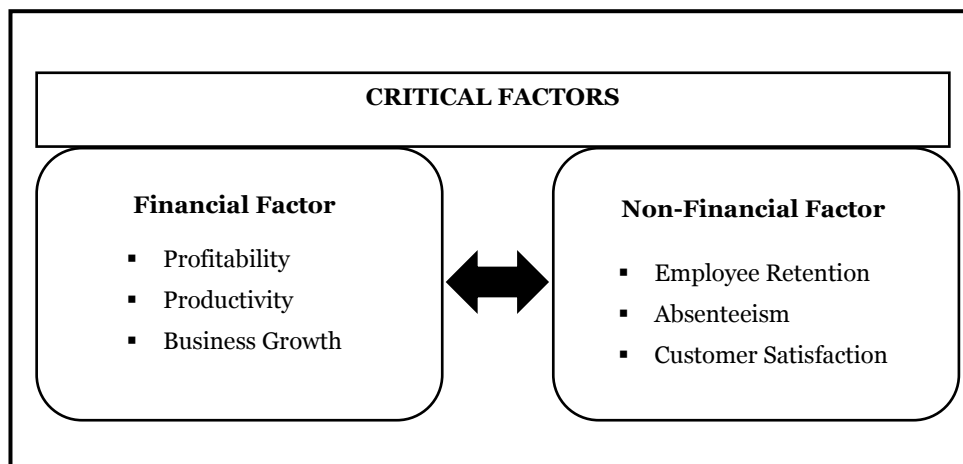


Figure 1: The Proposed Conceptual Framework
 Source: developed for this research

6. Research Issues

Two issues are proposed for this research to be investigated within the theoretical framework of this research. These two research issues provide the platform for the data collection and analysis and the subsequently answer the research problem.

RI 1: What are the critical financial factors of employee engagement at organizational-level within SME businesses in Malaysia?

RI 2: What are the critical non-financial factors of employee engagement at organizational-level within SME businesses in Malaysia?

7. Research Methodology

This research will address new fields of enquiry in employee engagement, thus it adopts a realism paradigm to uncover the “realities” regarding factors that could be influenced by

employee engagement within the Malaysia's SME business. As a consequence of this realism perspective, the converging interview technique will constitute the methodology of this research. The interview protocol will be prepared for the purpose of conducting the interview in order to enforce the validity and reliability of the data collection process. A content analysis then will be used to analyze the data. This investigation will adhere to strategies for managing the validity and reliability of convergent interviews (Healy & Perry, 2000).

In this research, qualitative research methodology will be used for three reasons. The first reason is linked to the objectives of this research, which seeks to explore the little-researched area of employee engagement outcomes at organizational-level in SME businesses. The second reason for adopting qualitative research methodology is the type of information needed by this research, which will use interview technique for its data collection. The final reason is the limitations of sample size in the Malaysian SME businesses appropriate for this research to be sampled. Small sample size is in accordance with common practice of qualitative research (Bock & Sergent, 2002).

The population defined for this research will consist of top managers working in SME business. They will be selected as the key informants because they are closely involved in the implementation and monitoring of organizational performance in their respective firms. The SMEs to be chosen are based on sales turnover and number of full-time employees that is using the latest definition of SMEs in Malaysia. Snowball sampling technique will be used in the selection of participants of this research. This sampling technique is the most effective method to seek specialized people who are experts on the topic (Aaker & Day, 1990; Patton, 1990) and enable researchers to identify participants who meet the research criteria to be selected for the research. The sample size of this research will be determined when stability or saturation is reached (Lincoln & Guba, 1985), which occurs when agreement among all interviewees is achieved and disagreement between them is explained on all the issues raised. This is also recommended by Riege and Nair (Riege & Nair, 2004) – for convergent interview the optimal sampling size is data-driven rather than predetermined. Thus, the optimal sample size is determined when stability is reached.

8. Expected Contribution of the Research

This research will be expected to make two theoretical contributions and three managerial contributions.

The first theoretical contribution that will be expected of this research is contribution to the body of knowledge of employee engagement literature. This research is assumed to be the first rigorous and in-depth study in the paradigm of Malaysia's SMEs critical factor of employee engagement outcomes at organizational-level. The new knowledge generated by this research could inform theory building related to employee engagement and propose new ways of understanding the critical factor of employee engagement outcomes at organizational-level.

The second theoretical contribution that will be expected of this research is contribution to the body of knowledge in human resource literature. HRM can be harnessed to benefit of organizational performance in recognizing the relevance of employee engagement within the HRM field and be termed as "positive HRM" (Truss, et al., 2013). It can thus be expected to provide a theoretical extension of outcomes of employee engagement and develop performance implications through organizational-level outcomes of employee engagement as the "new best practice" HRM approach.

For its managerial contribution, this research will be expected to make three contributions.

First, the findings from this research are expected to benefit the SME business. SMEs, particularly in Malaysia, have received little attention on how they would have better performance through organizational-level outcomes of employee engagement. Hence, the findings of this research in relations to performance are crucial for their development and well-being of SMEs as a major agent of economic growth, innovation, and employment.

Second, the findings of this research are expected to benefit the SMEs' top managers who are seeking to optimize employee engagement and the implications of employee engagement at organizational-level.

Finally, the findings from this research will be expected to assist policy-makers to design governmental and non-governmental sound support programs and strategies in relation to the performance of the SMEs.

9. Conclusion

As Malaysia aspires to become a high income nation by 2020, attention should be given to the performance of SMEs due to their significant contributions and as the backbone of the economy. In Malaysia, the performance of SMEs still leaves much to be desired thus hindering them from reaching their full potential. Employee engagement might be an issue in SMEs, thus the need to study employee engagement in SMEs arises. Employee engagement predicts organizational-level outcomes that can have positive implications for organizations thus, these organizational-level outcomes of employee engagement are precisely what most organizations should focus on. By identifying the critical factors of organizational-level outcomes, it will help the top management of SMEs and the policymakers to optimize employee engagement and to propose well-designed support programs and strategies for performance improvement in SMEs respectively.

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