UNIVERSITY OF STIRLING

An Empirical Study of Employee Share Ownership in Malaysia

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by

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ABSTRACT

Malaysia is one of a number of developing countries that have used employee share ownership schemes as part of its strategy to further economic development. There is a considerable literature on employee share ownership. However most of it has been based on schemes implemented in developed countries where their contextual environments are different from the one in Malaysia. It is expected that the different context will affect the implementation and the outcome of the schemes.

This study looks at a number of issues related to the ‘employee share option scheme’ (ESOS), a common form of employee share ownership scheme in Malaysia. First this study identifies the nature and structure of the schemes implemented in the country. This is important as the nature of the scheme can affect its effectiveness. Furthermore, the type of scheme introduced in Malaysia has been distinctive. Second this study looks at the objectives of companies in introducing the schemes and their perception of the scheme’s effectiveness. Third this study looks at the employees’ understanding of the schemes and the relationship of the scheme to employees’ attitudes and to organisation identification. Fourth, the relationship between the schemes and trade unions is identified.

The results of this study shows that the nature and the structure of the schemes seem to be localised to suit the Malaysian context, even though the objectives of management in implementing them seem similar to the objectives of managers elsewhere. One interesting finding from this study, which does not seem to have been found elsewhere is that ESOS tends to be used by the government as part of its strategy to close the economic disparity between the ethnic groups and to educate its citizens about shares as part of its National Economic Development Policy. One of the other findings was that although on one measure (a comparison of participants and non-participants) there seems to be no significant effect on attitude towards work and company, on another measure (the employees’ perception of the effect of membership of an employee share option scheme) participation seems to have a positive effect on identification with the company.
Two factors that seem to differentiate Malaysia from other countries are its ethnic groups and its religion. These two variables appear to be related to the employees' view of the success of the scheme. The findings of this study also suggest that the role of trade unions does not appear to have been affected by the introduction of the employee share option scheme. On the contrary, the scheme seems to have strengthened the role of the union.

Finally, this study looks at the overall relationship of the scheme to the contextual factors of the country. It is suggested that to some extent the contextual factors of the country seem to have influenced the implementation and the outcome of the scheme. This conclusion raises and strengthens the questions about the universality of implementation and the outcome of employee share ownership schemes.
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CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 Background to the Study

The continued growth of employee involvement reflects a changing view of the role of employees in the workplace. It is also a practical indication that people are considered an important resource for companies. As reported by NCEO (1998), increasingly, companies are coming to view attracting and retaining good people at all levels, then giving them authority to make more decisions over more things, as essential to being effective competitors. As people are asked to take more responsibility for their companies, therefore, it simply makes sense for them to be rewarded accordingly.

Employee share ownership is a form of employee involvement that seems to give employees more rights, responsibility and reward, as well as risk. It has gained popularity and become a widespread phenomenon. Poole and Jenkins (1991) for example indicated that there has been an increase in the number of employee ownership schemes in North America and some European countries, particularly the United Kingdom, France, Italy, Norway, Portugal, Spain and Sweden, since the 1980s. There have also been developments of such schemes in some Asian Pacific countries such as Australia, New Zealand, Malaysia and Japan (e.g. Jones and Kato 1993, Goldstein 1978, Aitken and Wood 1989).

Many factors have been associated with the origin and the development of such schemes; Poole (1989) for example stated that these schemes have diverse origins, with various factors
and forces underlying their development. Aitken and Wood (1989) for example have associated the development of such schemes with government inducements and the direct benefits that are expected to be derived from them as perceived by the company. Government inducement for example can be seen in some countries like America (Mitchell, 1995) and the United Kingdom (Hyman and Mason 1995), where such schemes have received support through favourable legislation, such as laws giving financial advantage to either sponsoring companies or participating employees. The same goes for the assumed benefits of the scheme; as noted by Pierce and Furo (1990) it is widely believed that share ownership could be associated with the increase of employees’ job satisfaction, organisational commitment, work attendance and organisational performance. These could be seen in some countries like Australia (Aitken and Wood 1989) and Japan (Jones and Kato 1993), where previous studies showed there were no tax advantages given to such schemes, yet there has been considerable development of the schemes in these countries, suggesting that their development might have been linked with the benefits that are expected from the scheme or the scheme has been used for some other reasons.

Literature on employee share ownership has made a variety of claims associated with direct and indirect benefits of the scheme. At the macro level, for example, it is said that the property rights that are derived from the material sense of ownership can create a situation which enables employees to be integrated into the market economy, act as a catalyst to national economic success (Kester and Pinaud 1996) and reduce unemployment and inflation (Poole and Jenkins 1991). At the micro level, the element of property ownership in the scheme is said to be able to influence employees’ attitude and behaviour (Kester and Pinaud 1996), improving organisational productivity and worker morale (e.g. Long 1978; Goldstein 1978). Moreover, as a form of participation in the affairs of a company, such schemes could
lead to a greater power equalisation between manager and employees (Goldstein 1978).
Besides that, such schemes have also been used as a source of funds to raise capital for a company, enabling a company to raise capital with no or less interest. For example it was reported by NCEO (1997) that in the US such schemes allow companies to borrow money and repay it in pre-tax dollars.

Pierce and Furo (1990) indicated that employee share ownership schemes are complex and multidimensional in nature, operating as both formal and psychological experience. They further said 'ownership' and 'expectation of ownership' are two important aspects related to the scheme. Related to ownership, Kester and Pinaud (1996) indicated that it is among the key factors of employee share ownership, as it changes employees' status from workers to part owners in the companies in which they work. For the expectation of ownership, Poole and Jenkins (1990) for example indicated that the way employee owners view their role as shareholders may influence and alter their feelings, such as the feeling of having rights to profit and information, which eventually will increase for example their commitment to the company.

In general, the descriptions of the nature of employee share ownership, as Long (1978) said, resembled the criterion necessary for effective organisation performance as put forward by behavioural scientists such as McGregor (1960), Likert (1961) and Argyris (1964). The criterion that they have stated is the necessity for aligning the goals and needs of employees with those of the organisation. This is also consistent with Adam Smith's doctrine of enlightened self-interest as noted by Copeman (1975). He explained that if every individual sought his own maximum profit, society as a whole would be better off. Based on this doctrine, Copeman (1975) suggested that the seeking out of the best should be within the
company for example by combining employees and capital together as a team through a
direct employee share ownership scheme. In this situation, the share ownership scheme will
act as a cement, that binds the team together. Ultimately, it will act as a unifying instead of a
divisive factor.

Above, much has been said about the potential benefits associated with employee share
ownership and how such schemes could influence employees. However, the share ownership
literature also mentions that the outcomes of share ownership are not universal as they could
be influenced by some other factors. As Pierce, Rubenfeld and Morgan (1991) reported, the
evidence of studies is equivocal in nature; there is some diversity or contradiction in the
findings. The outcomes are not always positive, as predicted, either on organisation
performance, employees' attitude, job satisfaction, motivation or other aspects.

There are two common sets of factors that are said to be able to influence the outcome of the
employee share ownership. The first, are related to the contextual environment in which the
schemes are implemented. Aitken and Wood (1989) for example noted that political, legal
and cultural factors and the growth cycle of the country could influence the outcome of the
scheme. In their study about employee share ownership in Australia they reviewed the
differences in some aspects of the political and legal context of the scheme between United
States, United Kingdom and Australia. They indicated that in the United States the
sponsoring company, employee and even the lending organisation could gain financial and
tax benefit from the scheme; in the United Kingdom both employees and employers derived
tax advantage but the scheme appeared to be more politically motivated than in United States.
However in Australia they found that there was no financial or tax benefit for either the
company or employees. They therefore presumed that the differences between these countries
in their political, legal and cultural context may have affected the claimed advantages of employee share ownership and, as a result, the outcomes of the scheme are not equally applicable to all countries.

Poole and Whitfield (1994), have forwarded the same view in their study about employee share ownership. They noted that the impacts of employee financial participation schemes on financial, industrial relations and organisation commitment are seldom direct and they are normally affected by environmental influences. Barktkus (1997) said that the creation of employee share ownership alone does not guarantee changes but rather it acts as a catalyst that encourages changes, which may vary in extent under different conditions. He further suggested that as the catalytic agent affects any action and reaction, how the catalyst, which in this case is employee share ownership, interacts with other structural elements in the organisation such as culture, would influence the ability of the organisation to become more effective.

The second set of factors is related to the criteria of the employee share ownership itself. Toscano (1983), for example, noted that even though there were many claims that link employee share ownership with employees’ work satisfaction, increased productivity and profitability, these claims are not inevitable. He said the criteria and the different forms of employee share ownership might have different effects on companies and their workforce.

Pierce, Rubenfeld and Morgan (1991) forwarded the same view; they noted that forms of ownership should not be considered as all the same and they suggested that empirical investigation of employee share ownership should look at its several features. This is because, as explained by Rodrick (1997), each country has its own legal framework for
employee share ownership, even sometimes the same scheme can vary widely from country to country.

Taking into consideration the views given above, therefore, it cannot be denied that there are differences between countries, for example, related to their political, legal system, culture and development status. All these differences could influence the origins of schemes, the way the schemes are implemented and also their outcomes.

As the effects of share ownership are not universal, since the scheme could be influenced by the situation in which it is being implemented, therefore it is felt necessary that the above views be considered in studying employee share ownership.

1.2 Rationale for the Study

Based on the background above, it will be useful to make a study of employee share ownership in Malaysia. It is a study that is conducted within a different contextual background (e.g. political system, culture, economic, and development status) compared to previous studies, which were mostly conducted in western countries. As the above situation is critical, therefore it cannot be assumed that the results of other studies will be relevant to Malaysia. Hence as a result it is interesting to have this study in Malaysia.

Employee share option scheme (ESOS), a form of employee share ownership is increasingly popular in Malaysia. It is the only form of employee share ownership scheme officially mentioned in the ‘Policies and Guidelines on Issue or Offer of Securities in Malaysia’ and it is also for this type of scheme that a specific regulation has been introduced by the Securities
Commission as there is no other form of employee share ownership scheme being officially mentioned and encouraged by the government.

Statistically more and more companies have started to offer the scheme to their employees. In 1998, statistics by the Malaysian Securities Commission indicated that employee share option scheme is among the most numerous corporate proposals approved by the body. In 1998 also there was a marked increase in ESOS proposals approved; 68 companies compared to only 29 in 1997. In 1999, a report by the Malaysian Securities Commission (SC) cited that employee share option schemes (ESOS) are ranked second most in submission approvals, with 52 approvals, being outnumbered only by 'Capital raising' which includes 'rights issue' and 'issue of debt securities' accounting for 61 approvals.

Even though such schemes have been implemented by companies from various sectors and industries, at present, little is known about the development, structure, scope and objectives of the scheme as no specific study has yet been made. Since there has been no research being conducted this thesis, therefore, will be the first study that systematically reviews and evaluates the practice of employee share option schemes as a form of employee share ownership in Malaysia.

1.3 Research Objectives

This study seeks to cover a range of issues related to employee share option schemes (ESOS) in Malaysia. As mentioned earlier, the effects of the scheme are believed not to be universal, as it could be influenced by the contextual environment and the nature or the arrangement of the scheme implemented. Due to the differences that are expected to exist between countries,
therefore this study will look into whether these different factors have affected the implementation and the outcome of the scheme in Malaysia.

The issues that this study will investigate include the nature and the scope of ESOS, the possible contributing factors for its development, the reasons why companies implement the scheme, reasons why employees participate in the scheme and the perceived impact of the schemes on employees and unions. In this study these basic issues are felt reasonable to be conducted as the available evidence about ESOS is too rudimentary and fragmentary for developing a tightly focus research.

From the company perspective, this study will look at the perception of the employers about the success of the scheme by looking at the perceived changes that are brought by the scheme. Related to the perceived changes, Rosen, Klein and Young (1986) noted that there are many ways to determine the changes caused by the scheme, which include the two most common criteria: first, improvement in company productivity and profitability, and second, changes in employees’ attitude. However Rosen, Klein and Young (1986) stated that to determine the success of the scheme based on changes in company profitability and productivity can be very tricky, as isolating the cause of a company’s financial success is very difficult. Alternatively, they recommended looking at the perceived change in employees’ attitude and behaviour. They stated that employee share ownership observers often assume that the positive effect of the scheme can be seen from changes in the employees’ behaviour and this could be one of the indicators of the success of the scheme.

This study therefore chooses as an indicator of success to look into perceived changes in employees’ attitude and behaviour. Due to methodological limitations, it is not possible to
determine the real changes in employees as a result of the scheme; it can only explore employees' own perceptions, such as how they feel the scheme has contributed to feelings of positive attitudes toward their work and company. More details will be given in a later section.

Within the context of this study, after taking into consideration the status of the scheme and contextual factors of Malaysia, two different categories of research questions were developed: Some specific to the situation that prevails in Malaysia; other are general issues that are commonly raised in this kind of study, but are expected to be influenced by culture and contextual factors, as mentioned above.

This study, besides looking at the development and nature of the employee share option scheme as stated above also focuses on three levels of analysis, namely company, employee and trade union. At the company level, the main questions to be answered are:

a) What are the company’s objectives in introducing the employee share option scheme?

b) How do employers view the success of the scheme, related to their objectives?

At the level of individual employees, the following questions are addressed:

a) What are employees' opinions of the employee share option scheme (ESOS)?

b) What are the attractive features of employee share option scheme that influence employees to take part in the scheme?

c) Do the demographic characteristics of employees affect their perceptions toward the scheme?

d) Do ESOS participants feel more satisfied with the work as a result of ESOS?

e) Do ESOS participants feel more committed to the company as a result of ESOS?

f) Do ESOS participants have a better perception toward their company than non-participants?
g) Is the employees' understanding of the ESOS related to positive attitude toward the company?

h) Is the employees' positive thinking about ESOS related to a positive attitude toward the company?

i) Is the employees' understanding about management's objective in introducing the ESOS related to a positive attitude toward the company?

At the trade union level, the following questions are asked:

a) What are the perceptions of trade unions towards the employee share option scheme?

b) Have the employees, as a result of the employee share option scheme, become less attached to the trade unions?

1.4 The Significance of the Study

This study may be viewed as advancing research in this field, by both exploring new issues and also examining more familiar issues in a different contextual background from previous studies. The present research is significant in the following key areas:

a. As mentioned earlier, different contextual backgrounds and different natures of schemes may influence the outcome of the scheme. Hence, one significant difference between this and the previous studies is related to the different contextual background (e.g. culture, politics and a developing country) and nature of the scheme implemented. This research would therefore empirically indicate how the scheme is being implemented in Malaysia and how the specific contextual background influence its outcomes.
b. This is the first study related to employee share ownership in Malaysia. Also this study will concentrate on a specific form of employee share ownership i.e. employee share option scheme (ESOS), as no study has been undertaken on this specific scheme. This will indirectly give further knowledge related to both employee involvement in the financial aspects of the companies in this country and also the understanding of the scheme itself the employee share option scheme. From the evaluation on the various aspects of the practices, future researchers in the area can have a better understanding or knowledge of how the schemes being practised and their future study related to the scheme can be more focused.

c. This study will identify whether there are differences in attitudes of Malaysians toward share ownership schemes, particularly differences between the ethnic groups (Bumiputra and non-Bumiputra), and religion (Muslim and non-Muslim). This is one of the significant characteristics of Malaysia that is different from the study conducted in other countries as ethnic group and religious factors seem never to have been looked at in previous studies. The insight gained will contribute some knowledge on whether differences in ethnic groups and religion have influence the outcome of the share ownership. This will also give guidelines to the Malaysian government of how the ethnic groups and religions influence their perception toward shares. This is important to Malaysian government, as one of the objectives of the government is to reduce the existing economic gap between Bumiputra and non-Bumiputra. Hence one of its strategies is to encourage citizens, particularly Bumiputra, to participate in company share equity. How they view the scheme will determine the success of the objectives or otherwise.

1.5 Presentation of the Study

This study is reported in nine chapters, the structure of which will now be explained.
This First Chapter serves as an introductory chapter. It outlines the background of the study, the rationale of the study, the research objectives, the significance of the study and finally gives an overview of the other chapters of the study.

Chapter Two presents an overview of literature on employee share ownership schemes including their definition, theoretical impact, the development of such schemes in different countries, models of past studies, management objectives in introducing such schemes, factors that influence employees’ reaction to the scheme and the relationship between the scheme and the trade unions.

Chapter Three explains some general aspects of culture that include its definition, its influence, and the relationship of culture with motivation and participation. This is done to determine the position of the Malaysian culture within the international context.

Chapter Four presents contextual background and information on Malaysia in terms of its history, structural transformation of the economy, its population and how culture varies among the Malaysian ethnic groups. This information is vital, since the perception of respondents toward employee share ownership could be influenced by such factors.

Chapter Five presents the methodology employed in this research. After outlining the research purpose and the hypotheses of this study, it offers a discussion on the research design and the implementation of the fieldwork undertaken by the researcher.
Chapter Six outlines the nature of ESOS in Malaysia, the management’s objectives in introducing the scheme, their view about the success of the scheme and also the views of management about employee share ownership and trade unions.

Chapter Seven presents an analysis of data obtained from a questionnaire distributed to employees and also the views of trade union representatives and trade union members about the scheme.

Chapter Eight discusses the findings of the study. This chapter also summarises the dimensions of the empirical aspect of this research.

Chapter Nine concludes the study, by presenting overall finding and its theoretical implications. The researcher then gives some suggestions on directions for future research and the future implication of ESOS in Malaysia.
CHAPTER 2

EMPLOYEE SHARE OWNERSHIP: AN OVERVIEW OF THE LITERATURE

2.1 Introduction

The purpose of this chapter is to review the literature on employee share ownership and to bring together related theories and findings that relevant and within the scope of present study. All the literature is summarised and grouped into five parts, the importance of which will be explained within each section.

The first part of literature explains the theoretical perspectives and the nature of employee share ownership schemes. Among the topics discussed under this section are: the definitions of employee share ownership, explanations about factors that differentiate the different arrangements or classification of employee share ownership schemes and an explanation of employee share option scheme (ESOS) a type of employee share ownership scheme that is looked into in this study.

The second part of this chapter reviews the nature and the attributes of employee share ownership, explains the relationship of the scheme with organisation, employer, employee, union and also looks into the previous empirical studies and models related to the scheme.

Third, this chapter discusses the development of the employee share ownership scheme and explains the different conditions that may influence the implementation of the scheme.
Fourth the managements’ and employees’ objectives in setting up employee share ownership are forwarded. Also discussed is the empirical evidence from previous studies that related to the above matters.

As all the said theories and findings were based and made within a different contextual framework from the context of the present study, hence they may have some limitations in their application to the analyses and characterisation of a system evolving non-western country as in this study, which is Malaysia. Therefore based on the literature, finally this chapter is summarised, synthesised and after taking into consideration all the limitations and differences this chapter is concluded by constructing a model, which includes the current and additional variables that seem relevant to guide and might help to account for some possible different outcomes that may found in this study.

Next this chapter will look at the definitions, arrangement and nature of employee share ownership.

2.2 Definitions, Arrangement and Nature of Employee Share Ownership

In discussing the literature, it seems important that this chapter first look at the different factors, which include definitions, arrangements and nature of employee share ownership schemes.

2.2.1 Definitions

Employee share ownership is a general concept that covers different classification of employees, with different degree of ownership, participation and control in the organization where they work. Therefore the understanding of the definition and the meaning of the
employee share ownership scheme is crucial in helping to relate with its rights and attributes; in identifying similarities and differences between the related scheme, and also in predicting its outcomes. A number of attempts have been made to explain and define what is meant by employee share ownership. Rosen, Klein and Young (1986) noted that there is no obviously right universal definition for it, nevertheless, different authors from different regions as indicated below have forwarded some definitions and explanations of employee share ownership:

Meade (1986: 16) explained employee share ownership as a scheme in which workers have a share in the fortune of the company by owning part of the ordinary shares in the business but do not, in fact, exercise any decisive control over the firm's operations.

Baddon et al. (1989: 7) explained an employee share ownership scheme as one where shares in their employing organisation are allocated to or acquirable by employees.

Aitken and Wood (1989: 148) indicated that the employee share ownership scheme is any form of equity transfer by the organisation to their employees, which excludes the purchase of the shares of the company by employees in a free market transaction, in which the company plays no direct role.

Pierce and Furo (1990: 34) defined employee share ownership as an organisational arrangement in which a significant proportion (though not necessarily all) of the people who work in the firm hold a right to organisational equity, information and influence.
Last but not least, Rosen, Klein and Young (1986: 14), quoted a definition from the National Centre for Employee Ownership (NCEO), that employee share ownership is "a plan in which most or some of the company's employees own at least some stock in the company, even if they do not have the ability to vote or they cannot sell the shares until they leave the company or retire". They further said that employee share ownership is a form of organisational arrangement in which a clear separation remains between managers and workers, where shares are not necessarily be distributed equally, and where a significant proportion of the people who work in the firm, regardless of hierarchical level, or whether compensated by salary or hourly pay, possess ownership in the employing organisation.

In general, the definitions and explanations as noted above seem to explain the meaning of employee share ownership scheme, the degree of ownership owned by employees, the scope and characteristics of a scheme that could be classified as an employee share ownership and the related right that could be derived as a consequence of being employee shareholders.

Related to the above, some criteria of employee share ownership could be deduced which included:

First, it is generally held, that for a share ownership, there should be some transfer of equity in the company to its employees. The transfer of this equity should be made with the management concerned, which means employees are involved in the ownership of the company as a result of a management initiative.
Second, in this type of scheme, although the shares are allocated to employees, the employee shareholders, however, are not necessarily able to exercise control or make any decision on the operations of the firm.

Lastly, even though the employees have become part owners in the company, there is still a clear separation between management and employee shareholders in their functions, duties and responsibilities at work.

In view of the above perspectives, at the most general level this study considered a company in Malaysia as practising employee share ownership if the above criteria are met.

2.2.2 Arrangement of Employee Share Ownership

Even though there is no specific or universally accepted definition for employee share ownership, nevertheless there are some factors that could be used to differentiate among the schemes practised. Identifying these different arrangements or classifications seems essential as indicated by Toscano (1983) that, the differences in the scheme would be likely to have different implications for employees' job satisfaction, their degree of control in the organisation and the ability of a firm to raise investment. Failure to distinguish the different arrangements of the scheme could lead to misleading generalisations about employee ownership, and hence would give different outcomes for different objectives targeted. This view seemed important for this study to consider and to look further in details as the practice of employee share ownership in Malaysia is less known, also as mentioned in the previous chapter that this is the first, of this kind of study conducted in the country. Hence by identifying these different arrangements, they can be used as guidelines in determining the exact forms or arrangement of share ownership.
implemented in this study, reason(s) why it is being implemented in such a manner and its expected outcomes could be predicted.

The explanations of the different arrangements of the scheme as indicated by Toscano (1983) included:

The share function in the firm. This identifies the role that shares play in the enterprise; it is because stock has different roles in different types of company. Generally, in most companies, shares have three basic functions: first, they reflect the value of the firm in the market price and the ability of a firm to raise investment; second, they entitle the holder to a portion of company profits; and third, they frequently carry the legal right to control the company. From the three functions above the second and the third function seem directly related to employees. Therefore, the effect of the scheme to employees is related to how obvious is the relationship between employees' effort and the outcome of dividends accruing from share holding. For example, if the employee see the performance as dependent on factors and behaviours beyond his or her control, then she or he is less likely to exert extra effort in his or her work.

The manner in which shares are purchased. Employee share ownership schemes also differ according to the manner in which shares are purchased or acquired by employees. There are a number of arrangements by which employees can own share in the company where they work.

First, employees may simply purchase shares in their firms directly at their market value, treating them as an investment, with no intention to seek control in the enterprise.

Second, shares may be purchased by employees through the acquisition of company stock, then exercise the purchase option at costs lower than market price. Whether this kind of arrangement
could bring majority of employee share ownership to companies depend on the nature of the scheme as either the scheme is meant only for certain category of employees or it is a broad based scheme, which this is also related to how shares is held in the company or the share concentration within the firm. For example in some schemes shares are held individually and in some, a company or trust may hold all or some portion of the shares. The manner in which shares are held may affect the outcome of the scheme such as employees’ perceptions of their role as owners, and indirectly influence their level of job satisfaction, organisational commitment and others.

A third arrangement involves the assignment of shares to employees according to their wages, salaries and seniority, where employees do not purchase shares, rather, the companies themselves simply transfer stocks to employee account. Finally, employees may be required to purchase shares in order to work in the company, gain rights to participate in the firm decision making, and gain a portion of the profits.

_Provision for sale or transfer of stock._ Employee share ownership is also affected by such provision both to company and their employees. For example how this provision is set will help to determine whether employees are motivated to stay longer or leave their company as soon as they can sell their share. Also a regulation that allows employee to sell their stock freely either due to retirement, termination of employment or others is likely to encourage an eventual dilution of employee share ownership. On the other hand if the company is require to purchase the share if the share price appreciate it will affect the company financial.

_Principles which determine the decision making process in the firm._ Schemes differ according to who determines the decision making in the firm. This is because the ultimate control in the
firm in a legal sense remains in the hands of shareholders, even though some argued that the
effective control of the modern firm has been wrested from the owners (Galbraith 1967). This is
because the formal rights to participate in the firm’s decision making are derived from the
control of capital, rather than from the performance of work. However Tascano (1983) indicated
that the presence of employees’ legal rights to control through ownership arrangement should
not be taken as evidence that they actually do so. In fact, they frequently transfer this right to
management and develop little interest in participating in company decision-making, so long as
their investment is protected.

In view of the different arrangements of employee share ownership above, how those various
arrangements contribute either directly or indirectly toward the financial return to employee
shareholders, enhancing their decision making power and making them capable of exercising
control and influencing outcomes are among the important issues to look into. However related
to the employees’ share in the exercise of control or decision making power in organization a
few aspect could be looked into which include a) the degree of the decision making power of
employee shareholders, for example whether employee involvement just in a joint consultation,
codetermination or employee shareholders have the outright control right, which all these
related to the different level of decision making in the organization b) the direction in which
they can influence the decision either in the negative such as the employees disputed or veto
management decision or in a positive form where employee capable of raising issue or initiate
decision making process.

In another aspect the above arrangement would seem to alter the structure of the organization
that related to authority and hierarchy. Therefore either they are actually exercise it or not
depend on the actual integration of the scheme in the structure of the organization which is also being influence partly by its contextual environment.

In identifying how the different arrangements being set up, this literature will next look at a specific form of employee share ownership i.e. employee share option scheme. The general view of employee share option scheme seem necessary to look into because as explained in Chapter One, employee share option scheme (ESOS) is a form of employee share ownership scheme that most popular and being well documented in Malaysia an being the subject of this study. This in general would show how ESOS is fitted into the different arrangement above and also to be used as guidelines in identifying the ways the scheme being practised in Malaysia.

Before evidences of share option scheme in Malaysia are presented (see Chapter Six) the next issue will first look at the literature of the general arrangement and concept of employee share option schemes. This will give some indication in looking at the similarities and differences between employee share option schemes that mentioned in the literature with the share option scheme in Malaysia and also with other forms of employee share ownership scheme.

2.2.3 Employee Share Option Scheme (ESOS)

This section will explain the basic structure of the employee share option scheme (ESOS). However it needs to be aware that how the scheme is implemented might vary and be subjected to the legislation of the different countries. Different countries may implement the scheme differently, for example whether they consider it as approved or non-approved, statutory or non-statutory, subjected to tax or not taxed, given to certain categories of employees or broad based, and many others that justify the explanation of the different arrangement as explained earlier.
Differences in implementation can be seen for example in the UK and the US, even though they both use the word ‘option’ in their related schemes.

Nevertheless, in general, an employee share option scheme is a scheme that gives employees the right to buy a certain number of shares in the company at a fixed pre-determined price, normally at the market price at the time the options are granted, and the right can be exercised within a certain number of years. It has been considered as a flexible way for companies to share ownership with employees, reward them for performance and attract and retain motivated staffs. Traditionally, the scheme has been used as a way to reward top management and key employees so that their interest can be linked with those of the company and shareholders (Rodrick 1997). However the concept of granting stock options only to a few key executives has been rendered obsolete by the new economic reality, where currently all employees are considered key to a company’s success. Since more and more companies now consider all their employees as ‘keys’, therefore, there has been an increase in the popularity of broad-based stock options since the late 1980s (NCEO 1997). As explained by NCEO (1997), broad based employee share options are the norm in high-technology companies in the U.S and are also becoming popular in many companies in other industries, as part of an overall equity compensation strategy. Even though there is an increase in popularity for the share option, however it is said that this scheme is not usually appropriate for companies whose future growth is uncertain, as they may find it difficult to create a market for the shares.

Among the significant characteristics of the employee share option scheme, compared to other form of employee share ownership, is that it allow employees to sell their shares a short period after acquisition, which some believe could retard a long term ownership vision and attitude among share holders. However, this arrangement might vary between countries.
Share option scheme also offer a good deal to employees, as it is clearly a no-lose proposition, the only question is how much they can win. It effectively provides employees with a choice between a sure amount of cash today and an uncertain amount of cash in the future. Also, it is a matter of a decision between continuing to hold a stock and cashing out, which is much like any other investment decision. The reward of holding on to stock could be huge; so can the risk. Therefore in an option, one cannot make a loss from falling price but can make profit from rising price, as the employees could exercise their option when the value of the stock option is greater than the exercise price of the option. For this reason, some have started to question whether share option could be considered as share ownership. For instance, as noted by Gurley (1997), that the stock option does not present true ownership, as the option holder is entitled to all the glory that comes with upward price movements and protected from the downside of disappointment. Nevertheless without neglecting this view, the proponents of share option still feel that share option is a true ownership because employees do not receive shares for free, but must put up their money to purchase the shares (NCEO 1997). This can also be seen from the work of other authors, for example Blasi, Gasaway and Kruse (1994), and Poole (1989) who have considered the share option scheme as a division of employee share ownership and never disputed.

In terms of structures, share option schemes are relatively simple and inexpensive to implement, compared to other employee share ownership plans (ESOPs). As noted by NCEO (1997), comparing the share option scheme (ESOS) and other employee share ownership plans (ESOPs), ESOPs are more expensive and more administratively complex to run and sometimes require professionals to implement them.
Another interesting feature of share option is that, due to its nature, it gives low risk to the companies and the disadvantage perhaps there is an incentive for employees to roam around, try their luck in one job, and if the company's stock is stuck in the doldrums, move on, which this will kill loyalty. Heath, Huddart and Lang (1999) in their study, sought to understand what led employees to exercise the share option. They found that employees exercise their decision depending on recent price movement and they will sell if the price favours them.

The ultimate impact of stock option is considered the same as any other employee share ownership (NCEO 1997). It depends a great deal on the company and its goal for the plan, its commitment to creating an ownership culture, the amount of training and education it puts into explaining the plan and the goal of individual employees (whether they want cash sooner rather than later or they consider the scheme for short term profit making or as a long term investment). It is stated that in companies that demonstrate a true commitment to creating an ownership culture, stock option can be a significant motivator (NCEO 1997).

NCEO (1997) indicated there is a great deal of descriptive evidence that options do motivate people, and there is good theoretical reason to think that a share option scheme would have the same effect as any other employee share ownership. Based on the argument above and the nature of ownership in the employee share option, and also because there is very little literature of this sort, this study will therefore use the general literature related to employee share ownership as the literature for this study.

Next this study will look into the basic natures of employee share ownership that could be linked with employee share option scheme and how the natures are related to its theoretical impact.
2.3 Nature of Employee Share Ownership, its Attribute and Theoretical Impact

The previous section has explained and discussed the definitions, the different arrangements and the importance of knowing all those in studying employee share ownership scheme. Within the context of the present study this section will then looks more in details literature on the general natures of employee share ownership and linking them with the related theoretical impact of the scheme or in other words how the basic nature of the scheme could produce some of the predictable impacts. The link between the nature of the scheme and its expected impacts seem important to be discussed as they could later be associated, first with the management’s choice and their objectives in introducing a particular employee share ownership scheme. Second, by looking at the impacts of the employee share ownership scheme we could identify whether all the said impacts of the scheme has a universal characteristics that could produce similar outcomes in different situations such as in a different contextual environment.

Employee share ownership is more than just a possession of share in the equity of a company but it rather has a diverse phenomenon. Based on its nature, theoretically the scheme is expected to give some positive and negative impacts on its participants and other related parties. ‘Right’ as a consequence of the scheme is a factor that could contribute to the above said impacts. In discussing the rights, few authors for example have forwarded their views and have spelt different rights that related to employee share ownership and its consequences. Ivancic and Rosen (1986) and Roomkin (1990) talked about the symbolic nature of employee share ownership. For instant, Ivancic and Rosen (1986) stated that the symbolic nature of employee share ownership schemes is very important and the voting right that attached to share is largely
symbolic aspect of employee ownership. In another aspect Roomkin (1990) stated about the consequence of the symbolic value, he stated that the symbolic value of employee share ownership help to give employees the impression that they and managers are on the same side, even if the employee's stake in the company is not very large. Baddon et al. (1989: 17) related the share ownership with certain rights and responsibilities, such as the ownership of private property that provided the base of potential employee benefit and is seen as a key factor that associated with responsibility. Pierce, Rubenfeld and Morgan (1991) also expressed a similar view but they have related both the formal or direct and psychologically experienced phenomena of the scheme with employee attitude and behaviour relationship. They indicated that formal ownership is often defined in term of three fundamental rights which include: first, the right to possess a return on investment, which is the direct effect of ownership; second, the right to exercise influence over the owned object as shareholder; and third, the right to information about the status of what is owned, i.e. about the status of the company which all these could contribute to psychological impact on employees.

After looking at some characteristics related to right and its consequences as briefed above, next this literature will look more into the consequences of right that related to employee share ownership. Poole and Jenkins (1991: 1) have proposed a number of influences that the scheme could bring to the workforce. First, it is said that the influence of ownership from the scheme makes employee shareholders feel that they are partners in the company, which as a consequence can eradicate the antagonism and opposition between them. Second, ownership may increase the sense of identity of employees with the companies in which they work. Third, it may help to develop the spirit of competitiveness in employees, whereby employee share ownership is seen to be able to improve their motivation and commitment, and hence bring about a higher level of productivity and profitability.
In classifying the impact that seems related to the three influences above, Poole and Jenkins (1990) have provided a further theoretical impact of the scheme. They have classified the effects of the scheme on economic levels, industrial relations, organizations, and on employees themselves. However, this review will only focus on the impact of employee share ownership schemes on industrial relations that will also include organisations and employees, all of which are highly relevant to this study.

Pool and Jenkins (1991) have divided the impact of the scheme on industrial relations into management-union relations, industrial conflict, managerial authority relations, and trade unions and collective bargaining. However, this section will look only into two aspects that are related to this study, which include:

(a) The management-union relations aspect: Employee share ownership schemes are said to be capable of influencing the management and union relationship. Literally, this could happen because there is a change in the status of employees from ordinary employees to shareholders in the company. In other words, employee’s shareholders (also unionist shareholders) may have increased their identification with other shareholders and with the company as a result of employee share ownership. However, it is said that the actual impact of the employee share ownership on union is related to how as a result of employee share ownership the employees, particularly the unionist perceive toward the union, which this can be divided into two views as follows.

The first assumption, as shareholders, employees are said to have some common interest with the company in terms of both their corporate investment and their employment relationship.
Related to the assumption Poole and Jenkins (1990) said, that the acquisition of shares by employees may affect some employees who are members of trade unions, where as a result of employee share ownership their interest are intertwined. As a consequence, employees’ traditional representation channels such as trade unions could be weakened and their level of solidarity reduced.

Furthermore if the majority of employees are shareholders, this could significantly change the traditional or contractual role of the trade unions. Whyte (1985) and Pendleton, Robinson and Wilson (1995) have also forwarded a similar issue. According to Whyte’s (1985) that, basically when employees share the ownership with management in the firm where they work, their expectations of labour relations change. Hence the functions of the trade unions may become less clear. So as what has been noted by Pendleton, Robinson and Wilson (1995). They indicated that the unions has instead of providing independent collective representation of employees in their dealing with the owner to one of providing an alternative to management in the efficient running of the organisation. However they believed that the effect of employee share ownership is not as simple as that as it could be influence in a number of ways.

The second assumption is that if employee shareholders retain their normal orientation to work, their attitude does not differ markedly from that of ordinary employees and the importance of the wage effort bargain is still dominant; thus the traditional role of the trade union will be little changed. In this condition, as employees, employee shareholders may still have the same common interest with other employees, although they have improved their status to that of shareholders. This may make them seek additional individual or collective participation in decision-making through the union.
To determine employees' attitudes to union as a result of employee share ownership, the previous related studies have given some evidences of the employees' attitude toward unions from different perspectives. In the US, for example, in Long's (1978) longitudinal study, he found that there was little movement in employee attitude toward unions as a result of employee ownership. For example he indicated that, the majority of the respondents, whether union or non-union employees believed that the union is compatible with employee ownership. Furthermore his study showed that employee share ownership even have improved the relationship between union and management, which is by promoting greater openness between them.

Other studies as conducted by Toscano (1984), Kruse (1984) and Sockell (1985) also showed that employee ownership had no effect on the need for unions. However the relationship as mentioned seems not definite or stable as it subjected to environmental factor. For example as indicated by Hammer and Stern (1986) in the United States the dynamic of unions in the employee share ownership scheme is not stable because unions oscillate between co-operation and conflict with management and they are torn between these two roles. For example initially, unions embark on a co-operative strategy based on fusion of employees' and owners' interests. Then, adverse economic conditions can result in policies which are harmful to employees' interest that resulted union co-operation is withdrawn. When the crisis is past, they will return to co-operation. In the process of oscillation, there is a possibility that the union may become discredited amongst its members. Therefore there is a possibility that the feeling of less favourable attitude toward union by its members if any is not totally because of employee share ownership but it may also due their perception on union action.
In the UK study, for example, studies conducted by Baddon et al. (1989), Dunn, Richardson and Dewe (1991) and Pendleton, Robinson and Wilson (1995) showed that trade union representation did not appear to have been seriously threatened by employee ownership and new channels of employee-shareholder representation. However Poole and Jenkins (1990:46) seemed to indicate that there was probably an impact of the employee share scheme on attitude to trade unionism, although they said in most cases the findings was not strong. For example in the analysis from one of their study they showed that there were significant differences between employee shareholders and non-shareholders and trade unionist and non-trade unionist related to two statements that indicated, first, ‘there is no reason why union and management cannot work together’ (employee share holders showed a higher degree of agreement than non-shareholders, shareholder trade unionist show a higher degree of agreement than non-shareholder trade unionist) and second, ‘the best way of obtaining worker say or influence in decision making in this firm is through increasing the influence of the union’ (employee share holders showed a lower degree of agreement than non-shareholders, shareholder trade unionist show a lower degree of agreement than non-shareholder trade unionist).

Related to the less effect of share ownership on union, beside the view forwarded by Hammer and Stern (1986) as indicated above, there were some other view being forwarded in explaining the possible reasons why employee share ownership schemes seemed do not give much effect on union compare to what has been theorised traditionally, that employee share ownership will weaken the trade unions. Among the reasons given were: first, the financial benefit of the employee share ownership is too small in relation to the benefit from employment and second, the degree of employee participation in decision-making if any seems insufficient to make employees to feel like real owners.
Employee share ownership scheme has also been looked at from different lights and objectives. For example Baddon et al. (1989) stated that the thought of profit sharing or employee share ownership being an element as anti union behaviour has been on the historical horizon. This agrees with what has been indicated by Poole and Jenkins’ (1990) that employee financial participation was used to reduce a long-standing conflict between trade unions and management in the firm. The view seemed to have some basis to be supported, for example employee share ownership schemes are normally introduced and controlled by management, not usually regarded as being negotiable and much of the benefits are accrued by the management. For instance Baddon et al. (1989) in their study found that less than 10 percent of profit sharing and employee share ownership users replied that employees had been consulted before or during the implementation of the scheme. Besides, the management as the initiators they are also the ones who decide the number of shares to be allocated to employees and their conditions for eligibility to participate in the scheme. In other words, all these are solely within the management domain. However as noted by Zalusky (1990) that some unions are now beginning to perceive the employee share schemes as a means of obtaining their influence in the corporate decision making process. The scheme is no more been viewed as something that oppose or challenge union solidarity.

b) The managerial authority relations aspect: Legitimately, managers’ authority to control the company is based on their expertise and some property right, but with employee share ownership schemes, employees can also be seen as share owners who delegate the running of the company to management. This will indirectly affect managerial authority. Poole and Jenkins (1991 p.21) have summarized a few factors that can influence managerial authority relations aspect as a result of an employee share ownership: (i) The authority and desire for participation of employee shareholder may increase as an outcome brought about by workers’ legitimate
property right and their increase in organisation identity; for example as ordinary shareholders, employee shareholders are conferred certain rights such as the right to elect the board of directors and the right to financial information and participation in the annual general meeting. On top of that, by being workers, they tend to have other privileges if compared to ordinary shareholders. For example they are directly involved in the operation and the administration of the company, and also they have direct access to information or first hand information that make them more knowledgeable about the strengths and weaknesses in the operation of the company. In this respect they are in a stronger position than ordinary shareholders. Besides that, they too are concentrated within the organisation, a fairly homogenous and readily identifiable group with common interests. So their collective representation can effectively encounter managerial expertise, through either a shareholder institution or traditional collective bargaining this will give some impact to the organisation. As a consequence (ii) Employee share ownership may increase managerial perceptions of the legitimacy of increased employee involvement; (iii) If management perceive that increase of employee commitment is due to employee share ownership, employee share ownership will be promoted further to enhance this development; (iv) Employee share ownership may increase delegation of authority at all levels in the organisation. As a consequence there will be some impact on employees in the organization.

This study will next look at the probable impact that may be brought by the employee share ownership scheme on the employees in the organization.

Roomkin (1990) noted that when workers have a financial tie with the organisation, they share many of same goals held by those who own the organisation, or what is known as a ‘common fate’ relationship. Therefore, the introduction of employee share ownership may produce greater employee identification with the company’s goals.
Poole and Jenkins (1990) noted that there are several issues of relevance to the potential consequences for an organisation as a result of employee share ownership, which they refer to Long's (1983) classification as employee integration, involvement and employee commitment and satisfaction.

First, Long (1978) defined 'integration' as the degree to which an individual perceives that the attainment of organisation goals will result in the satisfaction of his personal goals and needs. This will make the individual employee begin to feel that both he and the organisation have the same objectives. So the better the performance of an organization the more the employees will gain and they will get more satisfaction. Then, Long made an assumption that the integration of personal and organizational goals will affect individual attitude and behaviour. He also noted, that the increase of personal motivation by integration could occur in two ways: a) through the belief that improved individual performance will increase individual reward and b) by increasing the perception that an individual employee's reward is contingent upon the behaviour of others. This will foster the development of peer pressure in informal groups toward improving performance.

Second, organization involvement was defined by Long as a feeling of solidarity with the organisation, a feeling of membership or belonging. Therefore, those employees who own shares in their companies will feel as part of the organisation. This feeling will be experienced due to a number of factors. a) The shares that the employee owns provide physical and legal evidence of his association with the organization. b) By owning shares, the employee is now entitled to receive more information, which non-shareholders presumably do not receive and finally, increase in integration will indirectly increase involvement and solidarity.
Third, Organization commitment it is a sense of loyalty to the organization. Commitment is increased indirectly through increasing integration and involvement. There are at least two ways in which employee share ownership may improve employee commitment and satisfaction: (a) the direct effect of ownership, such as the financial rewards that employee gains as an owner. Employee share ownership gives employees a vested financial stake in the value of their company stock. When the company’s wealth increases, the value of employees’ stock tends to increase also, while the converse is also true. (b) Indirect effect of the scheme, due to increasing employee influence and involvement where employees feel that they are part of the company, and their contribution to the company is valued, considered and appreciated. The increase in employee shareholder identity with the company is also encouraged by the increase in communication of employees with the management, either verbally or in writing, such as through annual financial reports and other communications of policies of relevance to shareholders. A combination of all these factors may make employees identify themselves more with the firm.

Theoretically, the consequences of the attributes of employee share ownership seemed positively influence the participating companies and employees. The attributes appear to agree with the view of Smith, Lazarus and Kalkstein (1990), who believed that employee share ownership is able to bring about a win-win position for both the management and employees. Although this form of incentive is indirect, nevertheless as argued by Copeman, More and Arrowsmith (1984) it is thought to be long term and self-reinforcing.

Employee share ownership schemes, however, are said to be unlikely to operate in the same way. For example as Pierce and Furo (1990) and Pierce, Rubenfeld and Morgan (1991) argued,
the positive outcome of employee share ownership is not definite. Instead, they said, there appear to be a number of intervening and moderating factors between formal ownership and the effect it has on the ownership-relationship, such as the design of the scheme that influences the extent to which employees are likely to experience ownership psychologically and the contextual environment.

The extent, to which employees are likely to experience ownership psychologically such as satisfaction and commitment, depends on how far the scheme meets their needs and expectations. These psychological feeling out of ownership could only be experienced by employees if among other things that the formal employee ownership system is designed in such a way that it could create within the employee owners a sense of psychologically experienced ownership as the arrangement or the design of the scheme play some parts in determining the outcome. Pierce and Furo (1990) further noted that without the creation of this state, the employee shareholders are unlikely to differ from non-shareholders. They also noted that the relationship between employee share ownership and its outcome is also situational or it is not universal in nature for example it will be influenced by cultural, legal, institutional environment as well as company specific factors.

Hence, there is no specific design that can apply to all companies to achieve similar objective, as it depends on how the management in the particular companies approach toward the scheme and choose the one that suits them best. Even though there are factors that can moderated the effect of employee share ownership scheme, yet Pierce and Furo (1990) have identified three critical dimensions in the design of employee-ownership scheme for its effectiveness: first, the system should provide the individual employee owner with physical possession of evidence and situational reminders that part of the equity in the organization is theirs. Second, the scheme
should be operated in such a way that employees can have timely access to information about organizational affairs and they too are regularly provided with information about past, present and future events. Third, the scheme should be designed so that the employee shareholders continually have the opportunity to exercise influence over organizational decisions.

The above dimensions seemed to agree with the view forwarded by Rosen, Klein and Young (1986) who stated, that the best plans are those that provided constant reinforcement of the ownership idea, where employees receive regular, substantial stock contribution, have opportunities for participation on the job, are treated as owners by managers and supervisors and are frequently reminded of their ownership stake in the firm. They further noted that the scheme should be a constantly new process, rather than a discrete event that happens once a year only, for example, when employees receive an account update.

Besides the above factors there are some other reasons that need to be considered in identifying the reason for the ineffectiveness of the share ownership scheme. It is about the actual operational state of the scheme itself, for instance in reality, because many employees are involved in the scheme, their shares are divided and their status as shareholders will be no more than that of small investors whose impact on the company’s affairs is marginal. They too have little influence in the running of the company, so their liability and interest are subject to the share that they own. These are among the important factors that could contribute and made the actual differences in the scheme for example between companies and countries. In other words, how the scheme being put into practice relative to its objectives seems to play part in influencing the outcome. It is interesting to note that all these could also be related to the degree of seriousness of management or their degree of determination in implementing the scheme in
achieving the stated objectives. All these will be discussed more in details in coming section that related to the development of the scheme.

Before this literature looks into some background literature on the development of the scheme, it will first review some of the related empirical study on employee share ownership to explain its relationship with the changes in employees in the organisations.

In the UK literature, for example Pendleton, Wilson and Wright (1998) indicated that employee share ownership has provided mixed evidences of attitudinal change. They, for example, referred to studies by Bell and Hanson (1987) and Poole and Jenkins (1990) both of which indicated that there were extensive attitudinal change among employees in firms with employee share schemes. On the other hand, Pendleton, Wilson and Wright (1998 pg.100) indicated that other studies, such as those by Baddon et al. (1989) and Dunn, Richardson and Dewe (1991), found only few if any pronounced differences in attitude to work and the company between employee shareholders and others. Similarly, studies conducted in the US also showed some mixed results from employee share ownership (e.g. Long, 1980, Rosen, Klein and Young 1986, Klein 1987, Klein and Hall 1988).

It is interesting to know what causes the differences in the outcomes of the study. Besides the reasons explained earlier such as the different nature of the scheme, contextual differences and how the scheme has been treated and conducted, according to Buchko (1992), one other possible reasons for the differing results was due to the use of alternative theoretical perspectives to guide research efforts. This is important to look into as how researchers choose to look through any of the perspective in conducting their researcher may affect their outcome.
As the other variables mentioned above such as the nature of the scheme, contextual differences and how the company treated and conducted the scheme are something that beyond the control of the researcher nevertheless it is important that the researcher be aware of the differences so that they will not give wrong interpretation in their study. Due to the importance of identifying the different alternatives or theoretical perspective to guide research efforts, therefore the differences need to be identified. In simplifying the different alternatives of empirical analysis, Bucho (1992) indicated that Klein's (1987) classification of the studies of the psychological effects of employee share ownership is considered appropriate to be considered in classifying the different perspectives in studying employee share ownership. It is based on three models that she identified as: i) the intrinsic satisfaction model, ii) the instrumental satisfaction model, and iii) the extrinsic satisfaction model. In this study the researcher would use these classifications to review and identify the literature on the relationship between share ownership and employees' attitude.

i) Intrinsic Satisfaction Model

This model presumes that ownership per se is satisfying, whereby employees derive satisfaction from the ownership itself. The fact that one is an owner is motivating enough to produce all the benefit associated with employee share ownership. In other words, being an owner is inherently satisfying. This model is sometimes described as the 'direct effect' model of employee ownership.

Klein (1987) based on her analysis stated that studies investigating the intrinsic satisfaction model generally adopted one or more of the following approaches: (a) employees owners or shareholders are compared with non-shareholders (e.g. Long 1978) (b) employee owned companies are compared with non-employee owned or traditional companies (e.g. Rhodes and
Steers 1981) and (c) comparing the number of shares owned by employees (eg. French and Rosenstein 1984; Hammer and Stern, 1980).

Related to this model empirically, Long (1978a) had conducted his study in a medium-size trucking company that had been purchased by employees. He developed a model that relates employee share ownership with organisational identification, which he regarded as a key to the effects of employee ownership. Organization identification as explained earlier was viewed in terms of three interrelated concepts: perceptions of shared characteristics or organization integration, a feeling of solidarity with the organisation or organization involvement, and support for the organization loyalty or commitment as previously explained. He found that employee shareholders differed significantly from non-shareholders on overall satisfaction, integration, involvement and commitment. However, it is significant that the study was specifically applied in an organization where employees had just recently purchased the company from its former owner. Long (1978a) also acknowledged that this study was correlational; therefore it does not allow causal relationships to be inferred from the findings.

There were many factors that might account for the differences between shareholders and non-shareholders, such as the possibility that employees who were already committed to and satisfied with the organization were those who bought the shares. It could also be due to the nature of the company where the study was conducted, where employees purchased the firm in order to save their jobs, since the firm had been making losses over the five years prior to the employee purchase. Hence the fact that the employees had been able to save their jobs would be satisfying to them and share owners who were likely to see themselves as having contributed more to the survival of the firm were likely to be more satisfied and committed than the non-shareholders. Due to the nature of the scheme, so the outcome of the model from this study may
not applicable to some other companies whose situations are different, for example where employees' ownership is limited.

French and Rosenstein (1984) studied a firm engaged in the servicing, sale and installation of cooling and plumbing systems. The situation of the firm used by French and Rosenstein (1984) was different from Long’s (1978), in that Long’s was case of employee buy-out, but French and Rosenstein (1984) surveyed a firm that operated an employee share ownership scheme. It was a conventional, employee-owned but management-control firm, with little opportunity for participation in decision-making, compared to Long’s. Among the objectives of French and Rosenstein’s (1984) study was to examine the impact of shareholding or the varying degree of shares owned by employees on organization identification and job satisfaction. The result of the study provided little support for the notion that shareholding affects attitudes and behaviour. The differences in the outcome between the two studies may indicate, to some extent, how the ownership and the degree of ownership could affect employees’ attitude to the organization.

Studies testing the intrinsic model of ownership, as explained above, and other examples mentioned by Klein (1987), such as the studies of Russell et al. (1979) and Forgarthy and White (1988) seemed to produce mixed results. The same is true of later studies by Bucho (1992) and Pendleton, Wilson and Wright (1998). Bucho’s (1992) study did not support the intrinsic model, but the study conducted by Pendleton, Wilson and Wright (1998) seems to support the model. These findings support Klein’s view (1987) that the studies of the intrinsic model are inconsistent and thus inconclusive.

From the discussion in these studies, there are a few factors that have been said to be related with the inconclusive result, which include the different forms of employee ownership, different
types of companies (Klein 1987) and the different types of methodologies used (Pendleton, Wilson and Wright 1998). Overall, studies testing the intrinsic model of ownership to some extent did support hypotheses that ownership could be associated with more positive employee work attitude.

ii) Instrumental Satisfaction Model

The second perspective is instrumental satisfaction of employee ownership. According to this perspective, ownership increases employees' influence in company decision-making activities and their perceived control over their work. An increase in employee influence in decision making and having the capacity of controlling their work will increase employees' organizational commitment, job satisfaction and performance. Therefore, underlying the instrumental hypothesis is the belief that employee ownership can only lead to changes in work attitudes if the ownership is accompanied by sufficient opportunity for control or participation in decision-making. Klein (1987) indicated that studies testing the instrument satisfaction model of employee share ownership have followed nearly the same methods used in the intrinsic satisfaction model. For example, the researcher assessed the relationship between ownership of shares and employee perceptions of worker influence, or compared employee owned and non-employee owned companies. Indeed many studies have tested both the intrinsic and the instrumental models at the same time, such as in the studies done by Long (1978), French and Rosenstein (1984) and Rhodes and Steers (1981).

Klein (1984) referred to Hammer and Stern (1980), Long (1978a), (1978b) and Tannenbaum (1983) and noted, that underlying the instrumental model is the belief that employee ownership can lead to changes in employee work attitudes if the ownership is accompanied by sufficient opportunity for control or participation in decision making. French and Rosenstein (1984) then
argued that ownership leads to a desire to participate in decision-making as among other reasons to protect the individual's investment. Some of the empirical studies related to the instrumental model are as forwarded below.

French and Rosenstein (1984) tested the hypothesis that the relationships between share ownership, organisational identification and overall job satisfaction are moderated by the degree of control by employees. They hypothesised that unless employees have some exercise of control over how their investments are to be used, there will be no significant relationship between share ownership and work attitude. They found little support for their hypothesis where authority, influence and status in the firm did not affect the relationship between share-holding and general job satisfaction. On the other hands, the formal authority affect the relationship between share-holding and organisation identification with lower level employees who got no authority or less authority showing a stronger relationship between share-holding and identification. The authors explained their finding by saying that the strength of the relationship may stem from the fact that non-managerial employees have lower expectation of control, but, among managerial personnel, there is less dependence on ownership as a mechanism for identification.

Long (1979) in his study found no confirmation for the instrumental hypothesis, even though nearly half of the managerial employees believed that workers' influence had increased to some extent since the firm was converted to an employee-owned firm. For example employees were given opportunities to participate in decision-making, two of them had been appointed on to the Board of Directors and all shareholders were given voting rights. Informally, all shareholders also received a monthly profit and loss statement and report from the president. This finding, therefore, was contrary to the belief that employee ownership promotes efforts to participate
when there is opportunity for employee control (as suggested by Tannenbaum, 1983; Whyte et al., 1983 as reported in French and Rosenstein 1984). In this study, even though there were sufficient opportunities for employee participation in decision-making, employee owners did not perceive significantly higher involvement in decision making than non-employee owners. French and Rosenstein (1984) also found that employee ownership did not increase the desire for participation among employees with greater control. Long (1982) in his longitudinal study observed no significant increase in perceived influence of managers, non-managers and shareholders, though the shareholders perceived a significant increase in their personal influence at the organisational level.

It was also observed that employees who experienced some increase in worker participation in decision-making also experienced increases in organisational involvement, commitment and motivation. These increases were significantly higher than those experienced by workers who did not perceive any increases in worker participation in decision-making. They also showed a significant increase in organisational involvement. But this study did not show how shareholders and non-shareholders differ in their willingness for participation. The findings seem to suggest that ownership itself has no effect on job attitude, but it seems to show a positive effect if participation is combined with decision-making; the two seem to show an interaction effect on work attitude. Klein (1987), Buchko (1992) and Pandleton, Wilson and Wright (1998) on the other hand, found some support for the instrumental satisfaction model.

In general, studies testing the instrumental hypothesis have been inconsistent in their findings. As with the intrinsic model, it is difficult to draw any general conclusion from the studies that show participation in decision making as a moderator between ownership and employee work attitude.
iii) Extrinsic Satisfaction Model

This model assumes that if employee ownership is financially rewarding it will lead to improve employee work attitude. Klein (1987) noted that the extrinsic satisfaction model is consistent with the economic literature, which suggests that the financial incentives such as merit pay, gain sharing and, to an extent, employee ownership, may make employees' interests compatible with those of the owner. This is also suggestive of the Economic Man era when money was thought to be the prime motive for work. In other respects, the extrinsic model is similar to the instrument model, since it views ownership as instrumental toward obtaining financial reward. The difference between the two models may be that in the instrumental model, the employee gets the opportunity to participate in decision making apart from obtaining financial reward, while in the extrinsic model, no such opportunity is given upon share ownership.

Detailed examples of the empirical study of extrinsic satisfaction models are reviewed below:

As indicated earlier, this model assumes that if employee ownership is financially rewarding it will lead to improve employee work attitudes. The extrinsic satisfaction model, as noted by Klein (1987), is rarely discussed in employee share ownership theory and up to 1987 it had never been tested empirically. Therefore Klein (1987) in his study attempted to test the model. He made a study of the annual company contribution to the employee share ownership plan, i.e. the percentage of company stock owned by the trust compared to the total company share in circulation and return on stock. From his study he found that the size of company contribution to the trust was positively and significantly related to satisfaction with the share ownership plan and organisation commitment. The size of the company contribution to the share ownership plan, on the other hand, was negatively and significantly related to employees’ turnover intentions. Return on stocks and the percentage of stock owned by the trust were not
significantly related to employee satisfaction with employee share ownership, organisation commitment and turnover intention. In this study, the unit of analysis however was different from the other studies cited earlier. It used organisations, rather than comparing employees within companies, which as the author suggested was not appropriate to draw conclusions concerning the relationship between employee share ownership characteristics and employee job attitudes. The use of the company as the unit of analysis may also explain why employee outcomes were not significantly related to stock return. It is felt that at the individual level, growth of share prices is more meaningful than the size of the company’s contribution since, in the long run, the benefits of employee share ownership to the employee are dependent on the share price of the company. Buchko (1992) in his study in an employee-owned firm also seemed to show some partial support for the extrinsic satisfaction model.

As stated above, even though there are three different theoretical approaches given in the study of psychological effects of employee share ownership, they are not mutually exclusive. This could be seen from the empirical studies done by different researchers, as mentioned above, where the different approaches were integrated and tested in their studies. Gunderson et al. (1995) have made a summary of the empirical studies on the impact of employee share ownership on employees’ attitude and behaviour done by some of the previous researchers, as shown in Table 2.1 on the next page.
Table 2.1
Impact of Employee Ownership on Employee Attitudes and Behaviour

<table>
<thead>
<tr>
<th>Study (year)</th>
<th>Data and Methodology</th>
<th>Ownership measure</th>
<th>Impact on attitude and behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long (1978)</td>
<td>Employee survey in Canadian trucking co.</td>
<td>Owned share or not</td>
<td>Employee ownership positive effect only on commitment, participation, indecision making; positive effect on integration, involvement, satisfaction and motivation</td>
</tr>
<tr>
<td>Conte and Tannenbaum (1978)</td>
<td>Management interview in 98 US and Canadian firm survey of 706 employees in US garbage companies</td>
<td>Employee ownership plans</td>
<td>Substantial positive impact on employee attitude, especially if high degree of employee ownership</td>
</tr>
<tr>
<td>Russel et al. 1979</td>
<td>Survey of 37 firms</td>
<td>Share ownership</td>
<td>Generally positive effects on identification with organisation goals, motivation, satisfaction; negative effect on stress.</td>
</tr>
<tr>
<td>Long (1980)</td>
<td>3 firms</td>
<td>Share ownership</td>
<td>Positive effects from more ownership, especially if accompanied by increase participation in decision making</td>
</tr>
<tr>
<td>Rhodes and Steers (1981)</td>
<td>Survey employees in 2 US firms</td>
<td>Employee ownership</td>
<td>Positive effect on commitment and reducing turn over, but negative effect on absenteeism and tardiness</td>
</tr>
<tr>
<td>Long (1982)</td>
<td>Interview and survey Canadian electronic firm.</td>
<td>Share ownership</td>
<td>Negative long-run effect on attitude and perceived benefits of participation in decision making, and larger the greater degree of ownership</td>
</tr>
<tr>
<td>Sockell (1985)</td>
<td>Interviews in 3 firms</td>
<td>Share ownership</td>
<td>No effect on grievances</td>
</tr>
<tr>
<td>Klein (1988)</td>
<td>Survey of 37 firms</td>
<td>Share ownership</td>
<td>Positive effect on satisfaction and commitment, but only if accompanied by increase financial rewards and participation in decision making</td>
</tr>
<tr>
<td>Hochner et al. (1988)</td>
<td>111 employees in 6 US supermarket</td>
<td>Employee Ownership</td>
<td>Positive effect on satisfaction, but more conflict with co-workers and supervisors and health problems</td>
</tr>
<tr>
<td>Onaran (1992)</td>
<td>Survey and interviews in 10 Ohio firms</td>
<td>Employee ownership</td>
<td>Reduction in inequality of wages, power and privileges</td>
</tr>
<tr>
<td>Buchko (1992)</td>
<td>Survey of 37 employee-owned firm</td>
<td>Share ownership</td>
<td>Share ownership: no effect on attitudes; participation in decision making; positive effect on satisfaction, commitment and turnover.</td>
</tr>
</tbody>
</table>

Source: Gunderson et al. (1995)

Generally, the outcomes of the studies as summarised above show the complexity of the relationship between employee share ownership and the perceived effects on employee attitudes in such areas as job satisfaction, commitment and motivation among the schemes implemented.
The next section of this literature will look at the second aspect that related to this study. It is about the general development of the scheme.

2.4 Employee Share Ownership and its Development

Within the context of present study it is useful to look into reasons that may influence the development of employee share ownership and why a particular type of scheme is chosen. Literatures have indicated that there were many circumstances that might make companies to introduce the scheme. However again as the previous studies many of the literature were from western and other developed countries. The literature on the development of employee share ownership in less developed, developing and newly industrialise country is less known.

Related to the development, for example in the UK, many authors have forwarded their explanations, among them, as can be identified from what has been written by Poole (1989), Baddon et al. (1989) and the study conducted by Beumont and Harris (1995); in Japan this could be seen from the work of Jones and Kato (1993); and in the USA it can be seen in Rosen et al.(1986) and Mitchell (1995). For the scheme chosen, Whitehead et.al (1995) for example have indicated that the forms of scheme adopted tends to reflect the specific political, historical, social and economic conditions of the country.

To discover the pattern and the development of employee share ownership or employee financial participation in general it was desirable to review the theory of the development of the scheme and reformulate them by taking into account some of the distinctive features of the country. In explaining the development of employee financial participation, the general observation about factors or conditions that may influence the implementation of employee financial participation as explained by Poole (1989) seems appropriate to be used as guidelines
in this study. Nevertheless in this research the researcher is aware and has taken some caution about its appropriateness to be used to analyse and understand in the development of employee share ownership in Malaysia due to some differences exist between the countries. For example, related to the contextual environment that might relevant to be related to this issue is the different between Malaysia and the developed and industrialised western countries such as UK. For example in the UK the research tradition has tended to cluster around pluralist and class oriented approaches whereas in Malaysia it needs to be viewed within political economy framework and from corporatist rather pluralistic ideology; it is where nationalism is more significant than class conflict between employers and employees.

Coming back to what has been analysed by Poole he stated two approaches in explaining this. First, he explained it in relation to the 'politico-economic theory of diversity'. He saw employee financial participation as the outcome of 'government action and the economic infrastructure which is beyond the control of the organisation. In other words it is the requirement of the government or government regulations. The second approach is based on what he termed as 'action premises and focuses'. This approach is different from the first, because it is related to the choice of the key personnel in the company. However, this approach still recognises the importance of governmental initiatives and economic infrastructure, which both act to facilitate or constrain the scheme, instead of as determinants of it. Nevertheless based on empirical investigation he noted, that the second approach receives the greatest support. He then further clarified the elements related to both approaches that may influence the implementation of employee share ownership in a company, as explained below. Again, all the elements seemed importance to be highlighted in this literature, as some of them will be referred and used in the later discussion in this study among
which, if any, to determine the similarities and differences between the development of the scheme in Malaysia and from other western and developed countries.

A. Politico-economic theory of diversity

i. Government and the Legislature

Poole (1989) stated that, based on cross-national empirical research, organizational democracy is enhanced by an 'external support system', that stems primarily from either favourable legislation or the organised power of a wider labour movement. He indicated, for example, that the rise of employee financial participation in the 1980s in UK has undoubtedly been facilitated by favourable legislation and, indeed, he said the wave of the development of profit sharing and share ownership in many countries can be traced in part facilitation by government measures. The importance of a legislative framework for the development of employee financial participation as proposed by Poole (1989) seem to be supported, as reported by Whitehead et al. (1995) that many other countries legislative frame work seemed to play part in developing employees' financial participation. Nevertheless, the comprehensiveness of the legislations related to the scheme is different between countries and that may explain the extents and forms of financial participation and also will determine the different forms of tax incentive related to the different forms of the scheme being introduced.

ii. Economic Infrastructure

The material forces in any society are dynamic and constantly changing. At any point in time, some parts of the economy will be experiencing rapid advance, while others are in decline. Such differences seem to be relevant in explaining the variation in the development of profit sharing and employee share ownership. For example the disparities in economic and technological
condition between companies may affect them differently in adopting employee financial participation, and also may cause some variation in the development of the scheme.

To assess the 'economic infrastructure' in more detail, Poole (1989) has presented the argument under different headings as follows;

(a) Different modes of ownership; in a given economic system, for instance, there are different types of ownership such as nationalised corporations, publicly quoted companies, private firms and producer co-operatives. These different modes of company will act differently in relation to employee financial participation. Public quoted companies are viewed as more likely to adopt employee financial participation than privately owned companies. Poole (1989) explained that there are many factors that may contribute to this, such as the legislation for employee share holding being particularly tailored to large publicly quoted companies, and also due to the availability of managerial professional in the public quoted companies, whereas in private companies the development of employee financial participation is less, partly because small scale proprietors do not wish to issue shares, let alone to develop a complex scheme. It is also due to the lack of real market value of the shares and also the legislation for financial participation seems not applicable to private companies. Hence, for a private company, its basic nature is undoubtedly one of the obstacles to implementing the scheme. The same characteristic seem to apply in Malaysia as the difference between public quoted and privately owned company seem significant in adopting employee share ownership scheme (this will be explained more in Chapter Seven).

(b) Size and capital-labour ratio: Size and capital-labour ratio play a role in the company's adoption of employee financial participation. One of the 'economic infrastructure' propositions states that the larger the size of the company and the higher its capital-labour ratio, the more likely it is that employee financial participation will become established and practised. The
related explanations for this are: first such companies are more likely to have managers that
specialise in financial and personal departments. They are capable of framing complex
arrangements, understand the minutiae of the legislation and are fully apprised of the
advantages of the scheme. Second, a company-based salary system will be common, which may
lead to a profit-sharing arrangement. Third, there is greater presence of organised labour, such
as trade unions or staff associations, who may press for employee participation. Fourth,
financial participation may be one of the industrial relations strategies in the company to be
used as a source of fund or to bring changes to employees.

(c) The segmentation of labour and labour market: Labour and labour markets are becoming
complex in their character in industrial societies. Poole (1989) referred to Doeringer and Piori’s
(1971) suggestion that labour can be divided into at least two qualitatively distinct categories.
The first comprises jobs with high pay, good promotional prospects and seniority, and typically
strong labour organizations. The second encompasses the poor jobs sector with low pay, limited
opportunities for promotion, the continuing threat of redundancy, ineffective unions and a high
proportion of female workers. These differences will lead to fundamentally different work
experiences. Employee financial participation is most likely to advance in companies where
labour is highly skilled, educated and relatively scarce, or where there is an appreciable and
readily identifiable core labour force in the enterprise concerned. So in order for the
management to retain their labour forces, they may use the employee share ownership as an
incentive for their employees.

d) Industrial sector: The development of share ownership varies according to industrial sectors.
Poole (1989) for example indicated that one survey showed there was a relationship between
the primary business activity of a company (e.g. manufacturing, services, finance and others)
and the adoption of employee financial participation. The survey showed that financial companies are the most likely to adopt the scheme. There are at least four main reasons for the inter-sector differences: first, the competitive labour market conditions; second, the profitability of financial sector firms; third, characteristics of employees and the nature of their work; and fourth, the knowledge and information of the schemes that employees have.

Next this study will look at the second approach or condition that influence the implementation of employee share ownership.

B. Action Premises and Focuses’

i. Power and Strategies of Other Organised Group

The capacity of management to develop employee share ownership is also influenced by the power and strategies of other groups such as trade unions and staff associations. For example, as explained earlier the relationship between trade unionism and financial participation is likely to be complex where at one time, there was a tradition of trade union hostility to employee share ownership schemes, because they felt employee share ownership undermined collective bargaining. However, trade union views on employee share ownership appear to have become less hostile in the 1980s. Whitehead et.al (1995) for example indicated that the movement of bargaining in UK has facilitated the development of profit sharing and employee share ownership scheme. Therefore, the rise of the employee financial participation should in principle need to consider the strategies and power of non-managerial groups in the company.

ii. Managerial Strategic Choices and Style in Industrial Relations

The decision to implement a specific arrangement, such as employee share ownership, in a company is influenced by the distinctive strategies and style of the key personnel involved in
the industry. The management know about the company, the background to the formation of the scheme and the relative impact of their choices upon the company.

According to Poole (1989), Kerr et al. (1960) identified four main types of labour-management relations that can influence the implementation of employee share ownership scheme, namely: authoritarian or directive, paternal, constitutional, and consultative or participative. Among the four styles indicated above, the consultative or participative and paternal 'styles' are likely to be conducive to the extension of share ownership schemes. For example employers with this view may consider employee financial participation as an important element for improving employee motivation and commitment.

iii. Industrial Relations Climate in the Firm

Poole (1989) explained that the creation of an adaptive modern organisation depends on a variety of changes in attitudes and institutions. He further said it was recognised that the advancement of employee involvement in decisions and reward is central to the climate of a successful company. Companies, then, have sought to develop an industrial climate where employee participation includes employee financial participation as one of its features. Hence, employee financial participation may be viewed as one of the products of general company policies on involvement that have resulted in a distinctive industrial relations climate in the advanced and adaptable organisations of the modern era.

In general as noted above, each of the factors seems to be accountable for the development and the causes for the varying patterns of the adoption of the scheme. Empirically by looking at countries, the idea of employee share ownership is not new, as many countries have experienced in the development of such schemes for quite sometime ago.
Next, this study will look at some example of the development of employee financial participation in three countries as stated below.

2.4.1 The Development of Employee Share Ownership: Experienced from Other Countries

To highlight the pattern of the development of financial participation, some brief history of the development of financial participation in two major Western countries, i.e. the UK and the US, and one Asian, i.e. Japan, are given below. These examples were chosen in order to appraise their development and to compare how they varied.

**United Kingdom (UK)**

The first identifiable phase of employee participation occurred in the middle years of the nineteenth century (Baddon et al. 1989). Brannen (1983) noted that between 1865 and 1873 at least twenty-five employers in Britain introduced profit sharing and other form of industrial partnership. One of the best-known examples was Henry Briggs and Company. Poole (1989) indicated that ‘philanthropic’ management were partly responsible for the emergence of the scheme. Ramsay (1977) related the emergence of the schemes to favourable economic conditions and increasing trade union activity. However, Ramsay also indicated that worsening trade conditions caused the scheme to be dropped, as in Briggs’s case.

The second period of development occurred between 1889 and 1892, when no fewer than 88 schemes were initiated. One of the most famous was at South Metropolitan. Among its prominent reasons was to limit the influence of the emerging general trade union (Marchington 1992). According to Marchington other periods of growth occurred in the 1920s, 1940s, 1950s and 1978 by the passage of the 1978 financial act. In 1978, the Labour Party introduced tax advantages that specifically favoured those plans that spread ownership more widely than senior
management of the companies. This legislation was reinforced in 1980 by further legislation enabling stock options to be linked with tax advantages, to employee savings schemes. In 1984, the Conservative government introduced further modifications that provided substantial tax advantages to those on higher levels. These changes increased tax advantages to approved employee stock ownership plans and allowed for purchases of larger parcel of stock options by individual employees. The late eighties and early nineties also showed further fiscal encouragement for financial participation where ESOPs were promoted by the 1989 Finance Act and profit related pay as in the 1987 Finance Act, which gave tax relief for the scheme. One important aspect in the United Kingdom as stated by Baddon et al. (1987: 40), was that all parties believed without reservation that employee share ownership would lead to greater employee identification with the company they work for, and this would in the long run lead to an increase in productivity, efficiency, and profit.

Based on the IRS Employment Review (1996), two out five companies floated on the stock exchange operate employee share ownership plans, three out of five companies which joined the London Exchange in 1995 had saving related share options and only one out of five had profit-sharing schemes that paid out of shares. In terms of the number of employees involved according to IDS Study (1998), in 1995/1996, 610,000 employees were granted saving related employee share option schemes, and 740,000 were allocated profit sharing schemes. However, no figure was given for executive share option schemes.

United States (US)

The development of employee stock ownership in the United States has occurred in several stages. Aitken and Wood (1989) noted that the first stage of growth began around 1920. Stern and Comstock (1978) indicated that by 1927, 389 American companies had initiated some form
of employee stock purchase plan. However this early employee stock ownership plan had barely got off the ground when the 1930s depression occurred. Aitken and Wood (1989) noted that until 1964, United States companies used stock ownership scheme primarily to supplement the remuneration of senior managers. They further reported that following the Civil Rights Act; title VII, in 1964, in which discrimination in all types of employment decision was made illegal, the employee stock purchase plans that were open to all employees became more prominent. Mayer and Fox (1967) reported that in 1966, 21 percent of all companies listed on the New York Stock Exchange had plans open to workers at all levels within the organisation. Dean and Miller (1983) noted a further advantage of employee stock ownership in the United States, where certain start-up and administrative costs for companies that introduce stock ownership can be included as deductible expenses. In the 1984 Tax Reform Act, there were two additions to the tax advantages of employee stock ownership plan. First, Tell (1985) reported that the act gave banks a 50% tax exemption, on the interest income they gather from ESOP loans. The second advantage as reported by Bauer and Robbins (1985), was that the act allowed employers a tax deduction for dividends paid for stock ownership plans.

Currently in the U.S based on the analysis by the NCEO (1997), an estimated 17 to 18 million U.S employees now own over $650 billion in stock through different forms of employee share ownership, such as employee share ownership plans, 410 (k) plans and broad based stock options.

Japan

Jones and Kato (1993) reported that employee share ownership plans have existed in Japan at least since 1919, with the introduction of a plan in the Kanematsu Gosho. The purpose of the scheme as written was “harmonising the three parties, capital, management and labour”.

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Subsequently they reported that there were many imitators and employee ownership spread steadily, especially during the period 1935-45. However, after World War II, these original employee ownership schemes completely disappeared. A second phase of employee ownership began as a part of the ‘Occupation Reform’. Jones and Kato (1993) reported that 31.4% of shares of designated companies were purchased by employees in the companies, where in the process Mochikabukai (ESOP trusts) were formed as employee holdings. However, the trusts later face financial difficulty and eventually all disappeared. In 1967 there was a rekindled interest in the ESOPs. It came from the central Japanese government, who used informal channels to encourage companies to adopt ESOPs primarily as a means of protecting domestic companies from hostile take over by foreign capital. The government encouraged Japanese firms to set up new Mochikabukai. The fear of foreign ownership diminished in 1970, but the idea of employee ownership had taken root and the number of ESOPs grew rapidly. By 1968 about 20% of all firms in Japan had an ESOP and in 1988, Jones and Kato (1993) reported the aggregate data from the Japanese National Conference Board Securities Exchanges, showed that more than 90% of all firm listed on Japanese stock markets had an ESOP and nearly 50% of the labour force in firm with ESOPs participated in the plans. It is also mentioned that ESOPs apparently are rarely terminated once they have been adopted.

The above examples show that all the three countries have a favourable view toward share schemes. Either their law officially encourages such scheme as in UK and US, or their government uses unofficial channels to encourage the scheme, as in Japan. There was also evidence that in certain countries, the implementation of the scheme was more politically motivated than in others. For example, as noted by Aitken and Wood (1984), in the UK, the legislative benefits of the plan appeared to be more politically motivated than in the US, and the main political parties support it. In contrast in Japan the implementation of the scheme was
more influenced by culture and the circumstances faced by the country, which were very different from those experienced in UK and US. For example the implementation of employee share ownership in Japan was once related to the fear of foreign ownership. In general, it can be deduced from the above background that contextual factors, particularly the law, culture and condition of a country, play a significant role in influencing the development of the scheme. The above examples also seem to agree with some of the theoretical perspective about the factors that may influence the implementation of employee share ownership as forwarded by Poole (1989) and reported in Section 2.3 earlier, which showed particular attention to the influence and the support of the government and the background of the country itself.

Having looked at some factors that could influence the development and condition of employee share ownership, in order to supplement the earlier literature this study will specifically look at the theoretical and empirical evidence of managements' and employees' objectives with regard to the scheme. The question of what are the possible factors that influence and motivate them in introducing or participating in such scheme will be considered. This study will first look at the management objectives.

2.5 Management Objectives

Smith (1986) found that companies differ both in terms of the ownership scheme that they operate and their reasons for instituting the schemes or could be related to their objectives. In identifying further, Hyman and Mason's (1995) classification of employers' objectives in introducing employee share ownership schemes seems relevant and useful to explain in this study. They identified two main motives for the management's objectives: first as an idealistic philosophy, and second, an instrument of management.
The idealistic philosophy of the management is based on the idea that concentrated capital ownership will cause inequalities in power and influence between capital and labour. Such beliefs stimulate management to initiate a shift in enterprise ownership through distribution of shares to employees. They cited examples related to that view as what has been written by Poole (1986: 65) and Brannen (1983: 134). However Hyman and Mason (1995) indicated that empirically, judging from the size of shares made available to employees, the number of employers who really have an intention of radically altering the ownership and influence structure of their company seems to be very limited.

The instrumental objective of the scheme, on the other hand, considers the introduction of the scheme in order to contribute to a more circumscribed range of objectives than the previously cited aim of altering the ownership profile of a company. Related to the instrumental objective, for example, Hyman and Mason (1995: 103) indicated, "majority of employers are hoping to use employee share ownership in some way to enhance the performance of their enterprise". Poole and Jenkins (1990: 13) also gave similar explanation. They indicated that the share ownership scheme might be initiated by the management for a number of reasons, among which are to improve the productivity of their employees, increase their sense of loyalty or augment the level of employees' direct participation in the company. In another study, Wright (1986) for example observed that many employers who operate employee share ownership genuinely believed that the scheme would have an impact on employee attitude and motivation. Hyman and Mason (1995) also indicated how the different political parties in the UK look at the scheme. They for example noted that the Conservative Party were concerned to encourage employee share schemes as part of its 'popular capitalism' and to lubricate their privatisation programme. Liberal Democrat looked at the schemes as a contribution toward the attainment of
industrial partnership. The Labour Party, on the other hand, was divided in stance. They saw shareholder employees as a countervailing force to management, yet they gave support to the scheme because the workers seem to be attracted to it, which seemed to reflect more of instrumental intention. Nevertheless, as argued by Hyman and Mason (1995), because of the nature of the scheme, employee share ownership schemes are not directly amenable to the immediate influence of employees, as the scheme is remote from employees according to the dimensions of both time and effort.

In order to further identify the employers' objective in employee share ownership, Baddon et al. (1989) have categorised five broad types of company's objectives through the scheme:

*Financial incentives*, which are the most direct and potentially measurable. Financial incentives include:

a) Rewarding past effort producing good company results;
b) Inducing future effort to enhance performance;
c) Attracting personnel in a competitive labour market or section of the labour market;
d) Creating wage flexibility, allowing an automatic reduction of labour costs if profit margin are squeezed;
e) Creating an employee stake which industrial action might threaten.

*Motivational objectives*, with the aim of increasing employee cooperation and effort in a less directly calculative way such as to;

a) Increase employees' effort, arising from greater identification with and commitment to the employer.
b) Increase employee co-operation in operating and changing work practices, accepting new technology and others.
c) Have economical attitude in using company resources;

d) Reduce in absenteeism, turnover and, possibly, industrial action.

*Attitudinal changes*: This category is broad and vague and not readily observable in employee behaviour. Attitudinal changes include:

- A unity of purpose and harmony;
- A sense of loyalty, identification and commitment to the establishment;
- Increase business awareness, legitimisation of profits.

*Defensive/deterrent effects*, as a distinctive form of motivational and attitudinal aim directed against trade unions or other employee organisation. The emphasis will be on:

- Excluding a trade union or restricting its recruitment;
- Taking initiative from unions in meeting employee demands;
- Delimiting the areas of union influence and the scope of employee attachment to the union.

*Ownership per se* with the aims of:

- Making the employee feel as much as capitalist as a worker;
- Giving a direct stake in the company a person works for;
- Fulfilling a moral obligation on grounds of equity, to extend ownership rights;
- As part of a strategy to create employee involvement.

All the above seem to relate to the theoretical perspective of companies' objectives in introducing the scheme, they are related much to instrumental objectives. This study next will look at the empirical evidences on the reason why companies introduce share scheme. These findings were based on the studies conducted by the Department of Employment as reported in
Smith (1986), Poole (1989) and Baddon et al. (1989). All the three examples above are mentioned in Marchington (1992) and the finding of each author are as summarised below:

Smith (1986) found that out of ten options he forwarded, three management objectives seemed to be prominent for the share schemes. The companies chose their reason for introducing scheme to: make employees feel part of the company, make employees conscious of profit and increase employees' sense of commitment to company.

Poole (1989) based on 303 case studies found five sets of reasons why management introduce financial involvement that include: to have moral commitment from employees; staff retention; employee involvement, which encompasses many factors including increased a sense of ownership and commercial awareness and also a form of motivation; improving industrial relations performance and finally, protection from take over.

Baddon et al. (1989) based on 1000 companies and in-depth case studies from five organisations, found 'encouraging the co-operation and involvement of all employees in improving the performance of the business was the principal objectives of the companies, then followed by giving employees a sense of identification with the companies, rewarding employees’ past performance and finally creating business awareness among employees.

The empirical evidences above tend to show that the schemes were introduce with certain objectives however it is interesting to point out, one familiar finding from the three surveys above was that most companies have more than one objective, and also a mixture or a variation in the objectives. As indicated by Marchington (1992), Baddon et al. (1989: 280) commented that based on the outcome of their survey, together from the outcomes of other surveys "in general the objectives of the companies are not well specified, tending to be somewhat woolly
in the way they are expressed and without clear understanding of the way the derived outcome will be generated by the choice of the scheme. Financial participation has some resemblance to an act of faith on the part of management”.

Dewe, Dunn and Richardson (1988) have also indicated a similar view as above, when they commented on the findings of Richardson (1987), where many companies gave many different reasons for introducing employee share ownership schemes. Dewe, Dunn and Richardson (1988:2) indicated “the senior managers were merely reporting textbook advantages of employee share ownership schemes, offering them according to the company ideology or personal preference. Where a link was made between employee share ownership and improved attitude and/or behaviour, it is unlikely that the managers concerned had hard evidence that such a link had been forged. They were expressing a hope rather than a presumption”.

Based on the view above, Marchington (1992) indicated that it is not surprising, it is rather difficult for employers to evaluate or they are not interested to determine the effectiveness of their chosen scheme.

This literature will then look into the employees’ objectives and reactions to employee share ownership.

2.6 Employees’ Reaction to Employee Share Ownership Scheme.

Theoretically, the above explanations indicated that management have different reasons for implementing employee share ownership scheme. The same goes for employees, as there are many factors that are believed to influence their reaction to the employee share ownership, and
their decisions to participate or not to participate in the scheme. Theoretically, Pierce, Rubenfeld and Morgan (1991) have noted a number of conditions that may influence employees' reaction toward employee share ownership schemes. Some of the preconditions that may influence employees are:

Ownership expectations: People's expectations about how things are supposed to be are often shaped by their cultural norms. Pierce, Rubenfeld and Morgan (1991) indicated that different psychological conditions tend to be produced, dependent on the degree of fit between operational reality and that reality which is expected. They stated, for example, that in North America, ownership is commonly associated with rights. Therefore, when actual experience is not in line with socialised expectations of ownership, psychological ownership is likely to be weaker. In relation to this, Klein and Hall (1988) suggested that the degree to which participation expectations are met by ownership have an effect on employees' satisfaction with the plan.

Sense of legitimacy: Employees also are likely to be influenced by their legitimate rights associated with employee ownership. It is anticipated that the social, psychological and behavioural effect of employees' ownership are likely to be affected by the perception of ownership legitimacy. The above notion was based on the suggestion of French et al. (1960), that participative decision-making can only be effective when it is perceived as legitimate by the employees.

Management's philosophical commitment to employee ownership: Pierce, Rubenfeld and Morgan (1991), suggested that management's philosophical commitment to employee ownership will affect the origin and the day to day operation of the ownership system. This was
found to be significant in Klein's (1987) study, which indicated that management's philosophical commitment was related to employee attitudes such as satisfaction, commitment and turnover intentions.

Financial orientation: French (1987) has raised this related issue. He indicated that employees might approach employee share ownership strictly as an investment expectation. Thus, ownership is seen in terms of an expectation of profit and increased value in their ownership stake. With this orientation, Pierce, Rubenfeld and Morgan (1991) referring to Hammer and Stern (1980) noted, it is unlikely that a collective consciousness will emerge. They added that this is expected to weaken the relationship between formal and psychological ownership.

Types of plan and context of origin: This was similar to the earlier discussion where Toscano (1983) indicated that different form of ownership might have different effects on companies and work force. Similarly, for the context from which the scheme arises is also likely to affect the employees' real experience of ownership.

Besides all the reasons given above, Snap (1994) in his study put forward a model that identifies reasons for employees' participation in the scheme. The first group of reasons are extrinsic reasons, which are similar to the financial orientation above. Extrinsic reasons relate the scheme with investment potential. Under this category, he divided employees into two types: expedient investors and calculative investors. The difference between them is related to the degree to which the scheme is taken as a financial prospect, the way they approach the scheme as an investment and the differences in the level of knowledge that each group possesses, with respect to financial affairs generally.
Expedient investors: This is a category of people who choose to participate in the scheme because it offers them an easy way to invest their money without requiring much individual effort. The scheme is also seen as an interesting, attractive financial and requires little active involvement. They invest in the scheme because it is an opportunity that presents itself at an opportune moment.

Calculative investors: Calculative investors participate in the scheme because the scheme is seen as the best of a range of financial opportunities available to them. They are quite particular in their investment, and compare relative rates of return. They apparently have experience of participating in other financial ventures. The term ‘calculative investor’ is used because these people consider a range of alternative investments and choose the scheme that appears likely to offer a higher rate of return.

The second group use their investment for affective reasons. This model postulates that employees choose to join the scheme because of an existing emotional attachment to the organisation. In contrast to the investment potential model, this model specifies a strong attachment to the organisation and desire to own part of the employing organisation.

The third group use the investment as a source of normative motivation. This is related to a principle that workers have the right to ownership in their employing organisation. The last group is the ideological deterrents group. This model relates to the reason why employees may be deterred from joining the scheme. For example, trade union members may have a sceptical view of the management initiative. The degree of scepticism experienced by employees may be related to the extent of activities within the trade union. However it needs to be aware, that the main objective of Snap’s study was to determine the reasons for participation and the
subsequent attitudinal change, where he found that there was no different in employees’ attitude for whatever reasons they join the scheme.

In another specific study, Dewe, Dunn and Richardson (1988), in their survey, identified employees’ opinions about employee share ownership. They found that employees indicated both positive and negative aspects of the scheme. Some of the positive points indicated by them were:

Such schemes make workers richer and a good way of saving with a possible substantial bonus at the end of a fixed period. They also mentioned that it is the right of the workers to own part of their company’s share and to feel part of the company. However the good points associated with attitudinal change are less significant; only a small minority felt the scheme had reduced the feeling of ‘them and us’ attitude or had succeeded in improving or building up team spirit. Employees also agreed with some negative aspects of the scheme, which included the length of time that employees have to wait before money can be made out of the scheme, the scheme ties people to the employer, the difficulty of keeping up with the monthly payment and also, difficulty in understanding the scheme.

Forgarthy and White (1988) based on their study from four companies also reported that employees were generally favourable toward financial involvement. Though still, as reported above, most of them saw the scheme as a way of saving money rather than the scheme generating greater identification with and loyalty to the company. Besides the above it was also found that the contextual factors of a country tend to influence the employees’ reasons for participating in the scheme. For example Jones and Kato (1993), based on their empirical study in Japan, found a number of reasons why employees in Japan opted for employee share ownership schemes, which to some extent were influenced by the environment they were in.
First, the schemes were seen as an alternative way of saving and also gives an opportunity for non-executive in Japan to own shares. Second, in Japan the names of participants in the scheme are usually disclosed to the public, so participating in the company’s share signals employees’ commitment and loyalty to the company, which will enhance their promotion prospects. Third, by participating in the scheme, employees have the opportunity to seek participation in management.

The previous literatures as reviewed above have been a valuable and relevant from the standpoint of mapping out some of the probable relationship that may condition the development and the effects of employee share ownership scheme. The variables are then to be used and considered to develop research model for this study as indicated below.

2.7 Literature’s Implications and Research Model

This study is considered the first of its kind being conducted in this country. Due to the status, there is no research or commentary that this study could refer to enable this study to develop a more focus research. At this level of available information therefore this study has to be satisfied with being of an exploratory nature in order to understand the nature, the development and the process in conducting the scheme and also empirically conducted so as to determine and describe the relationship between the variables involved.

Even though this study is exploratory which may seem basic compared to the previous studies that were conducted in the western and developed country, nevertheless there were some gaps being identified in the literature that the researcher felt, it could be filled up by this study. First related to the contextual environment where the previous were conducted and the environment
of the present study. Most of the previous studies of employee share ownership were conducted in the western or more developed country but this study is conducted in developing and eastern countries. So it is interesting to identify the reason for its development, outcome and factors that may mediate the outcome that may cause variance if any between this study and the previous study. Secondly this study looks at a specific form of employee share ownership that is employee share option scheme (ESOS). From the literature it was found that there is very little or to an extreme (based on researcher knowledge) there is no study being conducted in looking at this specific scheme.

Third this study could be use to support or reject the different perspective forwarded in the literature related to the various issues discussed such as the development and its impact, it will also help to indicate the areas for further research and others.

Based on the level of this kind of study, therefore this literature review has covered some issues that the researcher felt necessary and relevant within the scope and context of the scheme being practice in this country. These different issues could be incorporated into models similar to those that have been proposed by Poole (1990), which include;

a) Model that determine the development of employee share ownership scheme
b) Model that determine the affect of employee share ownership scheme on variety of instances such as individual, group and company level.
c) Model that determine the relationship between employee share ownership and its predicted outcome.
d) Model that tries to discover factors that could moderate the relationship between employee share ownership and predicted outcome.
e) Model that highlighted the motivation factor such as economic gain and intrinsic arousal and their link with attitudinal responses at the level of firm and finally,

f) A model that based on the combination of the different issues above.

The proposed model for this study would be a model that based on the combination of the different issues as proposed above. Based on the nature, context and the scope that this study wish to cover, therefore it is hoped that this study would be able to identify the similarities and the differences between the previous and the current study besides able to fill the gap of previous literature it will hopefully contribute additional dimensions to the literature in this field of study.

The main elements of the model for this research are as given in the diagram below:

Figure 2.1: Analytical framework for the development, nature and relationship of employee share ownership scheme in Malaysia.
External Factors: The contextual environment is likely to play a significant role in the development of the scheme. Among the contextual factors are government policy and regulations; the influence of international strategy of management and the social condition such as the existing of different ethnic groups with different social-economic background and their economic status. All the factors are able to determine the strategic choice that related to government and management objective. The external factors such as the different social and economic background among the ethnic groups and the government strategy are also predicted able to give some influence in determining the employees' objective and their perception toward the scheme.

Organization and industrial relations factors: the types of business that the organisation is involved such as banking and manufacturing, and also its industrial relation practices together with the availability and the different strength of the unions may influence the government and company strategic choices and objectives.

Strategic Choice: For the management, theoretically there are many management objectives related to the scheme. The expected favourable objectives are said critical to be related to the forms and the designs of the scheme; in such a way that the design or the arrangement of the scheme could for example make the employees psychologically experience his ownership in the scheme. As a consequence this may change their attitudes as required. In addition the intensity of management philosophical commitment to the employee share scheme, also is likely to play a significant role in the outcome of the scheme.

From the government perspectives, in Malaysia among its objectives are for example to educate Bumiputra about shares and to overcome the economic polarisation and imbalance between the
different ethnic groups or to have social reengineering in the country. The government objectives for employee ownership therefore is believe to have a critical impact on the forms employee share ownership.

Types of employee share ownership scheme; So far the above literature has forwarded different arrangement of employee share ownership, with a variety of research designs and the studies for the scheme were conducted under different contextual environments. From the previous literature even though there were different forms of share ownership, nevertheless, empirically employee share ownership has generally been approached as a single phenomenon at least by application and it seemed that all form of ownership were assumed to be the same. As for this study, it will just concentrate on a specific form of employee share ownership that is known as employee share option scheme (ESOS).

Employees' objectives and perceptions; As for employees, the literature showed that employees have different objectives, perceptions and expectation about employee share ownership. How each individual employee perceives toward those factors may give some influence toward the achievement of the proposed outcome. Nevertheless their objectives, perceptions and expectation may also being influenced by their economic and cultural background.

Organisation identification; the ‘organization identification’ as proposed in the model included the feeling of involvement, integration, commitment and satisfaction. However these proposed outcomes are based on literature with the western background where the problem such as the lack of employee commitment may really exist in their organisation. It needs to be aware that those expected outcome might not be real objectives that the scheme in this study is seeking for; nevertheless it is going to be tested, as there is also a possibility that the scheme being
implemented just as a naïve copying of management practices due to the influence such as the issue of converging in the management practices.

Overall, this model wishes to determine the reasons in developing employee share ownership, its outcome. factors that mediate the relationship if any and also to determine if there is any link between them. Hence based on the above objectives, it is recognise, there are varieties of challenge in identifying them and the author is aware that employee share ownership and the process through which it produce its effects are complex.

As a continuation in understanding the differences between countries the next chapter will look into culture and its implication to management and organisation.
CHAPTER 3
CULTURAL RELATIVITY OF MANAGEMENT

3.1 Introduction

The globalisation of contemporary business has initiated a new set of management challenges. Hostager, Alkhatib, and Dwyer (1995) indicated that there is growing awareness that a consequence of the increasing complexity of globalisation is the need to understand more fully relevant features of cultural diversity. Culture is said to be the basis for people's value system, which in turn prompts behaviour patterns. Culture is also a reflection of the way of life and cultural factors such as attitudes and assumptions, personal beliefs and aspirations, and interpersonal relationship modes and social structure is said to affect management (Hamzah, Madsen, and Thong 1989).

The objective of this chapter is, therefore, to review the literature on the relationship between culture and management and the effect of management practices in different culture contexts. This background will be helpful as a reference in understanding the relationship between the outcome of this study, i.e. perceptions of employee share option schemes and the culture where this study is conducted, which is Malaysia. As indicated by Poutsma, Willem and Dooreward (1999), it is to be expected that workers and employees in different countries will have different attitudes toward financial participation.

The first section of this chapter presents a review of definitions of culture. This is followed by a discussion on the significance of culture to management. Third, a review of Malaysian
culture within the international context is presented and this chapter is concluded by
highlighting the main issues relevant to this study.

3.2 Definition of Culture

There are various definitions of culture. Wuthnow et al. (1984: 3) noted that culture is
sufficiently broad. It takes into account verbal utterances, gestures, ceremonial behaviour,
ideologies, religion and philosophical systems.

Kluckhohn (1951: 86) noted that from an anthropological perspective, culture is referred as:
'Patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by
symbols, constituting the distinctive achievements of human groups, including their
embodiments in artefacts; the essential core of culture consists of traditional (i.e. historically
derived and selected) ideas, especially their attached values'.

Keesing (1974: 89) defined culture as:
'...... an individual’s theory of what his fellows know, believe and mean, his theory of the
code being followed, the game being played'.

Hofstede (1981: 24) defined culture as:
' the collective programming of the human mind that distinguishes the members of one group
from those of others'. He then explained that culture is not a characteristic of individuals; it
encompasses a number of people who were conditioned by the same education and life
experience. He also made an analogy between individual personality and culture, thus:
'Culture is to a human collectivity what personality is to an individual .......... culture could be defined as the interactive aggregate of common characteristics that influence a human group's response to its environment. Culture determines the identity of a human group in the same way that personality determines the identity of an individual'. (Hofstede, 1984: 21).

Sorge (1982,1985) argued that culture means everything about a nation or other group of people, meaning their material artefacts including their bodies, machines, buildings and the land that they own; their institutions like families, companies, schools, governments and so on; and their ideas, values, attitudes, beliefs and ways of thinking and behaving. This very broad definition is useful for discouraging people from thinking that culture is what explains what more obvious forces like economic and political ones cannot. They are parts of the culture too. Of the above definitions that of Kluckhohn is the closest to Sorge's. However Hofstede's is useful too, and especially for this thesis, even if does over emphasize the importance of ideas, values, beliefs and ways of thinking and behaving and so on. This is because of those aspect of culture are often among the most obvious and interesting when studying social, economic and political institutions like ethnic groups, companies, governments, trade unions and so on.

Therefore, based on the definitions and explanations above, it can be said that cultural processes involve several dimensions of behaviour such as the psychological dimension of learning and processes; social interaction and a historical dimension. The explanations seem to show that, culture is not an individual characteristic but rather denotes a set of common theories of behaviour or mental programmes that are shared by a group of individuals. In other words it could be said that culture consists of common characteristics shared by
members, which they developed as a result of their shared background, education and experiences.

3.3 Culture and Management

As culture generally varies from one country to another, it is important to adopt a cross-cultural perspective in conducting research. This is consistent with what has been asserted by Barret and Bass (1976), that "generalisations about management and supervision in the cross-cultural context are limited concepts and constructs tend to shift in meaning as we move from one culture to another" (in Basset, 1991:1).

Triandis (1980) stated that for complete science of behaviour needs to tie the characteristics of the ecology to the characteristics of humans. Cross-cultural studies help people to learn how ecology and psychological variables are interrelated. Related to this view, Tainio and Santalainen (1983) explained that it was augmented by a considerable debate over the transferability of American management methods and development programmes to other countries' cultures.

Adler, Doktor and Redding (1986: 299) explained this process more fully:

"...culture influences people's values, attitudes, and behaviours, which in turn collectively define their culture. Culture influences organisation through societal structures such as laws and political systems and through the values, attitudes, behaviour, goals, and preferences of participants (clients, employees and especially managers)...Culture is certainly not identical to other primary societal structures, but it strongly influences their
form and function. Specific educational, political, legal and economic systems exist in a given society partly because of their cultural heritage.

These variations in culture are said to affect both management and technology transfer. For example, Kedia and Rabi (1988) said that the effectiveness of technology transfer depends on cultural compatibility, while Basset (1991) said that culture not only affects technology transfer but it may also affect the transfer of management practices.

From the quotations and explanation above, therefore, it can be deduced that it is important to recognise the culture before implementing any management strategy, such as an employee share option scheme, as this may influence the outcome of the scheme.

The next sub-section will consider culture and its influences.

3.3.1 The Influence of Culture

Wilson and Rosenfield (1990: 367) considered that there are two broad views about the impact of culture on organisation. These views can be termed as the convergence and divergence views.

The convergence view argues that organisations are becoming increasingly alike, for example, in structure, technology, level of bureaucratisation and so on. This implies that business is independent of its national culture; rather, it is being changed and influenced by outside factors. Implicitly in this assumption, therefore, it can be said that theories and practices that are believed to be linked with organisation effectiveness, normally developed by the west and more developed countries, are likely to be universally adopted. However there were some criticism to this view for example Kerr et al. (1971) claimed that the view
had been simplistic in explaining the relationship between technology and organizational structure and behaviour. The approach also only considers the formal structure and insensitive to informal structure within organization.

The divergence view, on the other hand, assumes that organisation members will retain and develop their diverse culturally based values, work expectations and attitudes. This gives primacy to the differentiating effect of culture, such as the residual effects of history, beliefs, values and attitudes held in each nation or society. This indicates that the national culture affects management, which it is likely to vary between countries.

Wilson and Rosenfield (1993) further stated that there were empirical evidence to support both views, and they further said there was no definitive study that strongly supports one or the other. Related to this, Ralston et al. (1997) noted that the debate was still in development and (at the time they were writing) lacked strong empirical underpinning. Nonetheless, it is not the intention of this study to discuss in greater detail the differences between the two concepts.

In this research, however, the researcher is more interested to explore the divergence view, that culture will have some impact on the organisation. This is chosen in part because; first one of the objectives of this study is to identify the influence of culture and contextual factors on management practice, as reflected in ‘employee share option schemes’. Second based on a study by Pearson and Entrekin (1998) who presented some evidence from Malaysian and Singaporean companies about the ‘Structural properties, work practices, and control in Asian business’, which they related it to some aspect of the convergence and divergence views. Their findings showed two results: first they found that the convergence perspective was
supported more by the Singaporean companies, while the divergence perspective was supported more by Malaysian companies, even though they were largely multinational organisations in which western management practices were expected to prevail. No clear reason given for the differences by the researchers, and the result was also not definite as the differences might have been related to some differences in the variables tested between Malaysia and Singapore, such as age and many others. In another view Pearson and Entrekin (1998) indicated that based on Ralston et al. (1997), Malaysia could be seen from a crossvergence perspective as a mix between divergence and convergence. They attributed this to the Malaysian Prime Minister’s policy of preserving Asian cultural values while borrowing from the West anything that works in the local cultural contact. Based on these reasons, therefore, some literature related to this view will be reviewed.

Much has been written about the importance of cultural differences and the relationship between national culture and corporate culture. Among the writers that have touched the aspect include Hofstede (1980), Laurent A (1983), Stoner and Wanker (1986), Hall and Hall (1990) and Trompenars and Hampden (1997) and others. For example Hofstede’s (1980) identified some factors that contributed to the national cultural environment of organisations. The factors include values and attitudes, religion, education, language, social organisation, legal context and political context. Due to differences in these factors, naturally culture varies from country to country. At the same time, individual variations in culture also influence how individual employees feel about their organisation and their work. As Stoner and Wanker (1986) explained, the values and customs of society establish guidelines; these determine how organisations and managers will operate. Trompenaar and Hampden (1997 p.13) stated, how objective and uniform organizations try to be they will not have the same meaning for individuals from different cultures and the meanings perceived depend on certain cultural
preference. All these seemed to indicate examples about the influence of local and individual culture on their perception toward organisation or management practices.

Among the different studies above the most popular and the most cited examples of this influence can be seen in an empirical study made by Hofstede (1984), who found highly significant differences in the behaviour and attitudes of employees from seventy countries who worked for subsidiaries of IBM world-wide. In his study he categorised four dimensions that differentiated national culture groups, namely: power distance, uncertainty avoidance, individual-collectivism and masculine-femininity. Hofstede used the four dimensions to question the appropriateness for international transfer of models such as Maslow’s ‘Need Hierarchy’ or McClelland’s ‘Need for Achievement’. He argued that management theories and practices reflect the values of the country in which they originated, and argued that both must be culturally translated before they are exported to other countries. The interpretation of the cultural dimensions provided by Hofstede (1984) is as follows:

a) Power Distance
As a characteristic of culture, power distance refers to the extent to which the members of society accept that power in the institutions or organisation is distributed unequally. Inequality exists within any culture, but the degree to which it is tolerated varies between one culture and another. In a high power distance country, the majority accepts and expects that there are clear distinctions between those with power and those without, i.e. the less powerful persons in a society accept inequality in power and consider it as normal. In a small power distance culture, people have come to except that differences in power among them will be diminished.
g) Uncertainty Avoidance

This is defined as the extent to which people within a culture are made nervous by situations that they consider to be unstructured, unclear and unpredictable, and the extent to which they try to avoid such situations by adopting strict codes of behaviour and a belief in absolute truths. In cultures with strong uncertainty avoidance, members of the society are more likely to become anxious when encountering changes, conflict, or competition in their work, aggressive, emotional, security seeking, and intolerant. Cultures with a weak uncertainty avoidance are made less uncomfortable by unclear circumstances, willing to take risks even in unfamiliar situations, contemplative, less aggressive, accepting of personal risk and relatively tolerant. In an organisational context, uncertainty avoidance may be reflected by the extent to which the organisation requires rules, regulations and procedures to be made known to employees or subordinates, the extent to which employees are willing to take risk in lieu of information deficiencies, introducing changes in the organisation, and the value of seniority in an organisation.

h) Individual-Collectivism

This dimension refers to the degree of interdependence a society maintains among individuals. In countries high on Individualism, there is a loosely knit social framework in which people are supposed to look primarily after their own interest and that of their immediate family only and have come to define themselves by their individual achievement. They expect, and are expected, to be self reliant and independent of groups or organisations. On the other hand, countries nearer the collectivism end of the continuum are characterised by a tight social framework and people define themselves more in term of groups, distinguishing between in-group and out-group organisation. Importance is attached to the
clan or extended family to which they belong and from which they receive protection in exchange for unquestioning loyalty.

d) Masculinity-Femininity

This describes the degree to which countries differ in regard to clearly differentiated roles and expectations for men and women. From a cultural perspective, masculinity refers to the extent to which the dominant values in the society are masculine, that is, assertiveness, the acquisition of money and things, and not caring for others, the quality of life, or people (Jaeger, 1986). Masculine cultures use the biological existence of two sexes to define very different social roles of men and women. They expect women to serve and to care for non-material quality of life, for children and for the weak. Feminine cultures, on the other hand, define relatively overlapping social roles for the sexes, in which neither men nor women need to be ambitious or competitive. Both sexes may go for quality of life rather than material success and may respect whatever is small, weak and slow. In both masculine and feminine cultures, the dominant values within political and work organisations are those of men. In masculine cultures, these political or organisational values stress material success and assertiveness. In feminine cultures, they stress other types of quality of life, interpersonal relationship, and concern for the weak. Much more recently Hofstede has added a fifth dimension of short term versus long term orientation, However this is not greatly relevant to the present study.

Trompenaars (1993) has also examined cultural differences in a world context. In his study he used seven dimensions of culture. The measures, which are as simplified by Holden (1999 p. 693) include:
a) *Universalism-particularism*, in this context in which individual from ‘universalist’ culture would focus on rules and ‘particularist’ culture would focus on relationship. For example in his study he asked the respondents to state whether they would tell the truth to the authority if they were accompanying a friend who was driving at 35 mph in a 20mph zone and knocked down a pedestrian. In ‘universalist’ cultures the respondents would feel a greater obligation to tell that the friend had been travelling at 35mph example of countries such as Britain, Sweden, USA, Germany. However in the ‘particularist’ culture respondents felt a greater obligation to the relationship and protect their friend from a possible conviction example of such countries include France and Japan.

b) The *analysis-integrating* dimension examine the tension between the tendency to analyse phenomena into parts i.e. facts, tasks, units, points etc. for example in countries such as Britain, Sweden, USA and Netherlands. For integrating they prefer to integrate and configure as a whole patterns relationship within a wider context for example in countries such as France, Germany and Japan.

c) *Individualism-collectivism* is the conflict between what each individual wants as an individual and the interests of group they belong to. Individual could be seen from countries such as Britain, Sweden, USA and Netherlands on the other hand collectivism from countries such as Germany, France and Japan.

i) The *inner directed-outer directed* scales ranges from individuals who are influenced to action by ‘inner directed’ judgements, decision and commitment; in countries such as Britain, USA and Germany. For ‘outer directed’ they must adjust to signals, demands and trends in the outside world in countries such as Sweden, Netherlands, France and Japan.
e) *Time as sequence-time as synchronisation* it is between the preference for doing thing fast, in the shortest possible time this could be seen in countries such as Britain, Sweden, USA, Germany and Netherlands or synchronise effort so that completion is coordinated the example of the countries such as France and Japan.

f) *Achieved status- ascribe status* this is to examine the view that the status of employees depends on what they have achieved and how they have performed this could be seen in countries such as Britain, Sweden, USA, Germany, Netherlands and Japan; the other depend on some characteristics important to the corporation such as age, seniority, gender, education, potential, strategic role this could be seen in countries such as France and finally;

g) *Equality-Hierarchy*, this is similar to Hofstede’s power distance index. This is to determine whether more important to treat employees as equal so as to elicit from them the best they have to give, example of such could be seen in countries like Britain, Sweden, USA, Germany and Netherlands; or to emphasise the judgement and authority of the hierarchy that is coaching and evaluating them which are practices in countries such as France and Japan.

All the approaches above have given some means in approaching and analysing the different culture of a nation, and how the differences could influence their perception toward a management strategy. The approaches however have received considerable criticism. For example in general Hollinshead and Leat, (1995 pg.3) commented that ‘the positive approach that has been used by Hofstede and Trompenaars has been too narrow in focus’. One of the dilemma of positive approach as commented by Altman (1992, pg.36) is that ‘this approach can be likened to powerful torch-sending a concentrated and bright, extremely sharp, ray of light, but, necessarily, leaving much in the dark’.
Hofstede's ideas have been the most widely applied of all of the above to Malaysia. However some criticism of their validity and generalisability have been made, focusing on criticism of the representativeness of his sample and the validity of the dimensions.

Hunt (1981) pointed out that one can doubt the generalisability of the findings based on a sample drawn from one large multi-national company; he explained that bias could arise because IBM may tend to hire similar persons world-wide, which would reduce national differences. With respect to the dimensions, Triandis (1982) commented that Hofstede's dimensions of culture might be too narrow. Another potential problem is that a number of countries in Hofstede's sample, such as Belgium, Canada and the United States, were clearly multi-cultural, which Hofstede should have taken into account as there are clearly many other levels, or layers, that shape people minds such as ethnic groups within a country, social class, organisations, occupation and so forth (Kedia and Rabi 1988). Therefore the four dimensions leave plenty of room for a large a diversity of value patterns within each country.

Despite these weaknesses, Hunt (1981) and Triandis (1982) acknowledged that the study has provided a good framework for understanding organisational culture as it could provide a basic foundation for understanding the structural dimensions of culture. Hoppe (1993) noted that the result of the Salzburg Seminar Alumni Study (SSAS) strongly confirmed empirically the validity of Hofstede's four dimensions and the findings of his study that was conducted in 1993 also supported the usefulness of Hofstede's 4-D.

3.3.2 Interaction between Culture and Organization
There has been some concern about the extent to which the national culture influences the structure and the effectiveness of the organization. Kamal (1988) indicated that the influence of national culture is traceable through its effect on individuals who are members of organizations and on individuals who interact with its members. In relation to this Kamal Bashah (1988: 25) quoted England and Negandi (1979) as saying that:

"If the ground rules under which the manager operates are different in different cultures and or countries, then it would be fruitless to search for a common set of strategies of management...... cultural differences from one country to one another are more significant than many writers appear to recognise.....A (universal claim) is hardly warranted by either evidence or intuition at this stage in the development of management theory"

In understanding how culture could affect organization as the reasons given above the work of Hofstede (1981) will be used as guidelines in understanding it. Hofstede (1981) provides four ways in which culture could affect organizations:

a. Effect on the Distribution of Power

The control of human behaviour for organisations is achieved through an unequal distribution of power. In explaining this, Hofstede (1981) commented that any organization has its dominant coalition and its other members and the distribution of power between them. However he explained that the relative size of the dominant coalition, the fixity of its composition, and the distribution of power between them can vary widely under the influence of, among other things, culture.

b. Effect on the Values of the Dominant Coalition
Hofstede (1981) noted that culture affects organizations for various reasons and in various ways, through its influence on the value of the dominant coalition. This view is further divided into four different aspects of influence:

i). On the Organisational Goals and Objectives
The dominant coalition defines organizational goals and objectives and identifies the stakeholders whose interests need to be respected. In this respect business organizations, for example, face a value issue with regard to social responsibility versus economic success, to which they will respond according to the values of their elite. For instance in western countries, “success” is usually seen as the satisfaction of more demands, which leads to goals different from those societies that follow the Buddhist view of success as a reduction in demand (p.28).

ii) In Decision Making Process
Culture influences the decision making process both through the alternatives that are considered and the actual choice among them. In explaining this, Hofstede (1981) gave the example that cultural influence includes values in the form of economic utilities and valuation criteria in accounting and also the decision making process that leads to the allocation of scarce resources among competing applications (p.28).

iii) In shaping the Organizational Structure and Formal Procedures
This influence is reflected in the number of hierarchical levels in organizations and the procedures adopted in certain aspects of management (p28-29). Hofstede gave two examples. First, US subsidiaries of business firms in India have fewer hierarchical levels than
comparable local Indian firms. Second, French firms tend to use different internal transfer pricing procedures than British ones.

iv) In the Reward System

Members of the dominant coalition have been shown to rate people with similar value systems higher in competence. This has consequence for financial rewards and promotion, and it is one of the processes by which the dominant value system in the organization is perpetuated (p.29).

c. Effect of the Values of Organisation Members

The influence of culture of the non-elite who form the majority of organization’s members has an indirect but profound impact on the functioning of the organization:

i) On the Members’ Compliance to Organizational Requirements

Members’ involvement with an organisation can be alienative, calculative, or moral; the kind of power commonly used within organization can be coercive, remunerative, or normative. Members will comply best with organizational requirements if there is congruence between type of power and type of involvement-coercive power for alienative involvement (as in prison), remunerative power for calculative moral involvement (as in a business organization), normative power for moral involvement (as in church). These requirements would also determine the types of commitment to the organisation exhibited by employees. Employees who find that the values of the organization are similar to theirs would probably be more effectively committed. Employees who are attracted by rewards offered by the organization would probably be more calculative in their decision to remain. Business organizations assume calculative involvement of workers alone and consequently, the use of
remunerative power may meet with growing alienation in more educated workers valuing
job-content factors beside money.

ii) On the Methods of Regulation and Control Process

The regulation and control processes adopted by organisations are determined by the values
of their members. If people co-operate spontaneously, rules for co-operation can be minimal;
if conflict is frequent, there should be rules for conflict resolution.

iii) On the Zone of Manageability

The degree of supervision in organisations depends upon the degree of manageability of
members. Hofstede (1981) indicated that Laaksonen (1977) had shown how in China, work
organisations could function with relatively little supervision because their members are very
manageable (p.30).

iv) On the Members' support to Competing Elites

The members' support to competing elites in alternative organisations, such as labour unions,
or in pressure groups, directly affects the organisation's functioning.

d) On the Values of Non-Members

These include values of members of competing organisations, interacting organisation,
government, and of representative of the press and the public at large. The values dominant in
the environment of the organisation to a large extent determine what an organisation can do
and cannot do. Shifting values in the society may pose problems for the organisation.
Besides the above, Hofstede (1984) further illustrated the effect of culture on organisations according to the four cultural dimensions as shown in the Figures 3.1 on the next page.
**Figure 3.1: Consequence of Power Distance on Organisations**

<table>
<thead>
<tr>
<th>Low Power Distance</th>
<th>High Power Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less centralisation</td>
<td>Greater centralisation</td>
</tr>
<tr>
<td>Flatter organisation pyramid</td>
<td>Tall organisation pyramid</td>
</tr>
<tr>
<td>Smaller proportion of supervisory personnel</td>
<td>Large proportion of supervisory personnel</td>
</tr>
<tr>
<td>Smaller wage differential</td>
<td>Large wage differential</td>
</tr>
<tr>
<td>High qualification of lower strata</td>
<td>Low qualification of lower strata</td>
</tr>
<tr>
<td>Manual work same status as clerical work</td>
<td>White-collar jobs valued more than blue-collar jobs</td>
</tr>
</tbody>
</table>

Source: Hofstede (1984)

**Figure 3.2: Consequences of Uncertainty Avoidance on Organisations**

<table>
<thead>
<tr>
<th>Low Uncertainty Avoidance</th>
<th>High Uncertainty Avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less structuring of activities</td>
<td>More structuring of activities</td>
</tr>
<tr>
<td>Fewer written rules</td>
<td>More written rules</td>
</tr>
<tr>
<td>More generalists or amateurs</td>
<td>Larger number of specialists</td>
</tr>
<tr>
<td>Organisation can be pluriform</td>
<td>Organisations should be as uniform as possible</td>
</tr>
<tr>
<td>Managers more involved in strategy</td>
<td>Managers more involved in details</td>
</tr>
<tr>
<td>Managers more interpersonal oriented and flexible in their style</td>
<td>Managers more task oriented and consistent in their decision</td>
</tr>
<tr>
<td>Managers more willing to make individual risky decisions</td>
<td>Managers less willing to make individual and risky decisions</td>
</tr>
<tr>
<td>High labour turnover</td>
<td>Lower labour turnover</td>
</tr>
<tr>
<td>More ambitious employees</td>
<td>Less ambitious employers</td>
</tr>
<tr>
<td>Lower satisfaction score</td>
<td>Higher satisfaction score</td>
</tr>
<tr>
<td>Less power thorough control of uncertainty</td>
<td>More power through control of uncertainty</td>
</tr>
<tr>
<td>Less ritual behaviour</td>
<td>More ritual behaviour</td>
</tr>
</tbody>
</table>

Source: Hofstede (1984)

**Figure 3.3: Consequences of Individualism on Organisations**

<table>
<thead>
<tr>
<th>Low Individualism</th>
<th>High Individualism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involvement of individuals with organisations primarily moral</td>
<td>Involvement of individuals with organisations primarily calculative</td>
</tr>
<tr>
<td>Employees expect organisations to look after them like a family and become very alienated if organisation dissatisfies them</td>
<td>Organisations are not expected to look after them from the cradle to grave</td>
</tr>
<tr>
<td>Organisation has great influence on members’ well being</td>
<td>Organisation has moderate influence on members’ well-being</td>
</tr>
<tr>
<td>Employees expect the organisation to defend their interests</td>
<td>Employees are expected to defend their own interests</td>
</tr>
<tr>
<td>Policies and practices based on loyalty and sense of duty</td>
<td>Policies and practices should allow for individual initiative</td>
</tr>
</tbody>
</table>

Source: Hofstede (1984)
Figure 3.4: Consequences of Masculinity on Organisations

<table>
<thead>
<tr>
<th>Low Masculinity</th>
<th>High Masculinity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some young men and women want careers, others do not</td>
<td>Young men expect to make a career, those who don't see themselves as failures</td>
</tr>
<tr>
<td>Organisations should not interfere with people's private life</td>
<td>Organisation interests are legitimate reason for interfering with people's private lives</td>
</tr>
<tr>
<td>More women in more qualified and better-paid job</td>
<td>Fewer women in more qualified and better-paid job</td>
</tr>
<tr>
<td>Women in more qualified jobs are not particularly assertive</td>
<td>Women in more qualified jobs are very sensitive</td>
</tr>
<tr>
<td>Lower job stress</td>
<td>Higher job stress</td>
</tr>
<tr>
<td>Less industrial conflict</td>
<td>More industrial conflict</td>
</tr>
<tr>
<td>Appeal of job restructuring permitting group integration</td>
<td>Appeal of job restructuring permitting individual achievement</td>
</tr>
</tbody>
</table>

Source: Hofstede (1984)

The above four figures (Figures 3.1, 3.2, 3.3 and 3.4) summarise and present an integrated picture of the consequences of the different levels of cultural dimensions, related to organisation. These summaries present a clear picture of the effect of culture differences on the organisation. Depending on countries’ different location along these four dimensions, the universal applicability of management practices is doubtful as normally, management models and their related practices carry with them their cultural baggage.

3.3.2.1 Culture and Motivation

There are many theories related to human motivation, whether of individuals or groups. However, Kast (1985) stated that an organisation still faces a fundamental dilemma, in motivating its employees because motivation is related to culture. For example, he stated that various cultures respond differently to the rewards and punishments that act as instruments of motivation. According to Hofstede (1983), motivation theories that originated from the United States reflect the individualistic nature of its culture. This could be seen in the presence of needs such as ‘self-actualisation’ and ‘self respect’ in those theories. On the other hand in more ‘collectivist cultures’ people are more concerned for their group membership, and their collective loyalty may be directed towards a larger unit. For example, in some Asian
countries, 'saving face' or avoiding 'shame' within their group is a prime motivator that is not evident in western culture.

Several studies have been done to determine whether motivation theories and approaches hold across culture. Luthans (1995) indicated that most of the cross-cultural research on motivation was based on content theories such as Maslow's hierarchy of needs, Herzberg's two factors, and McClelland's achievement theory, and he indicated that there were variations in the outcomes of applying these motivation theories across cultures. For example, individuals' sense of responsibility and the need for achievement differ greatly by culture. Luthans suggested that this does not mean these theories are not relevant across cultures, but rather, that each individual culture has a hierarchy of needs, and the ordering of these needs may differ by culture.

3.3.2.2 Culture and Participative Management

Argyris (1957), Vroom (1960) and Likert (1961) indicated that participation by employees in decisions relating to their work has been validated as a motivational tool in the organisation. It is believed that employees who are given opportunities to participate in the company will develop a sense of pride in their job and a greater sense of self esteem. Mowday, Steers and Porter (1982), for example, suggested that employees should be included in decisions that affect their work because most individuals cannot identify strongly with an organisation when the leadership exclude them from decisions in which they feel they have a stake or can make important contributions.

The degree to which employees wish to participate in the organisation is influenced by their cultural orientation. The influence of cultural variables on participative management has been
explored in some depth. Hofstede (1983) in his study has pointed out the relationship between power distance, uncertainty avoidance and individualism and participative management. He stated that cultures with low power distance tend to encourage participation. Also, the acceptance of participative management in a particular culture depends upon its level of uncertainty avoidance. Informal and spontaneous forms of participative management are popular in low uncertainty avoidance countries. Basset (1991) stated that in contrast, countries with high uncertainty avoidance need a more formal, legally sanctioned form of participation. Hofstede also explained that the individualism-collectivism dimension may partly determine the prevalence of participative management. In a highly individualistic country, leadership is said to be based partly on the premise that each individual seeks to satisfy his or her own interest. However, in contrast, leadership in collectivist countries tends to be more group oriented. Thus, the practice of participative management within a culture is dependent upon the combination of the culture’s cultural dimensions.

3.3.2.3 Culture and Organisation Development

This section will give another example of how culture influences management strategy, which is related to organisation development. Organisation development is a prominent American management tool that is based upon a certain set of values relevant to the culture. Tannenbaum and Davis (1969) have concisely expressed organisation development in their paper ‘Values, man and organisation’. The key features are summarised in the Figure 3.5 on the next page.
According to Tannenbaum and Davis, the objective of organisational development is to institutionalise those values in a group or organization. Jaeger (1989) hinted that the greater the initial acceptance of these values by individuals in an organization, the easier the organizational development process will be and the greater the probability of ultimately institutionalising these values. By comparing the positions of countries on Hofstede’s cultural dimensions, Jaeger (1989) found that generally the Scandinavian countries such as Denmark, Norway and Sweden are the closest countries to the organizational development values, i.e. those in which organizational development is likely to be better accepted. He rated them as follows: Low power distance, low uncertainty avoidance, low masculinity and medium individualism. Jaeger (1989) also noted that in some countries where the scores on Hofstede’s dimensions are opposite to those of organizational development values, the organizational development values would be difficult to implement. Steele (1977) provided one example regarding the failure of organizational development in the United Kingdom. He concluded that some of the key assumptions underlying organizational development clash with British culture.
3.4 Malaysia’s Cultural Position

Before this study looks in more detail at the Malaysian contextual background, in the next chapter, it is important for this section to consider first the Malaysian cultural characteristics and how they fit within the framework described by Hofstede (1983). From the macro perspective, the finding of his study found that Malaysian culture is located in the quadrants of large power distance, low individualism, medium masculinity, high collectivism and low uncertainty avoidance. The culture in some aspect is significantly different from those of the United States and Great Britain for example the small power distance and high individualism quadrant. Second, in term of micro perspective, it is necessary to be aware (this will be discussed in more detail in the next chapter) that Malaysia is a multi-ethnic country, whose citizens have different religions and economic backgrounds. The two major classifications of ethnic groups are called Bumiputra and non-Bumiputra. Bumiputra consist of Malay and other indigenous groups most of whom are Muslim. On the other hand, non-Bumiputra consist of immigrants such as Chinese from China and Indians from India, most of whom migrated to Malaysia during the British colonisation and who belong to different religions mostly Buddhism and Hinduism. Even though both of the groups (Bumiputra and non-Bumiputra) have lived together as Malaysians since independence (1957), in certain respect, such as the way they live, language and values, they are still influenced by their origins. Returning to the earlier discussion, one of the important aspects that this chapter has highlighted was about culture and its possible effect on organisational strategy and practices. Therefore the distinctive position of Malaysia in term of this variety of culture, economic background and values amongst its population, combined with the different cultural position as stated by Hofstede (1983) might raise some issues related to views and perceptions toward
share ownership schemes, as the management strategy investigated in this study. Therefore based on this position, it will be interesting to see how Malaysians react to this management practice which was developed in the West, that have different origin and features which all these will be explored in the following chapter.

3.5 Conclusion

This chapter has provided a review of the concept of culture by first reviewing definitions and explanations of culture. This chapter then discussed the influence of national culture on organisations and also the effect of the individual culture of employees on management strategy and practices. As indicated, cultural differences might influence management in implementing their strategy to achieve the objectives of the organisation.

Second, from the review of previous empirical study, this chapter found that different countries have different scores on cultural dimensions, which to some extent affect organisational perception and practices.

Third, this chapter has shown how management is very often culture-specific. In particular, it has looked into the relationships between culture and motivation, culture and participative management, and culture and organisational development. All these cases to some extent have indicated that culture plays a dominant role in organizational management. The critical point to emerge from this chapter is that culture is important to be considered before a country such as Malaysia adopts any management strategy such as employee share ownership. This is important as the particular type of culture might raised some problems, for example, how the Muslim employees would react to employee share ownership and also how
Bumiputra and non-Bumiputra differ in their view toward employee share ownership in their companies.

The next chapter will examine distinctive aspect of the Malaysian background and cultural context that may affect the implementation of scheme such as employee share ownership, a form of management concept and practice that was developed in different cultural contexts.
CHAPTER 4

MALAYSIA: BACKGROUND INFORMATION

4.1 Introduction

The last chapter discussed how management strategies and practices and or culture specific. In this chapter various economic, social and political and other aspect of Malaysia’s culture will be explained. This background information helps to give insights into the context of this study and other factors that affect its findings.

The chapter is organised as follows: First, some aspects of Malaysian history, economy and population are described. Second, there is a discussion of the composition and characteristic of Malaysian society. Third, relevant policies and strategies of Malaysian government’s designed to help overcome the problems faced by the country that are relevant to this study are described and discussed. Fourth the history and role of trade unions in Malaysia are described. Finally the elements of the proceeding sections that are thought to be most relevant to this study are extracted and discussed.

4.2 History, Economy and Population

4.2.1 Historical Background

Malaysia is a country in South East Asia that achieved independence from Britain in 1957. Britain’s influence in Malaya, the name of Malaysia before independence, started when British settlers founded the port of Georgetown on the island of Penang in 1786. In 1819
another colony was founded. It was Temasek, now known as Singapore and it was established with the aim of safeguarding the passage of British trading to and from China. A treaty was drawn up between the Dutch and the British in 1824. In the treaty, the Dutch handed over Melaka to the British, while the Dutch gained full control of British settlements in Indonesia. Besides controlling Penang, Singapore and Melaka, the British began to influence the rulers of other Malay states to join a federation with Kuala Lumpur as its capital. An agreement was signed in 1895. Historically, the British proposal for a federation was initially seen as a ‘protectorate’ arrangement whereby the British would provide protection for the rulers from foreign threats, particularly from Siam (presently known as Thailand) which controlled the northern Malay states. Under this agreement, the British then began to take control of the other four Malay states namely Perak, Selangor, Negeri Sembilan and Pahang. The Siamese empire was later forced to give up its dominance over the northern Malay states. As a result, the British colonial boundary was spread to include Kedah, Perlis, Kelantan and Terengganu. Finally, before the First World War, the Johor sultanate decided to come under the umbrella of the British (Winstedt, 1944; Jomo 1990). This completed the British colonisation of the entire Malay state to form the Federation of Malaya

Originally, the population of Malaya consisted of the Malays and some aborigines. However, during the colonial era, the British labour policy changed the ethnic composition of the population of Malaya by bringing in immigrants for its expanding economy (Jomo 1990). The British brought in Chinese people from China to work in tin mines and Indians from India to work in mines and plantations. According to Jomo (1990) the British did not employ the Malays, as it was difficult and expensive to make Malays work for them, as they had their own land, which they could till. To ensure that these impoverished Chinese and Indian immigrants did not have alternative employment opportunities, most of them were not
allowed to have land to become farmers. The Malays, Chinese and Indians subsequently became the main ethnic groups in Malaysia.

During the period of British colonisation, these three ethnic groups were kept isolated in education, economic life and places of settlement and a three-fold education system was set up, with each ethnic group having its own system. As regards economic activities and areas of settlement, the Malays stayed mainly in rural agriculture areas, the Chinese worked in the tin mines and urban service sectors, and the Indians worked in the rubber plantation and lived in rubber estates. This policy of divide and rule gave the British direct control of labour. In the long-term the areas of settlement and the economic activities of the different ethnic groups in Malaysia gradually remained separated.

The political climate of the colony started to change after the Japanese occupation during the second World War, in the late 1941 and early 1942. The colonial racial ‘divide and rule’ policy was given a new twist by the Japanese, who favoured the indigenous population over the immigrant population, especially the Chinese. The Japanese were very brutal towards the Chinese in Malaya and Chinese and Chinese related groups (Sino Malayan) were singled out for persecution. The Japanese action was related to the Sino-Japanese war, and to consequent anti-Japanese feeling among the Chinese in China and elsewhere, including Malaya. Due to this, therefore the Chinese gave the strongest support for the communist-led anti-Japanese struggle in Malaya. The Japanese also sponsored nationalist movements in Malaya, which had some effect on the Malayan population, where the Japanese occupation contributed to the growth of nationalist sentiments and organisations (Jomo 1990).
After the Japanese defeat in 1945, the British managed to re-establish themselves, but met with resistance from popular nationalist and anti-colonial movements. The British failed to subdue the nationalist movements of the Malays and the movement of the communist guerrillas whose members were mostly Chinese. In seeking a compromise solution, the British 1946 then proposed a Malayan Union which would give equal citizenship to the indigenous citizens and the immigrants, and in which the latter could demand political equality. However, this proposal threatened the position of the indigenous Malays. As a result, the British received a rude shock from the Malays when they organised rallies all over the country against the Malayan Union, because the immigrants would be the main beneficiaries if the Union were to be implemented. The Federation of Malaya replaced the Malayan Union in 1948, which restored the primacy of indigenous dominance in the government of Malaya. This again became a source of discontent amongst the immigrant population. Although the implementation of the Malayan Union was very brief it had many social and political implications, as it allowed ‘ethnic bargaining’ and also brought about the establishment of a number of political parties between 1946 and 1952.

This signalled the beginning of electoral politics in Malaysia, which were mostly ethnic-based (Samsul 1994). The Malay nationalists formed a political party known as the United Malays National Organisation (UMNO), while Malays who opted for Islamic ideology formed the Islamic party (PAS). Although most of the PAS members, like the member of UMNO, are Malay, they have a different philosophy and views about Islamic state and their ultimate aim is to transform Malaysia into fully Islamic country, whereas UMNO are more of Malay nationalists. The Chinese formed their own political party, known as the Malayan Chinese Association (MCA) and the Indians formed a political party known as the Malaysia Indian Congress (MIC). Even though there were other parties that came later, nevertheless the
four mentioned above became the major parties in Malaysia. By the initiative taken by the party leaders, UMNO and MCA formed an alliance in the 1952 during a Municipal election. This alliance was then broadened to include the MIC and contested against other political parties. This coalition also said to be one of the products of 'ethnic bargaining'. The coalition politics formula seemed to work well, as the alliance won almost all of the seats contested in the 1955 national election.

Although the British faced political pressures from the nationalists as well as the threat from the communist guerrillas, the character and interests of the leaders of the alliance parties, made up of moderate, administration-minded Malays and well-to-do Chinese and Indian businessmen, seemed to offer to the British a future of political and economic stability and reasonable insurance for their own investments. This made the British endorse the 'coalition politics' model and accept it as a formula for the independence of Malaya. The British finally decided to negotiate on independence, which become effective from 31 August 1957.

After independence, a federation of eleven states was established with a parliamentary system and a monarch chosen every five years from among the nine Malay sultans (kings). In this period, there was bargaining over the constitution by the three main communities. The representatives of each ethnic group jostled for advantages of all sorts to protect the interest of their nationals. With the British as mediators, a constitution was finally realised. In a way this constitution is not only a legal document but also a sort of 'social contract' between ethnic groups in which the interests of each group were guaranteed and protected and written into the constitution (Samsul 1994). In the constitution the Malays and other Malay-related people were recognised as the indigenous group, or 'Bumiputra', whose political and administrative authority should be accepted unchallenged. They were also accorded special
privileges in education and public sector employment, and their language was made the national language. The non-Malays were granted citizenship and known as non-Bumiputra and there was to be no interference in their control of the economy. The population and the differences between the ethnic groups will be discussed in more detail in a later sub-section.

4.2.2 Economic Background

During the colonial era and also during the early years of independence the Malayan economy was greatly dependent on agriculture and natural resources. Rubber and tin mining production were the main contributors to its export earnings. However, there were also some developments in manufacturing and similar sectors in areas related to tin smelting and rubber processing and in and around a few other industries, which included public utilities, and communications. Besides the above, as indicated by Ong (1995), small cottage industries that produced goods on a small scale, such as pineapple canning, and the manufacturing of rubber shoes, tyres and toys, were also developed.

In 1955, two years before Malaysia achieved its independence, agriculture and mining activities accounted for 46.5 % of the colony’s gross domestic product. Only 8.2% came from manufacturing. Malaysia’s economy then continued to develop with the introduction of various economic and industrial policies, aimed at restructuring the economy from one which was dependent on natural resources and primary commodities to one which produced value added manufactured products for both local consumption and export. Statistics from the early 1990s onwards showed that manufacturing had surpassed the contribution of the agriculture. For example in 1995, 33% of GDP emanated from manufacturing and only 13.6% was contributed by agriculture, as shown in Table 4.1 on the next page.
Table 4.1: Malaysia: Gross Domestic Product by Sector, 1955-1995

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>40.2</td>
<td>40.5</td>
<td>30.8</td>
<td>22.8</td>
<td>18.7</td>
<td>13.6</td>
<td>13.4</td>
</tr>
<tr>
<td>Mining</td>
<td>6.3</td>
<td>6.1</td>
<td>6.3</td>
<td>10.0</td>
<td>9.8</td>
<td>7.4</td>
<td>5.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8.2</td>
<td>8.6</td>
<td>13.4</td>
<td>20.0</td>
<td>26.9</td>
<td>33.1</td>
<td>37.2</td>
</tr>
<tr>
<td>Others*</td>
<td>45.3</td>
<td>44.8</td>
<td>51.3</td>
<td>47.2</td>
<td>44.6</td>
<td>45.9</td>
<td>43.7</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


As the table shows, 'other' sectors also played prominent roles in contributing toward GDP, amounting to nearly half of it. Some major sectors and grouping of them are classified under this heading, including construction, bank, and services.

In developing the country, Malaysian governments adopted a series of five-year economic plans: the First Malaysian Plan (1965-1970), the Second Malaysia Plan (1971-1975), the Third Malaysia Plan (1976-1980), the Fourth Malaysia Plan (1981-1985), the Fifth Malaysia Plan (1986-1990), the Sixth Malaysia Plan (1991-1995) and the Seventh Malaysia Plan (1996-2000). Besides that there have been two longer-term development policies known as the New Economic Policy (NEP) running from 1970-1990, and its replacement, the National Development Policy (NDP) that started in 1991 and covers the period to 2001 onward. Each plan has its own special objectives to achieve. These will be discussed in more detail in Section 4.4.
In the last five years the Malaysian economy has achieved very good performance, primarily due to the contribution by manufacturing and export of manufacturing to its GDP. Before the ‘Asian Economic Crisis’ before mid 1998, Malaysia could be proud of itself as one of the most advanced countries in the Third World, experiencing one of the highest growth rates, of about 8 percent per annum on average. At that time, Malaysia’s rate of economic growth outpaced of those the industrialised nations and compared favourably with the newly emerging economies of East Asia and ASEAN (refer to Table 4.2).

Table 4.2. Comparative Performance in Growth of Real GDP, 1993-1995

<table>
<thead>
<tr>
<th>Countries</th>
<th>1993</th>
<th>1994</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Industrialised Countries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>3.1</td>
<td>3.7</td>
<td>2.5</td>
</tr>
<tr>
<td>Japan</td>
<td>0.1</td>
<td>3.7</td>
<td>2.5</td>
</tr>
<tr>
<td>Germany</td>
<td>-1.2</td>
<td>1.7</td>
<td>2.6</td>
</tr>
<tr>
<td>United kingdom</td>
<td>2.0</td>
<td>3.1</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>B. Developing Countries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>1.0</td>
<td>3.3</td>
<td>4.5</td>
</tr>
<tr>
<td>Asia</td>
<td>8.5</td>
<td>8.0</td>
<td>7.3</td>
</tr>
<tr>
<td>Latin America</td>
<td>3.3</td>
<td>2.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Middle-East</td>
<td>4.8</td>
<td>2.0</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>C. EAST-Asia Countries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>13.4</td>
<td>10.5</td>
<td>8</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>5.5</td>
<td>5.0</td>
<td>4.0</td>
</tr>
<tr>
<td>South Korea</td>
<td>5.5</td>
<td>7.2</td>
<td>6.9</td>
</tr>
<tr>
<td>Taiwan</td>
<td>6.1</td>
<td>5.9</td>
<td>6.4</td>
</tr>
<tr>
<td><strong>D. ASEAN Countries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brunei</td>
<td>-4.1</td>
<td>-2.0</td>
<td>-0.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6.5</td>
<td>6.5</td>
<td>6.4</td>
</tr>
<tr>
<td>Philippines</td>
<td>1.7</td>
<td>4.2</td>
<td>5.4</td>
</tr>
<tr>
<td>Singapore</td>
<td>9.9</td>
<td>10.0</td>
<td>8.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>7.7</td>
<td>8.1</td>
<td>8.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8.3</td>
<td>8.5</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Note: * ASEAN refers to Association of Southeast Asia Nations.

As the above Table shows, Malaysia achieved more than 8% growth in GDP for the three consecutive years and achieved the highest GDP among the Asian countries in 1995.
The next section will briefly describe the Malaysia’s population.

4.2.3 Population and Ethnic Background

Malaysia has a population of about 23 millions. The populace is relatively young with over 36% below 15 years of age, while about 60% is within the working age group of 15 to 64 years. It is a multi-ethnic country. As explained in the previous section the multi-ethnic character of Malaysia’s population originated over 150 years ago. The past and the projected composition of the population of Malaysia is shown in Table 4.3 below.

Table 4.3: Malaysia, The Population Size, 1991-2000

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>1995</th>
<th>2000*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Population</strong></td>
<td>18.55</td>
<td>20.69</td>
<td>23.26</td>
</tr>
<tr>
<td>Malaysian Citizens</td>
<td>17.75</td>
<td>19.38</td>
<td>21.52</td>
</tr>
<tr>
<td>Bumiputra</td>
<td>10.73</td>
<td>11.95</td>
<td>13.61</td>
</tr>
<tr>
<td>Non-Bumiputra</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>5.02</td>
<td>5.29</td>
<td>5.60</td>
</tr>
<tr>
<td>Indian</td>
<td>1.41</td>
<td>1.50</td>
<td>1.61</td>
</tr>
<tr>
<td>Others</td>
<td>0.59</td>
<td>0.64</td>
<td>0.70</td>
</tr>
<tr>
<td>Non-citizens</td>
<td>0.80</td>
<td>1.31</td>
<td>1.74</td>
</tr>
</tbody>
</table>

* projected
Source: Seventh Malaysian Plan

Broadly speaking, Malaysia’s ethnic groups are classified into two categories, Bumiputra such as Malays, aborigines and other Malay-related, and non-Bumiputra who include Chinese and Indians and, to a much smaller extent, Arabs, Eurasians and Europeans. This classification, as explained earlier, was the result of the constitution and the ‘social contract’ formed with the British before independence was achieved. Malays, and the two main groups of non-Bumiputra, i.e. Chinese and Indians, are the three most influential groups in Malaysia.
This multi-ethnicity is one of Malaysia's distinguishing features. Hamzah, Madsen and Thong (1989) pointed out that Malaysia is one of only a very few countries in the world whose main ethnic groups still maintain their separate identities as evidenced in their separate languages, customs, codes of dress, behavioural patterns, food habits, architecture and many other outer manifestations of differences in the backgrounds and traditions from which they spring. Besides that, these three groups, Malay, Chinese and Indian, if seen in global terms, are drawn from much larger racial groupings, together constitute some three billion people, which is approximately half of the world’s population. Malaysia also represents some of the world’s oldest cultures, being host to traditions that dated back thousands of years (Hamzah, Madsen and Thong 1989). Also many faiths converge in Malaysia, including Islam, Buddhism, Taoism, Hinduism, Christianity and many other beliefs, although Islam is the official religion. Into this already colourful and fascinating mix of peoples, business activities further created an interface between East and West by bringing an expatriate community from Western Europe, the United States and Japan. However, expatriate presence is not a new phenomenon in Malaysia, whose history has been influenced by successive foreign presence: the Portuguese in the 16th century, the Dutch in 18th century, the British in the 19th century and the Japanese during the Second World War.

4.3 Malaysian Society

As expected, the immigration of people with different backgrounds to Malaysia has created differences among the Malaysian population. In addition, the division of labour along ethnic lines as implemented by the British colonists further constrained social integration. As mentioned earlier, the Chinese were concentrated in urban areas and their activities much related to business; the Indians in rubber plantations in isolated parts of the rural areas and the
Malays in subsistence agriculture, also in rural areas. This situation limited the social interaction between the different ethnic groups. To overcome ethnic polarisation and to integrate the groups many initiatives have been taken by the Malaysian government, some of which have shown some positive results, as will be shown in Section 4.3.2

The discussion of Malaysian society, in this section is divided into two parts, the first explaining the micro aspects; the second, the macro ones of the society. The term macro is concerned with each of the ethnic groups, while the macro aspect represents the Malaysian as a whole. The macro aspect is in part the result of government initiatives and policy, and also due to the existence of some similarities of values between the ethnic groups. As noted by Hamzah, Madsen and Thong. (1989), despite its multi-racial context, Malaysia has always managed to achieve a degree of integration, at the political and social level

4.3.1 Malaysian Society: The Micro Aspect

This subsection will discuss each of the main ethnic groups in Malaysia, which include Malay, Chinese and Indian. There are a number of stereotypes of ethnic groups in Malaysia. These are presented in order to give insights into the differences between the groups and to show how complicated the scene is. However, what is reported are just some generalisations; of course to add to the complication, there are further differences between individuals within each ethnic group. Nevertheless what is presented below will help to some extent the understanding of the differences between them.

4.3.1.1 Malay

The Malays are the indigenous inhabitants of Peninsular Malaysia. During the colonial era, their main occupations were as farmers, fishermen and also as waged labour on an
intermittent basis. They were also small-scale businessmen of various kinds, but were not very established as such. Since independence in 1957, it has been noted that there has been relatively little progress in the development of entrepreneurial activities among the Malays. This has been said to be related to the attitudes and values of the Malays, particularly their conservativeness of thought, lack of industry, entrepreneurial incompetence, fear of taking risk, satisfaction with minimal success, and shyness (Tham 1977). For example four years after independence, the Minister of Trade and Commerce of Malaysia, in his address in Parliament, indicated that there were problems associated with Malay participation in the entrepreneurship as below:

'Malays were attracted more to the civil service in seeking employment; the loss of confidence among Malays in Malay business enterprises and the lack of capital and entrepreneurial know-how' (Strait Times 31 December 1963).

He pointed out that these elements, which were lacking in the Malays, are obvious requisites in any commercial enterprise. Comparing the Malays and Chinese in Malaysia, the Chinese entrepreneurs had gained business acumen through their direct participation and through their long years of involvement in business. For Malays too, any success in entrepreneurship had yet to acquire the necessary degree of anxiety in relation to the pursuit of existential security, such as existed among non-Malay entrepreneurs. This relative lack of anxiety was seen as a direct consequence of the yet to be developed cultural pressure on Malays to attain economic security and betterment through entrepreneurship (Tham 977: 164). For example, Malays who fail to achieve in entrepreneurship can still re-enter the occupations traditionally associated with them. For them, failure in business is not regarded a social disgrace and there is no social sanction attached to such failure. Chinese culture on the other hand, imposes
pressures to ensure achieve reasonable success in entrepreneurship, because failure means failure to fulfil a social obligation, which will bring shame on them and also on the connections that they have used to be able to obtain goods or services on credit from suppliers. Thus, the cognitive and evaluative response to entrepreneurship among the Chinese differs from that of the Malays.

Historically, both Hinduism and Islam have influenced the Malays. The Malay heritage contains numerous examples of such practices (Ryan 1971). Hinduism was the first religion to come to the Malay Peninsula. However, Hindu culture is now increasingly being replaced by Islamic culture. Islam was brought to Malaya in the thirteen century and as a result most of the Malays are Muslim. Their society now embodies Islamic values. Islam tend to cover all aspects of life. However, it allows its believers to practise aspects of their original culture that are not in conflict with Islamic beliefs and faith.

Islam encourages its believers to work hard, but in a particular kind of systematic way, for the sake of God. Islam has its own system to dealing with daily life and business. The economic principles of Islam are derived from the Qur'an, the Muslim holy book, the Prophetic traditions or hadith, and the consensus of the majority of the Islamic jurists, which are often based on the realities of the particular situations. The economic system is designed to be balanced and coherent, and to cater for human welfare through the establishment of harmony between the spiritual and material needs of human beings and the actualisation of socio-economic justice and brotherhood in human society. For example, Islam has its own banking and insurance system in which speculative business, gain from financial interest and usury are not allowed. The accumulation of wealth is not forbidden by Islamic teaching, but it must be achieved in good faith and through the exercise of good moral values, as Islam requires
equitable, rather than equal distribution. Presently, in Malaysia, Islamic concepts, particularly in the economy, are not fully practised and enforced, but they are practised by some individual Muslims according to their own capacities.

In terms of their basic character, the Malays have been generally characterised as humble, self-effacing and not naturally seeking to impose their will upon others, and as admiring temperance and self-restraint. In Malays, intemperance is not respected and extremists are rejected (Mohd, 1977). Malays are also generous in helping each other with their resources, although they also recognise the value of saving as an important way of achieving financial security and also for obtaining material goods in the future (Mohd, 1977). The Malays are also said to be hospitable, accommodating, forgiving, peace-loving and charitable (Maniam, 1986). Malays are encouraged to achieve something in working life. For them, working is not only achieving personal or economic goals, but it is also a means of socialisation. The concepts of success and achievement are measured in terms of high income, a prestigious occupation and substantial educational achievement. The Malays’ attitude toward work is very clear. The Malays are encouraged to work hard. This is reflected in many sagacious sayings in Malay, which all reflect the attitude and orientation of Malays. Following are several Malay sayings relating to success and the means to achieve it:

‘Rajin dan usaha itu tangga kejayaan’ - Hard work and painstaking effort is the ladder to success.

‘Gengam bara api biar jadi arang’ - Hold an amber until it becomes ash. Both these sayings mean that if someone works hard and continuously, he or she will finally succeed.

Money and wealth are quite important to Malays. There was an old Malay saying that ‘a person without money will be ignored’.
Since most Malays are Muslims, to a large extent their actions are influenced by their religious beliefs. Even though Islam encourages them to seek as much wealth as possible, as can be seen from the concept of paying tithes, the act of giving money to certain categories of people in the way of God if the giver has fulfilled certain prescribed conditions, the accumulation of wealth must be in good value and through the exercise of good moral values based on Islamic value. For example it is normal for Malays who are fully devoted to Islam to keep their money in banks but they do not take the interest gained from their saving. Instead, they donate it to charitable organisations. However the Malaysian government has taken the initiative to overcome the problem of Muslims who do not want to be involved in un-Islamic practices in the financial system. Some of the initiatives that have already implemented include introducing an Islamic bank and also encouraging conventional banks to set up special accounts that are operated in ways that are in line with Islamic values.

4.3.1.2 Chinese

Historical evidence indicated that the Chinese came to the Malay Peninsula in the late Ming Dynasty, about 500 years ago. Collins (1997) noted that Chinese immigration up to 1880 was characteristically different from that of later periods, in that it was predominantly among immigrants speaking the Hokkien dialect who were from the Chinese province of Fukien. This province was one of the centres of trade in China: those who came were engaged in commerce and were relatively small in number. These Chinese immigrants were said to be quick to see the trading opportunities as they were experienced businessmen. However, by the late nineteenth century during the British colonial period, the British had become involved in tin mining and also in the production of tropical crops such as spices and coffee. As a consequence, in the early twentieth century, the British introduced immigrant labour
into Malaya to work in their expanding mining and plantation industries. Chinese were brought from China. These Chinese immigrants were different from the earlier group, as they came to Malaya primarily to work in the tin mines as well as rubber plantations under the British. Almost all of them were uneducated and they would do whatever they could to earn their livings. These immigrants were drawn from more than one area, as at that time there was great poverty in China. This second group of immigrants included Hakka, Teochew and Cantonese dialect groups. They also brought their own way of life, which they inherited from their forefathers: business, farming and hard work for survival. Besides working with the British, they later diversified to business and other jobs to earn their livings. Due to several events that occurred in their home country, China, many settled permanently in Malaya with their families. Moreover, in addition to those Chinese brought by the British, there were also Chinese who came to Malaysia of their own volition, in search of economic pursuit, advantage, as a result of British policies that stimulated trade and commerce in the Strait Settlements, Penang and Singapore (Collins 1997).

On the Chinese attitude toward life, Lee (1978) wrote that they have a philosophy that ‘success in life means attaining satisfaction through effort’. An example of this is advancement in business. For the Malaysian Chinese, wealth is very important, as wealth symbolises success. They believe that with money, one can strive to fulfil his unlimited desires, even if he might lack formal education. As regard of work attitudes, the Chinese are found to be dedicated to their work (Lee, 1978). They encourage hard work and effort and take personal responsibility for achieving success. They like to occupy themselves by doing something worthwhile when they are free to do so. It is their willingness to learn, inquisitiveness, and initiative that reward them with additional knowledge, skill and
experience which make them economically ahead of other ethnic groups. There is a famous Chinese saying that 'there is nothing impossible to achieve with hard work' (Mohd, 1977).

The Chinese are very keen on business. The old Chinese generation, by virtue of their traditional way of life, are more interested in business (Lee, 1978). However, the nature of the business venture is immaterial, so long as it is profitable (Lee, 1978). This is different from the Muslim Malays, who are subject to Islamic law (shariah), and so are only allowed to conduct their business in sectors, which are approved by Islam. For example, Muslims are not permitted to own and or work in liquor related businesses or gambling, even if the relevant business are profitable.

The progress of Chinese entrepreneurs is very significant. They take all the opportunities that are available to them to secure economic security. They also form associations to help their members in setting up businesses. This is a manifestation of their values that stress family solidarity, collective consumption, tribal inter-dependence, and initial sacrifice for future betterment. It is also said that Chinese entrepreneurial success is due to their industry and their sophistication in organising people in relation to money. In pursuing their economic and social security the Chinese have adopted the most obvious procedures, such as organising their entrepreneurial activities along the lines of kin and clan. Those who form the network of cultural relationships centred on the family are termed 'own people'. There is a focus on such values as dependability, trust, accountability, and co-operation among the group to achieve the common ends. According to Lee (1978) these values are said to be derived from a long period of exposure to common experiences including success, failure, victimisation, sacrifice and suffering. He further said that the Chinese attained a position of entrepreneurial expansion, chiefly because they possess psycho-cultural traits conducive to entrepreneurial
pursuits, being risk-takers and investors. Gambling is no stranger to the Chinese. Their inclination to take risk and make money naturally results in an interest to place a bet on the odds. Wealth is also very important to Malaysian Chinese. They believe that money and wealth can guarantee happiness for them (Lee, 1978). They can be very ruthless and shrewd in their quests to accumulate wealth. This accounts for their aggressive behaviour in the business field. It is the ambition of every Chinese to become wealthy. It is the Chinese who are the most involved of all Malaysian ethnic groups in the stock market and they prefer to put their money in investment and property.

The Chinese in Malaysia cannot really be associated with any one religion. They may be Christian, Buddhism, Islam and so on. However most of them are Buddhist. The non-Muslim Chinese are less serious in practising matters pertaining to their religion. It is said that Chinese religious tolerance often borders on indifference (Sarachek, Hamid and Ismail 1984). So, religion is not a factor that influences their values very powerfully and directly.

4.3.1.3 Indian

The Indians came to Malaysia in two phases. The first phase in the 1880s was from the Coromandel Coast of South India; they came to Malaya as traders (Collins 1997). Collins (1997) further noted that most of these immigrants were Muslim traders who frequently married with the indigenous population with whom they shared a common religion. The second phase started in 1887 when labour from India was brought to Malaya by the British colonists to work on British plantations. These Indian immigrants were mainly drawn from two states in the South of India, namely, Madras and Malabar.
As regards their attitudes to work, most Indians prefer work that ensures security. They usually prefer to work in the government or public sector. They believe that a secure job ensures economic survival. The first criterion that they look for when seeking work is how secured is the prospective job and also how stable the relevant organisation is. Most Indians in Malaysia are engaged in some trades that cater to the special demands of the Indian populations, besides undertaking retail trading in Malaysian communities (Mohd, 1977). The Indians are also concerned about their rights as employees. They believe that management should not exploit them. This kind of awareness is enhanced by their participation in trade union activities.

The Malaysian Indians relate success and achievement to upward mobility with reference to occupations, living standards and education (Mohd, 1977). Any improvement in these areas is construed to be an indicator of success. In terms of religion, the Indians in Malaysia are, like the Chinese, divided among different religions. However, most of them follow Hinduism. For the non-Muslim Indians, their religion does not affect them much in their life, except for some ritual activities related to Hinduism.

4.3.2 Malaysian Society: the macro aspect

As explained in a previous section, the micro aspect of Malaysian society is very significant, since Malaysia is multiracial society with a diverse cultural heritage. The difference in this social environment has a great influence on the behaviour of Malaysians, which affects their perceptions of management strategies and their country’s development. Due to the so differences, Malaysia is trying to develop its own national culture, by integrating the cultures of its multiracial society, based on certain principles, to achieve national objectives. The
importance of this can be seen from a statement made by the Malaysian Prime Minister Mahathir Mohamad, in which he said:

‘Malaysia is aware of the fact that Malaysia is multi-racial, therefore the government has established unity as the prime objective in this efforts to build a nation with an identity of its own. In this respect, the government is always alert, formulating various strategies and designing specific programme to solve problems and issues connected with national unity. These include not only strategies for prevention of racial disturbance, but also parallel with them, new approaches toward rehabilitation, so that the nation can achieve a higher level of development without being hindered by serious racial problems’ (Mahathir August 1988).

To achieve this the Malaysian government formed a ministry specifically to pursue for national unity, known as the ‘Ministry of National Unity and Social Development’. One its main objective is to encourage solidarity among the various ethnic groups and to foster national integration. The programmes it has introduced include the ‘Rukun Negara’ (National Pillars) a national ideology that was formulated to express the beliefs, values and principles of the nation. Other relevant policies include a common National Language, National Education Policy, an encouragement of inter-racial marriage. There is also a series of programmes and strategies to change work attitudes, such as the Look East Policy, the Clean, Efficient and Trustworthy Policy, Leadership by Example, Malaysia Incorporated, and others, which are all based on the ideal of racial harmony. It is hoped these policies and programmes will help address and overcome the problems connected with unity, efficiency and productivity and nurture relevant positive employee attitudes. The government is very concerned not to interfere in such sensitive areas as religion, even though this might be an important integrating factor. The intervention, reinforcement and encouragement from the government in implementing these strategies and policies are expected to educate and
influence the so-called Malaysians. However, changing attitude is not an easy task, because to change them it is necessary to change beliefs and values, which form the basis of social and societal and other cultural differences (Sorge, 1985).

Most studies of Malaysia have been historical and rather subjective. The literature is not as extensive as the literature on many Western societies. However, Malaysia especially on Hofstede’s (1980) Power Distance and Collectivism-Individualism dimensions differs significantly from the United States, Great Britain and most Western countries generally having higher than them on Power Distance and Collectivism. Since most management practices and theories were developed in the west, especially the USA (Locke, 1996). Therefore, there would be probably insuperable difficulties in transferring some of them to Malaysia. Table 4.4 illustrates some apparently significant cultural and or societal factors in Malaysia and their potential implications for management.

Table 4.4: Dominant Culture Factors in Malaysia and their Managerial Implications

<table>
<thead>
<tr>
<th>Cultural Factors</th>
<th>Managerial Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CULTURAL BACKGROUND</strong></td>
<td></td>
</tr>
<tr>
<td>Malays comprise over 50 percent of the population but a minority in some professions; historically each race has played a distinct role in society.</td>
<td>Training and development of Malays for certain professions; affirmative action programmes; local ownership, partnership and joint venture.</td>
</tr>
<tr>
<td><strong>RELIGION</strong></td>
<td></td>
</tr>
<tr>
<td>1. Predominant religions are Islam, Buddhism and Hinduism; some religious customs and traditions clash with Western managerial practices. 2. Religious symbols and meanings are diverse and conflicting.</td>
<td>1. Managers may be slow to adopt Western managerial practices such as participatory management and decentralisation. 2. Inter-racial and inter-departmental teams are used to create promotional materials firms.</td>
</tr>
<tr>
<td><strong>SOCIAL PRACTICES</strong></td>
<td></td>
</tr>
<tr>
<td>1. Different values of debt are seen (i.e. Chinese use debt widely; Malays see debt as shameful). 2. Muslims attend prayer sessions in the mosque especially every Friday. 3. Management is paternalistic. 4. Malaysians take problems to third party.</td>
<td>1. A ‘cafeteria’ of incentives (i.e. low interest rates, credit purchasing, ‘give-aways’). 2. Mosque as a meeting place for business. 3. Employees are dismissed only if not trusted. 4. Managers are not confrontational.</td>
</tr>
</tbody>
</table>

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Besides the above, findings of a Malaysian Institute of Management study indicate that most Malaysians embody some common values at their workplace. These values apply to all Malaysia’s ethnic groups. However it must be remembered that the position of the culture along the dimensions is not to be considered as a stereotype. It does not mean that every person in the nation has all of the characteristics ascribed to the general values. The observed common Malaysian values at the workplace are as follows:

i. Collectivism and Pride as a Team

Malaysians regardless of ethnicity are said to be collectivist and group-oriented (Asma 1992). They prefer to do things together in the spirit of a ‘happy family’. The group-oriented attitude includes a high concern for others, a sense of oneness and considering the group as the basic unit for survival. This consciousness tends to carry over into the Malaysian workplace, regardless of ethnicity. For example in Malay and Chinese cultures, traditional communal responsibility is cherished and the pursuit of self-interest can be interpreted as deviant behaviour. The potential of the Malaysian workforce lies in this ability or preference to work in a team. Malaysians are proud to belong to a group, and sometimes, collaborative activities outside work may spill over to their workplace. The group network also can serve as an
emotional valve for employees who are not comfortable in communicating their frustration on their job to their superiors directly.

ii. Hierarchy

According to Hofstede (1984), one of the five dimensions of national culture is Power Distance. Different societies had found different solutions to human inequality in areas such as prestige, wealth and power. They put different weights on status consistency among the areas. He stated that inequality in power is inevitable and functional, and is usually formalised in hierarchical boss-subordinate relationships. Asma (1992) wrote that in Hofstede's terms, Malaysia is a country with high power distance, which meant that Malaysians in general are willing to accept inequality in power. For example, Malaysians would be more likely to expect their elders to take the lead and be regarded as significant role models. Also, the authority power holder is often unquestioned, especially by subordinates and to do so would be considered rude and improper on their part.

iii. Relationship Orientation

Malaysia is classed as a high context culture (Asma 1992). According to the anthropologist Hall (1959), members of high context cultures believe that building relationships is paramount before getting to serious business. In such contexts, business and private lives are often quite integrated. Therefore, Malaysians tend to focus more on relationships than on tasks. It is therefore not easy to separate business and private lives, as they are well integrated in the social fabric of ethnically-rooted relationships. In Malaysia, those who have authority often need to build relationships based on an unwritten codes governing the relations and differentiating peers and subordinates.
iv. Face

The concept of face is another characteristic of high context cultures. Preserving another person's face is a form of an ongoing sensitivity, which is part of good manners and proper civilities. Preserving face means maintaining a person's dignity by not trying to embarrass or humiliating someone in front of others. Interpersonal relations will be smoothened, harmony and respect will be maintained if face is preserved. If a person loses face he may totally withdraw from the interaction or business negotiation. Confrontational behaviour is counter-productive and goes against the concept of face saving. Therefore, relationships form the basis on which things get accomplished. Preserving face has a lot of significance at the workplace. For example in Malaysia there is a tendency to be indirect when solving issues relating to team members, for example to begin by talking about a different issue then carefully steering the discussion to the issue of concern. Another effect of not wanting to let others down and cause loss of face is that Malaysian often discuss matters relating to decision-making at considerable length until common consent is reached.

v. Harmony

Malaysians value harmony in work and in social relationships. The value of harmony can be traced back to the collective nature of most Asian society (Norma 1992). Malaysians are often happy with their work if they have harmonious, predictable and enjoyable relations with their superiors, subordinates and associates. The feeling of 'we' is common among Malays, Chinese and Indians. They also have the spirit of joining forces in carrying out a task. 'Gotong royong', which means working together in accomplishing a task has already become part of the Malaysian culture. In terms of working environment, employees feel secure if others in the organisation, especially their superiors, are aware of them, understand their situation, treat them fairly and assess them accurately. Being frank with negative opinions is
often avoided as it undermines harmonious relationships, which may lead to poor performance and employee disloyalty.

vi. Religion

Most Malaysians are associated with particular religions. Happiness is obtained through religious and spiritual pursuits, and it is difficult for Malaysians to relate to self-actualisation needs without taking into consideration the needs of others, especially their loved ones. In Malaysia, those who are individualistic may suffer from social exclusion, for example by their family, work group or even community. Malaysians tend to be in harmony with nature and take a stance which is likely to be considered as reactive rather than proactive.

vii. Respect of Elders

Malaysians are expected to respect their elders in their speech and behaviour. Leaders are often considered wise and their authority is often unquestioned. The family hierarchy still predominates in Malaysian society. According to Asma (1992), although this is changing, many still hold the view that authority should entrust to someone based on his or her age, knowledge and power.

viii. Loyalty

Another concept, which is closely related to respect for elders and managers is loyalty. Managers have a moral obligation to take care of their employees, in return for their loyalty and commitment (Asma 1992). She described how Malaysians live in a complicated web of kinship ties based on the concept of mutual and traditional obligation as demonstrated in the relationship especially with one's family, village or social group. It is likely that an employee who has a good relationship with his supervisor will also be loyal to their organization. As
loyalty is highly valued, employers expect their employees to be dedicated to their work and loyal to the organisation.

All the above characteristics may have bearings on the outcome of this study.

4.4 An overview of Government Policy

As explained earlier, Malaysia has produced an impressive economic achievement since independence in 1957. Despite this, Malaysia still experienced some shortcomings, particularly the problem of achieving racial unity and resolving ethnic economic inequalities between the Bumiputra and non-Bumiputra. Because of differences in socio-economic standing, culture, religion and language, racial instability could not be avoided. The climax of racial instability in Malaysia was the outbreak, on May 13 1969 of racial riots nation-wide, after the Malaysian general election in 1969. These racial riots were said to be due to the lack of national unity and identity, and to the socio-economic and other differences among the various racial groups (Rashid, 1976). The cultural differences have already been explained (Section 5.3). This section will explain the socio-economic differences, before going on to highlight the policies by which the government has tried to address them.

4.4.1 Socio-economic imbalances

The socio-economic differences between the ethnic groups have been classified as income disparity and ownership disparity. There has always been a disparity in income between the ethnic groups, particularly between Bumiputra and non-Bumiputra people. The Bumiputra
constitute the majority of poor households, having the lowest average household income, the
smallest representation in the industrial and finance sector and the smallest percentage of
share capital ownership in the corporate sector. Since independence, despite an increase in
average household incomes for all ethnic groups over the years, the average incomes of the
non-Bumiputra, especially the Chinese, have always surpassed the average income of the
Bumiputra. For example in 1970 and just after the May 13th racial riot, the income disparity
between the Bumiputra (i.e. Malay) to both the Chinese and Indians was 1:2.29 and 1:1.78
respectively. In 1991 the incidence of poverty was almost 50% and the Bumiputra formed the
majority of the poor with a poverty rate of 65%, compared to 39% for Indian and 26% for
Chinese (Malaysia: Second Outline Perspective Plan, 1991b Ministry of Finance). Table 4.5
on the next page shows the monthly gross household incomes for the different ethnic groups
in Malaysia.
Table 4.5: Mean Monthly Gross Household Income by Ethnic Group, 1990 and 1995

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>In Current Prices (RM1)</th>
<th>Average annual growth rate (%) 1990-1995</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1990</td>
<td>1995</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1,167</td>
<td>2,007</td>
</tr>
<tr>
<td>Citizen</td>
<td>1,169</td>
<td>2,020</td>
</tr>
<tr>
<td>Bumiputra</td>
<td>940</td>
<td>1,600</td>
</tr>
<tr>
<td>Chinese</td>
<td>1,631</td>
<td>2,895</td>
</tr>
<tr>
<td>Indian</td>
<td>1,209</td>
<td>2,153</td>
</tr>
<tr>
<td>Others</td>
<td>955</td>
<td>1,274</td>
</tr>
<tr>
<td>Non-citizens</td>
<td>1,105</td>
<td>1,719</td>
</tr>
</tbody>
</table>

Notes:
Based on the Household Income Survey, 1995
Source: Seventh Malaysian Plan

From the above table it can be seen that even after more than three decades of independence, not only does the income gap between these ethnic groups still exist, but it has actually widened. Based on the latest available Malaysian Economic Report, 1995-96, the income disparity ratio between Malays and Chinese had widened from 1:1.74 in 1990 to 1:1.84 in1995 and the disparity between the Malays and Indians had also increased from 1:1.29 to 1:1.35 for the same period (Malaysia, Ministry of Finance, 1994). The increase in income imbalance between these ethnic groups was due to the difference in the growth of income between them. At the end of the sixth Malaysian Plan in 1995, the income of Indians had

1 RM: Malaysian currency (1£ is equivalent to RM 6, subject to changes)
recorded a growth rate of 10.1 percent; that of Chinese, 10 percent and that of Malays only 9.3 percent (Malaysia: Seventh Malaysia Plan, Government Printer 1996).

In terms of the ownership of corporate equity, the Malaysian economy has long been characterised by a high level of foreign ownership. The highest local share of ownership of corporate economy rests in Chinese hands and the Bumiputra control of ownership is far behind that of non-Bumiputra, especially Chinese. This can be seen by looking at the data on ownership and control of the corporate sector in Table 4.6 below.

Table 4.6 Malaysia: Comparative of Ownership Corporate Equity

<table>
<thead>
<tr>
<th>Ownership Group</th>
<th>1990  (RM million)</th>
<th>%</th>
<th>1995  (RM million)</th>
<th>%</th>
<th>Average Annual Growth Rate (1991)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bumiputera</td>
<td>20,877.5</td>
<td>19.3</td>
<td>36,981.2</td>
<td>20.6</td>
<td>12.1</td>
</tr>
<tr>
<td>Non-Bumiputera</td>
<td>50,754.0</td>
<td>46.8</td>
<td>78,026.9</td>
<td>43.4</td>
<td>9.0</td>
</tr>
<tr>
<td>Chinese</td>
<td>49,296.5</td>
<td>45.5</td>
<td>73,552.7</td>
<td>40.9</td>
<td>8.3</td>
</tr>
<tr>
<td>Indian</td>
<td>1,068.0</td>
<td>1.0</td>
<td>2,723.1</td>
<td>1.5</td>
<td>20.6</td>
</tr>
<tr>
<td>Others</td>
<td>389.5</td>
<td>0.3</td>
<td>1,751.1</td>
<td>1.0</td>
<td>35.1</td>
</tr>
<tr>
<td>Foreigners</td>
<td>27,525.5</td>
<td>25.4</td>
<td>49,792.4</td>
<td>27.7</td>
<td>12.6</td>
</tr>
<tr>
<td>Nominee Companies</td>
<td>9,220.4</td>
<td>8.5</td>
<td>14,991.4</td>
<td>8.3</td>
<td>10.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>108,377.4</strong></td>
<td><strong>100</strong></td>
<td><strong>179,792.2</strong></td>
<td><strong>100</strong></td>
<td><strong>10.7</strong></td>
</tr>
</tbody>
</table>

Source: Seventh Malaysian Plan, Government Printer

This is also an intra-community economic imbalance within the Bumiputra themselves, where the wealth among the community seems to have been concentrated among a small group of elite Bumiputra who have been believed to have considerable political influence in
the government. They have (apparently) taken advantage of their privileged status, access to information and power over the decision making process (Sheikh 1995).

4.4.2 The Government’s Response

Realising the need to unite and stabilise Malaysia’s multiracial society so as to support and sustain development and to enhance its competitiveness, the Malaysia’s government has responded through the adoption of various policies and strategies. The government efforts and policies to overcome the various problems are discussed below.

Malaysia’s economic policy has always emphasised the importance of achieving balanced socio-economic development that is economically just and equitable. To restructure the economy, the New Economic Policy (NEP) was introduced and implemented under the Second Malaysia Plan, 1971-1975, and continued to run until 1990. It aimed among other things to eradicate poverty, to achieve equal inter-ethnic economic parity and to reduce the identification of race with economic function, so that such differentiation would eventually be eliminated (Third Malaysian Plan 1976: 7). The policy proposed that Bumiputra should own at least 30% of Malaysian corporate equity, with non-Bumiputra controlling 40% and foreign ownership accounting for the remaining 30% out of the total commercial and industrial activities in all categories and scales, within the two decades 1971-1990, of the policy. Also, as part of the overall programme to assist Bumiputra business, the government created special funds and institutions such as the Entrepreneur Rehabilitation Fund, the Bumiputra Industrial Fund, the Credit Guarantee Corporation, the New Entrepreneur Fund and others concerned with financial and technical support. The second objective of the policy was to reduce and eventually to eradicate poverty. This was to be done, hopefully by raising
income levels and increasing employment opportunities for all Malaysians, irrespective of race.

The New Economic Policy achieved a degree of improvement in Bumiputra involvement. The result of these measures has been an increase in the number of companies owned and operated by the Bumiputra and the creation of a new pool of Bumiputra entrepreneurs. The New Economic Policy has also raised the general income level and employment opportunities for all. However, despite this success relative to non-Bumiputra, the Bumiputra share is still insignificant. In many business and commercial sectors, Bumiputra participation is still well below that of non-Bumiputra. The Bumiputra holding in equity rose to 20.3 percent, but was still short of the 30 percent target set, while the non-Bumiputra’s share was 46.2 percent and foreign ownership fell to 33.5 percent (Malaysia: Second Outline Perspective Plan, Government Printer, 1996-2000: 55). The New Economic Policy has been criticised as too narrowly focused on certain ethnic redistribution issues. Whatever the criticisms, the New Economic Policy seems to have helped the economy to prosper, brought more equitable distribution of wealth throughout the society and contributed significantly to steady and sustained socio-economic development.

The government then produced another policy as the successor to the New Economic Policy, known as National Development Policy (NDP), for 1991 to 2000. The NDP retained the major features of the NEP, but it incorporated several new dimensions to increase its effectiveness in bringing about balanced development. In particular there was a new or different emphasis on priority and timing in the programme. The strategic aims of the NDP included: (a) eradication of absolute poverty by refocusing the planners’ efforts to alleviate relative poverty, through economic measures; (b) concentration on the development of the
Bumiputra Commercial and Industrial Community (BCIC), which should be proactive and resilient to participation in strategic sectors of the economy, and encouragement of Bumiputra employment in the professions and in corporate management. The 'Bumiputra Commercial and Industrial Community' (BCIC) was formed to ensure that only Bumiputra with real interest would get the necessary assistance from the government. It emphasised the quality of Bumiputra entrepreneurs, rather than their number; (c) aim was to increase the private sector involvement in restructuring the society and narrowing the economic gap between races and region, by providing equal opportunity to citizens; and finally, aim (d) was to concentrate on the development of human resource skills.

Equity restructuring remained an important part of the distribution strategy. Various steps were taken by government, such as the setting up of several Bumiputra trust agencies at both federal and state level. The practice of allocating a portion of new issues of corporate equity to Bumiputra investors was also used, so as to intensify their mobilisation. They were also given opportunities to manage and expand their investment and businesses. For instance, Bumiputra were given opportunities to own corporate equity indirectly through their participation as unit holders in unit trust funds, particularly the Amanah Saham Bumiputra or ASB (Bumiputra Unit Trust Unit), Amanah Saham National or ASN (National Unit Trust Scheme) and state unit trust fund. The government also established the Bumiputra Stock Exchange, which only lists public limited companies whose shares are owned by the Bumiputra community, and special loan schemes and an exclusive business council were created. Bumiputra prospects were further enhanced by the introduction in the mid-1980s of an extensive privatisation policy, under which Bumiputra are the major beneficiaries. All these policies were introduced to promote Bumiputra participation in the commercial and industrial sectors. Indeed, the prospects for the Bumiputra community to increase their
ownership equity are currently much greater than in the early years of development. By the end of the sixth Malaysian Plan of 1991-1995, there were about 6.2 million Bumiputra investors in ASN (National Unit Trust Scheme) and ASB (Bumiputra Unit Trust Unit) and other unit trust funds, with investments worth about MR25.7 billion. However about 650,000 non-Bumiputra investors also benefited from the establishment of the unit trust funds by investing about MR6.3 billion. As shown in Table 5.6 earlier, although the growth of the Bumiputra corporate equity in 1995 was 7.7 per cent higher than in 1990, it was still not adequate for bringing a substantial increase in the Bumiputra share of the corporate equity, partly because of the rapid growth in the acquisition of corporate equity in general, particularly of that by foreigners. Non-Bumiputra ownership of corporate equity increased from MR50.8 billion in 1990 to about MR78.3 billion in 1995, largely as a result of the increase of corporate equity held by Chinese people. Chinese ownership of corporate equity grew at an average annual rate of 8.3 per cent during the plan period, enabling the Chinese to increase their share of corporate equity by more than 49 per cent from MR49.3 billion in 1990 to MR73.6 billion in 1995. The amount of corporate equity held by Indian was more than doubled from MR1.1 billion in 1990 to MR2.7 billion in 1995 (Seventh Malaysia Plan, Government Printer).

4.4.3 Issues in Bumiputra Equity Participation

Despite some notable achievements made by Bumiputra during the implementation of the NEP (New Economic Policy) and NDP (National Development Policy), the development in the equity structure of corporate share capital has still not been encouraging. There have been mixed opinions expressed in various quarters on the failure of the NEP. Some believed that there were several dominant problems inherent in the Bumiputra community that characterise their investment attitude, and insufficient capital, lack of understanding that shareholding
constitutes a long-term investment and is not for short-term gain, and inadequate proficiency in creating and managing wealth (Ibrahim 1990). In reviewing Bumiputra participation in the economy, the government at one time indicated that;

‘...unless and until Bumiputra cultivate the habit of retaining their wealth or reinvesting their earnings from the ownership of their wealth, the objective of at least 30% stakes in the corporate sector will never be achieved’ (Mahathir, 1990).

In an effort to restrain Bumiputra investors from liquidating their stakes and diluting their equity holding, the authorities have been promoting a change from the current structure of a retail investor base in the stock market to that of an institutional investor base. This will reduce the existing large proportion of retail investors whose objective has often been to achieve high returns in one short periods. It is generally believed that institutional investments such as unit trust funds are professionally managed, and designed for long term investors. Their use should boost stability and confidence in the market place.

Education, employment and income level have also been said to influence Bumiputra equity participation, as there is a need to have enough savings to provide an initial source of capital so as to have meaningful participation either in equity investment or business enterprises. This is one of the problems face by Bumiputra, because the Bumiputra community continues to account for the highest percentage of the poor. As suggested earlier one of the reasons for the prevalence of poverty among the Bumiputra is that they have usually been engaged in the agriculture sector and in low-income jobs.

Another factor that confronts the Bumiputra Muslim investor is the Shariah (Muslim law) injunction on Muslim participation in the stock market. This is relevant to this study as there
has been and is growing concern in the government that the Bumiputra might opt out of economic activity in the capital market on religious grounds.

Generally, according to Muslim law (Shari‘ah), any financial transaction is permissible as long as it does not contain elements of *riba* (interest) and or *Gharar* (uncertainty or ambiguity). The definition of *riba* is absolute. Islam prohibits *riba* (interest) in any form of business transaction. Normally, interest is charged on any fund borrowed from a conventional financial institution. A problem here is that, normally employees who do not have enough funds to buy stock need to borrow money from financial institutions and will therefore be drawn into a transaction involving *riba*.

The concept of *gharar* (ambiguity or uncertainty) has been the subject of several disputes among many Muslim jurists. There are many definitions of *gharar*. Many regard it as a situation involving elements of uncertainty, risk or speculation. It generally refers to a transaction, which is ambiguous and uncertain, often leading to fraud, injustice and exploitation. There are four elements that constitute *gharar*: (i) the object of the contract does not exist; (ii) the object of the contract exists but there is no guarantee in delivery; (iii) there is no specification of definite quantity or price; and (iv) there is no specification of time for delivery. In essence, the underlying reason for Islam prohibiting *gharar* is to protect all contracting parties especially the party who is less knowledgeable, less experienced, and hence at a disadvantage as compared to his or her counterpart (Salleh 1992). According to Salleh (1992) the rationale for the prohibition was to prevent conflicts, exploitation and injustice among people. Thus, most Muslim jurists do not permit contracts or transactions involving short selling of shares, options, derivatives and future trading (Chapra 1991).
Besides the above, on the part of the participants or investors, the choice of companies in whose securities they want to invest must comply with shari'ah ruling. There are certain types of company that jurists have considered as forbidden (non-halal) and hence it is not permissible for a Muslim to invest in them. These include those companies that have significant involvement in interest-based dealings such as finance companies, and companies involved with alcoholic beverages and other products forbidden by Islam. All these issues may affect some of the Muslim Bumiputras participation in the equity of some companies. However, it is not the objective of this chapter to discuss this matter in detail but just to raise some of the issues and to acknowledge that, while there are still conflicting opinions on this issue among the Muslim scholars, such views may influence the ways in which some Bumiputra view share ownership schemes.

4.5 Trade Unions in Malaysia

The objective of this section is to provide background information of the Malaysian trade unions during the pre and post-colonial period in Malaysia, as they existed and played a part both before and after the independence of Malaysia. This understanding is important, so that their position can be understood in relation to the central concern of this study.

Trade unions were legally recognised for the first time by the British colonial government in Malaya (former name for Malaysia) in 1940. However, the labour movement was quashed when Japanese military forces invaded Malaya in 1942. This forced union activists into inactivity or underground. During this period, labour organisation was ruthlessly brought to a halt. It was during the Japanese occupation, that the Communist Party of Malaya (CPM) gained influence in Malaya. The British colonial government was forced to accept the CPM's
co-operation and to grant legitimacy to it. The CPM played an important role in mobilising the people against the Japanese, through its associated General Labour Union (GLU) and the Malayan People’s Anti-Japanese Union (MPAJA). During this occupation, the Communist Party of Malaya (CPM) built up an extensive organisation, gaining the active support of Malayan Chinese and the respect of most of the population who disliked Japanese rule. However, the CPM’s influence was largely confined to the Chinese, although some contact was made with Indian and to lesser extent with radical Malay nationalists (Jomo 1994).

The British were out of power until September 1945, when the Allied forces brought the Japanese to surrender, thus ending the Pacific War. After the defeat of Japan, the British had no more use for the Communist Party of Malaya (CPM). The CPM political programme then centred around the goal of eliminating British colonial domination and establishing a CPM-led independent government, which could hardly be condoned by the British. However the British Military Administration (BMA) was not in a position to suppress the rising anti-colonial Malayan labour movement. Between September 1945 and March 1946, economic reconstruction and labour rehabilitation were undertaken by BMA. The period from April 1946 to March 1947 saw the emergence of a vibrant, militant trade union movement led by the General Labour Union (GLU). Jomo (1994) noted that various factors encouraged the development of a militant labour movement in Malaya. One was strong demand for labour with the resumption of production after the war. Another was that immediately after the war employers were not well organized compared to labour. Therefore they tended to agree to union demands rather than face costly strikes and disruption to production.

From around April 1947, the colonial government became increasingly assertive in its repression of the growing labour movement, which was also clearly anti-colonial. They used
all avenues open to them including legislation as well as administrative and enforcement agencies. At the same time the employers also opposed the trade unions and used their power to dismiss and lock out. They would sometimes undermine a union by sponsoring the formation of a competing union. The economy during this period was also less favourable to labour militancy, as there was a decline in the rubber prices, which encouraged employers to reduce their labour costs by retrenching or decreasing wages.

In the second quarter of 1948 there was a sudden resurgence of industrial action (Jomo 1994) that began in Singapore and spread quickly to mainland Malaya. This was organised by the Singapore Federation of Trade Union (SFTU) and Pan-Malayan Federation of Trade Unions (PMFTU). According to Stenson (1970), the resurgence of labour unrest during this period also reflected the CPM’s decision to confront the government with more militant tactics in battle against capitalism and colonialism. The government countered with further repression. The government also used its legislative power to strangle the organisation of PMFTU, amending the trade union ordinance to become stricter. Furthermore, during the period, the economy was far from endangered, and the employers, too, responded aggressively to PMFTU’s activities; as they refused to negotiate, instead dismissing ‘troublesome’ workers and employing new workers to break strikes. These measures eventually forced the collapse of the PMFTU and brought the end of militant labour movement. In 1948, after three European planters were murdered, the government declared a state of emergency and the PMFTU was banned totally (Jomo 1994).

Following the declaration of the Emergency there were two prongs in the colonial government policy toward organised labour: first, it suppression of persons and activities suspected of being subversive; and second, paternalistic encouragement of unions and
unionists not regarded as a threat. Jomo and Todd (1994) quoted a statement of a union official as reported in the *Far Eastern Economic Review* of 29 December 1948, that ‘labour leaders were treated as children or as potential fellow travellers’. Thus it was noted in the *Monthly Report* of the Labour Department, (1949,1950) that the state emergency caused hardship and fear among many employees. Leaders were force underground and the union was left leaderless. The state of emergency made labour organisation difficult. During this time, the employers were able to take advantage of the vulnerability of employees who were deprived of union protection and some even claimed that workers did not need the unions (Gamba 1962). Given this situation, the only union leaders to survive were those who collaborated with the authorities. During this period, the unions became even tamer as they compromised further to ensure continued official approval. In this situation, the workers had no incentive to join trade unions. As the *Far Eastern Economic Review* (21 June 1949) reported, ‘the sense of struggle was missing, and the spirit of trade unionism was dead’.

Around 1950, after failing to break the back of communist-led insurgency, the colonial government switched to a strategy of ‘winning hearts and minds’ by initiating various social reforms to draw support away from the anti-colonial insurgents, which included trying to establish an anti-communist trade union movement (Jomo and Todd, 1994). They also felt the urgent need for new compliant trade unions to fill the gap left by the elimination of militant unions. They believed that such unions would provide controlled outlets for workers’ grievances. Jomo and Todd (1994) noted that the brand of trade unionism, which has dominated Malayan and then Malaysian labour since the early 1950s, was very dependent on the goodwill of the colonial government. These moderate unions did not pose any challenge and only occasionally requested minor concessions. The role of the unions was shaped by the colonial authorities rather than by the workers themselves. Nevertheless in March 1950, a
conference of trade union delegates voted to form the Malayan Trade Union Congress (MTUC), which would become a centre for co-ordinating the trade union movement and would serve as a labour centre to strengthen labour solidarity. However one of the main problems face by the MTUC was financial difficulty. Zaidi (1975) explained that one of the major causes was the failure of many affiliated unions to pay their fees on time.

Even though the trade union movement had contributed considerably to the struggle for independence, labour was not part of the multi-ethnic alliance that governed the country after it was achieved independent. This was because there was no agreement or clear decision that the labour movement wanted to be involved in politics as they were divided. Some claimed that the formation of a Labour Party would create further divisions in the Independence movement; others saw a Labour Party as necessary to represent working-class interest. Furthermore, the unions did not get a mandate from their members on this issue and it was left to individual members of union to pursue their own political preferences (Jomo and Todd 1994).

Independence brought relief to trade unions, however. Due to changes and developments after independence, labour's interest did not coincide with the new government policy, which was more oriented toward attracting foreign investment. Due to this orientation, unions were purposely kept weak and workers got low wages in order to attract foreign capital investment. Also, during the early post-independence period, the government's view of trade unions continued to be dominated by its fear of communist agitation in the labour movement. Hence, any militant action by unions or unionists was suppressed rapidly.
The second ‘Emergency’ was declared in September 1964, during the Indonesian Confrontation against the formation of Malaysia. This confrontation lasted from 1963 to 1966. During this time, new restrictive labour laws were introduced, because the government claimed that it would not tolerate internal conflict while coping with an external threat. The new legislation was more repressive as it was introduced in order to suppress the potential for labour militancy, and not just militancy itself.

A third state of ‘Emergency’ was declared during the race riots in May 1969. During that time, further restrictions on labour were introduced. The government argued that the restrictions were necessary to guarantee industrial peace, which was considered essential in order to attract investment, especially from foreign capital. As was stated in the *News Straits Times* (1969), the government claimed that the amendments to the labour legislation were intended to maintain a manageable labour force, to attract new investment, to create employment opportunities, and to make possible a more rapid pace of industrialisation. In 1969 itself, four pieces of industrial relations legislation were passed, namely, the Essential (Trade Unions) Regulations, The Essential (Modification of Trade Unions [Exemption of Public Officers] Order 1967) Regulation, the Essential (Employment) Regulation, and the Essential (Industrial Regulation) Regulations. All of these regulations restricted the role of unions and their ability to unite as a movement.

By this legislation, unions were no longer allowed to negotiate certain conditions of service, such as redundancy, promotion, transfer and allocation of work duties. The unions also were not allowed to be involved in politics and officials of political parties were not allowed to lead trade unions. Finally, there were provisions granting the registrar the power to suspend any branch of a union if he felt necessary to do so, and to order any bank to freeze the funds.
of the union if the union being used by a political party, this has further strengthened the
discretionary powers of the Registrar of Trade Unions. Jomo and Todd (1994) stated that the
union movement was not consulted about these changes. When the unions raised the issue,
*News Straits Times* (1969) reported that the Ministry of Labour boldly stated that the trade
unions were lucky in the sense that they were not being suspended altogether. This incident
set the stage for another phase in Malaysian Industrial relations.

Employer resistance to unionisation continued to restrain union growth. The refusal of the
employers to recognise the right of unions continued to victimise employees who were union
activists. The government also refused to make it mandatory for employers to recognise
unions. Jomo and Todd (1994) argued that during this time, the employers were not required
to give their reasons for dismissing employees, as long as due notice was given. The
employers also used various tactics such as intimidation, bribery, concession, anti-union
clauses in employment contracts and the formation of company unions in order to discourage
traditional unionisation. For example in 1974, an Electrical Industry Workers' was set up but
was arbitrarily rejected by Registrar of Trade Unions (RTU). Again in 1978, the Malaysian
Trade Union Congress (MTUC) applied for registration of a National Union of Electronic
Workers (NEW) but the Registrar of Trade Unions (RTU) took until 1989 to reject the
application.

The era of Mahathir, the present Malaysian Prime Minister, his administration introduced
more policies to control the labour force as well as to suppress the development of active
trade unions, at the same time tried to raise labour productivity. In 1980 an amendment was
made to the labour laws, by which the right to take industrial action was further inhibited.
The powers of the Registrar were increased to enable it to suspend any trade union for up to
six months, and to remove from office any members of a union's executive. Those powers served further to discourage unions from undertaking industrial action and from disagreeing with the Registrar's directive.

Mahathir encouraged the Look East policy in mid-1981, soon after his ascendancy to the prime ministership (Jomo 1990). Among the objectives of the policy were encouragement of people to work harder, greater employee loyalty and to enhance identification of employee interest with those of their employers and the nation. Also related to this Look East policy, according to Jomo and Todd (1994), were some changes to trade unions, where the government in 1983 officially encourage the growth of a supposedly Japanese style of in-house union as an alternative to the British-style trade unions that replaced the General Labour Unions of the mid-1940s. The Registrar of Trade Unions (1983) claimed such unions would produce leaders who were more aware of their companies' needs. This would facilitate the introduction of improved quality programmes. The in-house union is also less able to compare the wages and conditions offered by different employers in an industry (Jomo and Todd 1994). Jomo and Todd (1994) felt that the government encouragement of in-house unions for the private sector was intended to erode further the already weak trade union movement in the country.

In 1988, the government introduced further amendments to the labour legislation, to reduce the remuneration rate for overtime work, to encourage the establishment of in-house unions and to facilitate the introduction of a more flexible wage system (Jomo and Todd 1994). The changes in the labour legislation were generally seen as primarily intended to enhance labour flexibility. They were also seen to strengthen management prerogatives and control over labour without protecting and pursuing labour's interests. The reforms were legitimised by
All these changes strengthened the managerial prerogative, which was already strong and difficult to challenge (Standing, 1991). Even though there are some restriction to union activities, nevertheless the trend from 1992 to 1996 as shown in the Table 4.7 on the next page seems to show that the number of trade union members under the MTUC was growing in the early and mid 1990s.
<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>680,007</td>
</tr>
<tr>
<td>1993</td>
<td>693,581</td>
</tr>
<tr>
<td>1994</td>
<td>699,373</td>
</tr>
<tr>
<td>1995</td>
<td>706,253</td>
</tr>
<tr>
<td>1996</td>
<td>728,246</td>
</tr>
</tbody>
</table>


The above increase can be related to other factors besides the aggressiveness of union recruiting activities. It was also partly due to the development of new companies and their unions join the membership of Malaysia Trade Union Congress (MTUC).

4.6 Conclusion

This chapter has provided background information on Malaysia, both before and after independence, including its history, population, culture, economic development, and trade union movement. This background is considered important as it lays the foundation for more detailed discussion of evidence and ideas in later chapters.

This chapter showed that Malaysia has undergone successive colonisation under various powers: Siamese, Dutch, British, Japanese, and finally British again, after the surrender of the Japanese, until achieving independence in 1957. All these events had effects on its population, socio-economic background and culture. The literature showed that the sequences of this series of colonisation have resulted in persistent ethnic divisions, economic
imbalances between the ethnic groups, and a variety of ways of working and managing and so on. The literature showed that the different values, attitudes and ways of behaving inherited by the different ethnic groups are still being practised. It is recognised beliefs, values and more are not thing that can be developed and changed easily, as such change needs a long time, a certain amount of sacrifice, and compromises between the ethnic groups. However, the government has taken the initiative in trying to integrate the different ethnic groups more. The process is being reinforced by the existence of some similar elements in the background, experiences, attitudes, values and so on of the different ethnic groups such as in their attitudes to work, towards elders, their relationship orientation and others, all of which are to some extent are conducive to cultural integration. An attempt has also been made to see the position of Malaysia in terms of some of the international dimensions of culture as explained by Hofstede (1984). It was found that Malaysia was in a different quadrant of ‘culture’ dimension compared to the USA and the UK, which may affect people’s perceptions of some of the management strategies developed in the West.

As regards the economy, it has been shown that Malaysia, building on its colonial economic base, has been able to transform its economy from a country simply producing basic commodities to a country that makes manufactured value-added products. However, despite Malaysia’s impressive economic achievement, there remain problems that ought to be resolved. There is an economic imbalance between the different ethnic groups, particularly between the Bumiputra and non-Bumiputra. This has been said to be due to their inexperience, lack of capital, lack of entrepreneurial know-how and also due to the nature of economic activities in which they are involved. The poor economic position of the Bumiputra is a serious factor that the Malaysian government has tried to overcome, as social and economic stability is clearly important for pursuing continued success. The efforts of the
government to overcome socio-economic imbalances are reflected in economic policies that emphasise the importance of achieving a balance in socio-economic development within an environment that is economically just and equitable. In this regard, therefore, high on the agenda of the government economic policy is redressing the economic balance among the various ethnic communities by increasing the Bumiputra participation in capital ownership in the corporate sector. Nevertheless, despite measures taken by the government to encourage the Bumiputra to participate actively in the capital market, they still have the smallest share of capital ownership in the corporate sector, perpetuating the problem of inequitable distribution of wealth. In addition to such factors as lack of experience, knowledge and capital, this may be due to reservations among Muslim Bumiputra about investing in shares. There is still debate among Muslim scholars about the legality of such activities from an Islamic perspective. Besides that, Muslims are very particular in investing their money, so that they will not invest their money in companies with activities that are contrary to Shari'ah (Islamic law).

The history and development of trade unions was also outlined. This chapter indicated the struggle of the labour movement before and after independence. Before independence, the development of trade unions in Malaysia could be related to the ‘favourable conjuncture’ approach explained in Chapter Four. For example the literature has clearly indicated there were two occasions when the unions were in favourable situations and were recognised by employers. The first occasion was from April 1946 to March 1947, when the trade union movement emerged. Various factors that encouraged this development, including: strong demand for labour with the resumption of production after the Second World War and the fact that employers were not well organized compared to labour at that time, so that they tended to agree to union demands rather than to face costly strikes and disruption to
production. Another occasion was in 1950, when the colonial government failed to break the back of the communist-led insurgency and switched to a strategy of ‘winning hearts and minds’ by initiating various social reforms in order to draw support away from the anti-colonial insurgents. The colonial government also felt the urgent need for newly compliant trade unions to fill the gap left by the elimination of militant unions. They believed that such unions would provide controlled outlets for workers’ grievances. They then establish an anti-communist trade union movement, whose role was shaped by the colonial authorities rather than by the workers themselves. After independence the trade unions’ power was reduced and limited from year to year. These insights may be useful in giving some picture of the strength of the trade union power and may help in interpreting the empirical findings on the relationship between the employee share ownership scheme and the trade unions in the analysis chapter of this study.

Finally, as a whole, this chapter has given a clearer picture of Malaysia contextual and its people, economy and government policies, all of which might influence management strategies and employees’ perceptions of them, such as the employee share option scheme which is the main focus of this study.
CHAPTER 5

RESEARCH METHODOLOGY

5.1 Introduction

In the previous chapters, the purpose of this study has been spelt out, the background literature on employee share ownership presented, and the Malaysian context described and discussed. The objective of this chapter is to describe and justify the methodology and the research methods and techniques used in this study.

This chapter begins by reviewing the purposes of the study and outlining the hypotheses that are to be tested. Next, the research design, the data collection methods and instruments, the sampling process, administration of fieldwork, and the data analysis procedures are explained. The limitations of the methodology are acknowledged and finally a summary of the chapter is provided.

5.2 The Purpose of the Study

A number of issues and ideas related to employee share ownership schemes was reviewed above. Some writers had shown how the nature and context a scheme influence the outcome of it. This suggests that research findings from a particular environment may not be readily generalisable to others. In view of this, the purpose of this study is to focus on employee share option schemes (ESOS) in Malaysia. Specific concerns include how the Malaysian context influences their nature, objectives and implementation, and their outcomes, including
employees' perceptions of them, and the relationship of the schemes to trade unions.

Information on all these is considered necessary, as explained earlier in Chapter One, because there is no prior knowledge about employee share option schemes in Malaysia, as no study of them has yet been made.

5.3 Research Hypotheses

In this chapter, given what we know from the literature on employee share ownership and what we know about the context of Malaysia, twelve hypotheses that relate the ESOS to employees and trade unions in Malaysia is presented. To be able to get a clearer picture of the hypotheses, an explanation of the backgrounds to them is given first.

5.3.1 Background to Hypotheses

Background A

Researchers have frequently examined the effects of demographic variables in any study such as that related to perception. This is because there are differences in the needs and goals which people have. As Lawler (1973) suggested, these are related to a number of organizational factors, such as tenure, and to individual characteristics such as age, ethnic group, religion, educational level and others. In Malaysia ethnic groups and religions are particularly influential. As regards ethnic groupings there are two main ones involved, Bumiputra and non-Bumiputra. The main differences between them are their ethnic, economic and social backgrounds. Non-Bumiputra people are generally in a better position economically, as they own more shares and are more business-oriented than the Bumiputra. Second, most Malaysians, the Bumiputra people, are Muslim. As explained in Chapter Four, there are different views among Islamic scholars about speculative activities such as the share
scheme. Some consider it legal and some consider it illegal and Muslims are divided about this view. Moreover, for Muslim employees, the element of interest that might be involved if they take a loan from conventional bank (non-Islamic bank) could deter them from taking ESOS, as the practices of giving and taking interest are prohibited in Islam. Therefore, it is likely that these views will influence Muslim employees and makes them have different views from non-Muslims in their reasons for not taking ESOS.

All the differences explained above are expected to influence the views of different ethnic groups, and of Muslim and non-Muslim employees, toward the employee share option scheme. Therefore, based on these differences, the following hypotheses are proposed:

**Hypothesis 1**

*Muslim and non-Muslim employees have different views in their reasons for not taking ESOS.*

**Hypothesis 2**

*There is a difference between Bumiputra and non-Bumiputra in their attitudes toward the ESOS; the non-Bumiputra employees are expected to have a more favourable view toward the scheme than the Bumiputra employees.*

**Background B**

Some authors accept the possibility that employee share ownership could change employee share owners’ perceptions of their companies, although they appear to doubt that it can do so very much. Besides that, in general and in Malaysia particularly, employees have to make the investment by using their own finance (either by using their own savings or by taking a loan). Therefore, it could be presumed that those who join the scheme will possess a certain
mentality, for example some faith in the company’s prospects and a generally favourable attitude toward the scheme. As a result it is expected that there will be changes in employees’ attitude and behaviour in their work and toward their companies. Therefore, in this study, based on this background, a few hypotheses are tested, as below:

Hypothesis 3

Employee shareholders (ESOS participants) have a better perception of their company than non-shareholders.

Hypothesis 4

Hypothesis 4: The ESOS participants show more satisfaction than the non-participants in their perception toward the benefit offered by the company.

Hypothesis 5

Employee shareholders are more motivated in their work than non-shareholders.

Hypothesis 6

Employee shareholders wish to stay longer with the company compared to non-shareholders.

Background C

Employee shareholders, technically, are generally entitled as other shareholders, to company profit, access to information and authority to vote in the company. However all these rights could only produce positive change in employees if they understand them. Therefore the positive view of employees toward ESOS, employees’ understanding of the company’s objective in introducing ESOS and the understanding of ESOS are expected to increase
employees' commitment, involvement, satisfaction and motivation in the company. Therefore the hypotheses below are proposed.

Hypothesis 7

There is a positive relationship between positive view toward ESOS and employees' sense of identification (commitment, integration, commitment, involvement and satisfaction) with the company.

Hypothesis 8

There is a positive relationship between the understanding of ESOS and employees' sense of identification (commitment, integration, commitment, involvement and satisfaction) with the company.

Hypothesis 9

There is a positive relationship between the understanding of the company's objective in relation to ESOS, and employees' sense of identification (commitment, integration, commitment, involvement and satisfaction) with the company.

Background D

Related to trade unions, based on the historical and the current development of trade unions in Malaysia, it is found that the trade union movement is relatively weak (see Chapter four) compared to unions for example, in the UK. In Malaysia the unions are not directly involved in the setting up of the ESOS; they are only invited to give suggestions and comments after the ESOS committee have drafted out the scheme for it to be implemented. Companies also have created a department or assigned a department to administer and to handle any
employees' problems related to the scheme. Employees have been given direct access to solve any of their problems related to the scheme through this department. By this arrangement, it is supposed that unionists will feel the trade unions has become less important, and they will rely less on the union in dealing with ESOS. The following hypotheses are set to test whether the unions are still considered important by members, particularly in dealing with ESOS.

**Hypothesis 10**

*There is no significant difference between trade unionist shareholders and non-union shareholders in their views about the union and the perceived need for the union.*

**Hypothesis 11**

*There is no significant difference between shareholders trade unionist and shareholders non-unionist in their view that the union is not necessary in dealing with ESOS.*

**Hypothesis 12**

*There is no significant difference between shareholders and non-shareholders in their view that a union is not necessary in the company.*

To give direction to this research and verify the above hypotheses, the following research design was developed.

**5.4 Research Design**
Adams and Schvaneveldt (1985: 103) defined research design as ‘a plan, blueprint, or guide for data collection and interpretation. It is a set of rules that enables the investigator to conceptualise and observe the problem under study’. Parasuraman (1986) wrote that a research design is the framework or plan for a study, which is used as a guide for collecting and analysing data. The above definition and explanation therefore indicate that a research design involves a series of rational decision-making choices on various issues, that begin with outlining the research objective and end with data analysis. Based on the above views, this chapter will therefore explain the design of this study and related aspects.

5.4.1 Research Approaches

Before looking into the specific approach taken in this study, this section will first identify in general the different approaches taken in doing research.

Blaxter, Hughes and Tight (1996) indicated that there are four common approaches used by those carrying research project in social science: they included action research, case studies, experiments and surveys. Nevertheless, those classifications are not mean to be either definite, conclusive and also research rarely sticks to one approach only, as many use more than one. Each approach is used differently, depending on the background of the research. In order to differentiate the approaches, some brief explanations about their differences are given below:

Action Research: Kemmis (1988) stated that action research is a form of self-reflective inquiry undertaken by participants in a social situation, in order to improve the rationality and justice of their own society, their understanding of practices and the situation in which their practices are carried out. Elliot (1991) stated that the aim of action research was to feed
practical judgement in concrete situations, and the validity of the theories or hypotheses that it generates depends not much on scientific tests of truth. The usefulness of this research is to help people to act more intelligently and skilfully. Therefore, from the statement, it is understood that action research is an approach that links the research process closely to its context, leading to change.

Case study approach: Cosley and Lury (1987) stated that the case study can use a mixture of methods such as personal observation, the use of informants for current and historic data, straightforward interviewing, and the tracing or study of relevant documents and records from the relevant places or people concerned. Yin (1993) stated that the case study is the method of choice when the phenomenon under study is not readily distinguishable from its context.

Experimental approach: Sommer (1991) indicated that an experiment involves the creation of an artificial situation in which events that generally go together are pulled apart. The independent variables are those that are systematically altered by the experimenter, and those items that are affected by the experimental treatment are the dependent variables.

Survey approach: Hutton (1990) described survey research as a method of collecting information by asking a set of formulated questions in a predetermined sequence in a structured questionnaire to a sample of individuals drawn so as to be representative of a defined population. Most surveys are based on a sample of a specified target population, a group of persons in whom interest is expressed and also normally the results obtained from the sample are to be used to generalise for the population. As Rosier (1988) stated, in a
survey study, the researcher often wishes to generalise the results obtained from the samples to the populations from which the samples were drawn.

Based on the above explanations, the survey approach is preferred for this research. It is more suitable for this study for the reasons stated below:

a) The survey approach suits this study because the researcher wanted to understand the employees, including their individual backgrounds, views, experiences and also how they differ in their perceptions toward ESOS. Therefore the best way of doing this is to go direct to the employees. So this survey collected its data by using a set of questionnaires that was directed to individual respondents.

b) The researcher wished to obtain some information from a large number of respondents. This is essential, as the larger the number of respondents, the more reliable will be the results obtained. By doing a survey, the respondents can easily be reached with less cost and time.

c) The researcher wished to make inferences from different groups in the study, based on the data collected from a relatively small number of respondents from each group; the survey allows the characteristics of the population to be estimated.

d) The researcher wished to carry out some statistical tests to see to what extent the hypotheses are supported.
e) Survey data are collected by using a set of questions directed to the respondents and no control over the behavioural action of the respondents is required, and, as Yin (1984) stated, the survey method only focuses on contemporary events.

f) The individual respondent is anonymous so it is likely that more respondents will take part in the survey. As explained in (b) above, for the accuracy of the results the researcher wished to get as many respondents as possible or within a minimum sample size calculated, so allowing the respondents to remain anonymous was essential in order to increase their willingness to participate in the survey.

In this study, the survey method was applied by means of a cross-sectional study. As Parasuraman (1986) stated, the majority of descriptive studies involve cross-sectional samples. A cross-sectional study involves merely a onetime measurement, where it takes a sample of a population element at one point in time. The sample is also usually chosen on an ad hoc basis and disbanded after data collection. In contrast, for a longitudinal study, the study uses a permanent sample, and the data are collected on a periodic basis.

In general, comparatively, a longitudinal study would be a better way of doing research, which relates to change of attitude than the cross-sectional study, because it provides a continuous series of events and makes it possible to identify changes that are occurring. However, for this study, time and financial constraints had to be considered. More importantly, related to the Malaysian reality, to conduct a longitudinal study is quite problematic. First, most organisations that give shares to their employees are usually known publicly only when they have listed themselves in the stock exchange. To get prior information about those companies that wish to implement the scheme is difficult. Second, in
Malaysia, as in many countries, it is often difficult to retain the same set of employees in a particular company, because employees tend to move to companies that can offer higher rewards. Third, as this study is an individual project, time and finance are the two major constraints that really affected the researcher. To overcome the constraints, the researcher sought the second best alternative. For those reasons, therefore a cross-sectional sample was felt to be more practical for this study. As Sekaran (1992) stated, due to the constraints that a researcher experiences, he sometimes has to settle for less than what would be the ideal research design.

The next task was to identify the available data collection method that would best suit this research.

5.4.2 Data Collection

The choice of a technique for data collection that is suited to a research is very important. As Creswell (1992) stated, it is useful to consider the method for data collection and analysis in relation to the paradigm of choice.

The next section will first discuss issues related to data collection.

5.4.2.1 Data Collection Technique

In social science, there is more than one type of instrument for collecting data. Data can be collected in various forms and ways. It can be in the form of interview, questionnaire, observation and some other relevant techniques. Parasuraman (1986), Kinnear and Taylor (1979), and Chisnall (1991) seemed to base their comparison for the selection of data
collection techniques on (i) flexibility; (ii) time; (iii) cost (iv) accuracy and (v) respondent convenience.

For this study, it was decided to use semi-structured interviews and self-completed questionnaires to collect data. These approaches were selected after taking into account flexibility, time, cost, accuracy and respondent convenience, as raised above. However, in this research the interview and the self-completed questionnaire were used for different objects of study, as explained below:

First, the semi-structured personal interview was used to gather information from the management or company representatives and trade union representatives. For the companies' representatives, interviews were conducted because the researcher wished to obtain information about the objective of ESOS, its structure, nature and also the management's views about the achievements of the scheme in their companies. As for the trade union representatives, the researcher wished to get their views about the scheme, in terms of whether the ESOS has so far affected union credibility or makes the union stronger. For both respondents, interviews were feasible because of the nature of the information required and because their number was smaller and the interviews could be handled by the researcher within his limited capacity. Additionally, interviews offer high flexibility in data collection. This stems from the benefit of the face-to-face relationship between the respondents and interviewer. Through the interview, also, the interviewer can administer a complex questionnaire, explain and clarify doubtful questions and even utilise unstructured techniques so as to add variety to the questions asked. Even though there are some advantages in conducting this interview, the researcher realised that there was some potential for
interviewer bias, such as the role adopted by the interviewer; research questions asked and the way the answers were recorded.

Second, questionnaires were used in this study to gather information from employees and trade union members. This study used a self-completed questionnaire to solicit the respondents’ backgrounds, their views toward ESOS, their feelings on the effect of ESOS and also trade unionists’ and non-unionists’ opinions toward ESOS. The questionnaire was considered more relevant and practical to be used in getting the data from the said respondents because it was considered a more efficient method for gathering a large amount of relatively precise data about many variables, as required in this study. These data are amenable to statistical analysis, thus enabling this study to distinguish and assess relationships between numerous variables as required. In terms of cost, a questionnaire is also considerably cheaper than personal interview. This was considered important for this study, as it had a limited budget. Respondents, by using a questionnaire, could answer questions at their own pace within the given time period; anonymity is ensured, if required as in this study, and the possibility of interviewer bias is eliminated as the researcher does not have a direct contact with respondents. However, one common problem with the questionnaires that the researcher needs to overcome is its low response rate. In this study, the researcher tried to overcome this problem by taking some initiatives that will be explained in the coming section.

Before the development of questionnaires is discussed it is felt useful to describe the concepts of reliability and validity as the accuracy of measures depends on them.

5.4.3 Scale Reliability and Validity
This section therefore will briefly discuss these basic concepts.

A. Reliability Analysis

Sekaran (1992) explained that the reliability of a measure indicates the stability and consistency with which the instrument measures the concept and helps to assess the goodness of the measure. Reliability is commonly assessed by using Cronbach’s alpha (\( \alpha \)), which is a measure of internal consistency of items making up the scale. It is inter-item consistency reliability test that checks the consistency of respondents’ responses to all the items in the measure. In this study, in order to determine the reliability of the scales used, tests were conducted by using SPSS. In determining the acceptable value, as a rule of thumb, Nunally (1967) has suggested for basic research, reliability of 0.50 is sufficient. However, he said the researcher should always try for reliability in excess of 0.70.

B. Validity

Validity refers to the ability of a measure to measure accurately what it is supposed to measure. There are several types of validity, which are categorised according to the purposes of the assessment and the kinds of evidence on which the validity is to be judged. The most common types of validity are content validity, criterion validity and construct validity.

Content Validity

Sekaran (1992) noted that content validity ensures that a measure contains an adequate and representative set of items that would tap a concept. She also noted that the more the scale items represent the domain of the concept being measured, the greater the content validity. There is no statistical test to assist in evaluating the content validity of a measure. Kidder and Judd (1986) cited an example where a test designed to measure a degree of speech
impairment could be considered as having validity if it is evaluated by a group of expert judges.

Criterion Validity

Aaker and Day (1995) noted that criterion validity is based on empirical evidence that a measure correlates with other ‘criterion’ variables. It is studied by comparing test scores with external variables, or criteria, believed to reflect the attribute measured (Allison 1982). If the two variables are measured at the same time, concurrent validity is established, or if the measure can predict some future event, then predictive validity is said to be established (Aaker and Day 1995).

Construct Validity

This refers to the ability of a measure to measure the theoretical construct that it is supposed to measure. Aaker and Day. (1995) indicated that one way to assess construct validity is to test whether or not the measure confirms hypotheses generated from the theory based on the concept. Sekaran (1992) indicated that there are two ways to assess construct validity. This is done through ‘convergent’ and ‘discriminant’ validity. Convergent validity is established when the scores obtained by two different instruments measuring the same concept are highly correlated. On the other hand ‘discriminant’ validity is established when, theoretically, two variables are predicted to be non-correlated, and the scores obtained empirically are found to be so.

In this study, issues relating to validity of the measures were addressed as follows:

a) Most of the items used to develop measures were taken from various sources in the literature. The items for the employee share ownership or other aspects tested in this study,
such as commitment, were selected after an extensive review of the literature. The measures had been extensively used by other researchers, and found to possess sound psychometric properties, including validity. It is therefore reasonable to believe that the same measures applied in this study would have some degree of validity.

b) Factor analysis was carried out. Factor analysis allows sets of highly correlated variables to be grouped into factors that determine the structure of a concept and into groups which the instrument is design to measure. The next section provides a brief view of factor analysis.

**Factor Analysis**

Factor analysis may be defined as a statistical procedure that involves a mathematically complex method of reducing a large set of variable to a much smaller representative set of underlying variables referred to as factors (Child 1970). There are many reasons why factor analysis is done. According to Hair (1995), this analysis is carried out to address the problem of analysing the structure of the correlation among a large number of variables, by condensing or summarising the information in a number of variables into a smaller set of new dimensions assumed to underlie the original variable with a minimum loss of information. Hair (1995 pg. 368) also stated that the factor analysis technique can be used for any of the three objectives below; the same views were also expressed by Brymen and Cramer. (1990):

i) identify the structure of the relationship among either variables or respondents. Similarly Bryman and Cramer. (1990) in explaining the use of factor analysis explained that factor analysis can be used to assess the degree to which items are tapping the same concept. In other words, factor analysis enables the researcher to assess the factorial validity of the
questions that make up the scales, by telling the extent to which the scale seems to be measuring the same concept or variables.

ii) Identify representative variables from a larger set of variables, which will be used for other analysis. Bryman and Cramer (1990: 254) also explained this by giving an example that ‘if we have a large number of variables the factor analysis can determine the degree to which they can be reduced to a smaller set’.

iii) Create an entirely new set of variables, which is much smaller in number, to partially or completely replace the original set of variables. Brymen and Cramer (1990) give an example of this by indicating that factor analysis aims at trying to make sense of the bewildering complexity of social behaviour by reducing it to a more limited number of factors.

There are many issues related to the mechanics of the factor analysis, which will be discussed below.

i. Level of Measurement and Sample Size

Hair (1995) stated that the variables suitable for factor analysis are generally assumed to be of metric measurement. Metric is a measurement in a quantitative form that identifies or describes subjects, not only on the possession of an attribute, but also by the amount to which the subject may be characterised by the attribute. With regard to sample size for factor analysis, Hair (1995) recommended that it is preferable that the sample should be 100 or larger. For this research the researcher had a sample of more than 700 and the questionnaire used in this study used a 5-point Agree-Disagree interval scale. Thus, it met the requirements above for use of factor analysis.
ii. Kaiser-Meyer-Olkin (KMO) Test

This is a measure of sampling adequacy used in determining the appropriateness of factor analysis (Hair 1995). The index of KMO ranges from 0 to 1. Kaiser (1970 and 1974) gave guidelines for interpreting the indexes. He indicated that 0.9 or above is marvellous; 0.8 or above is meritorious; 0.7 or above is middling; 0.6 or above is mediocre; 0.5 or above, miserable; and below 0.5, unacceptable. The value of the KMO index for each of the test in Chapter Seven of this study as enclosed in the appendixes.

iii. Factor Extraction Method

The main objective of the factor extraction process is to determine the minimum number of the common factor that satisfactorily explained the observed correlation among the observed variables (Kim and Mueller 1978). There are various factor extraction methods such as principal component analysis (PCA), common factor analysis, alpha factoring, image factoring and maximum likelihood. Hair (1995) suggested that the principal component or common factor analysis are the two basic methods for obtaining factor solutions, as they are both widely utilised but he added that between the two, principal component analysis is more widely used because of the complexity of common factor analysis. There is considerable debate over which model is more appropriate (Borgatta, Kercher and Stull 1986, Gorsuch 1990, and Mulaik 1990). However, research has demonstrated a similarity of the results in many instances (Veliceret and Jackson 1990).

In factor analysis, the criteria used in the extraction process and evaluating the final number of factors are:
a) Communality

According to Hair (1992), communality is the amount of variance an original variables share with all other variables included in the analysis. It can range from 0 to 1, where 0 indicates that the common variance factors explain none of the variance, and 1 indicates that all the variance is explained by common factors. The existence of high communality indicates a high degree of confidence in the factor solution.

b) Eigenvalue

Eigenvalue is a mathematical property of a matrix and is used both as a criterion for determining the number of factors extracted and as a measure of variance accounted for by a given factor. In factor analysis, only the factors that have eigenvalue greater than one are considered and should be used (Hair 1995).

c) Factor Loading and Factor Naming

Factor loading is a correlation between a variable and a given factor (Norusis 1992). Hair (1995) explained it as a means of interpreting the role each variable plays in defining each factor. In the process, therefore, the highest loading of the factor matrix will make the variable representative of the factor. When a factor solution has been obtained, in which all variables have a significant loading on a factor, factor naming should be done. This step can be described as one of the important parts of the factor analysis process.

Having explained the concepts of reliability and validity and how they were determined, this chapter will next look at the development of questionnaire for this study.

5.4.4 Development of Questionnaire
The principal steps taken in the development of the questionnaire for this study involved the following:

5.4.4.1 Issues in Questionnaire Design

Types of Question

Questions can either be in the open-ended or closed-ended form. Open-ended questions require the respondent to write down responses in any terms he or she sees fit. A closed-ended format, on the other hand, requires the researcher to provide alternative answers from which the respondent is asked to choose. This means the researcher needs to have a reasonable idea of the likely responses to the question in advance. There are advantages and disadvantages of both types of question.

As for the closed-ended questions, among the advantages of the style, as claimed by Breakwell, Hammond and Schaw (1995), is that they clarify and give alternatives for the respondent and reduce the number of vague answers that might be given. However, a disadvantage is that they create artificial forced choices and rule out unexpected responses.

For the open-ended question, the advantage of the format, as noted by Sapsford (1996), is that it does not constrain the respondent’s beliefs or opinions to predetermined categories of answers. However, the disadvantage of open-ended questions as indicated by the Breakwell, Hammond and Schaw (1995), is that it often prompts people to provide multiple responses, even if these responses are substantially the same. There is also a possibility that the open-ended format, if responses need to be coded, will increase the number of coding errors in the data set. The errors may occur when the researcher misinterprets open-ended questions at the stage of turning verbal responses into numbers for statistical analysis.
Even though there are advantages and disadvantages for both of the formats, however, this study decided to use mainly closed-ended questions. Among the reasons for using closed-ended questions were, first, to facilitate data analysis. As Breakwell, Hammond and Schaw (1995) noted, the main reason why the closed ended format remains popular is the difficulty of analysing open-ended responses. Second, after taking into consideration respondents’ levels and background knowledge, this survey sought relatively straightforward answers from straightforward questions; in this situation, closed ended questions are more appropriate. For this study, as most of the questions asked were taken from previous related research that had an acceptable level of reliability and validity, the possibility of the choice of answers given in the questionnaire deviating much from what the respondents wishes to say was reduced. Third, discussions with other researchers who have experience in conducting surveys in Malaysia, seemed to indicate that the closed-ended format would be likely to elicit more responses than if the respondents had to think of the answers by themselves, as in the open-ended format. Respondents are often unwilling to respond, or they do not have a great sense of urgency in responding to questionnaire surveys, if they have to put in extra effort to think of the answers themselves.

Scaling

A scale is a form of device that is developed to allow variables of interest in a research to be measured. What scale to use depends on what information it is desired to tap and also what analysis is to be carried out. There are four basic types of scale: nominal, ordinal, interval and ratio. Each of the scales is outlined below:

**Nominal Scale:**


A nominal scale is a form of scale that allows the researcher to assign subjects to certain categories or groups. Each category or group can be assigned any code number. However, this number only serves as a simple and convenient category label, with no intrinsic value. The information that can be gathered from this scale is just the frequency and the percentage of respondents in each of the different categories.

*Ordinal Scale*

An ordinal scale not only categorises the variables in such a way as to denote the qualitative differences among the various categories but it also rank orders the categories in a meaningful way. The rank order of the categories can be arranged from best to worst or otherwise, depending on the needs of the researcher. The ordinal scale gives more information than the nominal scale. It not only taps the differences in the categories, but also gives some information as to how respondents distinguish among items, by rank ordering them.

*Interval Scale*

The interval scale is more precise than the ordinal scale. The scale not only groups individuals according to certain categories and taps the order of these groups, but it also measures the magnitude of the differences in the preference among the individuals.

*Ratio Scale*

In the interval scale, the origin point of the scale is arbitrary. The ratio scale overcomes the deficiency of the arbitrary origin in the interval scale by having an absolute zero point as the origin. Thus, the ratio scale not only measures the magnitude of the differences between points on the scale, but also taps the proportion in the differences.
Sekaran (1992) stated that the degree of sophistication to which the scales are fine tuned increases as we move from the nominal to the ordinal scale. For this research, the researcher has used mainly three types of scales. Most of section ‘A’ of the questionnaire used either nominal or ordinal scales and for all other sections, interval scales were used. For the interval scale, a Likert scale was used to indicate the degree to which respondents agree with the statements. However for this study, there were two issues that had to be addressed when the researcher decided to use the Likert scale. The issues were:

a) The Number of Categories

There is no established number of categories that is considered optimal for a scale. In practice, scales of five or six categories are typical (e.g. Lehmann and Helbert, 1972). Other researchers argued that a five-point scale is just as good as any, and that increase from five to seven or nine does not improve the reliability of the scale (e.g. Elmore and Beggs 1975). However some researchers argued that more than five points are needed in situations where small changes in attitude are to be measured (e.g. Hughes 1967). After considering the Malaysian background, the researcher decided to use a five category scale, because it was felt that if more than five scale points were used this would give some difficulty to respondents in differentiating the degrees of response, bearing in mind their lack of exposure to survey practices. Besides that, to have a scale of more than five points would also present difficulty in the Malaysian language, due to the lack of precise words to be used to differentiate shades of response.

b) Odd or Even Number of Categories
There are differences of opinion among researchers with respect to the merit of using odd or even numbered scales. Moses and Kalton (1986) stated that an even numbered scale such as a four or six points scale has the advantage of forcing the respondents to either agree or disagree with a particular statement. An odd numbered scale such as three, five or seven, on the other hand, allows for an indifferent response. In this study, all the conceptual variables are measured on a five point Likert scale. The reason for using this five point, odd numbered scale with the neutral answer at the middle is to give the respondents a chance to choose a neutral answer. This is because the researcher felt that some of the respondents would not be familiar with the subject of the research, and this might give them choice of answers. Also, it was expected that there would be respondents who genuinely had a neutral view on some items. Therefore, having a neutral option would meet the need of both categories of respondents, as they would not be forced to agree or disagree with the statements. Second, as Oppenheim (1992) stated, by having neutral items, it is easy to tell from the wording of the statement whether it is positive or negative, which makes the analysis easier.

5.4.4.2 The Structure of Questionnaire

After taking into consideration the issue in (and interview schedule) design earlier, structure for this questionnaire is developed (refer to appendix 1). In general, most of the questions were of the multiple-choice type. The questions were constructed in a very simple and straightforward manner with the objective of making it easy to answer the questions, thus encouraging respondents to complete the questionnaires and also for ease of coding, processing and evaluating. Nearly all the questions could be answered by placing a mark in one of the boxes alongside the chosen answer.

The following are brief descriptions of each of the sections and their objectives:
Section A: Profile of the workforce and their work and ESOS background

This section had two parts. The first sought to assess the attribute of respondents. It concerned their demographic or biographical details, such as age, job category, race, marital status and qualification. The second part requested the participants to indicate their tenure, whether they were members of a trade union, owned shares in their present company or in any other company, their view on the employee share option scheme, number of units of shares owned, reason for taking the employee share option scheme, and also whether they had been induced by the government to take up shares.

The demographic characteristics were meant to help in describing the sample and also to help in explaining any observed differences among the group on the dependent variables. Other studies have provided evidence that social and demographic variables affects the judgement of respondents. These were, as explained by Burges (1986), ‘key variables in social investigation’.

Work experience, involvement in trade unions and experience with shares, would help explain differences of opinion, if any, in further analysis. Both parts would form the basis for inferences about the population parameters for this study.

Section B: Attitudes to firm, workplace and job

The second section of the questionnaire inquired about the employees’ attitudes to their job, workplace and firm. These questions attempted to establish the opinions of employees, for example union and non-union members and those who took up the employee share option scheme and those who did not. There were 29 questions in this section and 20 of them were
used to determine employee attitudes to firm, work-place and job in this study, which respondents were asked to answer by using a five point scale, ranging from 1 for strongly disagree to 5 for strongly agree. The questions in this section were adopted from Dewe, Dunn and Richardon (1988). The four groups of questions and their respective reliability were:

a) Positive opinion about the working environment in the company (alpha = 0.83).

b) Satisfaction with what the company gives to employees (alpha = 0.77).

c) Employees' attitude toward the job (alpha = 0.64).

d) Employee dissatisfaction with the company (alpha = 0.63).

The details of the questions for each group are as listed in the data analysis in Chapter Eight.

Section C: Reasons for setting up employee share option scheme

This third section of the questionnaire was meant to be answered by all employees. All the questions in this section sought to understand whether employees were aware of the management's objectives in offering them the share option scheme. Besides that, this section also was used to check whether employees had a positive or negative opinion towards the management in offering the employee share option scheme. Most of the questions used in this section were based on questions developed by Forgarty and White (1988), and answered by using 1 for strongly disagree to 5 very strongly agree. The reliability of the questions in this section was found to be 0.90 and factor analysis revealed that all the questions belonged to single factor.

Section D: Opinion of 'employee share Option scheme'

The fourth section of the questionnaire was mainly about the employee share option scheme in general. This section also was meant to be answered by all employees. This section did not
aim to determine employees’ real attitude, but just to determine what they thought would be
the likely consequence of the scheme. It included questions about employees’ opinions on the
good and bad points of employee share option schemes. There were 23 questions in this
section. The respondents were asked to respond to the statements on a five point scale,
ranging from 1 for strongly disagree to 5 for strongly agree.

The questions in this section were divided into two groups as classified below, with the
reliability of each group as indicated in brackets:
a) Opinions about positive aspects of the employee share option scheme (alpha=0.90).
b) Opinions on negative aspects of the employee share option scheme (alpha = 0.67).

The details of the questions of each component are as explained in Chapter Eight.

Section E: Trade union and ‘employee share option scheme’

The fifth section of this questionnaire was concerned with the perceptions of employees on
trade unions, their view on the role of unions and how the union had helped them in dealing
with employee share ownership. There were 10 statements in this section, to be answered on
a five point scale and the questions were opened to all employees, whether trade union
members or not, and also whether or not they participated in the scheme. These questions
were adopted from Poole and Jenkins (1990). The two groups of questions and the reliability
based on the responses of this research were as indicated in the brackets:
a) The perceived need of the trade union (alpha = 0.70).
b) The feeling that the union is not necessary in the company (alpha = 0.70).

The details of the questions of each component are as explained in the data analysis in
chapter eight.
Section F: Understanding and communication of the ‘employee share option scheme’

This section was only to be answered by ESOS participants. There were 18 statements, based on a five point scale, that sought to determine the:

a) Employees’ understanding of the employee share option scheme

b) Whether the employees were aware of and understood the information about the share option scheme given by the company.

These questions were adopted from Frgary and White (1988) and also Dewe, Dunn and Richardson (1988).

The questions were divided into three groups and their reliability was as indicated in brackets:

a) The opinion of employees about their understanding of the scheme (0.70).

b) The opinion of employees about their uncertainty of the scheme (0.70).

c) The opinion of employees about the clarity of information from the management about the scheme (0.70).

The details of the questions of each component are as explained in the data analysis in Chapter Eight.

Section G: The effects of membership of the scheme on participant attitudes (attitudinal commitment).

This section consisted of 16 statements that were based on a five point scale, and was meant only for employees who had participated in the scheme. It aimed to find out what the participants felt about the effect of the employee share option scheme, on their work and company. In other words, the questions were related to the attitudinal commitment of employees. The questions in this section were adopted from previous research, based on the
definition of organisation commitment given by Mowday, Steer and Porter (1979: 226). They defined organisation commitment as "the relative strength of an individual's identification with and involvement in a particular organisation". It consists of a) a strong belief in and acceptance of the organisation's goals and values, b) a willingness to exert considerable effort on behalf of the organisation; and c) a strong desire to maintain membership in the organisation. The reliability of the questions in this section was found to be 0.80.

5.4.4.3 Translation of Questionnaire and Pre-testing

Translation of Questionnaire

The questionnaire was prepared in two languages, in English and Bahasa Malaysia (the Malaysian national language) so respondents could choose the language with which they were most comfortable. This was necessary because some respondents would not be literate in English. The translation process was a direct translation approach, where the questionnaire was directly translated from English to the Malaysian language. The translated version was checked by an officer from the Malaysian National Productivity Centre to verify the simplicity and clarity of the sentences and detect grammatical flaws. The questionnaire was also checked by two Malaysian employees from the administrative and clerical level, who have experience in ESOS. This was done for the purpose of clarifying the concepts and also to ensure that the terminology used was in line with the Malaysian concepts and terms and could be easily understood by the respondents.

Pre-test of the Translated Questionnaire

The questionnaire was pre-tested among Malaysians in Stirling and Glasgow in Scotland. Comments were solicited from them on many aspects of the questionnaire, particularly on the usage of terms that are not commonly used in Malaysia, clarity of the questions, instructions,
appearance and the readability of the words and also the time taken to answer the questions. On the basis of their comments, a few changes were made, including rephrasing unclear statements, changing confusing words, and rearranging some sections so that the questionnaire looked easier to answer. Completion of the questions was estimated generally to take about 15 minutes of the individual’s time.

The next section will look at the sampling process for this study.

### 5.5 Sampling Process

This section describes the sampling process for this research, as it is often impractical or extremely expensive to collect data from all the potential units of analysis. There are five aspects to be discussed: first, defining the population; second, the selection of a sampling frame; third, the selection of sample design; fourth the determination of sample size and finally, the sample selection.

#### 5.5.1 Population

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran 1992). The population from which the sample is to be selected is very critical in any study and needs to be identified properly and accurately. As Sudman (1976) suggested, the operational definition of population should not be over-defined, but it has to be specific and easy to implement.
In this study, the target population to be studied were employees in companies that offer employee share option schemes (ESOS). In order to determine the population, a sampling frame was identified.

5.5.2 Sampling Frame

A sampling frame is a list of population members to be used to select samples for a study. The sampling frame is important as Bailey (1978) pointed out, that a sample could be drawn more accurately if a sampling frame exists. In Malaysia there was no specific list of names of employees that participate in employee share option and also there was no specific list of companies that offer share options to their employees, which could be used as a sampling frame at the time this study was conducted. However, as a substitute, this study used a list of companies in the Kuala Lumpur Stock Exchange (KLSE) and from these companies the researcher determined the population. This list is considered reliable because, in Malaysia, majority of the companies that offer share options to their employees is public listed companies (this will be explained further in the next chapter). It is only for public listed companies that their shares can be traded in share market. The names of the companies that gave shares to their employees were further identified from the companies' reports which were obtained from the companies’ data base as provided by ‘Extel Financial Company Services’. This service provides excellent coverage of a cross-section of all the companies in the KLSE, such as their location, product, company histories and the different kinds of shares issued by the companies.

As stated earlier, the target population that this study aimed to survey was employees in companies that offer share option schemes (ESOS). However, after taking into consideration the difficulties and limitations of resources, the target population of this study was confined
to employees from the top 40 companies in KLSE (based on the 1997 ranking as published by Arab Malaysian Securities, at the time this survey was conducted). This category of company was chosen because, as explained earlier, this was the most viable sampling frame through which companies that offer ESOS to their employees could be identified.

Before explaining the sample of the study, it may be appropriate first to consider some theoretical issues in sampling design.

5.5.3 Sampling Design

There are two categories of sampling design, probability sampling and non-probability sampling. In probability sampling, the probability of a sampling unit of the population being included in the sample can be specified. However in non-probability sampling, there is no way of specifying the probability of each unit's inclusion in the sample, and there is no assurance that every unit has some chance of being included (Frankfort-Nachmias and Nachmias 1996).

5.5.3.1 Non-Probability Sampling Design

There are three different types of the non-probability samples that are often used by researchers in social sciences: convenience samples, purposive samples and quota samples (Frankfort-Nachmias and Nachmias, 1996).

a) Convenience Sampling

Researchers obtain convenience sample by selecting whatever sampling unit is available. For example a researcher may take the first 100 convenient sampling, as the researcher has no way of estimating the population parameters (Frankfort-Nachmias and Nachmias, 1996).
b) Purposive Sampling

In this type of sampling (also known as judgement sampling), the researcher selects sampling units subjectively, based on judgement, to obtain a sample that appears to be representative of the population. The probability that a sampling unit will be included in the sample depends on the subjective judgement of the researcher. In this type of sampling, the sampling frame is unknown and the sampling procedure is not well specified, so the resulting bias cannot be quantified (Aaker and Day, 1995).

c) Quota Sampling

This is an extension of judgement sampling, where the researcher specifies a minimum number of sampling units from each sub group to be included in the sample. Aaker and Day (1995) indicated that quota sampling is often based on demographic variables such as geographical location, age, sex, education and income. By specifying the minimum number of samples from each group, the researcher knows that the sample represents the population with respect to these demographic characteristics. However Frankfort-Nachmias and Nachmias (1996) pointed out that demographic representativeness does not guarantee there is no bias in the results obtained from a quota sample, as the parameters of the population cannot be determined accurately.

5.5.3.2 Probability Sampling

Probability sampling, in contrast to non-probability sampling, allows the researcher to determine the probability of each sampling unit being included in the sample. There are four common designs of probability sampling that include: simple random sampling, systematic sampling, stratified sampling and cluster sampling (Frankfort-Nachmias and Nachmias, 1996).
a) Simple Random Sampling

This is the basic probability sampling design. Under simple random sampling, each population member or sampling unit has an equal probability of being selected. Aaker and Day (1995) indicated that normally, the selection of sampling units for inclusion in the sample is done by using a table of random numbers. This random selection procedures ensure that every sampling unit of the population has an equal chance of being selected.

b) Systematic Sampling

This approach involves systematic spreading of the sample through the list of population members. For example, if the population contained 20,000 people (N) and a sample of 1000 (n) were required; every twentieth (K, the sampling interval) person would be selected for inclusion in the sample. The starting point could be randomly chosen between the first name and the Nth name initially, and every Nth name would be chosen. With systematic sampling, each sampling unit in the population has a 1/N probability of being included in the sample.

c) Stratified Sampling

Researchers use stratified sampling to ensure that different groups of a population are adequately represented in the sample, so as to increase the level of accuracy in estimating parameters,

d) Cluster Sampling

In this type of sampling, the population is divided into sub-groups called clusters. Then a random sample of clusters is then selected and sampling units in the selected cluster are chosen to be included in the sample. Cluster sampling is divided into two types: single-stage and multi-stage cluster sampling. For single stage cluster sampling, all sampling units in the
selected cluster are included in the sample. For multi-stage cluster sampling, after the clusters are randomly selected, the sampling units in the clusters are again subjected to random selection for inclusion in the sample.

Next, there is an explanation of how the sample for this study was selected.

5.5.3.3 Selected Sample and Area of Study

As noted earlier, it would be useful if the research could cover all employees from the companies that give share option schemes in Malaysia. However, due to various limitations, it was necessary to cluster the companies by selecting companies from the top 40 companies in the KLSE (this will be explained further in the sampling process below). However, it should be borne in mind that not all the companies in KLSE offer share options to their employees.

In the sampling process of this study, first the researcher segregated the companies within the top 40 in KLSE. Second, companies that have offered share option schemes to their employees from 1990 onward and have registered trade unions were identified. 1990 was used because most of the information reported started from 1990. Companies with trade unions were used as one of the selection criteria because the researcher wished to determine the effect of ESOS on trade unions. From the list it was found that only 20 companies met the conditions set for this study. As a few of the companies have branches throughout Malaysia, this study further was restricted to employees in the Kuala Lumpur and Klang Valley area only.
The Kuala Lumpur and Klang Valley area was chosen for this study, because Kuala Lumpur and the Klang Valley constitute a commercial and industrial region, which is also the centre of most social, economic and political activities, and which attracts a large number of workers with many different backgrounds and from different states in Malaysia. This area also has a relatively strong infrastructure and a better-educated population than the national average, whose understanding of shares would be likely to help toward the findings of the research. It was thought that the data collected from this region would be more practical and more representative of likely future trends than data collected from less favoured parts of the country.

Letters of application, together with a recommendation letter from the supervisor, were sent to the companies in order to gain access for the research survey. In the letter, the researcher indicated the objectives of the study and also assured prospective respondents about the confidentiality of the outcome of the study. From the previous experiences of other researchers, the confidentiality of the outcome is one of the important conditions that needs to be emphasised in the application letter in order to gain access to companies in Malaysia. Despite these assurances, of the 20 companies approached, only six (identified as companies A, B, C, D, E and F) agreed to participate. The others failed to respond. The anonymity of the companies was insisted upon as a condition of their participation, so that the confidentiality of the company could be protected.

The researcher was uncertain whether those companies that did not respond to the researcher's request had received the letter or not. The researcher therefore tried to contact them again by telephone. Most of them acknowledged that they had received the application, but refused to participate, citing various reasons, and could not be persuaded to change their
minds. Among the reasons that they gave were, that their scheme was not sufficiently established, that it was confidential, or that they were too busy with work. The question arises as to whether the companies that participated in the survey are different on certain dimensions from those who declined. Although this cannot be known with certainty this study discerned a few characteristics that distinguished the refusing companies. First, the reasons given by management were usually fairly similar. One factor that appeared to be important was the availability of the company, as they tended to give reason that they were busy at that time. Second, the conditions of the scheme offered to employees cannot be considered as one of the factors that can differentiate between the companies that participated and those that did not, because the conditions of offering are considered quite similar between companies, as most companies have to follow the same procedures as described by the Security Commission (these are explained in more detail in the next chapter). Therefore, differences between the ways in which companies implement the scheme seem unlikely to be a matter that might differentiate between the different companies. Third, for the company employees who are the units of analysis for this study, as required by the government, companies in Malaysia must employ the three major ethnic groups, i.e. Malay, Chinese and Indian, even though they need not necessarily be represented in the same proportion. In this sense, non-participating companies may be expected to contain a similar spread of opinion to participating companies, which also employ similar categories of employees. Based on the above criteria, it seems likely that there would be some similarity in the characteristics of ESOS between companies that might minimise the element of bias.

After the criteria for the sample had been determined, the next step was to decide the sample size of this study.
5.5.3.4 Sample Size

A sample is any subset of sampling from a population. The size of the sample refers to the number of units that need to be surveyed in order to get precise and reliable findings (Fink 1995). Many authors agree that the determination of sample size usually depends on the objectives of the study, the variables of interest and the extent of accuracy of information that the researcher wishes to obtain from the selected sample in order to draw inferences for the general population (Bailey, 1978, Moser and Kalton, 1986, Fowler, 1984). Bailey (1978) said that, as a general rule, the larger the population, the larger is the sample size required. However, Moser and Kalton, (1986) commented that a large sample size by itself is not sufficient to guarantee the accuracy of the result. There are a few ways that can be used to determine the sample size, for example using a statistical procedure or by using a ready-made table. Aaker and Day. (1995) gave a formula to determine the minimum sample size required as below:

\[ n = \frac{z^2 \sigma^2}{SE^2} \]

where, \( n \) = the required sample size

\( z \) = the value of standard normal variable for the confidence level

\( \sigma \) = the standard deviation of the variable being studied

SE = the allowed sample error

The value of the standard normal variable \( z \) depends on the chosen level of confidence, which is expressed as a percentage. In social research, three levels of confidence are commonly used: 90%, 95% and 99%, with corresponding \( z \) values of 1.64, 1.69 and 2.58 respectively.
The standard deviation ($\sigma$) or the variance ($\sigma^2$) of the variable of interest is not known. Aeker et al. (1995) suggested that the estimate of the standard deviation could be obtained from a previous comparable survey. This study faced some difficulty in using this statistical procedure to determine the sample size, since in order to use this procedure; some estimation of variable variance is required which is not known in this study.

This study therefore chose to use alternative for determining the sample size in this study, which was situation-specific, that is, by using a ready made decision table, as explained by Krejcie and Morgan (1970). They have simplified the sample size decision by providing a table that ensures a good decision model (refer to appendix 3).

It is estimated that there are about 20,000 employees belonging to all the companies involved within the area identified for this study. Therefore, based on the table, the minimum required sample size for this study would be about 377 respondents. In this study, the total number of questionnaires to be mailed to organisations for distribution to the potential respondents was determined based on three probable rates of return: 10%, 15% and 20%. Based on Ali (1996) these are typical response rates from a survey of employees in Malaysia. Therefore in distributing questionnaires for this study the response rate of 20% was considered. Therefore a total of about 1,900 questionnaires should be sent in order to meet the minimum sample size of 377 respondents.

Having discussed the research design and data collection method the next section will explain the administration of the fieldwork and the limitations of the research methodology.
5.6 The Actual Survey

This is the phase where the researcher made contact with the respondents, administered the data collection instrument, recorded the data and returned the data for processing.

This section will next discuss the administration of the questionnaire and the interview.

5.6.1 Administration of the Questionnaire

Each of the six companies involved in this study assigned a department to help the researcher to distribute the questionnaire. Four of the companies, i.e. A, D, E and F used the Human Resource and Development Department, company C used the Public Relations Department and company B made use of the Share Register Section. Before the questionnaires were distributed, the researcher held separate meetings with each head of department to determine the best way to distribute the questionnaire. The same type of questionnaire was distributed to each company. Each company was given a different number of questionnaires, based on the number of employees. All the companies delivered the questionnaire to the employees through the internal mail facilities in each organisation. By using random sampling, 400 sets of questionnaires were distributed to company A, 400 to company B, 300 to company C, and 250 to each of the other three companies.

To facilitate collection of the answered questionnaires, a covering letter was enclosed, requesting employees to return the questionnaire by the date stipulated on the questionnaire. Enclosed with the questionnaires was a stamped, and self-addressed enveloped. However the researcher also gave the option to employees of returning the answered questionnaire by putting it in a confidential box specially designed for the purpose, at the related departments, as explained earlier. The outcome of the survey indicated that this method was more popular
among the respondents, as most of them used this method and only 30 respondents used mail to return their questionnaires. To attract the respondents, the researcher offered a lucky number draw for the returned questionnaires. A pair of Clark's shoes would be given to three lucky numbers in each company. The lucky numbers would be determined based on the serial number printed on each questionnaire. The respondents were asked to indicate a pseudonym in order to protect their confidentiality, the address where they wanted the shoes to be sent, and the size and colour that they were interested in, should they happen to be the holder of the lucky number.

Of the 1850 questionnaires distributed, 800 were returned, just over a 43% response rate. One particular problem with any survey instrument is the problem of non-response. As Moser and Kalton (1986) noted, non-response is a universal problem that no investigator can avoid, since her or his survey instrument is not, nor ever can be, entirely under the investigator’s control.

There are two types of non-response.

The first relates to incompleteness of the returned questionnaires. This type of response will lead to 'missing values' during coding of data and if there are missing values, it will lead to difficulties in performing the data analysis. In order to avoid the problem, missing responses are normally coded, so that the decision to include them in the analysis or otherwise can be taken by the researcher at the analysis stage.

The second type of non-response bias is related to the inability of the researcher to get any response from the sample population, i.e. questionnaires not returned for various reasons. This type of the non-response usually creates biased estimates in a study of any type, as the
characteristics of the non-response stratum could be different from those of people who have responded to the survey. Since the problem of non-response cannot be avoided, effort has to be focused on whether this problem creates significant bias. In relation to the present study, as stated earlier, there were 1850 questionnaires delivered and 800 returned. Out of 800, only 730 questionnaires could be use as the remaining 70 questionnaires were either not answered or incomplete. Therefore both of the problems of non-response exist in this study. As for the incomplete questionnaires in this study, the researcher has not considered them in analysis, as most of the respondents concerned just answered section A of the questionnaire and they were also not participating in the share option scheme.

One method of dealing with non-response is to try to get information about the characteristics of the non-response stratum. A few methods to determine the characteristics of non-responses are explained in the literature as follows:

First, leading authors on ‘survey research and methods’ such as Moser and Kalton (1986), Fowler (1984), Hoinville and Jowell (1978), suggested randomly selected non-respondents and making some effort to find some basic characteristics of the non-respondents, such as by contacting them through telephone or sending them a postcard and asking them a few sample questions that will enable the researcher to judge what kind of ‘people’ this sample has missed.

Second, Armstrong and Overtone (1977) by referring to Jan, Pinion and Ratchford (1982) proposed, that to handle the non-respond stratum is to compare the results from the given survey with the known values of the population such as the official statistics. If the values
extracted from the survey do not differ significantly from the ‘known’ values, then, the effect of the response bias on the survey estimate can be considered minimal.

A third approach is ‘wave analysis’. As Leslie (1972) indicated, this procedure is done by examining the responses to selected items, by week 1, week 2 and week 3, and so forth, and determining whether the responses change substantially from week to week. This procedure assumes that those who return surveys in the final week of the response period are “almost” non-respondents. If their responses are not different from those in other weeks, a strong case for absence of response bias can be established.

The present study has adopted the third method in trying to recognise the non-responses. The first and second methods were not feasible as the researcher had no record of those who had received the questionnaires, since they were randomly distributed within the six companies. In the process of collecting the answered questionnaires the researcher allowed a one-month period for the respondents to return the questionnaires. Within this period, the researcher tried to identify if there were any differences between those who have returned their questionnaire within the first two weeks, the third week, the fourth week and after the closing date. This applied to all companies involved in this study. Their responses were then analysed and compared with those who returned earlier. From the observation, the researcher identified that the later respondents (those who returned their questionnaires during the fourth week or after the closing date) seemed to have similar views to the earlier respondents, in the way they reacted to the questions about their views of ESOS, and the reasons why the company set up ESOS in section C of the questionnaire, their understanding about ESOS in section F of the of it, and their perceptions of the effects of ESOS in section G. Therefore the researcher assumed that there seems to be an absence of response bias. Despite this indication
of absence of respond bias, this does not guarantee there is an absence of bias. As explained earlier, there are many reasons that may cause the targeted respondents not to respond, which are beyond the researcher’s control, and the researcher is aware that the exact reasons for that cannot be determined. One of the representatives of a company mentioned that he had a feeling that the non-respondents may not have been interested in the scheme so they did not bother to answer the questionnaire. This is one of the issues that the researcher accepted and recognised as a potential problem and which was taken into consideration in interpreting the survey results.

5.6.2 Administration of Interviews

Applications to conduct interviews with company representatives and also trade unions’ representatives were made at the same time as the researcher sent his application and proposal to gain access to the companies. As regards company representatives, the researcher sent application letters to the general managers of each company. In their reply, each company directed the researcher to a different department. In company A, the researcher was asked to talk to Assistant General Manager of Human Resource, in company B, to the Deputy company secretary, in company C, to the ESOS committee member-cum-Legal Assistant in the company, in company D, to Administration Executive, in company E to the Administration Executive and finally company F again to Administration Executive. The researcher was also given approval to see the presidents of the trade unions of each company.

Pre structured interviews were prepared for both the management and the trade union. The interview sessions were opened by the researcher introducing himself and explaining the objective of the interview. The interviews were tape recorded with prior permission from the interviewees. Most of the interviews took about one hour as it was only simple interviews.
The interviews were closed by thanking the interviewees for their co-operation. They were assured of the confidentiality of the information, and that the information would only be used for academic purposes.

5.7 Data Analysis

This section will provide an overview of data analysis as well as the methods of statistical analysis employed. Basically, two types of analysis were used in this study, descriptive and inferential. Descriptive statistics are those, which summarise patterns in the responses of people in a sample. On the other hand, inferential statistics give an idea about whether the pattern described in the sample are likely to apply in the population from which the sample is drawn, that is, they enable the researcher to infer from the sample of the population.

The steps taken in the analysis were as explained below. As for the analysis of the data, this study used a statistical package, the SPSS (Statistical Package for Social Science) for Windows, Version 7.5. This package was chosen because it is the most suitable statistical package to be used in this study.

First, the data gathered from the questionnaires were coded, then entered into the SPSS programme. The analytical methods used in analysing the data were as follows:

a) Presentation of the variables through frequencies and percentages. This format was used to indicate the size of samples, the frequencies of different demographic characteristics and how frequently the different categories of respondents responded to the questions asked or the different categories of answers. This was normally used in the earlier part of the analysis.
b) Cross tabulation techniques were used to examine the association between independent variables on the one hand and dependent variables on the other hand. The chi-square test of independence was used to verify the association for nominal and ordinal data, and to test for any significant association between the variables.

c) T-test and ANOVA were used to examine the significant mean differences between two variables, the independent and the dependent variables, in the case of interval data. T-test was used for two variables and ANOVA when there were more than two variables involved.

d) Pearson’s correlation tests were used to test the correlation between the variables of the study.

The application of all these statistical methods can be seen in Chapter Seven of this thesis.

5.8 Limitations of the Research Methodology

No research methodology is perfect, and the one that this study has adopted is no exception. Despite the best possible efforts made by the researcher, some constraints and limitations were encountered while planning and conducting this research, particularly related to financial resources, time and manpower, all of which have affected the planning of the current research design. Due to these constraints and limitations, the researcher could not use the best and the most appropriate methodology. Some of the limitations are as follows:

In terms of sampling frame, the present research had to rely primarily on the list of companies in KLSE, as there is no specific list of companies that offer share options to their employees.
For sample selection, initially, the researcher planned to have samples of employees from companies that offer share option schemes to their employees from different regions throughout Malaysia, so that employees from different geographical backgrounds could be investigated. However due to the great expenses that would be incurred, as well as time and manpower constraints, the researcher had to limit the area of study by choosing the best alternative, i.e. by concentrating on employees from the top 40 companies in KLSE, based around Kuala Lumpur and Klang Valley. However, as explained, the nature and the characteristics of this area offered the best available resources for this study.

In terms of involving employees from different sectors of industry, initially the researcher planned to conduct the survey for employees from different sectors of industries (eg. finance, manufacturing, services), from the KLSE list of the top 40 companies in Kuala Lumpur and Klang Valley. However, many of them turned down the request for co-operation, so the researcher had to be satisfied with involving employees from different departments (finance, administration and technical) of the available companies.

With respect to the data collection technique, this research had to use a cross-sectional study rather than a longitudinal study to identify the change in employees’ attitudes, making use of the employees’ perceptions, rather than of their actual changing attitudes, which might have been understood by observing the changes. Therefore the validity of the responses largely depends on the sincerity, frankness and diligence of the respondents, which is beyond the control of the researcher, even though efforts were made to increase validity by cross-checking the responses. Therefore this research can only assume the information given by the respondents is reasonably accurate.
However, despite the above limitations, the findings from the methodology used as explained above will certainly contribute to the body of knowledge in this field of study. Particularly, this study is considered as a pioneer study in Malaysia with a specific type of employee share ownership, that is, the 'employee share option scheme (ESOS). The experience gained from the use of this methodology will give some new insights for future study on the subject in Malaysia.

5.9 Conclusion

The objective of this chapter was to describe the research methodology employed in this study. It has explained the research objectives, the hypotheses, the formulation of the study variables, research design, data collection method and the limitations of the methodology used. Besides that, this chapter has also outlined the statistical methods used in this research, which aim to show association, correlation and to indicate significant mean differences between variables. All this was done to indicate the reliability and the validity (an acceptable degree of confidence) of the conclusions drawn from the survey analysis.

The research objectives were formulated based on the previous literature on employee share ownership. The hypotheses were developed based on a combination of background information including the Malaysian context, the general characteristics of employee share ownership and common characteristics of employee shareholders.

In this study, information was gathered from employees, management and trade union representatives. However, the main unit of analysis of this study is the employees themselves.
Different methods were used for gathering information from the different respondents, as different information was required from them. The method employed in gathering information from the employees was a survey method, using self-administered closed-ended questionnaire and conducted as a cross-sectional study. This was considered the most appropriate approach and gave particular advantages for the kind of information required from employees. However, short interviews were used in gathering information from the management and trade union representatives, as this was considered the most practical in order to acquire the desired kind of information from them.

The sampling frame used in this study was the list of companies in the Kuala Lumpur Stock Exchange (KLSE). This was considered the best available alternative, as no specific list related to ESOS is currently available. Based on the approximate total number of employees (20,000) in the six companies involved in this study, a minimum sample size of 377 was determined. Based on previous Malaysian experience of respondent response rate, where 20% is typical it was estimated that 1900 questionnaires should be delivered. Of the 1,900 questionnaires delivered, 800 were returned, about 42%.

Even though all possible steps were taken, there were still some constraints and limitations faced in the process of conducting the research, particularly related to time, finance, and manpower, all of which affected the research design used in this study. However, the researcher is confident that the data collected are enough, valid and reliable to answer and fulfill the research objectives of this study.
CHAPTER 6

ESOS IN MALAYSIA: EVIDENCE ABOUT ITS STRUCTURE AND OBJECTIVES

6.1 Introduction

There are several issues that need to be addressed in this chapter: all seemed important to address so as to understand the scheme in this country. First, this chapter outlines the Malaysian legal structure that is linked to the ESOS and identifies how the latter is practised in the six companies involved in this study. Second it identifies the factors that stimulated companies to implement ESOS, their objectives in adopting the scheme and their perceptions about the success of it. Third, this study reports the views and perceptions of the companies about how toward trade unions relate to ESOS. Finally, the main findings of this chapter are emphasised. It is important to note that this chapter only report the findings: the main discussion will be in Chapters Eight and Nine.

The following information was obtained from primary sources through interviewing representatives of the companies involved in this study and also from secondary sources, including government publications and related documents given by the participating companies.
6.2 Malaysian Legal Structure and Employee Share Option Scheme (ESOS)

Before looking into the company and Malaysian legal structure related to ESOS, it would be useful first to explain the general legislation related to companies, securities and the regulatory bodies that govern and monitor the issue and activities of shares, including ESOS.

6.2.1 Related Malaysian Legislation and Machinery

There are three related acts, the Companies Act 1965 (CA), Securities Industry Act 1983 (SIA) and Securities Commission Act 1993 (SCA). The relationships between the different acts and the related regulatory bodies is as summarised in the Chart 6.1.

**Chart 6.1: Organisation Chart of Acts and Machinery**

![Organisation Chart of Acts and Machinery](chart)

Each of the acts has different functions and they are as briefed below;

*The Companies Act 1965:* This is the principal act that regulates companies in Malaysia. The acts regulate the pre-incorporation, incorporation, setting up, operations and duties of a company and its directors. This act also encompasses the rights and obligations of its
directors and shareholders. The Registrar of Companies, the body responsible for the registration and incorporation of companies, comes directly under this act.

*Security Industry Act 1983 (SIA)*: This act provides the regulatory framework of the security industry. It lays down provision relating to stock exchanges, stockbrokers and other persons dealing in securities. Under this act, the duties of the Malaysia stock exchange are elaborated. The act places an obligation on the Exchange to ensure compliance of members, members’ companies and corporations, with its rules.

*Securities Commission Act (1993)*: This act established the Securities Commission (SC) and set out its powers and function. The Securities Commission is a corporate body that entrusted with regulating the securities industry. The Securities Commission also has wide enforcement and investigation powers for ensuring the smooth running of a fair and orderly share market.

The next section will show how the allocation of shares to employees is considered in the legal structure related to the issue and offer of securities in Malaysia.

6.2.2 Company and the Allocation of Shares

Before we look at companies in Malaysia as selected in this study and why only certain category of company issue shares, it is interesting first to generally review a related theoretical reason why companies issue shares. One of the common reasons is due to the growth of the company. This brings a requirement for more funds than they can generate internally. For example, the company may need to raise additional capital for new plant or for research and development. Generally the funds can be obtained in two ways: first by borrowing money, which is called ‘debt financing’, or second by selling the company’s
shares, which is referred to as 'equity financing'. One method of 'equity financing' is by becoming a public listed company. The second issue is related to this study.

In Malaysia, in order for a company to be listed in Kuala Lumpur Stock Exchange (KLSE) the company needs to fulfil certain conditions, both quantitative and qualitative, as stipulated in the 'General Policies and Principles' by the Malaysian Securities Commission. These conditions were established, among other reasons, to protect the investors. Some of the requirements are:

First, any company intending to undertake public issue or offer securities for sale should have an issued and paid up capital of not less than RM40 million. Second, the company should have a track record of three to five years, have made a reasonable profit throughout the period and achieved an average pre-tax profit of not less than RM4 million per annum. Besides that, the Securities Commission (SC) also takes into consideration the viability of the company, the quality and capability of the management of the company and also the interest of the public, as well as many other factors. These requirements seem reasonable, because it is inappropriate for company whose future is uncertain to offer shares, as a non-performing company may find it difficult to attract a market to buy its shares, which will eventually jeopardise the shares and the company's employee shareholders, in the case of employee share ownership. Normally, the more stable the company and its earnings, the more stable its stock price will be. Based on these requirements, therefore, it appears that the companies involved in this study must be good and financially healthy ones to have fulfilled the above conditions.
Third, a point which is very relevant to this study, as it has a bearing on reasons that might have influenced companies to offer shares to their employees, is that one of the conditions for a company to be listed is that upon listing, the company is required to have a minimum number of shareholders. Each shareholder should be given not less than 1000 shares and the number of shareholders is based on the nominal value of issue and paid-up capital which are as explained in the Table 6.1.

<table>
<thead>
<tr>
<th>Nominal value of issued and paid-up capital</th>
<th>Minimum number of shareholders including employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM 40 million to less than RM 60 million</td>
<td>750</td>
</tr>
<tr>
<td>RM 60 million to less than RM 100 million</td>
<td>1,000</td>
</tr>
<tr>
<td>RM 100 million and above</td>
<td>1,250</td>
</tr>
</tbody>
</table>

The above table shows that the employees of the company or its group are not excluded from the minimum number of stated public shareholders. However, it has been determined that a company with paid-up capital of less than RM60 million should have at least 500 public shareholders (excluding the company’s employees). A company with paid-up capital of more than RM60 million should have at least 750 public shareholders (excluding the company’s employees). It has also been stipulated that at least 25% of the company’s issued and paid up capital at the time of listing should be in the hands of public shareholders. Within this, up to 5% of the issued and paid-up capital is given to employees, for example as an ESOS, and up to 10% held by Bumiputra investors for the purpose of compliance with the National Development Policy (NDP).

The above has certain implications. First, in Malaysia unlisted companies seemed are not encouraged to offer shares to their employees. We have seen that there are many restrictions imposed on them compared to listed companies. For example, there is a general policy stated...
by the Malaysian Securities Commission, whereby unlisted public companies are not encouraged to establish share options for their employees if they plan to seek listing and quotation within one year of launching of the scheme. In another example, if an unlisted company with ESOS submits an application for flotation on the stock exchange, all the options under such schemes need to be exercised or terminated before flotation (Malaysian Policies and Guideline on issue/offer of Securities). Also, upon listing, a company is not allowed to establish a share option until after one year of admission to the official list of the stock exchange. Apart from the above restrictions, the shares of the unlisted companies are also not easily traded as they cannot be offered or sold to the public.

Second, it can be inferred that the offering of ESOS is not part of the terms and conditions of employment. As the companies themselves can decide whether or not to offer shares to their employees. Interviews with the representatives of the six companies seemed to confirm this; the representatives agreed with the view and acknowledged that the offering of shares is a management initiative in their companies. They also indicated that the employee share ownership scheme is not among the matters that are negotiated with the trade union.

Next this study will look at the main policies that are related to the ESOS.

6.2.3 Employee Share Option Scheme (ESOS) and Related Policy

The above explanation shows that ESOS is a form of securities voluntarily issued by a company. However, in Malaysia, any company that wishes to offer the scheme needs to get approval from the Securities Commission and other parties or regulatory bodies which include:
a) The Registrar of Companies (ROC)

b) The Kuala Lumpur Stock Exchange (KLSE) and

c) The shareholders of the company

The Securities Commission (SC) has laid out certain principles and policies as a guideline for companies intending to offer the scheme to their employees. The prescribed guidelines as explained below present a general picture of how ESOS is being operated in Malaysia.

6.2.3.1 Eligibility of Employees

Generally, all staff and executive directors of the group are eligible to participate. However the executive director or employee is allowed to participate in only one company of the group. For example, if a member of staff who has participated in the scheme in one company in a group moves to another company in the same group, he is not entitled to participate in the scheme currently in operation of the other company.

The basic criteria for employees’ eligibility to participate in the scheme, as indicated by the Securities Commission, are as follows:

a) Executive directors or employees must be at least 18 years of age at the date of allocation.

b) They must have served for a period of at least one year in the group and have been confirmed in service on the date of allocation.

c) Foreign executive directors or employees who serve the company and whose contribution is vital to the company can be considered for the allocation of the option. However the exercise of their option is subject to a restriction, whereby they cannot exercise more than 20% of the total shares allocated to them on an annual basis. For foreigners who work on a contract basis, the duration of the contract should be at least three years.
Besides the above criteria of eligibility, the Securities Commission has given discretion to the company's board of directors to determine the share-allocation criteria. The Securities Commission, however, requires that the criteria for eligibility and a breakdown of the initial staff entitlement and allocations decided by the company must be submitted to the Securities Commission for its approval. The approved criteria for staff eligibility and allocation then need to be clearly specified and all employees should be made aware of them.

How the companies involved in this study allocated shares to their employee will be explained in Section 6.2.4

6.2.3.2 Number of Shares Offered by Companies

It is stipulated by the Securities commission that the aggregate of the number of options exercised under the previous schemes, the present scheme and options to be offered in the future shall not exceed 10% of the issued capital at any one time. Even though, as explained above, the company's directors are given discretion to determine the share-allocation criteria, they must follow the guidelines given by the Securities Commission. The guidelines stated that the shares should be equitably allocated to various grades of employees. The difference between the maximum entitlement of one category of employees and that of a lower category of employees should not exceed 40%. The maximum allocation per person should not exceed 500,000 shares. Due to the nature of the scheme, where employees have to be accountable for the money to be invested or to exercise the option, the company involved is officially encouraged by the Securities Commission to make financial arrangements for employees to participate in the scheme or to exercise their option.

6.2.3.3 Time Limit
Related to the time limit for employees to exercise their option, known as 'option period', it has been stated that the option period for ESOS is 5 years. This means that when employees are offered shares by their companies and they accept the offer, they can exercise whatever portion of their share option they wish, within this five years (the details of this will be explained in the Section 6.2.4 C of this chapter). Beyond this time limit, employees are not entitled to exercise any un-exercised part of their option. Any renewal or revision of the terms by the company is subject to the approval of the Securities Commission. In case of renewal, it has been put into policy that the scheme can be renewed only once, for another five years. The Securities Commission further indicates that the new shares to be offered that based on expanding capital of companies can be given to: new employees who are eligible; existing eligible employees who have not been granted full entitlement; and to those employees who have been promoted and thus become eligible for greater entitlements.

6.2.3.4 Exercise of Option

The Securities Commission has given discretion to the company to determine how it wishes employees to exercise their option. However, companies must indicate clearly their arrangements in the 'Bye-law' of the company’s scheme. For example it is necessary for a company to have a provision limiting the exercise of the options in a particular year, depending on the company’s own arrangement and objectives. The Securities Commission has indicated that the provision should, at the minimum, put the following limits on the exercise of options:

- Options exercisable in a particular year can be carried forward to the subsequent years subject to the time limit of the scheme, which must not exceed five years.
• For employees who are serving under an employment contract, the contract should be for duration of at least 3 years. Any option which is not exercised can be exercised on the expiry date of the employment contract if it less than 5 years.

All the details about how the different companies make arrangements for their employees to exercise their option will be explained in a later section.

6.2.3.5 Pricing

The price of the share should not be less than the market price at the time the option is granted. As proposed by the Securities Commission, the price should be based on the average of the mean market quotation of the company’s share as shown in the daily official list issued by Stock Exchange for five preceding market days and it should not be lower than the par value. An example of how the subscription price is calculated is shown in Table 6.2:

<table>
<thead>
<tr>
<th>Day Preceding Offer</th>
<th>High (RM)</th>
<th>Low (RM)</th>
<th>Average (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day 1</td>
<td>6.05</td>
<td>5.90</td>
<td>5.975</td>
</tr>
<tr>
<td>Day 2</td>
<td>5.90</td>
<td>5.75</td>
<td>5.825</td>
</tr>
<tr>
<td>Day 3</td>
<td>5.90</td>
<td>5.55</td>
<td>5.725</td>
</tr>
<tr>
<td>Day 4</td>
<td>5.85</td>
<td>5.70</td>
<td>5.775</td>
</tr>
<tr>
<td>Day 5</td>
<td>5.95</td>
<td>5.75</td>
<td>5.85</td>
</tr>
<tr>
<td>Total for the 5 market day</td>
<td>29.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average for the 5 market days : 5.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscription Price: RM 5.83 Per share</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RM = Malaysia Ringgit (Malaysian currency)

Based on the example above, therefore, the share option price is RM5.83 per share. Therefore if an employee is offered 1000 units of shares he has to pay RM5830 in order to exercise the option; if the employee wants to exercise his option sometime in the future the price of the
share will still be the same, i.e. RM5.83 per share. Hence, in actual practice, the movement of the share price would affect the actual option price at the time the option is offered.

All the above regulations are monitored and controlled by the Securities Commission; one of its functions is to ensure that the company complies with the stipulated guidelines and regulations.

To sum up, from the above guidelines it could be inferred that: first, ESOS in Malaysia could be considered as an individual broad based scheme, as all individuals from all levels of employees who meet the conditions prescribed by Securities Commission are eligible to participate in the scheme. Second, ESOS in Malaysia is contributory in nature, in that the employees themselves have to buy the shares, either by using their own source of finance or through the arrangement by their companies, as shares are not given free by the company. Third, the scheme allows the shareholders either to keep or to sell the shares after a stated minimum period of time that varies from one company to another, as will be explained in a later section of this chapter. Fourth, the financial risk to employees is minimal as they are not required to exercise their option if the share price goes below their option price. On the other hand they can wait till the companies’ shares reach a better price before exercising and selling them.

Finally, the structure of ESOS in Malaysia could be considered as simple and straightforward scheme for companies, as they only determines the number of shares and the share prices that are to be offered to employees. Once the employees have exercised their option, the shares are the employees’ own responsibility and it is up to them to decide whether to keep them or to sell them to the public. The explanation above also shows that the structure of employee
share option scheme in Malaysia is different from and much simpler than the form of share option practised in the UK such as recent SAYE and Executive Share Option Scheme.

Another essential factor to note that employees are taxed on the profit that they make from selling their shares in the form of income tax; they have to declare the income from the sale of their shares to the government. As for the companies, they too do not get any tax exemption or cost subsidisation for the implementation of the scheme. However in one aspect the scheme is considered as a privilege to companies. They can implement the scheme for whatever reasons or objectives, such as to obtain issue capital from an internal source of finance, that is, through their own employees and at the same time, the scheme might motivate their employees.

Next, this study will look into the practices of the ESOS in the six companies involved in this study.

6.2.4 The Structure of the Employee Share Option Scheme: Evidence

As explained earlier, companies need to follow guidelines and procedures as prescribed by the Securities Commission in implementing ESOS. Based on the procedures, this study will look into the items related to 'eligibility', 'allocation of shares' and the 'exercise of option'. These are considered useful to raise and look into because in the related policy, as explained earlier, the Securities Commission has only stated the minimum requirement that needs to be followed by companies or the scope given by Securities Commission is not specific, so different companies could implement the scheme differently.

a. Eligibility of Employees
In terms of employees' length of service, this study found that all the six companies have used the minimum requirement as prescribed by the Securities Commission, even though they are not compelled to do so. For example all the companies have put a condition that employees must have worked at least one year with the company and the scheme is open to all employees who have fulfilled the minimum requirement.

b. Basis of Allotment of Shares

This survey found that all the six companies have allocated shares to their employees based on their job function and responsibility, rather than their seniority. Different categories or levels of employees are entitled to different quantities of shares. For each category or level of employees, a minimum and maximum number of shares is specified, and the allocation of shares to each employee in a particular category is within this range. Related to the decision to allocate shares to employees, it was found that all the companies in this survey have given an "ESOS committee" a right to decide the basis of allocation of shares. The committee is given a prerogative, at their discretion, to take into consideration the grade, seniority and number of years in service in determining the number of shares to be offered to employees. Nevertheless, the shares offered should not exceed the limit set for each category of employees and also should comply with the regulations prescribed by the Security Commissions. The difference in the number of shares offer between one level of employee and another higher level should not exceed 40% of the lower level. An example of how shares are allocated to different categories, as given by company D, is shown in Table 6.3 on the next page.

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2 "ESOS Committee" is a committee usually appointed by the board of directors, and is delegated the responsibility to oversee day to day operations of the plan in the company.
### Table 6.3: Maximum and Minimum Shares Allocation by Employee Group

<table>
<thead>
<tr>
<th>Categories of employees</th>
<th>Maximum Allowable Allocation per Employee (Number of Share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td>500,000</td>
</tr>
<tr>
<td>Group Managers</td>
<td></td>
</tr>
<tr>
<td>- Senior General Managers</td>
<td>200,000</td>
</tr>
<tr>
<td>Company Managers</td>
<td></td>
</tr>
<tr>
<td>- Managing Director of subsidiary companies</td>
<td>120,000</td>
</tr>
<tr>
<td>- General Managers</td>
<td>100,000</td>
</tr>
<tr>
<td>- Deputy General Managers</td>
<td>80,000</td>
</tr>
<tr>
<td>- Senior Manager</td>
<td>60,000</td>
</tr>
<tr>
<td>- Managers</td>
<td>50,000</td>
</tr>
<tr>
<td>Executive</td>
<td></td>
</tr>
<tr>
<td>- Assistant Manager</td>
<td>32,000</td>
</tr>
<tr>
<td>- Executive/Senior Officers</td>
<td>25,000</td>
</tr>
<tr>
<td>- Officers/ Supervisors</td>
<td>18000</td>
</tr>
<tr>
<td>Clerical</td>
<td></td>
</tr>
<tr>
<td>- Personal Assistants/Secretaries</td>
<td>15,000</td>
</tr>
<tr>
<td>- Clerk</td>
<td>7,000</td>
</tr>
<tr>
<td>General</td>
<td>6,000</td>
</tr>
</tbody>
</table>

Source: ESOS By Laws

In practice, the survey revealed that, within the same company, employees in the same category have received a same number of shares. The allocation of shares was not in any way directly linked to individuals’ performance nor to their work group or department.

The six different companies surveyed set different minimum and maximum allocations for their employees. The variation between the companies is as indicated in Table 6.4 on the next page.
Table 6.4: Maximum and Minimum Allocation of Share-by Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Minimum (unit)</th>
<th>Maximum (unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>8,000</td>
<td>330,000</td>
</tr>
<tr>
<td>Company B</td>
<td>1,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Company C</td>
<td>8,000</td>
<td>320,000</td>
</tr>
<tr>
<td>Company D</td>
<td>2,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Company E</td>
<td>7,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Company F</td>
<td>6,000</td>
<td>500,000</td>
</tr>
</tbody>
</table>

As the table shows there are differences among the companies in allocating the minimum and the maximum number of shares to their employees. The minimum was, 1000 shares (i.e. 1 lot) given by company B and the maximum was 500,000 given by company F. The survey revealed that the maximum allocation tended to be within the range of 200,000 to 500,000 units. This was mostly allocated to the director's level of the company.

There were issues raised which related to how shares are allocated among the different categories of employees. The researcher was informed by the representatives from the six companies that the way shares are allocated has created dissatisfaction among the lower level employees (e.g. non-management level). From their explanations, it seem that the lower level employees felt that their length of service was not being appreciated by the company as more shares are given to higher level employees. Their view could be illustrated from an example where one representative explained that the lower level employees feel dissatisfied because the allocation of shares is based on the position in the company, rather than the seniority of employees. She gave an example, that a new member of staff at the management level who had worked for only one year could get more shares than a lower level employee who had
worked for more than ten years in the company. In commenting on this, the representative said she felt sympathetic towards their view, and had tried to raise the issue at the board meeting in the company where she works, but no change had, as yet, been made. However, she explained that the company had actually intended to introduce the ESOS only for the management level, but the government had encouraged companies to extend it to all levels of employees.

c. Exercise of Option

All the companies indicated that the option given to employees is exercisable only by employees who are still in the employment of the company and within the option period stated. The survey revealed that the normal ‘option period’ is five years for all companies. The retention period for shares that are allocated to employees and whether the employees can sell part or all of their shares seemed to vary between companies. However, the researcher found that all of the companies in this survey hoped that their employees would hold and treat the shares as a long-term investment, rather than use them to realise a short-term immediate profit.

The surveys revealed that all the companies have structured a schedule that shows the possible number of shares that can be exercised in a stipulated period of time. Among the six companies surveyed, three different ways were found, in which employees could exercise their options and they are shown below.

First it was found that companies A, B and D had a similar procedure for how their employees could exercise their share option, as presented in Table 6.5 on the next page.
Table 6.5: Percentage of Options Exercisable by Year

<table>
<thead>
<tr>
<th>No of options granted</th>
<th>By Year 1</th>
<th>By year 2</th>
<th>By year 3</th>
<th>By year 4</th>
<th>By year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20,000</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20,000-99,999</td>
<td>40%(^1)</td>
<td>30%</td>
<td>30%(^2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>100,000 and above</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Note: 1. 40% or 20,000 options, whichever is higher
2. 30% or the remaining number of options un-exercised

The above table shows how the three companies determined the maximum number of shares that can be exercised by their employees in each year within the five-year option period. Overall, the schedules show that companies exercise control over the exercise of shares by employees who have more than 20,000 shares. They have to stagger the exercise of their options, whereas employees who have less than 20,000 shares are free to exercise their option to whatever extent they wish, at any time during the stipulated exercise period.

For two companies, i.e. companies C and E, there is no restriction on the exercise of their option even for the top-level management, but the shares must be exercised in multiples of 1000 shares. However for company F, it has determined that the number of shares to be exercised, irrespective of the employee’s position should be in percentage as stipulated by the company and they must be exercised in multiples of 1000 shares (refer to the Table 6.6 on the next page).
Within one year from date of offer
After two years from date of offer
After three years from date of offer
After four years from date of offer
After five years from date of offer
Up to 20% of the option granted
Up to 40% of the option granted
Up to 60% of the option granted
Up to 80% of the option granted
Up to 100% of the option granted

Overall, the findings from the six companies above indicated that only two companies, C and E, placed no restriction on different levels of employees in exercising their share option. The other four companies require their employees to exercise their options based on the proportions as stated by company.

Regarding the process of exercising the share, all companies have set up a standard procedure for their employees. Employees who wish to exercise their option should notify their company in writing by using a prescribed form. The form should be accompanied by relevant certificate of option and a remittance for the full amount of subscription money in relation to the number of shares. The number of shares to be exercised should be in multiples of and not less than one thousand shares. Next, this study will briefly explain the normal procedures in offering shares to employees by the participating companies.

6.2.5 Procedure of Offering Shares to Employees

The finding of this study was that the procedures are generally similar among the companies, as follows.
a. Determining the Employees

In the process of offering shares to employees, the “ESOS Committee” of the company will determine the following;

i. The name of the eligible employee, eligibility being based on the conditions stipulated by the individual company, as explained earlier;

ii. The number of shares for which the eligible employee shall be entitled to subscribe;

iii. The option price.

The respective offer to the eligible employees shall be made in the form shown in appendix 4. In the offer, the company will state the number of shares for which the particular employee is eligible to subscribe, the option price and the closing date for accepting the offer.

b. Acceptance of the Offer

The offer of the scheme is valid for 30 days from the date of offer. Eligible employees who wish to accept the offer must return the acceptance form enclose with the offer form to the relevant department in the company within the stipulated time. Should the employee fail to return the form within the prescribed period, the company will consider the employee to have rejected the offer. Upon acceptance, the eligible employee shall pay to the company a sum of one Malaysian ringgit (RM 1.00; the ‘ringgit’ is a unit of Malaysian currency), as a non-refundable consideration for the option. Within thirty days after the due acceptance of the offer the company will issue to the employee or grantee a certificate of option. The option is personal to employees, and is non-transferable. The guideline for calculating the option price is similar for all the companies, as noted earlier.
c. Termination of the Option

This survey found that the participating companies have a similar procedure related to the termination of the option. The offer shall automatically lapse and become null and void in the event of the employee ceasing to be employed for any reason by the company. They have also stated that employees are not entitled to any shares that have not yet been claimed, after they stop working for the company. However, they are entitled to the shares or non-exercised option if they have the consent and approval of the ‘ESOS Committee’ and their stopping work was due to one of the following reasons:

i. Retirement on attaining the normal retirement age;

ii. Retirement before attaining the normal retirement age but with the consent of the ESOS Committee

iii. Ill health, injury or disability;

iv. Redundancy and other circumstances acceptable to the ESOS Committee.

In the case where an employee dies, the non-exercised option may be exercised by a nominated member of his immediate family or by the grantee’s legal representative.

d. The Right of the Shareholder

All the companies in this study have a provision that permits shareholders to vote at the annual general meeting. Alternatively the employee may appoint a proxy to attend and vote in his or her place. This could be done by filling in a proxy form (refer to appendix 5). However employees have to exercise their option in order to entitle them to vote, as non-exercised options do not carry any right to vote at the general meeting and also do not entitle the grantee to any dividend or any other entitlement.
The above voting right is only one indication of participation and control, but it is not an important one. In the discussion with the companies' representatives, all of them said that from their observation, employees do not consider the voting right as important and they normally take it lightly. Among the reasons that might explain this could be that the employees feel that their votes will not have much effect on the decisions being made in the company or it could also be that they realise they lack business knowledge, which makes it difficult for them to make decisions.

e. Suspend the Right of Exercise

It is interesting to find in this study that employees' discipline can affect their chances of getting shares in the companies, or the share offer can be withdrawn on disciplinary grounds. Each of the companies in this study have clear provisions in their by-laws regarding the chances of employees getting their share or exercising their option if they breach their companies' code of discipline. If an employee is being subject to 'Disciplinary Proceedings', at the discretion of the 'ESOS Committee', his or her share option could be suspended. If the employee is found to be not guilty, the 'ESOS Committee' can reinstate the right of the employee to exercise his or her option. In the event that an employee is found guilty, resulting in dismissal, the option ceases, immediately and without notice. However, if there is no dismissal, the 'ESOS Committee' has the right to determine whether the employee may continue to exercise his option or it may impose any terms or conditions on such exercise.

f. Employees' Source of Finance

As noted in an earlier section of this chapter, companies are encouraged to make financial arrangements for those employees who need them. This is important, as in this scheme the employees themselves have to be accountable for their finance. All the companies in this
study made financial arrangements for their employees if they needed them. However it was found that employees are given alternative sources of finance. They are considered as self-financing if they use their own money or find their own source of finance to exercise their option. Alternatively they could use an “ESOS financing scheme”, arranged for employees who have financial difficulty. In such a scheme normally the company will arrange a loan through a specific financial institution as agreed by the company. Employees may also consider partial financing by using both sources of finance, but this is allowed only for multiples of one thousand shares.

For the ‘ESOS financing scheme’, only one company i.e. company B gives its employees the option to choose either to use a conventional bank or the Islamic Banking system. The researcher was told that some Muslim employees had been unwilling to participate in the scheme because they did not have a source of finance, and they refused to get financial assistance from a conventional bank, as it would incur interest, which is against Islamic teaching (this will be discussed more in chapter eight and nine). However, there are some factors that need to be considered by employees when using the ‘ESOS financing scheme’, as it involves some technicalities in the contract between the shareholders and the financial institution. They are bound by the contract and also there are differences between the conventional banking system and the Islamic banking system.

For the ‘ESOS financing scheme’, in addition to the cost of the value of the shares, there are also other costs incurred by the employee, for administration. The costs that employees have to pay for borrowing money from a financial institution include for example the following; upon application for the loan, there is a charge on processing fee of RM20.00 per application throughout the exercise period. There will also be charges payable upon the sale of shares.
These include: i) stamp duty, 0.1% of the market value of the shares disposed of, ii) clearing fee, 0.05% of the market value of the shares disposed of and iii) brokerage fees, 1% of the market value of the shares being disposed. There is also interest on the loan and penalty charges may be incurred if the terms and conditions stipulated by the financial institution are not met. Beside the extra cost, there is also an element of 'forced sale' by the financial institution, whereby the financial institution specifies the minimum level of share price and the duration of the loan. The financial institution has the right to sell the shares if the market price of the share reaches the minimum stated level or after a certain period of time, as agreed between the shareholder and the bank, unless the shareholder pays off the loan. Therefore, the market price of the share is very important to the shareholders in determining their profit from the sale of shares.

g. Communication

Communicating information about employee share ownership to employees is one of the crucial aspects for the success of the scheme, if the company considers the scheme as a way of transmitting values and changing employees’ attitude. Besides that, there are also some complexities about ESOS, as it involves technical and legal instruments. Unless the scheme is well planned and explained, employees will find it difficult to understand or appreciate it.

It appears to the researcher that all of the companies in this study have shown their concern and awareness about the importance of communicating the scheme to their employees, because of the complexity of the scheme. For example, all of the companies’ representatives agreed, that the legal complexity of the scheme might become a considerable barrier for their employees to understand the scheme, particularly for lower level staff, most of whom have less experience of shares. Besides that, they realised that only by making employees
understand the scheme and its objectives, could they transmit values that could change the employees’ attitudes. However, respondents in all the companies' expressed similar views that their companies pay less attention to explaining to employees about the importance of being shareholders in their companies or giving encouragement as a result of being shareholder. What companies concentrated on is explaining about the technical aspects related to the exercise of option, the financial arrangements and other legal aspects of the scheme related to buying and selling of shares. However, in all the companies, each employee shareholder is given an explanation about the company’s reasons for introducing the scheme, when they agree to accept the offer.

The main techniques used by the companies in explaining the scheme to their employees include:

i. Letters sent to each participating and eligible employee explaining about ESOS;

ii. The use of the house journal to give news and development of ESOS;

iii. A brochure that describes the principles and operation of the scheme. Some of the companies used a ‘question and answer’ style, to break down the complexity of the scheme into a series of short points;

iv. Providing an ESOS Hotline numbers where employees could use to obtain help related to the scheme; and,

v. Encouraging trade unions to explain the scheme to their members.

However, the researcher felt that none of the respondents in these companies were fully satisfied with their communications about ESOS. Most of them argued that it was a never-ending task. An example of this view could be seen from a statement given by the representative from company A, who expressed his view that their effort is still insufficient to
make their employees really understand the objectives of the scheme, particularly to make
them understand and realise the long-term advantage, as opposed to the short term cash
benefit from the sale of the shares.

Next, this study will look into the objectives of the ESOS as given by the six companies.

6.2.6 Objectives of Employee Share Option Scheme

The objectives of the six surveyed companies in introducing employee share option schemes
were identified. All the companies involved have documented their objectives and it was
found that there were not many differences among the objectives of the companies. Their
common objectives were as stated below:

a) To enable employees to participate in the future growth of the company and to participate
in the company’s profit and development;
b) As an incentive for eligible employees to participate actively in the operation of the
company and encourage employees to contribute to the well-being of the company;
c) To give employees a sense of ownership and belonging so that they are motivated to be
more productive, more dedicated and more loyal to the company;
d) As a means of rewarding and retaining the services of employees who are vital to the
operation and continued growth of the company; and
e) To enable employees to relate directly to the overall performance of the company.

From the objectives above it is interesting to note that, first, none of the companies has a
single specific objective to be achieved from the scheme as all of them have multiple
objectives. Second, there is no specific statement that indicates the companies expected an
economic pay-off from the scheme, for example the scheme being used by companies to increase its issue capital through its employees. Third, there is no special indication in the above objectives that the companies introduced the scheme to improve industrial relations. In general, the objectives suggest that the companies wanted to give employees opportunities to participate in the companies, to reward them, and also expected some changes in employees as the result of the scheme.

There are a number of factors that might contribute to the similar objectives among the companies in introducing ESOS. Based on the evidence of this study, the researcher concluded that one reason could be the exchange of information among companies before they introduced the scheme. The researcher was told in an interview with a senior manager from a company that pioneered the scheme in Malaysia, that many representatives from different companies sought his advice about how to set up ESOS. He said they were considering using the scheme implemented by his company as a model in their companies, and suggested that it would not be surprising if they followed a similar format and objectives, as this would simplify the application process and facilitate obtaining approval from the Securities Commission. This explanation was supported by the information gathered from discussion with other representatives of the participating companies. To exemplify this, for example, one representative from company D expressed his view that what was most important, related to their objectives, was to get approval from the Securities Commission, as such approval is a prerequisite for their companies to proceed with the scheme.

To determine the seriousness of companies in achieving their objectives, the researcher asked the representatives from all the six companies for their views about the achievement of the scheme related to the stated objectives. It was surprising to find that in none of the companies
could representatives give a clear picture about how successful their schemes were. They acknowledged that no survey had as yet been made by their companies to determine the effects of the scheme. They, therefore, could not express in figures how successful the scheme was, even though the scheme has been implemented for quite some time. They generally expressed a hope that, by giving employees a stake in the company, this would bring some appreciation by employees and lead to their adoption of the values that the share scheme was meant to encourage, such as productivity and a change in employees’ general attitudes to the company. When the representatives were asked about the advantage of the scheme to the companies, their explanations, to the researcher, appeared to be like what Dewe et al. (1988) called ‘the textbook’s explanation’, such as hoping for a change in employees’ behaviour and attitudes, and preventing employees from leaving their companies. However, in addition to that, they also expressed their personal observation about what happens in their companies as a result of ESOS. The representative from company ‘A’ gave his personal view that, to some extent, the scheme has had a positive effect on employees. He quoted an example, that one of his subordinates had rejected an offer from another company, because of the ESOS. He then gave a personal comment that even though his company had stated many objectives related to ESOS, the one that he viewed as most appropriate was to reward the employees. He said, ‘Money means everything to employees; if you give them money, they will be good employees’. He further said that he did not believe that the ordinary employee can have a feeling of ownership in the company, when he gets fewer than 5000 shares but the possibility of feeling pride in working for the company cannot be denied.

A representative from company B said, even though he could not quantify the real improvement in the employees, he believed that the money that employees gained from the selling of shares was of some help to them. A similar view was given by a representative
from company D. He said that the improvement in the cash of employees could be seen in their spending behaviour after they had exercised their option.

Overall, all the respondents seemed to agree that ESOS has made employees happier, and they also believed that ESOS has had educated employees about shares to some extent, particularly at the workers level. An example of this view can be seen from a statement given by the representative from company B. He said that ESOS has educated employees about the movement of the share price, whereas without participating in ESOS, they would never have any interest in it.

Related to the contribution of the employee share option scheme to industrial relations, this survey seems to find that none of the companies' representatives able to relate the scheme with industrial relations. From their explanations, the researcher was given the impression that they did not consider ESOS as a scheme that is used to improve their companies' employer-employees relationships, and indeed they did not appear to view this as a problem in their companies. However, when the researcher asked for their views about the relationship of employee involvement with ESOS this did prompt them to express some views. In general, the representatives could not see how involving employees in the scheme and making them shareholders could raise their morale and create harmony in the company. They generally believed that Malaysian employees still could not appreciate the value of being partly owner of the company as a result of the scheme and able to involve and participate in it for its own sake. Nevertheless it seems that the employees only value it if it is associated with financial reward. The representatives that had been interviewed had the feeling that the financial benefit of the ESOS to a certain degree has contributed and able to make employees feel appreciated by company. The representatives also generally appeared to have a view that the
scheme is not that effective to reduce employees’ dissatisfaction with their companies much. They further acknowledged that the employees would never be satisfied with what they got from the companies and it is natural that they always demand more.

Overall, from the discussion, the researcher could summarise the companies’ views as follows. The profit gained from the employee share option schemes has to some extent able to help employees in their financial problem, where the scheme could be another source of finance when they needed it. This arrangement may make them feel more positive toward the company.

In general, from the analysis above it was found, that there are certain characteristics that could reflect the nature of ESOS in this study. They include the similarity in companies’ objectives in offering ESOS, the absence of any tax advantage to the companies that implement the scheme and the lack of their concern to determine the outcome of the scheme implemented. The detailed explanations for this will be discussed in Chapter Eight.

In the next section we will discuss companies’ representatives views of ESOS in relation to trade unions.

6.3 Trade Unions: Companies’ Representatives Perceptions

As was indicated in Chapter Two some writers have suggested that the nature and the characteristics of ESOS may weaken trade unions. They assumed that when the employees identify more with their companies, they would rely less on trade unions. This section considers whether the companies involved in this study had any intention of using ESOS to
lessen the power of trade unions. From the interviews conducted with the representatives of the companies, it was found that none of the companies saw a connection between implementing ESOS and trying to reduce the power of trade unions. Most thought that unions were relatively weak in Malaysia, and do not pose much threat to company. For example, one representative from company B said he did not think it was necessary for his company to implement a scheme such as ESOS, with the aim of weakening trade unions. He further said that, as far as he was aware, there was no such intention at all in the company. Rather, he said the unions themselves have played a part in trying to explain the scheme to their members, so that they can take full advantage of the scheme. However, all the companies admitted that they faced quite a hard time in explaining to the union, when the scheme was first introduced in their companies, the rationale underlying the allocation of shares to the different categories of employees based on job category, rather than on seniority. When the researcher raised the issue and asked about how shares are allocated, all the representatives indicated that the ESOS committees of the company that determined the share allocation decision. However two representatives from company A and company B added that there was some rationale for how the shares are being allocated to the different categories of employees. The apportionment of the shares may be considered by the company after taking into consideration the income of the employees themselves, as their income is one of the criteria that would determine the approval of a loan. They said most employees have made financial arrangements with a financial institution in order to exercise their option. So the capability of employees to pay back the loan and also the fluctuation of the share price need to be considered when offering shares to lower categories of employee. It might also be related to the number of low category employees in a company, as their number is bigger than that at the executive level. There was no other reason given by the remaining companies, as they refused to comment, even though the researcher pressed the point. The trade union
representatives' view related to the effect of ESOS on trade unions will be discussed in the next chapter.

6.4 Conclusion

This chapter has explained about the ESOS in Malaysia, including its legal structure, its nature, operation, companies' objective in introducing it, their views on the success of the scheme and the relationship of the scheme with trade unions. The key findings are noted below.

The Securities Commission (SC) is a statutory body that is assigned to monitor and control the issue of securities in Malaysia. As for the employee share option scheme (ESOS), all companies that wish to implement the scheme have to follow the minimum requirements as stipulated by the SC, which include the eligibility of employees, allotment of shares, pricing, time limit and exercise of option. It was found that there were no differences in their conditions for the eligibility of employees, determining the price and time limit, but there were differences among the companies in how shares were offered to employees and the procedures for exercising the share option. This is up to the discretion of the company.

Related to the objectives of implementing the scheme, it was found that the objectives stated by the companies were attitudinal change, to reward their employees, and to educate them. No objective appeared related to improvement of industrial relations in the company. Also, in no case was the introduction of the scheme the subject of bargaining and the scheme operates quite independently of the normal run of industrial relations. There was also no evidence that
the companies introduced the ESOS to diminish the role of the trade unions, as the unions are not strong enough to challenge the company.

One of the more interesting findings was that ESOS was also used to help control and discipline employees, since all companies in this study clearly indicated to employees that the companies reserve the right to suspend the right of exercise for any employee subject to Disciplinary Proceedings, until the employee is cleared of misconduct.

Concerning to how successfully the scheme has achieved the companies' objective, all of the representatives acknowledged that they had no evidence to show the level of achievement, as they had never made any survey to determine the level of the success of the scheme related to the stated objectives. All the companies agreed on the importance of making employees understand about ESOS and its related procedures, as only through employees getting the right information and understanding it could the objectives of implementing ESOS be achieved.

The next chapter will examine the respondents' characteristics and responses to questions about their behaviour and reactions to the scheme, in order to assess whether they have responded, as management would expect.
CHAPTER 7
DATA ANALYSIS AND RESULTS

7.1 Introduction

In the previous chapter the researcher has discussed the nature of the employee share option scheme (ESOS), the management views toward it and how the scheme has been implemented and operated in Malaysia. The current chapter presents the outcome of the empirical survey carried out for this study. It describes the respondents’ demographic characteristics, and analyses their views about the ESOS factors that affected their views and feelings about the effects of the scheme. This chapter also looks into the views of trade unions about the scheme and the perceptions of union and non-union members about trade unions as a result of the scheme. The hypotheses spelt out in Chapter Five are tested. The data in this chapter have been presented in the simplest manner possible. Nevertheless, complete tables and statistical analysis are presented in the appendix when necessary. It should be noted that this chapter focuses on presentation and discussion of the results of this study. More detailed discussion related to the research problems and hypotheses is left to the next chapter.

7.2 The Characteristics of Respondents and Their ESOS Background

Prior to analysing the attitudes and opinions of the respondents, it is important for this study first to have some insight into their demographic characteristics and their related backgrounds and experiences in ESOS. This information is important as reference will be made to it in later discussion, and attempts made to relate it to other findings. First, the respondents’
demographic characteristics and their backgrounds are explained and some related hypotheses are tested. Then the findings are outlined and summarised.

7.2.1 Respondents' Demographic Characteristics

There were 730 respondents representing various categories of employee, drawn from 6 companies that participated in this study. Out of 417 (57 %) were male and 313 (43 %) female. The percentages of male and female respondents are not very dissimilar to those in the work force in Malaysia more generally, where the ratio of male to female is about 1 to 1.

As to age, the largest age-group, 348 (47.7 %) were in the range from 30 to 39 years, followed by 173 (23.7 %) aged from 21 to 29 years, and 165 (22.6 %) between 40 and 49. The data indicates that most of the respondents were within the middle age group; they were neither too junior to be representative, nor approaching retirement age, which is 55 years in Malaysia.

Three major ethnic groups were involved in this study. Of the respondents, 621 (85%) were Malay, 67 (9.1%) were Chinese and 42, (5.9%) Indian. These percentages do not reflect the ethnic composition of the Malaysian population as a whole very accurately: it is 61% Malay, 30 % Chinese, 8% Indian and 1% others. For the purpose of this study, as in Malaysia in general, Malays are classified as Bumiputra while both Chinese, Indians and others are classified as non-Bumiputra (these categories have been officially used in Malaysia as explained in Chapter Five and they will be used for the subsequent analysis in this study). Muslims constituted 86% (628) and only 14% (102) belonged to other religions. In terms of marital status, 82.4% (601) of the respondents were married. Regarding the respondents' length of service, 75% (550) of them had worked more than five years, 18 % (134) between
one to five years and 6% (46) less than one year; thus most of them had worked in their companies over than five years. More than half of the respondents, 60% (434) were educated to SPM/MCE\(^1\) level, 13% (100) each had a diploma and 26% (196) each had a degree or a professional qualification. They were drawn from three major departments, technical, administration and finance departments, with similar proportions from each: approximately 38% (283) technical, 34.2% (250) administration and 30% (197) from the finance departments. Finally, 46% (337) were trade union members and 54% (393) were non-union members. The above data are summarised in Table 7.1 on the next page.

\(^1\) Equivalent qualifications in the United Kingdom: SPM/MCE (Malaysia Certificate of Education) equivalent to GCSE (O Level)
Table 7.1: Background Characteristics of the Survey Respondents

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency (N=730)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>417</td>
<td>57.0</td>
</tr>
<tr>
<td>Female</td>
<td>313</td>
<td>43.0</td>
</tr>
<tr>
<td>2. Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 21</td>
<td>12</td>
<td>1.6</td>
</tr>
<tr>
<td>21 to 29</td>
<td>173</td>
<td>23.7</td>
</tr>
<tr>
<td>30 to 39</td>
<td>348</td>
<td>47.7</td>
</tr>
<tr>
<td>40 to 49</td>
<td>165</td>
<td>22.6</td>
</tr>
<tr>
<td>50 and above</td>
<td>32</td>
<td>4.4</td>
</tr>
<tr>
<td>3. Ethnic group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malay</td>
<td>621</td>
<td>85.0</td>
</tr>
<tr>
<td>Chinese</td>
<td>67</td>
<td>9.1</td>
</tr>
<tr>
<td>Indian</td>
<td>42</td>
<td>5.8</td>
</tr>
<tr>
<td>4. Religion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim</td>
<td>628</td>
<td>86.0</td>
</tr>
<tr>
<td>non Muslim</td>
<td>102</td>
<td>17.6</td>
</tr>
<tr>
<td>5. Marital status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>601</td>
<td>82.4</td>
</tr>
<tr>
<td>Single</td>
<td>129</td>
<td>17.6</td>
</tr>
<tr>
<td>6. Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one</td>
<td>46</td>
<td>6.3</td>
</tr>
<tr>
<td>1 to 5 yrs.</td>
<td>134</td>
<td>18.3</td>
</tr>
<tr>
<td>Above 5</td>
<td>550</td>
<td>75.4</td>
</tr>
<tr>
<td>7. Qualification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Degree/professional</td>
<td>196</td>
<td>26.4</td>
</tr>
<tr>
<td>Diploma</td>
<td>100</td>
<td>13.6</td>
</tr>
<tr>
<td>SPM/MCE</td>
<td>434</td>
<td>60.0</td>
</tr>
<tr>
<td>8. Department</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td>283</td>
<td>38.8</td>
</tr>
<tr>
<td>Admin.</td>
<td>250</td>
<td>34.2</td>
</tr>
<tr>
<td>Finance</td>
<td>197</td>
<td>30.0</td>
</tr>
<tr>
<td>9. Trade Union</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member</td>
<td>337</td>
<td>46.0</td>
</tr>
<tr>
<td>Non member</td>
<td>393</td>
<td>54.0</td>
</tr>
</tbody>
</table>

In general the backgrounds and attributes of the respondents broadly reflected the characteristics of the employed population of Malaysia. Their differences, such as in their ethnic backgrounds are predicted to have bearings on their attitudes, an assumption which is tested in this study. The number of the respondents is also considered sufficiently representative to provide a sound statistical analysis for this research. Next this study will look into the respondents' experience and backgrounds in ESOS.
7.2.2 Employee Share Option Scheme: Respondents' Experience and Background.

This section delineates the respondents' backgrounds and their experiences of ESOS, including their views about ESOS, reasons for participating and not participating in it, numbers of shares owned, whether they owned shares in other companies, government influence, experience of selling shares and their intentions as regards the scheme. This information is essential, to help identify whether there is a relationship between employees' demographic characteristics and their backgrounds and experience in ESOS. Also, the hypotheses as proposed in Chapter Five will be tested using this data.

Of the 730 respondents, 628 (86%) were ESOS participants and 102 (14%) were non-participants. Even though there were 102 (14%) non-participants, the overall majority 664 (91%) of the respondents indicated that they were in favour of ESOS (60% 'very much in favour' and 31% 'fairly in favour' while 38 (5.3%) gave no opinion and the proportion of respondents who said they were not in favour was low: only 28 people (3.7%). Therefore the above data tend to indicate that most of respondents (both participants and non-participants) have a favourable view toward the ESOS (further analysis of other demographic variables versus view toward ESOS is explained in Section 7.3.1). This section then further looks into the respondents' reasons for participating and not participating in the ESOS.

First consideration was given to the reasons why respondents participated in the ESOS. Based on the literature, among the factors that could encourage employees participate in employee share ownership is the attraction of its financial prospect. In this study, the data indicated that 54% (554) of the respondents expected a financial reward from the scheme and 38% (38) treated it as part of their saving. Only 5% (54) considered the scheme as a way of giving employees a voice in the company and 2.4% (16) cited other reasons for joining the scheme.
Those who chose this 'others', further noted that they took the scheme simply because they were given it by the management. Therefore, the findings tend to show that the financial aspect of the scheme (expected financial gain and saving) was the dominant reason that influenced the respondents to participate in ESOS. Other elements such as control, participation and to have a voice in company seemed to matter less to them. This finding appears to show that the respondents react less strongly to the non-financial aspects of ownership than to its financial aspect.

With respect to the respondents' reasons for not participating in the scheme from the employees' responses it was found that out of the total number of non-participants, which was 102, 60% said they did not take the option because they were not entitled to it, 18.6% said that they could not afford it, 10% were not interested, 9% did not know about the scheme and only 3% considered the scheme to be against their religious beliefs. Therefore, 'not entitled to participate' was the answer given by most non-participants for not participating in the scheme. Related to not participating in the scheme, one interesting aspect that the researcher wished to look into is the view of Muslim employees about their reason for not participating in the scheme. As explained in Chapter Five, there are some differences in views among the Muslim scholars about the legality of shares in Islam. These views might affect Muslim employees, specifically the respondents in this study. A related hypothesis that this study wishes to test as explained in chapter six is as follows:

*Hypotheses 1: There is a difference in the view between Muslim employees and non-Muslim employees in their reason for not participating in ESOS.*
The outcome of the Chi-square test indicated that there is no significant association between religion and reason for not taking ESOS (chi square=7.014, df=4, p>0.05). Therefore, the above hypothesis is rejected. It was quite a surprise that 'the religious factor' for not participating was cited by so few respondents. It seemed that only a small percentage of respondents from this sample considered the view that shares are something doubtful in Islam; the researcher had expected that a bigger percentage of Muslim respondents would have chosen this answer. The finding seems to indicate that religious factors do influence respondents' views about their decisions to participate in ESOS. Hence even though there was no significant difference between the groups, this issue needs to be looked into, as most Malaysian is Muslim; therefore, the way they look at the scheme needs to be considered in order for the scheme to succeed. This will be discussed in more detail in the next chapter.

Another interesting aspect is to determine whether the government's initiative in encouraging citizens to participate in shares market had any effect on employees. As has been explained in Chapter Four, the Malaysian government strongly encourages its citizens, particularly the Bumiputra, to involve themselves in companies' equity, and have taken many initiatives to encourage this. This is also part of their strategy to redistribute ownership equity among its population, as the Bumiputra are comparatively left behind by the non-Bumiputra. For example this study showed that forty-two percent of the respondents agreed that that their involvement in the scheme was influenced partly by the government inducement. The difference in view between Bumiputra and non-Bumiputra, and differences related to other demographic variables, will be analysed in a later section.

For the number of shares owned, 298 (40.8%) of respondents owned between one to five lots (one lot =1000 units) of shares, 166 (22.7%) owned between six to 10 lots, 81 (11.2%) owned
between 11 to 16 lots and lastly 82 (11.2%) owned more than 16 lots of shares. Therefore, most of the respondents owned fewer than 10 lots of shares. This was because most of the respondents were from the lower categories of employee. As explained in the earlier chapter, apportionment of shares by companies in this study was based on the category of employees.

About 362 (57%) of the ESOS participants reported that they had sold some or all of their shares. This seems to show that more than half of the respondents have experience in selling shares. However, this does not mean that the long term value of shares was of no interest to employees, as 238 (38%) of the respondents still viewed the scheme as part of their saving. These two percentages showed some consistency with reasons for participating in the ESOS, as stated earlier, where the responses showed that 339 (54%) did so to gain financial reward and 38% considered the scheme as part of their saving.

For future participation in the scheme, most non-participants agreed that they were likely to participate in the ESOS if they were given the opportunity. The data revealed that 68 (67%) agreed that they wished to participate in the scheme, 26 (25.5%) were undecided and only 8 (7.5%) said they would not take up the offer. Comparing the percentage of those who hoped to take part in ESOS in the future, it seems that most of the respondents who were not entitled to participate wished to do so, if given the chance. A summary of the above findings about the respondents' backgrounds and experiences in ESOS are as shown in Table 7.2 on the next page.
Table 7.2: Employees’ ESOS Background

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency N = 730</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ESOS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own shares</td>
<td>628</td>
<td>86.0</td>
</tr>
<tr>
<td>Not own</td>
<td>102</td>
<td>14.0</td>
</tr>
<tr>
<td>2. View of ESOS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very much in favour</td>
<td>436</td>
<td>60.0</td>
</tr>
<tr>
<td>Fairly in favour</td>
<td>228</td>
<td>31.0</td>
</tr>
<tr>
<td>Undecided</td>
<td>38</td>
<td>5.3</td>
</tr>
<tr>
<td>Not in favour</td>
<td>20</td>
<td>2.7</td>
</tr>
<tr>
<td>Not at all in favour</td>
<td>8</td>
<td>1.0</td>
</tr>
<tr>
<td>3. Reason for taking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To have voice in the company</td>
<td>35</td>
<td>5.6</td>
</tr>
<tr>
<td>As part of saving</td>
<td>238</td>
<td>38.0</td>
</tr>
<tr>
<td>To gain financial reward</td>
<td>339</td>
<td>54.0</td>
</tr>
<tr>
<td>Others</td>
<td>16</td>
<td>2.4</td>
</tr>
<tr>
<td>4. Owned shares in other company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>145</td>
<td>19.9</td>
</tr>
<tr>
<td>No</td>
<td>585</td>
<td>80.1</td>
</tr>
<tr>
<td>5. Government inducement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>261</td>
<td>41.6</td>
</tr>
<tr>
<td>No</td>
<td>367</td>
<td>58.4</td>
</tr>
<tr>
<td>6. No of shares owned</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 5 units</td>
<td>298</td>
<td>40.8</td>
</tr>
<tr>
<td>Above 5 to 10 units</td>
<td>166</td>
<td>22.7</td>
</tr>
<tr>
<td>Above 10 to 16 units</td>
<td>81</td>
<td>11.1</td>
</tr>
<tr>
<td>More than 16 units</td>
<td>82</td>
<td>11.2</td>
</tr>
<tr>
<td>7. Ever sold ESOS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>362</td>
<td>57.6</td>
</tr>
<tr>
<td>No</td>
<td>263</td>
<td>41.9</td>
</tr>
<tr>
<td>No answer</td>
<td>3</td>
<td>0.5</td>
</tr>
<tr>
<td>8. Reason for not taking ESOS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Couldn’t afford</td>
<td>19</td>
<td>18.6</td>
</tr>
<tr>
<td>Didn’t know about it</td>
<td>9</td>
<td>9.0</td>
</tr>
<tr>
<td>Not entitled</td>
<td>61</td>
<td>60.0</td>
</tr>
<tr>
<td>Not interested</td>
<td>10</td>
<td>9.4</td>
</tr>
<tr>
<td>Against religious belief</td>
<td>3</td>
<td>3.0</td>
</tr>
<tr>
<td>9. Likely to take ESOS in the future</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>68</td>
<td>67.0</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>7.5</td>
</tr>
<tr>
<td>Undecided</td>
<td>26</td>
<td>25.5</td>
</tr>
</tbody>
</table>

Although the findings from the table look simple and straightforward, the results are revealing, and will be useful to relate with the later part of this study.
7.3 Employee Share Ownership and Demographic Characteristics

This section will identify whether the demographic characteristics of the respondents have any bearing on their experiences and views of ESOS. As Burges (1986) noted, certain demographic variables not only can be substantive areas of investigation themselves but also may influence the relationship with the issue being studied. The demographic characteristics that are considered as the independent variables in this section are:

a) Gender: male, female
b) Ethnic group: Bumiputra, non-Bumiputra
c) Qualification: SPM/MCE, diploma, university
d) Unionist, non unionist
e) Marital status: married, single
f) Department: technical, management, finance

The aspects of ESOS background and experience that are considered as dependent variables are:

a) Attitudes to ESOS
b) Reason for taking ESOS
c) The influence of government on participation in ESOS
d) Reason for not taking ESOS
e) The wish to take ESOS in the future.

Each of the dependent variables above is analysed in relation to the different demographic characteristics. Among the above variables, one, namely, ethnic group, is considered
particularly important to be highlighted, as this is a significant characteristic of Malaysia's multi-ethnic society. Due to the differences in the culture and economic background of the Bumiputra and non-Bumiputra, as explained in Chapter Five the following hypothesis is proposed:

**Hypothesis 2:** There is a difference between the Bumiputra and non-Bumiputra in their degree of favour toward ESOS.

Since most of the data were either nominal or ordinal, cross-tabulations and the chi-square test were used to investigate whether there was any significant relationship between the two variables.

**View of ESOS-Ethnic Group**

The results of the cross-tabulation and chi-square analysis for ethnic group and their attitudes to ESOS were as summarised in Table 7.3 below:

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Very much in Favour (%)</th>
<th>Fairly in favour (%)</th>
<th>No view (%)</th>
<th>Not in favour (%)</th>
<th>Not at all in favour (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bumiputra</td>
<td>61.8</td>
<td>30.1</td>
<td>5.3</td>
<td>2.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Non-bumiputra</td>
<td>47.7</td>
<td>37.6</td>
<td>4.6</td>
<td>6.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Overall</td>
<td>59.7</td>
<td>31.2</td>
<td>5.2</td>
<td>5.2</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>percentages</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Chi-square</strong></td>
<td>18.951</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>df = 4</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Significant</strong></td>
<td>0.001</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

significant at 0.05 level, N = 730

The output of the chi-square test indicated that there is a significant association between Bumiputra and non-Bumiputra employees in their degree of favourability toward ESOS (chi-square=18.591, df=4, p<0.05). The above hypothesis is accepted. From the data above, 91.9%
('very much in favour' plus 'fairly in favour') of Bumiputra and 85.3% of non-Bumiputra showed that they were in favour of ESOS. This indicated that both of the groups were in favour of ESOS. However, a higher percentage of Bumiputra (61.8%) than that of non-Bumiputra (47.7%) agreed that they were very much in favour of ESOS. This result was not expected. The earlier discussion in Chapter Four (Malaysia background) indicated that overall, the non-Bumiputra are more familiar, knowledgeable and own more companies' equity than the Bumiputra. Therefore based on this background, the non-Bumiputra were expected to be more comfortable with and favourable towards ESOS than the Bumiputra. However the above result from the sample shows the opposite. Rather than the non-Bumiputra, it was the Bumiputra who were most favourable toward ESOS. One possible explanation for this outcome could be related to the extent of the existing share holding activities of the different ethnic groups, which will be discussed in detail in the next chapter. This result nevertheless did indicate that ethnic group played a part in influencing respondents' attitudes to ESOS.

In considering how the different demographic variables might be related to differences in ESOS background and experience, the following analysis was conducted. In presenting this analysis, first a summary is provided of the chi-square test for the variables tested, with the significance or otherwise of the relationship indicated. Where the chi-square test indicated that a particular demographic variable was significant, the detailed outcome of the cross tabulation and chi square test is presented to explain the relationship.

7.3.1 View toward Employee Share Ownership by Demographic Characteristics

Table 7.4 displays the results of the chi-square test for significant relationships between the various demographic characteristics and respondents' attitudes to ESOS.
Table 7.4: View toward ESOS by Demographic Characteristics

<table>
<thead>
<tr>
<th>Demographic Variable</th>
<th>Chi-square</th>
<th>df</th>
<th>Significant (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>11.975</td>
<td>4</td>
<td>0.018*</td>
</tr>
<tr>
<td>Ethnic group</td>
<td>18.951</td>
<td>4</td>
<td>0.001*</td>
</tr>
<tr>
<td>Marital status</td>
<td>1.817</td>
<td>3</td>
<td>0.611</td>
</tr>
<tr>
<td>qualification</td>
<td>12.733</td>
<td>8</td>
<td>0.121</td>
</tr>
<tr>
<td>department</td>
<td>14.330</td>
<td>8</td>
<td>0.074</td>
</tr>
<tr>
<td>trade union</td>
<td>2.591</td>
<td>4</td>
<td>0.866</td>
</tr>
</tbody>
</table>

* significant at 0.05 level

The results of the chi-square tests indicated that, in addition to ethnic groups (chi-square=18.951, df=4, p<0.05), gender (chi-square=11.975, df=4, p<0.05) was also significantly related with views toward ESOS.

The nature of the differences for gender is shown in more detail below.

View of ESOS- Gender

Table 7.5 below shows the result of the cross-tabulation and chi-square analysis for gender and views toward ESOS.

Table 7.5 View toward ESOS by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Very much in Favour (%)</th>
<th>Fairly in favour (%)</th>
<th>No view (%)</th>
<th>Not in favour (%)</th>
<th>Not at all in favour (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>65.4</td>
<td>28.5</td>
<td>3.8</td>
<td>1.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Female</td>
<td>53.4</td>
<td>34.8</td>
<td>7.0</td>
<td>3.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Overall</td>
<td>59.7</td>
<td>31.2</td>
<td>5.2</td>
<td>2.7</td>
<td>1.1</td>
</tr>
</tbody>
</table>

percentages
Chi-square = 11.974
df = 4
Significant = 0.018

significant at 0.05 level, N = 730.
The table shows that both male and female respondents were in favour of ESOS. However, in terms of their favourability, a higher percentage of male respondents (65.4%) than of female (53.4%) showed that they were ‘very much in favour’, while the latter were more inclined to be ‘fairly in favour’ (34.8%). This tends to indicate that male respondents were more favourable than female respondents toward the scheme. One of the many possible reasons for this could be related to the culture and the belief of the respondents themselves. In Malaysia it is still generally the case that the man is very much the head of the household. Men are considered the leaders, and have to be responsible for their families, both for their general welfare and for maintaining their families’ economic status. This too is also considered as one of the important aspect in Islamic teaching, which might have influenced the respondents, as most of them were Muslim. Therefore men would naturally be more interested in any scheme that was likely to improve their income. Women’s income, on the other hand, is normally secondary or only complementary to the family income, so this might influence and affect their degree of favour toward the share scheme. Therefore this finding indicated that gender seemed to have influenced the respondents’ view toward ESOS.

7.3.2 Reasons for Taking ESOS by Demographic Characteristics.

Table 8.6 displays the results of the chi-square tests for significant associations between different groups of demographic characteristics and respondents’ reasons for taking ESOS.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Chi-square</th>
<th>df</th>
<th>Significant (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>2.168</td>
<td>3</td>
<td>0.05</td>
</tr>
<tr>
<td>Ethnic group</td>
<td>18.951</td>
<td>3</td>
<td>0.03*</td>
</tr>
<tr>
<td>Marital status</td>
<td>1.817</td>
<td>3</td>
<td>0.611</td>
</tr>
<tr>
<td>qualification</td>
<td>2.182</td>
<td>6</td>
<td>0.902</td>
</tr>
<tr>
<td>department</td>
<td>14.330</td>
<td>8</td>
<td>0.74</td>
</tr>
<tr>
<td>trade union</td>
<td>0.732</td>
<td>3</td>
<td>0.866</td>
</tr>
</tbody>
</table>

* significant at 0.05 level
The above table indicates that only one demographic variable; ethnic group (Chi-square = 18.951, df = 3, p < 0.03) was significantly associated with the reason for taking ESOS. The finding is as explained in detail on the next page:

**Reasons for Taking ESOS-Ethnic Group**

The outcome of the cross-tabulation and chi-square analysis for ethnic group and the reason for taking ESOS is as shown in Table 7.7 on the next page.

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>To have voice (%)</th>
<th>Part of saving (%)</th>
<th>Gain financial reward (%)</th>
<th>Others (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bumiputra</td>
<td>4.5</td>
<td>38.5</td>
<td>54.2</td>
<td>2.8</td>
</tr>
<tr>
<td>Non bumiputra</td>
<td>11.8</td>
<td>34.4</td>
<td>52.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Overall</td>
<td>5.6</td>
<td>37.9</td>
<td>54.0</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Chi-square = 8.977, df = 3, Significant = 0.03

From the data, both Bumiputra and non-Bumiputra gave the financial aspect of the scheme as their main reason for participating in it. The survey found that 54.2% of the Bumiputra and 52.7% of non-Bumiputra expressed that they had chosen the scheme in order to gain financial reward. Also, 38.5% of Bumiputra and 34.4% of non-Bumiputra considered the scheme as part of their saving. The biggest percentage differences between the two groups were related to 'to have a voice in the company'. While 11.8% of non-Bumiputras indicated that this was an objective of theirs in joining the scheme, only 4.5% Bumiputras said so. Even though to have a voice in the company did not concern respondents much, comparatively, non-Bumiputras were more concerned about it than Bumiputras. One possible explanation for this might be related to the nature of the ethnic groups themselves. For the non-Bumiputras, owning shares is an old experience to them and also, financially, they are in a better position than Bumiputras. Therefore, to have a voice in the company is another aspect that might
interest them in the scheme. Since for Bumiputra, shareholding is new to them, they were more concerned about potential financial benefits that the shares could offer; and, hence, other aspects might not attract them as much. Therefore, this finding tends to indicate that there is significant relationship between ethnic group and reason for taking ESOS.

7.3.3 Government Influence

Table 7.8 displays the result of chi-square tests for significant associations between the demographic characteristics and respondents' view of the government's influence in their taking ESOS.

**Table 7.8 The Government Influence in Taking ESOS by Demographic Characteristics**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Chi-square</th>
<th>df</th>
<th>significant (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>0.05</td>
<td>1</td>
<td>0.944</td>
</tr>
<tr>
<td>Ethnic group</td>
<td>1.124</td>
<td>1</td>
<td>0.289</td>
</tr>
<tr>
<td>Marital status</td>
<td>0.021</td>
<td>1</td>
<td>0.844</td>
</tr>
<tr>
<td>qualification</td>
<td>8.675</td>
<td>2</td>
<td>0.013*</td>
</tr>
<tr>
<td>department</td>
<td>1.580</td>
<td>2</td>
<td>0.454</td>
</tr>
<tr>
<td>trade union</td>
<td>3.029</td>
<td>1</td>
<td>0.082</td>
</tr>
</tbody>
</table>

* significant at 0.05 level

The above table indicates that one demographic variable; qualification (chi-square =8.675, df= 1, p<0.05) was significantly associated with the view of government influence in taking ESOS. The detailed outcome is as reported below:

**Government Influence-Qualification**

The results of the cross-tabulation and chi-square analysis for qualification and view about the government's influence were as shown in Table 7.9.
The data showed that quite a high percentage from all the different qualification groups said the government had influenced them in taking ESOS, even though most of them said this was not the case. As the above table shows, 32.1% of those with degrees, 41.0% of those with diplomas and 45.7% of SPM/MCE educated respondents agreed that the government had influenced them to participate in the scheme. Comparing the different levels of qualification, the SPM/MCE level had got the highest percentage (45.7%) of those who agreed, compared to an overall average of 41.6%. This could be related to the knowledge and the degree of understanding about shares itself. In Malaysia, to get a diploma or a degree, one has to undergo formal education at a recognised higher institution or university. Therefore, the chances of being exposed to knowledge about shares, either formally or informally, is higher compared to lower level employees. Based on the above situation rationally the SPM/MCE level is the group which is likely to know the least about shares, compared to the diploma or the degree level people. Hence, ‘government encouragement and inducement’ could be one of the main sources that made less qualified employees understand the scheme and encourage them to participate in it.
7.3.4 Reasons for not taking ESOS

Table 7.10 displays the results of chi-square tests for significant associations between the various demographic characteristics and reasons for not taking ESOS.

**Table 7.10 The Reason for not Taking ESOS by the Demographic Characteristics**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Chi-square</th>
<th>df</th>
<th>significant (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>5.639</td>
<td>4</td>
<td>0.228</td>
</tr>
<tr>
<td>Ethnic group</td>
<td>7.014</td>
<td>4</td>
<td>0.135</td>
</tr>
<tr>
<td>Marital status</td>
<td>15.665</td>
<td>4</td>
<td>0.004*</td>
</tr>
<tr>
<td>Qualification</td>
<td>3.684</td>
<td>8</td>
<td>0.884</td>
</tr>
<tr>
<td>Department</td>
<td>3.420</td>
<td>8</td>
<td>0.905</td>
</tr>
<tr>
<td>Trade union</td>
<td>3.053</td>
<td>4</td>
<td>0.549</td>
</tr>
</tbody>
</table>

The above table indicates that there was only one demographic variable, marital status (chi-square=15.665, df=4, p<0.05) which was significantly associated with the reason for not taking ESOS. The detailed nature of the association is explained below:

**Reason for not Taking ESOS-Marital Status**

The result of the cross-tabulation and chi-square analysis for marital status and reasons for not taking shares is as shown in Table 7.11 below.

**Table 7.11 Reason for not Taking ESOS-Marital Status**

<table>
<thead>
<tr>
<th></th>
<th>Couldn't afford (%)</th>
<th>Didn't know (%)</th>
<th>Not entitled (%)</th>
<th>Not interested (%)</th>
<th>Against religion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>30.6</td>
<td>8.2</td>
<td>42.9</td>
<td>12.2</td>
<td>6.1</td>
</tr>
<tr>
<td>Single</td>
<td>7.5</td>
<td>9.4</td>
<td>75.5</td>
<td>7.5</td>
<td>-</td>
</tr>
<tr>
<td>overall</td>
<td>18.6</td>
<td>8.8</td>
<td>59.8</td>
<td>59.8</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Whilst 75.5% of single employees gave non-entitlement as their reason for not participating in the scheme, for married employees, two common reasons were given; 42.9% of them said
they were not entitled to participate and another 30.6% indicated that they could not afford to participate.

It is expected for single employees to give non-entitlement as their reason for not joining the scheme, as most of them were comparatively young and had only recently joined the company. For married employees there were two main reasons given for not joining the scheme. First they were not entitled to join it. This might be because they had just joined the company (at least one year’s employment in the company is a condition for entitlement to shares), as in Malaysia, moving from one company to another that offers a better salary is common. Second, they could not afford to join. This may reflect that they needed to use what income and capital they had to meet family commitments.

7.3.5 The Likelihood of Taking ESOS in The Future

Table 7.12 displays the results of chi-square tests for significant associations between demographic characteristics and the likelihood of taking ESOS in the future.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Chi-square</th>
<th>df</th>
<th>significant (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>1.352</td>
<td>1</td>
<td>0.509</td>
</tr>
<tr>
<td>Ethnic group</td>
<td>12.812</td>
<td>2</td>
<td>0.02*</td>
</tr>
<tr>
<td>Marital status</td>
<td>5.395</td>
<td>1</td>
<td>0.067</td>
</tr>
<tr>
<td>Qualification</td>
<td>3.554</td>
<td>4</td>
<td>0.470</td>
</tr>
<tr>
<td>Department</td>
<td>1.093</td>
<td>4</td>
<td>0.895</td>
</tr>
<tr>
<td>Trade union</td>
<td>2.475</td>
<td>2</td>
<td>0.290</td>
</tr>
</tbody>
</table>

* significant at 0.05 level

The above table indicates that there was only one variable, Ethnic group (chi-square=12.812, df=2, p<0.05) that was significantly associated with the likelihood of taking ESOS in the future; the difference is explained next.
Likelihood of Taking ESOS in The Future - Ethnic Group

The result of the cross-tabulation and chi-square analysis for ethnic group and their likelihood of taking ESOS in the future is as shown in Table 7.13 below.

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>Undecided (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bumiputra</td>
<td>73.3</td>
<td>7.0</td>
<td>19.8</td>
</tr>
<tr>
<td>Non Bumiputra</td>
<td>29.4</td>
<td>11.8</td>
<td>58.8</td>
</tr>
<tr>
<td>overall</td>
<td>66.0</td>
<td>7.8</td>
<td>26.2</td>
</tr>
</tbody>
</table>

Chi-square = 12.812
df = 2
Significant = 0.02

The above table indicates that 73% of the Bumiputra employees thought that they were likely to take ESOS in the future, compared to only 29.4% of the non-Bumiputra, most of whom (58.8%) were undecided. This finding agreed with the earlier finding that the non-Bumiputra respondents were comparatively less favourably inclined toward ESOS than the Bumiputra.

There are few factors that could be related to above finding. First, it could be linked to the Bumiputra and non-Bumiputra economic background and exposure to shares. As explained earlier, Bumiputra own less equity in companies and also have less experience in dealing with shares compared to the non-Bumiputra. ESOS, therefore, can be considered as an opportunity for Bumiputra to own shares, especially for the lower level employees, but for the non-Bumiputra, owning shares is already common, so they may be less inclined to view ESOS as an opportunity that should not be missed. Second, it could be that the return on the shares is not much, as it depends on how many shares are allocated to each employee. Non-executives are normally given only 1 lot (1000 units) and most of the non-Bumiputra respondents were under this category.
7.3.6 Owning Shares Outside the Company

Table 7.14 displays the results of chi-square tests for significant associations between demographic characteristics and respondents' owning shares in other companies.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Chi-square</th>
<th>df</th>
<th>Significant (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>4.385</td>
<td>1</td>
<td>0.036*</td>
</tr>
<tr>
<td>Ethnic group</td>
<td>28.056</td>
<td>1</td>
<td>0.000*</td>
</tr>
<tr>
<td>Marital status</td>
<td>4.399</td>
<td>1</td>
<td>0.036*</td>
</tr>
<tr>
<td>Qualification</td>
<td>16.143</td>
<td>2</td>
<td>0.000*</td>
</tr>
<tr>
<td>Department</td>
<td>2.870</td>
<td>2</td>
<td>0.238</td>
</tr>
<tr>
<td>Trade union</td>
<td>7.727</td>
<td>1</td>
<td>0.005*</td>
</tr>
</tbody>
</table>

* significant at 0.05 level

The above table indicates that all demographic variables except department were significantly associated with owning shares in other companies. The details are as summarised below.

Owning Share in Other Company-Gender

The results of the cross-tabulation and chi-square analysis for gender and owning shares in other companies are as shown in Table 7.15 below.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>22.5</td>
<td>77.5</td>
</tr>
<tr>
<td>Female</td>
<td>16.3</td>
<td>87.3</td>
</tr>
<tr>
<td>overall percentage</td>
<td>19.9</td>
<td>80.1</td>
</tr>
</tbody>
</table>

Table 7.15 Owning Share in Other Company-Gender

Chi-square = 4.385
df=1
Significant = 0.036
significant at 0.05 level

It was found that 22.5% of male respondents owned shares in other companies, whereas only 16.3% of female respondents did so. This finding complements the earlier finding that male employees were more favourable than female employees toward shares, and may reflect their greater confidence in handling financial matters.
Owning Share in Other Company - Ethnic Group

The results of the cross-tabulation and chi-square analysis for ethnic group and owning shares in other companies are as shown in Table 7.16.

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bumiputra</td>
<td>16.6</td>
<td>83.4</td>
</tr>
<tr>
<td>Non-Bumiputra</td>
<td>38.5</td>
<td>61.5</td>
</tr>
</tbody>
</table>

Overall percentage
Chi-square = 28.056
df = 1
Significant = 0.000

significant at 0.05 level

The results above indicate that 38.5% of non-Bumiputra respondents owned shares outside the company, compared to only 16.6% of Bumiputra respondents. This finding strengthens the earlier argument that non-Bumiputras have been more exposed to shares than Bumiputra respondents. This might also help to explain the earlier findings that the non-Bumiputra felt less favourable and less likely to participate in ESOS, as they are more involved with shares outside their companies and they might also understand the volatility of shares in the share market, which makes them aware of the value of the companies’ share.

Owning Shares in Other Company - Marital Status

The results of the cross-tabulation and chi-square analysis for marital status and owning shares in other companies are as shown in Table 7.17.
Table 7.17 Owning Shares in Other Company - Marital Status

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>15.4</td>
<td>84.6</td>
</tr>
<tr>
<td>Single</td>
<td>23.7</td>
<td>76.3</td>
</tr>
<tr>
<td>overall percentage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chi-square</td>
<td>7.727</td>
<td></td>
</tr>
<tr>
<td>df = 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>0.005</td>
<td></td>
</tr>
</tbody>
</table>

The result above shows that 23.7% of the single employees owned shares in other companies, compared to only 15.4% of married employees. A possible explanation for this is that married employees naturally tend to be more restricted in their investments due to their other financial commitments, compared to single employees. This finding also tends to support the earlier finding, where the married employees indicated that one of their reasons for not taking ESOS was because they could not afford to do so. The single employees, however, seem to have fewer family commitments and more money available for investment, and saw it as a way of saving.

Owning Shares in Other Company - Qualification

The results of the cross tabulation and chi-square analysis for qualification and owning shares in other companies are as shown in Table 7.18.

Table 7.18 Owning Shares in Other Company - Qualification

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree</td>
<td>26.5</td>
<td>73.5</td>
</tr>
<tr>
<td>Diploma</td>
<td>28.0</td>
<td>72.0</td>
</tr>
<tr>
<td>SPM/MCE</td>
<td>15.0</td>
<td>85.0</td>
</tr>
<tr>
<td>Chi-square</td>
<td>16.143</td>
<td></td>
</tr>
<tr>
<td>df = 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

It was found that respondents with the SPM/MCE qualification were the least likely to have invested in other companies; only 15% of SPM/MCE holders had invested in other companies, compared to 28% of diploma holders and 26.5% of degree holders. One possible
explanation for this is that the SPM/MCE group had lower incomes and so were more financially restricted and less capable of investing in other shares.

**Owning Share in Other Company - Trade union**

The results of the cross-tabulation and chi-square analysis for trade union and owning shares in other companies are as shown in Table 7.19.

<table>
<thead>
<tr>
<th>Trade union</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>union</td>
<td>15.4</td>
<td>84.6</td>
</tr>
<tr>
<td>non union</td>
<td>23.7</td>
<td>73.3</td>
</tr>
<tr>
<td>overall percentage</td>
<td>19.9</td>
<td>80.1</td>
</tr>
</tbody>
</table>

Chi-square = 7.727  
**df** = 1  
**Significant** = 0.005

The survey found that 23.7% of non-unionists owned shares in other companies, compared to only 15.4% of trade unionists. This outcome could be explained in a number of ways, such as the nature of the membership of the trade union itself. As reported earlier, most of the trade union members were lower category employees, whereas the non-union members included both the lower level and management level. The lower level employees would be more restricted in their investment, due to their lower incomes. Another reason could be that there is a direct but negative link between trade union membership and share ownership as people who join a trade union are ideologically less inclined to own shares and are more committed to egalitarianism. However, in fact, in a later part of the analysis, it is shown that trade unionists showed much interest in owning shares; therefore one must guess that the difference here is not explained by union members' opposition to the scheme, but that it has more to do with their financial commitments.
Overall, these findings support the proposition that the demographic characteristics of respondents tend to affect their views of ESOS.

Table 7.20 below summarises the empirical findings regarding the associations between demographic variables and respondents’ views and experience in ESOS, as found above.

<table>
<thead>
<tr>
<th>Subjects</th>
<th>Esoview</th>
<th>Esoreasnl</th>
<th>Othshare</th>
<th>Govtinfl</th>
<th>Reanotake</th>
<th>Futesos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>✓</td>
<td>X</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Ethnic group</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>✓</td>
</tr>
<tr>
<td>Marital status</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Qualification</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Department</td>
<td>x</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Trade union</td>
<td>X</td>
<td>X</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

(✓) significant, (X) not significant.


The next section will consider ESOS participants’ and non-participants’ work- and company-related attitudes.

### 7.4 Work- and Company-Related Attitudes

This section explores the workers’ attitude to their firms and workplaces. This was done to see if there were differences in this respect between ESOS participants and non-participants.

As Rosen et al. (1986) pointed out, researchers of employee share ownership often assumed that any positive effects of ESO schemes are caused by changes in employee attitudes. Even though there are other possible measures that are sometimes used to assess the success of a scheme such as looking at a company’s profitability or productivity, however, they noted that...
using profitability and productivity could be very tricky, as isolating the cause of a company’s financial success is extremely difficult. It would involve accessing the records of companies and there is a potential problem that different companies may use different systems. So it was felt that the most practical way to determine the success of the scheme in this study would be by determining the perceived changes in the participants. This is done by first comparing the ESOS participants and non-participants.

In order to test the outcome, 20 short statements were tested by using a five point scale ranging from 1 to 5, where 1 represents ‘strongly disagree’ and 5 represents ‘very strongly agree’ as shown in section B in the questionnaire (refer to appendix 1).

As explained in the research methodology earlier, the 20 related questions were classified into 4 different groups as stated below:

a) Positive attitude toward company and the workplace (POSCOM)
b) Satisfaction with what the company offers (SATICOM)
c) Employee work attitude (WORKATT)
d) Intention to leave the company (BADCOM)

As the objective of this study was to look at the employees themselves, therefore the unit of analysis was the employees instead of the companies. Furthermore, as stated in the last chapter, there was not much variation in the practices of ESOS among the companies involved in this study, as they basically have to follow the guidelines prescribed by the Malaysia Securities Commission.
Even though the unit of analysis for this study is the employees themselves, for the POSCOM, SATISCOM and the BADCOM, it was necessary to segregate the employees based on their companies. As the three variables above tested how employees viewed their own companies, so their identities with their companies needed to be maintained. However, for the WORKATT, the employees are combined, as this is a general question about employees’ work attitude that researcher seeks to identify and the identity of their companies not needed to be maintained.

In this analysis, inferential statistics will be presented to determine if there are any significant mean differences between ESOS participants and non-participants in their perceptions toward the above variables. The results of the hypothesis-testing for the above variables will be presented to verify their relationships. Then, to view further the four different variables between companies, a general description will be given of how the employees responded to statements related to the variables above.

7.4.1 The Positive Feeling toward the Company (POSCOM)

This section considers how employees in general and the ESOS participants and non-participants in particular viewed the positive feeling toward their companies. As stated above, the analysis considers, first, whether there is any significant mean differences between ESOS participants and non-participants in each company, then how all the respondents differ between companies.

One of the hypotheses to be tested in this section, as stated in chapter six is as follows;

Hypothesis 3
The employee shareholders (ESOS participants) have a better perception towards their companies than the non-shareholders.

The details of the statements grouped under POSCOM are as shown in Table 7.22 below.

Factor analysis showed that all these statements were under one single factor (refer to Appendix 3). T-tests were conducted to determine whether there were any significant mean differences between ESOS participants and non-participants in each of the companies for the POSCOM. The output of the test indicated that there was no significant mean difference between the two groups (refer Table 7.21).

**Table 7.21: The T-test for POSCOM for Participant and Non-Participant-by Company**

<table>
<thead>
<tr>
<th>Company</th>
<th>T-value</th>
<th>Significant</th>
<th>Participants Mean</th>
<th>S.D</th>
<th>Non-participants Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1.840</td>
<td>p=0.06</td>
<td>3.592</td>
<td>0.582</td>
<td>3.187</td>
<td>1.091</td>
</tr>
<tr>
<td>B</td>
<td>0.926</td>
<td>p=0.35</td>
<td>3.864</td>
<td>0.464</td>
<td>3.945</td>
<td>0.489</td>
</tr>
<tr>
<td>C</td>
<td>-0.546</td>
<td>p=0.38</td>
<td>3.723</td>
<td>0.469</td>
<td>3.812</td>
<td>0.509</td>
</tr>
<tr>
<td>D</td>
<td>1.078</td>
<td>p=0.28</td>
<td>3.785</td>
<td>0.556</td>
<td>3.973</td>
<td>0.602</td>
</tr>
<tr>
<td>E</td>
<td>0.134</td>
<td>p=0.89</td>
<td>3.683</td>
<td>0.556</td>
<td>3.661</td>
<td>0.562</td>
</tr>
<tr>
<td>F</td>
<td>1.901</td>
<td>p=0.62</td>
<td>3.721</td>
<td>0.561</td>
<td>3.401</td>
<td>0.671</td>
</tr>
</tbody>
</table>

Significant at 0.05 level

The above hypothesis therefore is not supported. Nevertheless the means for both ESOS participants and non-participants as shown in the table above tended to show agreement toward POSCOM. How the respondents as a whole differed between companies, in their views toward the statement grouped under POSCOM, is summarised in Table 7.22 below.

Table 7.22 shows the differences and the similarities in ‘agree’ and ‘strongly agree’ responses between the six companies.
Table 7.22: The Positive Aspect of the Company (POSOM)
(Percentage of agreeing and strongly agreeing with each statement)

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. morale is generally good in this company</td>
<td>64.8</td>
<td>82</td>
<td>71.2</td>
<td>73.3</td>
<td>69</td>
<td>55.1</td>
</tr>
<tr>
<td>2. This is a friendly place to work</td>
<td>79.8</td>
<td>83</td>
<td>82.3</td>
<td>75.5</td>
<td>86.2</td>
<td>79.3</td>
</tr>
<tr>
<td>3. We have a good team spirit here</td>
<td>69.4</td>
<td>81</td>
<td>75.9</td>
<td>70.2</td>
<td>79.3</td>
<td>65.5</td>
</tr>
<tr>
<td>4. If a problem crops up at work in this company it's easy to get it sorted out</td>
<td>42.5</td>
<td>57.3</td>
<td>47.8</td>
<td>66.7</td>
<td>43.1</td>
<td>44.9</td>
</tr>
<tr>
<td>5. Working for this firm really make me want to try to do my job the best it can possibly be done.</td>
<td>63.2</td>
<td>88.6</td>
<td>79</td>
<td>77.2</td>
<td>63.7</td>
<td>81</td>
</tr>
<tr>
<td>6. Overall, this company is a good place to work for</td>
<td>71.5</td>
<td>88.6</td>
<td>84.3</td>
<td>82.4</td>
<td>81</td>
<td>74.1</td>
</tr>
</tbody>
</table>

Interestingly, a common pattern was found across all the companies. Though scores differed slightly from company to company, the survey found that employees tended to agree with certain items and to disagree with others.

Most of the companies had a high percentage of agree (agree and strongly agree) to statements 1, 2 and 3 which were generally concerned with the friendly environment in the company (the questionnaire numbers are not in the original order as in the questionnaire). However, there was a drop in the percentages of agree responses for statement 4, concerning how easily problems are sorted out in the companies. The same trend emerged for all companies, with the statement meeting with agreement from approximately 50 percent of employees (slightly higher for company B and D).

Overall, as shown in statements five and six, employees agreed that their companies were good places to work and they felt that they really wanted to do their best for their companies.
Next, this study will look into the perceptions of ESOS participants and non-participants toward what their companies have given them.

7.4.2 Satisfaction with the Company (SATISCOM)

The hypothesis proposed is as follows:

_Hypothesis 4:_ The ESOS participants show more satisfaction than the non-participants in their perception toward the benefit the company offer to employees.

The details of the statements grouped under SATISCOM are as shown in Table 7.24. Factor analysis showed that all these statements were under one single factor (refer to appendix 4).

The output of the T-test for each of the companies indicated that there were no significant mean differences between the participants and non-participants of ESOS in their views about their satisfaction with their companies (refer Table 7.23).

<table>
<thead>
<tr>
<th>Company</th>
<th>T-value</th>
<th>Significant</th>
<th>Participants Mean</th>
<th>S.D</th>
<th>Non-participant Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>0.895</td>
<td>p=0.372</td>
<td>3.114</td>
<td>0.720</td>
<td>2.875</td>
<td>1.180</td>
</tr>
<tr>
<td>B</td>
<td>-0.074</td>
<td>p=0.949</td>
<td>3.860</td>
<td>0.546</td>
<td>3.867</td>
<td>0.512</td>
</tr>
<tr>
<td>C</td>
<td>-0.746</td>
<td>p=0.457</td>
<td>3.491</td>
<td>0.650</td>
<td>3.650</td>
<td>0.648</td>
</tr>
<tr>
<td>D</td>
<td>-0.292</td>
<td>p=0.772</td>
<td>3.788</td>
<td>0.684</td>
<td>3.803</td>
<td>0.850</td>
</tr>
<tr>
<td>E</td>
<td>-0.073</td>
<td>p=0.942</td>
<td>3.280</td>
<td>0.800</td>
<td>3.264</td>
<td>0.582</td>
</tr>
<tr>
<td>F</td>
<td>3.672</td>
<td>p=0.051</td>
<td>3.603</td>
<td>0.656</td>
<td>3.492</td>
<td>0.967</td>
</tr>
</tbody>
</table>

This result tends to show that the element of ESOS did not appear to make ESOS participants more satisfied than non-participants with their companies. Therefore, the above hypothesis is rejected. Nevertheless the mean for both ESOS participants and non-participants tend to show agreement toward SATISCOM.
In addition, respondents from the different companies were analysed to compare how they viewed what their companies have given them. Table 7.24 gives the percentages of agree (agree and strongly agree) of the employees from the six different companies.

Table 7.24 Satisfaction with Company (SATISCOM)
(Percentage of agreeing/strongly agreeing with each statement)

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The firms pay pretty well</td>
<td>26.4</td>
<td>82</td>
<td>47.7</td>
<td>61.3</td>
<td>46.5</td>
<td>44.8</td>
</tr>
<tr>
<td>2. The firm look after its workers well</td>
<td>31.1</td>
<td>74.9</td>
<td>66</td>
<td>64.9</td>
<td>44.8</td>
<td>53.4</td>
</tr>
<tr>
<td>3. Considering my skill and the effort I put into my work I am satisfied with the benefit the firm give</td>
<td>38.9</td>
<td>70.2</td>
<td>43.8</td>
<td>61.4</td>
<td>46.5</td>
<td>41.4</td>
</tr>
<tr>
<td>4. I feel loyalty to the firm</td>
<td>69.4</td>
<td>89.1</td>
<td>79.7</td>
<td>87.7</td>
<td>67.2</td>
<td>79.3</td>
</tr>
</tbody>
</table>

Considering the table above, there were some variations in the percentages of answers to the statements, among the companies. It seems that company B had the highest percentage of employees agreeing with the first three statements (i.e. 82%, 74.9%, and 70.2%). Company A consistently had the lowest number of employees responding with agreement (26.4%, 31.1% and 38.9%). Even though there were some variations among the companies, overall, most of the respondents felt loyal to their companies, as all the companies got agreement of nearly 70% or more to statement four, which indicated their loyalty to the companies.

Next, this study tested the respondents' attitudes to work.

7.4.3 Employees' Attitude to Work (WORKATT)

The hypothesised effect of employee share ownership upon motivation is the reason cited by most advocates for supporting employee share ownership (Kruse 1984). Based upon this assumption, this study explored the association of ESOS with employee motivation, as identified below.

**Hypothesis 6:** The ESOS participants are more motivated than non-participants in their jobs.
The details of the statements grouped under WORKATT are as shown in Table 7.25. Factor analysis showed that all these statements were under one single factor (refer to appendix 5). To verify the hypothesis, a comparison between ESOS participants and non-participants was made. T-tests was conducted for statement representing WORKATT, to determine whether there was any significant differences between ESOS participants and non-participants. The output of the test showed that there was no significant mean differences between them (T=0.427, p>0.05). Therefore the above hypothesis is rejected. However the mean scores for both ESOS participants (M=4.1813, SD=0.431) and non-participants (M=4.1611, SD=0.518) seem to show that they had positive attitudes toward their work and company. Table 7.25 shows how the total sample of respondents responded to the statements related to attitude toward work.

<table>
<thead>
<tr>
<th>Table 7.25 Employees Value about Work (total sample)</th>
</tr>
</thead>
<tbody>
<tr>
<td>level of agree* (%)</td>
</tr>
<tr>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>1. Doing my job well gives me a lot of personal satisfaction.</td>
</tr>
<tr>
<td>2. I feel bad when I make mistakes in my work.</td>
</tr>
<tr>
<td>3. My job is more important to me than just money.</td>
</tr>
<tr>
<td>4. I am really interested in my work.</td>
</tr>
<tr>
<td>5. When some workers are not putting much effort into their job, other workers should encourage them to work harder.</td>
</tr>
<tr>
<td>6. It is important for an employee to feel a part of the company.</td>
</tr>
<tr>
<td>7. I would like more responsibility in my work.</td>
</tr>
</tbody>
</table>


As indicated in the above table, generally employees had a positive attitude toward work. Statements 1, 2, 4, 5, 6 which showed respondents' individual attitude toward work obtained more than 85% agreement (agree and strongly agree). Statement three, which shows work is more important than just money and statement seven, which indicated that employees wanted
more responsibility in their work, received a lower percentage of agreement 63.9% and 66.4% respectively. These two statements got the highest 'no view' scores, which were 17.1% for statement three and 25.6% for statement seven, while the rest of the statements got less than 10% for 'no view'.

As regards the choice for disagreement, statement three obtained the highest score, i.e. 19%, whereas all other statements, received less than 10%. This tends to indicate that money plays an important role in determining employees' attitude toward their jobs. This finding seem to support the earlier view that money is one of the most important elements for employees, and that it attracted them to.

7.4.4 Intention to Leave the Company (BADCOM)

The hypothesis proposed is as follows:

_Hypothesis 7: ESOS will make its participants wish to stay longer with the company compared to non-participants._

The details of the statements grouped under BADCOM are as shown in Table 7.27A. Factor analysis showed that all these statements were under one single factor (refer to appendix 6). T-tests were conducted to determine if there were any significant mean differences between the ESOS participants and non participants from the different participating companies in their intention to leave their companies. The output of the test revealed that there were no significant mean differences between ESOS participants and non-participants within the companies involved in this study (refer Table 7.26).
Table 7.26: The T-test for BADCOM for Participant and Non-participant by Company

<table>
<thead>
<tr>
<th>Company</th>
<th>T-value</th>
<th>Significant</th>
<th>Mean</th>
<th>S.D</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>-0.996</td>
<td>0.321</td>
<td>2.840</td>
<td>0.645</td>
<td>3.075</td>
<td>0.848</td>
</tr>
<tr>
<td>B</td>
<td>-1.424</td>
<td>0.156</td>
<td>2.578</td>
<td>0.656</td>
<td>2.752</td>
<td>0.638</td>
</tr>
<tr>
<td>C</td>
<td>-0.347</td>
<td>0.729</td>
<td>2.632</td>
<td>0.601</td>
<td>2.700</td>
<td>0.535</td>
</tr>
<tr>
<td>D</td>
<td>-0.019</td>
<td>0.985</td>
<td>2.581</td>
<td>0.731</td>
<td>2.585</td>
<td>0.792</td>
</tr>
<tr>
<td>E</td>
<td>0.683</td>
<td>0.498</td>
<td>2.868</td>
<td>0.636</td>
<td>2.752</td>
<td>0.433</td>
</tr>
<tr>
<td>F</td>
<td>-0.730</td>
<td>0.468</td>
<td>2.851</td>
<td>0.553</td>
<td>2.968</td>
<td>0.612</td>
</tr>
</tbody>
</table>

significant at 0.05 level

Therefore, this finding leads to rejection of the hypothesis that there would be differences between ESOS participants and non-participants in their intention to stay in the company. However, the means for both ESOS participants and non-participants tended to show disagreement toward BADCOM. Three tables that compare how respondents from the six different companies viewed the possibility of leaving their companies are presented in Table 7.27A. These three tables are purposely presented to facilitate comparison between the respondents’ answers, that is, strongly agree/agree, no view, disagree/strongly disagree.

Table 7.27A Percentage of Respondents Agree/Strongly Agree in Their Intention to Leave the Company (BADCOM)

<table>
<thead>
<tr>
<th>1. I would not hesitate if I want to leave this firm</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17.1</td>
<td>14.7</td>
<td>15.7</td>
<td>19.3</td>
<td>19.0</td>
<td>27.6</td>
</tr>
<tr>
<td>2. If I were offered a similar job with another firm at a slight increase in pay, I would take it</td>
<td>14.5</td>
<td>11.9</td>
<td>12.4</td>
<td>8.8</td>
<td>8.6</td>
<td>31.1</td>
</tr>
<tr>
<td>3. If I were offered a similar job with another firm for a large increase in pay, I would take it</td>
<td>57.6</td>
<td>51.2</td>
<td>48.4</td>
<td>59.6</td>
<td>79.3</td>
<td>67.2</td>
</tr>
</tbody>
</table>

The table above shows low percentages of agreement with statements that show intention to leave the companies for all the six companies. In order to clarify further and to make an easy comparison, the next two tables below will differentiate the two other categories of answer, i.e. ‘no view’ and ‘disagree/strongly disagree’.
Table 7.27B Percentage of Respondents Having ‘No View’ in Their Intention to Leave the Company (BACOM)

<table>
<thead>
<tr>
<th>Statement</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I would not hesitate if I want to leave this firm</td>
<td>35.8</td>
<td>26.5</td>
<td>32.0</td>
<td>26.3</td>
<td>39.7</td>
<td>29.3</td>
</tr>
<tr>
<td>2. If I were offered a similar job with another firm at a slight increase in pay, I would take it</td>
<td>29.5</td>
<td>28.4</td>
<td>28.1</td>
<td>15.8</td>
<td>29.3</td>
<td>22.4</td>
</tr>
<tr>
<td>3. If I were offered a similar job with another firm for a large increase in pay, I would take it</td>
<td>24.9</td>
<td>26.1</td>
<td>34.0</td>
<td>24.6</td>
<td>12.1</td>
<td>15.5</td>
</tr>
</tbody>
</table>

Table 7.27C Percentage of Respondents Disagreeing/ Strongly Disagreeing in Their Intention to Leave the Company (BADCOM)

<table>
<thead>
<tr>
<th>Statement</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I would not hesitate if I want to leave this firm</td>
<td>47.1</td>
<td>58.7</td>
<td>52.3</td>
<td>54.4</td>
<td>55.2</td>
<td>43.1</td>
</tr>
<tr>
<td>2. If I were offered a similar job with another firm at a slight increase in pay, I would take it</td>
<td>56.0</td>
<td>59.7</td>
<td>59.5</td>
<td>75.5</td>
<td>62.1</td>
<td>47.5</td>
</tr>
<tr>
<td>3. If I were offered a similar job with another firm for a large increase in pay, I would take it</td>
<td>17.6</td>
<td>22.7</td>
<td>27.7</td>
<td>15.8</td>
<td>8.6</td>
<td>17.2</td>
</tr>
</tbody>
</table>

The first two statements of Table 7.27A that indicated respondents' intention to leave the companies, shows almost all the companies had a very low percentage, i.e. under 20% agreement (agree and strongly agree) except for the last statement, which indicated that employees would leave their companies without hesitation only if they were offered large increases in pay by other companies. When comparing Table 7.27B, which shows the percentage of ‘no view’ responses, with Table 7.27C, which indicates the percentages of respondents who disagree (disagreed and strongly disagreed) with the statements, the data show that the percentage of disagreement was higher than that of ‘no view’. The results therefore generally indicate that most of the respondents tended to have the feeling that they would not leave their company unless they could get much better pay from another company.

The above finding supports the earlier finding related to two statements of the POSCOM, where more than 65% of the respondents from each company said that they felt loyalty to their company and also more than 70% of them believed their company to be a good place to work.
7.5 The View of ESOS Participants toward ESOS Variables

This part of study concerns only the ESOS participants and looks more deeply at their opinions and understanding of ESOS. It also considers whether the respondents' demographic characteristics influenced their beliefs and views about the scheme.

There were five ESOS variables to be tested in determining the participants' opinion and understanding of the scheme. The related variables were as follows:

a) Employees' Opinion about ESOS which include:
   - Positive opinion (ESOSP)
   - Negative opinion (ESOSN)

b) Employees' understanding of the company objective in ESOS (COMOBJ)

c) The understanding of the ESOS scheme by employees (UNDERESOS)

d) Information about ESOS (ESOSINFO)

A descriptive analysis is presented for each group of statements to see how the shareholding employees responded toward them.

7.5.1 Opinion about ESOS:

Two groups of opinion statements are examined in this section: positive and negative opinions of the ESOS. The positive aspect summarised what the respondents believed to be the good points of ESOS. The negative aspect is related to the possible weaknesses of the scheme. Both the positive and the negative statements were extracted from the work of Dewe and Richardson (1988).
The two different groups of statements were originally mixed up in the questionnaire to reduce the risk of respondents developing fixed response patterns. However, the statements were later separated, to facilitate analysis.

7.5.1.1 Positive Opinions of ESOS (ESOSP)

Factor analysis conducted seem to show that all the statements in Table 7.28 that represent the positive statements about ESOS (ESOSP) are under a single factor (refer to appendix 7). Table 7.28 showed the percentages of responses disagreed and agreed with the statements. They are arranged from the statement that got the highest percentage of agree to the lowest percentage.

Table 7.28 The Respondents View about the Positive Aspects of ESOS (%).

<table>
<thead>
<tr>
<th>Statement</th>
<th>Disagree</th>
<th>Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. It is the right of workers to own shares in the company</td>
<td>5.0</td>
<td>95.0</td>
</tr>
<tr>
<td>2. ESOS make employees feel more a part of the Company</td>
<td>8.5</td>
<td>91.5</td>
</tr>
<tr>
<td>3. ESOS make employees take greater interest in the profit and financial results of the company</td>
<td>9.2</td>
<td>90.8</td>
</tr>
<tr>
<td>4. ESOS make employees feel that employees should share the profits and loses of the company</td>
<td>14.1</td>
<td>85.9</td>
</tr>
<tr>
<td>5. ESOS strengthen people’s loyalty to their firm</td>
<td>15.1</td>
<td>84.9</td>
</tr>
<tr>
<td>6. ESOS create a better atmosphere in the firm</td>
<td>14.0</td>
<td>86.0</td>
</tr>
<tr>
<td>7. ESOS helps to make the company more successful</td>
<td>12.6</td>
<td>87.4</td>
</tr>
<tr>
<td>8. ESOS make people work harder</td>
<td>20.3</td>
<td>79.7</td>
</tr>
<tr>
<td>9. ESOS help to build up greater team spirit among employees</td>
<td>20.9</td>
<td>79.1</td>
</tr>
<tr>
<td>10. ESOS give employees more influence as shareholders</td>
<td>21.2</td>
<td>78.8</td>
</tr>
<tr>
<td>11. ESOS make people more conscious of waste</td>
<td>24.5</td>
<td>75.5</td>
</tr>
<tr>
<td>12. ESOS reduce feelings of ‘them and us’ between management and employees</td>
<td>28.6</td>
<td>71.4</td>
</tr>
</tbody>
</table>
The survey found that overall, most of the statements met with agreement from employees. Three statements (1, 2 and 3) achieved above 90%, four statements (4, 5, 6 and 7) achieved more than 80%, and the rest got more than 70% of agreement by employees.

Statement one, which had the highest percentage (95%) of agreement from the respondents, indicated the right of the worker to own shares in the company. This suggested that share ownership is in itself important to the employees. In other words, ESOS for employees was not just about expected financial gain but there was also an element of having a stake in the company. In support of this view, it was found that approximately 91.5% of employees agreed that ESOS has made them feel more a part of the company (refer to statement two).

Statement 12, which stated that ESOS reduces the feeling of a ‘them and us’ attitude, received the lowest percentage (71.4%) of agreement from the respondents. This finding is somewhat inconsistent with that on the feeling of being part of the company, which was agreed by approximately 91.5% of respondents. Normally it is expected that the feeling of being part of the company should go together with a decrease in the feeling that a ‘them and us’ attitude prevails.

There are various possible explanations for this outcome: First, the feeling of ‘them and us’ may be partly being influenced by the Malaysian culture. As explained earlier, Malaysia is a country with a high power distance, where the gap in the relationship between superior and subordinate is still accepted and also needed. It is needed so as to formalise the relationship between the superior and subordinate, in order to make the operations in the company smooth, e.g. for easy giving of commands and orders. Secondly, it might be due to uncertainty in the meaning of the term ‘them and us’ or it could be that the statement is so general, that
respondents were not very interested in it especially as 28.6% of the respondents gave no view for this statement.

From the finding above, there are two practical effects of the scheme that could be deduced from respondents' views, which are; first, the perceived effect of the scheme on the respondents, and second, the perceive effect of the scheme on the company.

With respect to the perceived effect of ESOS on employees, a high percentage of the respondents related ESOS to the employees' awareness and interest in the financial aspect of the company. As indicated, 90.8 % of employees agreed that ESOS made employees take greater interest in the profit and financial results of the company (statement three), while 85.9% thought ESOS made employees feel that they should share the profit and losses of the company (statement four). Comparatively, a lower percentage of the respondents believed that ESOS had changed their attitude toward their work. As the data show, 79.7% of the respondents agreed that ESOS made them work harder (statement eight), 75.5 % agreed that ESOS made them more conscious of waste (statement 11), and 79.1 % agreed it created greater team spirit among them (statement nine).

With respect to the perceive effect of the ESOS on companies, most of the respondents believed that ESOS brings some positive results to the companies, as 87.4% of the respondents agreed that ESOS could help make their company more successful, 86% of them agreed that ESOS created a better atmosphere in the firm, and finally 84.9 % agreed that ESOS strengthen people’s loyalty to the firm.
Overall, the above findings tend to show that the majority of respondents had a positive view toward ESOS. However, their level of agreement with the positive aspect of ESOS could be divided into three different categories. First, the respondents tended to agree the most with the view that ESOS has created financial awareness in them. Second, they tended to agree that ESOS could bring positive results for the company and finally, they agreed but to a lesser extent that ESOS has improved their work attitude and instilled the feeling of togetherness in their company.

7.5.1.2 Negative Opinions of ESOS (ESOSN)

To check the consistency of employees' opinions, several negative statements about ESOS were put to the respondents. Factor analysis conducted seems to show that all the statements in Table 7.29 that represent the negative statements about ESOS are under a single factor (refer to appendix 8). The Table also indicates the percentages of the respondents who agreed or disagreed with the statements.

<table>
<thead>
<tr>
<th>Table 7.29 The Negative Aspects of ESOS (%)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ESOS is very difficult to understand</td>
<td>8.6</td>
<td>35.3</td>
<td>35.1</td>
<td>17.1</td>
<td>3.8</td>
<td>2.72</td>
</tr>
<tr>
<td>2. It's difficult to keep up the monthly payment to pay back the money borrowed to buy ESOS.</td>
<td>3.7</td>
<td>23.3</td>
<td>25.8</td>
<td>37.9</td>
<td>9.3</td>
<td>3.26</td>
</tr>
<tr>
<td>3. ESOS try to tie employee down to one employer</td>
<td>3.8</td>
<td>19.5</td>
<td>25.3</td>
<td>40.3</td>
<td>11.1</td>
<td>3.35</td>
</tr>
<tr>
<td>4. ESOS give a better deal to the company than to the worker</td>
<td>3.2</td>
<td>22.5</td>
<td>38.5</td>
<td>28.8</td>
<td>7.1</td>
<td>3.15</td>
</tr>
<tr>
<td>5. ESOS puts pressure on workers to do what is good for the company rather than what is good for themselves</td>
<td>6.4</td>
<td>34.0</td>
<td>39.6</td>
<td>17.7</td>
<td>2.3</td>
<td>2.75</td>
</tr>
<tr>
<td>6. No matter how hard you work, you cannot effect the share price</td>
<td>6.4</td>
<td>22.1</td>
<td>25.8</td>
<td>34.1</td>
<td>11.6</td>
<td>3.22</td>
</tr>
</tbody>
</table>

The scale of the measurement is range from 1 for strongly disagree to 5 for strongly agree.

As the above table shows, the respondents expressed less agreement with the suggested negative aspect of ESOS than they had toward its good points, though it indicates a
substantial level of uncertainty among the respondents, as more than 25 percent gave ‘no view’ as their answer to all the statements.

Statement three that suggests ESOS tries to tie down employees to one company, received the highest percentage of agreement from respondents, with 51.4% (‘agree’ plus ‘strongly agree’). Of course, the idea of being tied down as indicated would not be negative, or a point of concern to those who are content to stay with the company. Statements two and six received more than 40% of agreement from employees. In statement two respondents expressed their difficulty in paying back money that they had borrowed to participate in ESOS. In Malaysia, companies commonly arrange loans to their employees to help them to take up the option. The element of paying back those loans appeared to be problematic. However, this study did not look in detail at the procedure for paying back, nor did it ask for the respondents’ opinions about why they felt this way. Statement six, which met with agreement from 45.7% of respondents, indicated that they realised no matter hard they worked, they could not determine the share price. The respondents would have experienced this disadvantage because at the time this survey was conducted, companies in Malaysia were having problems due to the financial crisis in Asia when most shares depreciated in value. The remaining statements met with approximately 20% agreement.

From the perspective of companies there were two statements that suggested the advantages of ESOS to company. The statements were statement three (51.4%) which stated, ‘ESOS try to tie employee down to one employer’ and statement four (35.9%) that indicated ‘ESOS give a better deal to the company than to the employees’. However when they were asked if ESOS has put pressure on them to do what is good for the company rather than what is good for
themselves, only 20% of respondents agreed, 39.6% gave ‘no view’ and 40.4% percent said that they disagreed.

In general, it seemed that employees were favourably disposed toward ESOS. They clearly agreed more with the good points than the bad points of the scheme, although the balance of opinion between agreed, no view and disagreed, suggests that the respondents found difficulty in expressing their opinion about the bad points of the scheme. The findings also indicated that the respondents believed that companies and employees all benefited from the scheme and there was no strong feeling among respondents that either the companies or the workers got the better deal.

7.5.2 Communication and Information of ESOS (ESOSINFO)

This section turns to employees' perception toward the ESOS information as given to them by the companies. Using suitable channels and giving correct information about ESOS to employees are essential for the success of the scheme, as the effect of the scheme on participants might depend on the correct information that has reached them. If employees do not understand the scheme, they would be less likely to be motivated by it. In the previous chapter (Chapter Six) it was shown that some considerable efforts have been made by the companies to inform employees about ESOS. This section on the other hand considers how respondents themselves viewed the availability of the information and the effectiveness of the communication as given by the company.

Table 7.30 indicates how the respondents responded to the statements about their awareness of ESOS information. Factor analysis conducted seems to show that all the statements in Table 7.30 are under a single factor that seek to determine the relationship between information on employee share ownership and the respondents (refer to appendix 9).
For analysis the statements were divided into three categories. The first was concerned with the availability of information (statement one). The second category was concerned with whether the respondents had taken the trouble to read it (statement two) and the final category determined whether they had understood the information provided (statements three and four). The statements were negatively worded, except for statement four. The data showed that approximately 60% of respondents disagreed with the negatively worded statements, and a similar percentage agreed with the positively worded statement. The mean scores for the negatively coded statements were inclined toward disagree (M=2.51, M=2.45, M=2.53). However for statement four, the positively worded statement, the pattern of responses was the reverse of that for the negatively coded statements. Its mean score was inclined toward agree (M=3.45). The way the respondents answered to the negatively and positively worded statements was therefore consistent.

The above data also suggested that there was a certain degree of uncertainty among the respondents. Approximately 22% of them chose ‘no view’ for their answer to all the statements. An ANOVA test was conducted to determine if any mean differences existed among the companies in the statements related to perception toward ESOS information. The output of the test showed no significant mean difference among the companies for all the
statements except for statement two that showed significant mean differences between company A and B (refer to appendix 13). This tends to indicate that there were no significant differences in the views of respondents from the different companies about their companies’ information. Overall, the responses indicate that the respondents were aware of the information, they read it and it helped them understand the scheme better.

The statements about the understanding of the scheme were, however, quite general. The next section will look into the employees’ understanding on why their companies introduced ESOS and their understanding of the scheme, both of which will be analysed separately next.

7.5.3 Employees’ Understanding of Company Objectives (COMOBJ)

The employees’ understanding of why their companies introduced ESOS is vital to make them interested in the scheme and committed to the company. As Forgarty and White (1988) argued, the effect of ESOS on its participants may depend in part on how they understood their companies’ objective in introducing the scheme. At this stage it is useful to recall again the companies’ objectives in introducing ESOS as explained earlier in Chapter Seven. They included these:

a) to enable employees to participate in the future growth of the company and to participate in the company’s profit and development;
b) as an incentive for eligible employees to participate actively in the operation of the company and encourage employees to contribute to the well-being of the company;
c) to give employees a sense of ownership and belonging so that they are motivated to be more productive, more dedicated and more loyal to the company;
d) as a means of rewarding and retaining the services of employees who are vital to the operation and continued growth of the company; and,
e) to enable employees to relate directly to the overall performance of the company.

Table 7.31 below shows how the respondents reacted to statements about reasons why their company introduced ESOS (COMOBJ). Factor analysis conducted seems to show that all the statements are under one factor (refer to appendix 14). Because of the different companies involved, company-by-company analysis is presented first, before a general overview of the respondents' opinions is given.

<table>
<thead>
<tr>
<th>Statements</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To give employees a share in company profit</td>
<td>83.4</td>
<td>86.7</td>
<td>91.1</td>
<td>80.7</td>
<td>91.3</td>
<td>86.2</td>
</tr>
<tr>
<td>2. To enable employees to participate in the future growth of the company</td>
<td>82.9</td>
<td>84.3</td>
<td>87.5</td>
<td>84.2</td>
<td>82.7</td>
<td>79.3</td>
</tr>
<tr>
<td>3. To increase employees' knowledge about company finance</td>
<td>73.6</td>
<td>77.3</td>
<td>66.6</td>
<td>68.4</td>
<td>70.7</td>
<td>65.5</td>
</tr>
<tr>
<td>4. To give an incentive to employees to participate more actively in the operation of the company</td>
<td>86.0</td>
<td>87.2</td>
<td>86.9</td>
<td>77.2</td>
<td>85.2</td>
<td>86.2</td>
</tr>
<tr>
<td>5. To give recognition and reward to long-serving employees</td>
<td>81.3</td>
<td>89.5</td>
<td>88.9</td>
<td>89.7</td>
<td>89.7</td>
<td>91.4</td>
</tr>
<tr>
<td>6. To give employees greater sense of ownership so that they are motivated to work harder</td>
<td>86.6</td>
<td>89.1</td>
<td>88.9</td>
<td>89.5</td>
<td>84.5</td>
<td>93.1</td>
</tr>
<tr>
<td>7. To give employees a say in the company, as shareholders</td>
<td>69.4</td>
<td>75.4</td>
<td>58.8</td>
<td>77.2</td>
<td>62.1</td>
<td>60.3</td>
</tr>
<tr>
<td>8. To encourage the employees to work longer with this company</td>
<td>77.8</td>
<td>82.5</td>
<td>83.0</td>
<td>86.0</td>
<td>81.0</td>
<td>81.0</td>
</tr>
</tbody>
</table>

(x) the rank of choice based on the percentage.

The above data indicate that there was little variation between companies in level of agreement with the statements. In most companies, more than 60% of respondents agreed with the statements. ANOVA were carried out to check for significant mean differences among the six companies for each of the above statements. The output of the tests showed that there were no such significant differences among the companies for all the statements except for statement eight that showed significant mean differences between company B and
C (refer to appendix 15). Hence, it can be presumed that respondents from the six different companies had similar views of the reasons for their companies’ introducing ESOS.

Secondly, referring to the Table 7.31, generally the findings indicated that there was little variation among the employees from the six companies in the most favoured explanations of the reasons why their companies introduced ESOS, which can be divided into different categories as follows:

a. The three most popular choices included:

- Statement six, which indicated ‘to give employees greater sense of ownership so that they are motivated to work harder’. The above table indicates that two companies (A, F) ranked the statement as first choice, three companies (B, C, D) gave the statement as second choice and company E considered the statement as fourth choice.

- Statement five that indicated ‘to give recognition and reward to long serving employees’. The above table shows that the statement was ranked first by companies B and D, second by companies E and F, while company C ranked it as third and company A rank it as fifth.

- Statement one that indicated ‘to give employees a share in company profit’. The above table indicates that two companies (D and E) ranked the statement as first choice, two companies (A and F) ranked the statement as third choice and other two companies B and D, ranked the statement as fourth and fifth respectively.

These three popular choices could be grouped into finance, motivation and reward.

b. The next three popular choice included:

- Statement two that indicated ‘to enable employees to participate in the future growth of the company’. This statement was ranked between four to six by the companies.
• Statement four that indicated 'to give an incentive to employees to participate more actively in the operation of the company'. The six companies ranked the statement between three and seven.

• Statement eight that indicated ‘to encourage employees work longer in the company’. The six companies ranked the statement from three to six.

The above three factors related to employees’ participation in the company, both in the operations and the future growth of the company, and also to encourage employees to stay with the company longer.

c. The explanations least favoured by the respondents were:

• Statement seven that indicated ‘to give employees as shareholders a greater say in the company’. The six companies ranked this statement between six and eight.

• Statement three that indicated ‘to increase employee knowledge about the company finance’. The six companies ranked this statement between seven and eight.

This group is related to giving employees more say and to increasing their knowledge about the financing of and the use of finance by the company.

From the choices above, therefore, it can be deduced that employees tended to see financial related aspects as among the main reasons why the company offered ESOS to employees. This was followed by encouragement to participate and to stay longer with the company and the least rated reasons related to giving employees a say and educating them about the company.

The above results also tended to show, that there were broad similarities between the employees’ perception of why the company gave ESOS, and the management’s declared
objectives in introducing the scheme, as explained in Chapter Seven. This might indicate that
the information given by the companies has to a certain degree been successful in giving the
employees a clear picture about their companies' objectives in introducing the share scheme.

7.5.4 Understanding of the ESOS (UNDERESO)

This section aimed to establish how employees themselves viewed their level of
understanding about the scheme. ANOVA was first carried out to determine if there is any
significant mean difference between companies toward UNDERESOS. The output of the
analysis shows there was no significant mean difference among the companies for all the
statements except for statement four that showed significant mean differences between
company B and C (refer to appendix 16).

Table 7.32 shows how the respondents overall responded toward statements that indicated
employees' understanding of ESOS (UNDERESOS). Factor analysis conducted seems to
show that all the statements in Table 7.32 that represent the understanding of ESOS are under
a single factor (refer to appendix 17).

<table>
<thead>
<tr>
<th>Table 7.32 : Understanding of Employee Share Ownership (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I am uncertain and would like to know more about the scheme</td>
</tr>
<tr>
<td>2. Further effort is needed to explain the ESOS to employees</td>
</tr>
<tr>
<td>3. I have a vague idea of how the ESOS works but I could not explain it</td>
</tr>
<tr>
<td>4. I am not sure about how the value of shares is calculated when someone decides to sell</td>
</tr>
<tr>
<td>5. I am not sure how to sell my shares if I decide to sell</td>
</tr>
</tbody>
</table>

The scale of measurement ranges from 1 for strongly disagree to 5 for strongly agree.
M= mean, N=625

In analysing, two aspects of employees' understanding were considered: first the degree of
employees' understanding of ESOS in general (statements one and three); second, the more
specific issues of the employees' understanding in evaluating the value of shares (statement four) and in selling them (statement five).

With respect to the employees' understanding about ESOS, the employees were asked to indicate their level of agreement with statements one and three above. These two statements expressed the degree of uncertainty of employees about ESOS. The findings showed that slightly less than half of the respondents agreed with each of the statements; approximately 47% agreed with statement one and 44% with statement three. For each of these statements, also, approximately 20% of respondents chose 'no view' and about a third of them disagreed.

The mean scores for statement one (M=3.16) and statement three (M=3.10) were both inclined toward agree. This tends to show that, generally, the respondents were still uncertain about ESOS.

To investigate in more detail the respondents' understanding about ESOS, they were asked about two related aspects of it, namely, their understanding of the valuation of shares and about the sale of shares.

Statement four concerned the employees' understanding about the valuation of shares for sale. The data showed that 37.6% of the respondents agreed that they were not sure how shares were valued, 18% gave no view and 44% said they were sure about how the value is calculated.

Statement five asked about sale of shares. A clear majority of respondents, 58.9%, felt that they knew how to sell their shares. Only 25.2% of the respondent said they were not sure and
15.4% gave no view as their answer. Comparing the means for each of the statements, the mean score for statement four \( (M=2.89) \) was higher than for statement five \( (M=2.58) \).

Two points may be made here. First, quite a high percentage of respondents were still uncertain about calculating the value of shares. Second, the findings suggested that the respondents have a better understanding of the mechanism for selling shares than of their value. A possible explanation for this could be that, to calculate the value of shares, employees would need to have some knowledge of shares and the market price and the final gain from the selling of shares subjected to some other service charges such as brokerage fees, bank commission and many others as explained in Chapter Seven earlier. On the other hand, the process of selling shares in Malaysia is quite simple, as it can be easily understood by different levels of employees. Nevertheless ESOS overall may be considered complicated by some respondents, because of their legal aspect. For example, employees might have some difficulty understanding the process of getting shares and also in getting a financial loan to finance the option. As indicated in statement two, most employees \( (80.9\%) \) felt that further effort is needed to explain the scheme to them. This finding agreed with the statement given by the management earlier. They indicated that though they were satisfied with their explanation about the scheme to their employees, nevertheless they still believed that further effort is needed in this regard. Most of the companies regarded the process of explaining the scheme as an unfinished and probably never-to-be-finished task.

On the other hand, a positive inference that can be derived from the responses to statement two is that the companies, to a certain degree, have succeeded in stimulating interest among their employees and made them want to know more about the scheme. This would be another
reason why a need might be felt for management to put more effort into explaining the
scheme to their employees.

Respondents’ understanding of the ESOS may differ. Demographic characteristics of
employees could be one of the factors that influence their understanding of the scheme. For
this reason, three demographic characteristics, ethnic group, education background and length
of service were tested. The three variables were chosen, as based on the Malaysian
background and experience, the above three variable might be among the variable that help to
make employee’ understand the scheme. Insights into whether demographic variables affect
respondents’ views of ESOS may be useful for companies that wish to implement the scheme
later. In order to determine whether there were significant differences in mean score, T-test
and ANOVA were used. The T-test was used for two independent samples and the ANOVA
for more than two independent samples. Comparison among the demographic characteristics
was conducted as follows:

*Education background*

Three levels of education were of concern in this study: the SPM/MCE level, the diploma
level and the degree or the professional level. Since there were three different independent
samples involved, the ANOVA procedure was used to test for significant differences in their
mean scores. The result of the ANOVA is shown in Table 7.33 below.
Table 7.33: One Way ANOVA for Mean Differences in Understanding Employee Share Ownership by Education Background

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>19.871</td>
<td>9.936</td>
<td>18.284*</td>
</tr>
<tr>
<td>Within Group</td>
<td>621</td>
<td>337.449</td>
<td>0.543</td>
<td></td>
</tr>
</tbody>
</table>

*p<0.05.

Qualification | Count | Mean | SD  
--- | --- | --- | ---
Degree       | 162   | 2.863 | 0.783 
diploma     | 83    | 2.983 | 0.773 
SPM/MCE     | 379   | 3.262 | 0.709

The result of ANOVA in Table 7.33 indicated that there were significant mean differences among groups of different educational background in their score for understanding of ESOS (F=18.284, P<0.05). The respondents with the SPM/MCE background (M=3.262, SD=0.709) had a higher mean than those with a diploma (M=2.983, SD=0.773) or degree (M=2.863, SD =0.783).

In order to determine the exact location of the significant difference, the Bonferrani multiple comparison test was conducted; the result is summarised in Table 7.34.

Table 7.34: Bonferrani Multiple Comparison Test for Mean Difference-Academic Qualification

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.863</td>
<td>1</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>2.983</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.262</td>
<td>3</td>
<td></td>
<td>*</td>
<td></td>
</tr>
</tbody>
</table>

Group
1. Degree
2. Diploma
3. SPM/MCE

(*) Denotes pair of groups significantly different at 0.05 level

The results of the test indicated that the mean score for the SPM/MCE respondents was significantly different from those of the diploma and the degree level groups. The result
shows that the SPM/MCE group tended to agree more with the statement that indicated they were uncertain about the scheme, than did those with higher levels of education. So this gives an indication that participants' educational background tend to influence their understanding about the scheme.

**Years of work experience**

There were three different periods of service involved in this study: from below one year to five years, above five to ten years and above ten years. The output of the ANOVA revealed that there were no significant mean differences ($F=1.1413$, $p>0.05$) among the different lengths of service which include below one year to five years ($M=3.2147$, $SD=0.7905$), above five to ten years ($M=3.05$, $SD=0.8014$) and above ten years ($M=3.11$, $SD=0.7278$) in their understanding of ESOS. This seems to show that length of service is not a factor that could influenced employee understanding of ESOS.

**Ethnic Group**

The ethnic groups involved in this survey were Bumiputra and non-Bumiputra. A T-test was conducted to test for significant mean difference between the groups. The output of the test indicated that there was no significant mean difference ($t=1.494$, $p>0.05$) between the Bumiputra ($M=3.13$, $SD=0.7435$) and non-Bumiputra ($M=3.01$, $SD=0.8245$). This outcome was surprising as it was expected that the non-Bumiputra would have a better degree of understanding about shares than the Bumiputra, as they tend to be more exposed to shares and more knowledgeable about them.

This study will next look into the expected outcomes of participants as a result of ESOS.
This section aims to assess the relationship between ESOS and employee attitudes and some other perceptions. Many previous studies have examined the effect of ESOS on employees' attitudes and work practices. Whether or not changes have in reality taken place, it is useful to know to what extent respondents in this study believed changes have taken place and also indicate the perceived direction of such changes. In the assessment of employees' perceptions of the changes that have taken place subsequent to employee ownership, this study drew on the pioneering work of Richard Long (1978) who presented a framework of how three organisational identification facets were affected by share ownership, as discussed in the Chapter Three. This is also considered as one of the important tests in determining the effect of ESOS on employees, as employee ownership observers often assume that any effect of ESOS is caused by change in employee attitudes (Rosen 1986).

However this study only made use of the employees' own assessments and perceptions to determine changes as a result of ESOS. The real changes in employees cannot be determined because this study was a cross-sectional study. In determining this, respondents were asked to describe and rate to what extent they agreed that ESOS have changed their feelings of commitment, integration, involvement, general satisfaction and motivation toward the organisation. This study will present first the overall responses of respondents, followed by inferential tests to determine whether there were significant differences in mean score, according to tenure, number of shares owned and educational background. These three independent variables were used, as it was felt that differences in these factors would tend to affect the respondents' views. T-test and ANOVA were used to test for significant mean differences.
7.6.1 Ownership and Commitment

This section looks at the aspect of commitment to the organisation as a result of ESOS. Commitment to the organisation can be described as a sense of loyalty to the organisation (Long 1977). ANOVA was conducted to determine if there is any significant mean difference between the respondents in the six companies toward the feeling of commitment. The result showed that there was no mean difference ($F=1.985, p>0.05$) between the companies A($M=3.527, SD=0.796$), B($M=3.621, SD=0.650$), C($M=3.589, SD=0.679$), D($M=3.899, SD=0.652$), E($M=3.617, SD=0.673$) and F($M=3.587, SD=0.669$). Factor analysis conducted for the statement that indicated 'commitment' as shown in Table 7.35 seems to show that they represented a single factor (refer to appendix 18). How the respondents overall reacted to the statement is as indicated in Table 7.35.

<table>
<thead>
<tr>
<th>Table 7.35: The Degree of Agreement on the Effect of Employee Share Ownership by all the Respondents-Commitment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>1. Increased my sense of loyalty towards the company</td>
</tr>
<tr>
<td>2. Made me want to stay with the company longer</td>
</tr>
<tr>
<td>3. If I were offered a similar job with another firm at a slight increase in pay, I would take it</td>
</tr>
</tbody>
</table>

The scale of the measurement ranges from 1 for strongly disagree to 5 for strongly agreed. $M= mean$ $\circ= Responses coded in reverse$

The above table shows that statements one and two were both positively coded and statement three was negatively coded. The data indicated that 66.1% ($M=3.63$) of the respondents agreed with statement one that ESOS has increased their sense of loyalty to the company. For statement two, about 61.9% ($M=3.60$) of respondents agreed that ESOS have made them feel like staying longer with the company. However, for statement three, 59.1% ($M=2.42$) of
respondents disagreed that they would accept an offer with only a slight increase in pay and only 13% said they would accept the offer. This, therefore, shows some degree of consistency in the respondents’ views. Hence, overall, based on the percentages above, most of the respondents tended to agree that they have felt an increase in loyalty to their company as the result of the ESOS.

7.6.2 Ownership and Integration

Long (1978) stated that integration takes place when an individual perceives shared interests and goals with other organisation members. He defined integration operationally as “the degree to which the individual perceives that attainment of organisational goals will result in satisfaction of his personal goal” (Long, 78: 32). ANOVA was conducted to determine if there is any significant mean difference between the six companies toward the feeling of integration. The results of the ANOVA showed that there was no mean significant difference (F=0.213, p>0.05) between the companies A(M=3.721, SD=0.8265), B(M=3.791, SD=0.6538), C(M=3.776, SD=0.6687), D( M=3.790, SD=0.728), E(M=3.780, SD=0.740) and F(M=3.786, SD=0.646). Factor analysis conducted for the statement that indicated ‘integration’ as shown in Table 7.36 seems to show that they represented a single factor (refer to appendix 19). How the respondents overall reacted to the statement is as indicated in Table 7.36.

| Table 7.36: The Degree of Agreement on the Effect of ESOS by All Respondents-Integration (%) |
|------------------------------------------|---|---|---|---|---|---|
|                                          | 1 | 2 | 3 | 4 | 5 | M  |
| 1. Made me feel what is good for the company is good for me | 1.3 | 9.1 | 19 | 56.2 | 14.4 | 3.75 |
| 2. ESOS make employees feel that employees should share the profits and loses of the company | 1.6 | 10.4 | 17.4 | 53.0 | 17.7 | 3.82 |
| 3. Made me take a greater interest in the company’s profitability and financial success | 1.3 | 7.5 | 15 | 60.5 | 15.7 | 3.73 |

The scale of the measurement ranges from 1 for strongly disagree to 5 for strongly agree, M=mean
The above data show that about 70.6% (M=3.75) of the respondents felt ESOS has made them feel what is good for the company is also good for them. There were also 70.7% (M=3.82) who agreed that the ESOS have made them feel that they should share the profit and the loss of the company together. Finally, 76.2% (M=3.73) agreed that the ESOS has made them take a greater interest in the company's profitability and financial success. The overall mean score for all the statements indicates that respondents agreed with the statements. In other words, respondents seem to agree that they had a feeling of integration with the company as a result of ESOS.

7.6.3 Ownership and Involvement

Involvement is defined as a feeling of solidarity with the organisation, a feeling of membership or belonging (Long 1978). ANOVA was conducted to determine if there was any significant mean difference between the six companies in respect of the feeling of involvement. The result of the ANOVA showed that there was no significant mean difference (F=0.832, p>0.05) between the companies A(M=3.431, SD=0.9312), B(M=3.467, SD=0.7680), C (M=3.335, SD=0.8340), D(M=3.465, SD=0.8580), E(M=3.341, SD=0.9200) and F(M=3.786, SD=0.7382). Factor analysis conducted for the statement that indicated 'involvement' as shown in Table 7.37 seems to show that they represented a single factor (refer to appendix 20). How the respondents overall reacted to the statement is as indicated in Table 7.37.

<table>
<thead>
<tr>
<th>Table 7.37 The Degree of Agreement on the Effect of Employee Share Ownership in All the Respondents-Involvement (%)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Made me feel like a partner in this company</td>
<td>1.9</td>
<td>13.9</td>
<td>21.9</td>
<td>48.6</td>
<td>13.7</td>
<td>3.58</td>
</tr>
<tr>
<td>2. Made me feel a sense of self-employment</td>
<td>2.7</td>
<td>22.5</td>
<td>29.2</td>
<td>35.8</td>
<td>9.7</td>
<td>3.27</td>
</tr>
<tr>
<td>3. Made me feel I am an important member of this company</td>
<td>2.1</td>
<td>17.9</td>
<td>26.5</td>
<td>42.7</td>
<td>10.9</td>
<td>3.42</td>
</tr>
</tbody>
</table>

The scale of the measurement ranges from 1 for strongly disagree to 5 for strongly agree, M=mean
The above data show that the pattern of response to each of the three statements above, was very different compared to their responses to statements related to integration and commitment, presented earlier. It can be seen that 62.3% (M=3.58) of the respondents agreed with statement one that suggested ESOS made them feel like a partner in their company, while 53.6% (M=3.42) of respondents agreed with statement three that ESOS made them feel like important members of their companies and only 45.5% (M=3.27) of respondents agreed with statement two, that they had a sense of self employment in the company. Thus the feeling 'like a partner' got the highest vote and the feeling of 'self-employment' got the lowest vote. However, the overall mean scores for each statement inclined toward agreement that the ESOS scheme has made the respondents feel involved with their companies.

7.6.4 Ownership and General Satisfaction

General satisfaction with the company is said to be one of the expected outcomes as a result of ESOS (Long 1978). In this study ANOVA was conducted to determine if there is any significant mean difference between the six companies toward the feeling of general satisfaction. The result of the ANOVA showed that there was no significant mean difference (F=2.094, p>0.05) between the companies A(M=3.670, SD=0.3466), B(M=3.833, SD=0.5657), C(M=3.806, SD=0.5628), D(M=3.930, SD=0.6239), E(M=3.3.678, SD=0.6603) and F(M=3.752, SD=0.5810). Factor analysis conducted for the statement that indicated 'general satisfaction' as shown in Table 7.38 seems to show that they represented a single factor (refer to appendix 21). How the respondents overall reacted to the statement is as indicated in Table 7.38.
Table 7.38: The degree of agreement on the Effect of ESOS in All the Respondents - General Satisfaction (%)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Overall this is a good company to work for</td>
<td>5</td>
<td>4</td>
<td>14.3</td>
<td>65.9</td>
<td>15.3</td>
<td>3.92</td>
</tr>
<tr>
<td>2. Increased my overall satisfaction working for this firm</td>
<td>1.3</td>
<td>13.7</td>
<td>22.4</td>
<td>51.1</td>
<td>11.5</td>
<td>3.58</td>
</tr>
<tr>
<td>3. Made me feel pride of this company</td>
<td>1.6</td>
<td>5.9</td>
<td>17.9</td>
<td>58.3</td>
<td>16.3</td>
<td>3.82</td>
</tr>
</tbody>
</table>

The scale of the measurement ranges from 1 for strongly disagree to 5 for strongly agreed, M= mean

The above table illustrates that 74.6 % (M=3.82) of the respondents agreed that ESOS has made them feel proud of their company, 62.6 % (M= 3.58) agreed that ESOS has increased their overall satisfaction with the firm, and 81.2% (M=3.92) of the respondents agreed that ESOS made them feel satisfied working for their companies. Therefore, most of the participants seemed to feel satisfied in working for the companies.

7.6.5 Ownership and Motivation

Motivation at work is affected by all kinds of economic, political, technical, biological, psychological, social psychological, sociological and other kinds of variable (Glover and Kelly, 1987, Rose, 1988). In general it tends to correlate with a desire to perform tasks well (Mitchell, 1973). This section presents the findings from that part of the survey concerned with whether participants became more motivated as a result of ESOS. ANOVA was conducted to determine if there was any significant mean difference between the six companies toward the feeling of motivation. The result of the ANOVA showed that there was no significant mean different (F=2.456, p>0.05) between the companies A(M=3.612, SD=0.813), B(M=3.784, SD=0.572), C(M=3.729, SD=0.642), D(M=3.876, SD=0.670), E(M=3.626, SD=0.711) and F(M=3.914, SD=0.5910). Factor analysis conducted for the statement that indicated 'motivation' as shown in Table 7.39 seem to show that they represented a single factor (refer to appendix 22). How the respondents overall reacted to the statement is as indicated in Table 7.39.
Table 7.39: The Degree of Agreement on the Effect of Employee Share Ownership Among All the Respondents-Motivation(%)  

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>M</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Encouraged me to work harder</td>
<td>1.6</td>
<td>12.9</td>
<td>19.3</td>
<td>51.9</td>
<td>14.2</td>
<td>3.64</td>
</tr>
<tr>
<td>2. Make me want to try to do my job the best it can possibly be done.</td>
<td>0.5</td>
<td>4.5</td>
<td>18.5</td>
<td>58.6</td>
<td>17.8</td>
<td>3.88</td>
</tr>
<tr>
<td>3. Made me more cost conscious in the company</td>
<td>1.8</td>
<td>8.8</td>
<td>24.1</td>
<td>53.4</td>
<td>12</td>
<td>3.65</td>
</tr>
</tbody>
</table>

The scale of the measurement is range from 1 for strongly disagree to 5 FOR strongly agreed, M= mean

The above table shows the percentages of the responses to the statements about feelings of motivation as the result of ESOS. The data shows that 66.1% (M=3.64) of the respondents agreed that ESOS has encouraged them to work harder, 65.4% (M=3.65) agreed that ESOS has made them more cost conscious and finally 76.4% (M=3.88) agreed that ESOS has made them want to do their job as well as possible. These findings indicate that most of the respondents incline to agree that ESOS has affected their desire to perform well in their company. The desire to do best in their job got the highest mean score among the three statements. The result tends to indicate that ESOS may contribute to making its participants feel motivated.

The above findings tend to indicate that overall, the ESOS participants seem to have agreed that ESOS has increased their feeling of commitment, involvement, integration, general satisfaction and motivation in their companies. An interesting point is that the finding from this section is different from the overall finding from Section 7.4 earlier, which showed there was no significant mean difference between employee shareholders and non-shareholders in their attitude toward work and the company; these two results seemed to be contradictory. These two different outcomes will be discussed in the next chapter.
Next, consideration will be given to how the feeling of identification with the companies as a result of ESOS varies with education background, length of service and number of shares owned.

**Education background**

i) Education background with commitment

Tables 7.40 summarises the result of the ANOVA for mean differences in commitment, according to educational background.

**Table 7.40: One Way ANOVA for Mean Differences in Commitment by Education Background**

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>15.050</td>
<td>7.525</td>
<td>15.000*</td>
</tr>
<tr>
<td>Within Group</td>
<td>623</td>
<td>298.616</td>
<td>0.479</td>
<td></td>
</tr>
</tbody>
</table>

* p<0.05

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Count</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree</td>
<td>162</td>
<td>3.416</td>
<td>0.7375</td>
</tr>
<tr>
<td>Diploma</td>
<td>83</td>
<td>3.397</td>
<td>0.8189</td>
</tr>
<tr>
<td>SPM/MCE</td>
<td>381</td>
<td>3.727</td>
<td>0.6408</td>
</tr>
</tbody>
</table>

The summary of the output of the ANOVA above indicates that there were significant mean differences among groups with different educational background in their commitment (F=15000, P<0.05).

**Table 7.41: Bonferrani Multiple Comparison Test for Mean Difference-Academic Qualification**

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.397</td>
<td>2</td>
</tr>
<tr>
<td>3.416</td>
<td>1</td>
</tr>
<tr>
<td>3.727</td>
<td>3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2</th>
<th>1</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Group
1. Degree
2. Diploma
3. SPM/MCE

(*) Denote pair of groups significantly different at 0.05 level
To locate where the significant difference, the Bonferrani multiple range test was conducted.

The outcome of the Bonferrani multiple range test for the mean differences in the respondents' commitment according to education background is summarised in Table 7.41. The result indicated that the SPM/MCE group's mean score (M=3.727) was significantly higher than those of the diploma (M=3.416) and the degree level (M=3.397) groups. There was no significant mean difference between the diploma and the degree level groups. Thus the SPM/MCE group was the most committed to the organisation as a result of ESOS.

ii) Educational background with Integration

Table 7.42 summarises the output of the ANOVA for the significant differences in mean for integration, according to educational background.

| Table 7.42: One way ANOVA for Mean Differences in Integration by Education Background |
|-----------------------------------------------|-----------------|----------------|----------|----------------|
| Source                        | D.F | Sum of square | Mean Square | F Ratio |
| Between Group                 | 2   | 11.098        | 5.549       | 11.052* |
| Within Group                  | 623 | 312.806       | 0.502       |          |

* p<0.05

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Count</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Degree</td>
<td>162</td>
<td>3.619</td>
<td>0.727</td>
</tr>
<tr>
<td>2. diploma</td>
<td>83</td>
<td>3.566</td>
<td>0.856</td>
</tr>
<tr>
<td>3. SPM/MCE</td>
<td>381</td>
<td>3.872</td>
<td>0.664</td>
</tr>
</tbody>
</table>

The summary of the output of the ANOVA indicates that there were significant differences between respondents of different educational background, in their integration scores (F=11.052, P<0.05).

In order to determine where the significant difference laid, the Bonferrani multiple range test was conducted. The result of the test is summarised in Table 7.43.
Table 7.43: Bonferrani Multiple Comparison Test for Mean Difference-Academic Qualification

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.566</td>
<td>2</td>
</tr>
<tr>
<td>3.619</td>
<td>1</td>
</tr>
<tr>
<td>3.872</td>
<td>3</td>
</tr>
</tbody>
</table>

Group
1. Degree
2. Diploma
3. SPM/MCE
(*) Denotes pair of groups significantly different at 0.05 level

The result of the test indicated that the SPM/MCE group had the highest mean score (M =3.727) and its mean was significantly higher than those of the diploma (M=3.619) and the degree level (M = 3.566) groups. There was no significant mean difference between the diploma and the degree level groups. This result implies that respondents with the SPM/MCE felt more committed to their organisations as the result of ESOS than the other groups.

iii) Education with Involvement

Table 7.44 summarises the output of the ANOVA test for significant difference in mean involvement score, according to education.

Table 7.44: One Way ANOVA for Mean Differences in Involvement by Education Background

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>24.123</td>
<td>12.062</td>
<td>17.672*</td>
</tr>
<tr>
<td>Within Group</td>
<td>623</td>
<td>425.219</td>
<td>0.683</td>
<td></td>
</tr>
</tbody>
</table>

* p<0.05

Qualification | Count | Mean | SD  |
-------------|-------|------|-----|
1. Degree    | 165   | 3.167| 0.893|
2. Diploma   | 83    | 3.213| 0.881|
3. SPM/MCE   | 381   | 3.584| 0.848|

The summary of the ANOVA above shows that the differences in mean between groups with different qualifications were significant (F=17.672, P<0.05). To determine where the
significant differences lay, the Bonferrani multiple range test was conducted. The result of the test is shown in Table 7.45.

Table 7.45: Bonferrani Multiple Comparison Test for Mean Difference in Involvement by-Academic Qualification

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.167</td>
<td>1</td>
</tr>
<tr>
<td>3.213</td>
<td>2</td>
</tr>
<tr>
<td>3.584</td>
<td>3</td>
</tr>
</tbody>
</table>

(* Denotes pair of groups significantly different at 0.05 level)

The above results indicate that there was a significant mean difference between the mean scores of the SPM/MCE groups and those of the diploma and degree level, but there was no significant difference between the diploma and degree level respondents. The mean score of the SPM/MCE (M=3.584) is significantly higher than those of both the degree (M= 3.167) and the diploma (M=3.213) groups. This tends to indicate that the SPM/MCE level respondents felt the most involved in the company as a result of ESOS.

iv) Education with General Satisfaction

Table 7.46 summarises the output of the ANOVA test for a significant difference in mean based on education.

Table 7.46: One way ANOVA for Mean Differences in General Satisfaction by Education Background

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>15.327</td>
<td>7.664</td>
<td>20.021*</td>
</tr>
<tr>
<td>Within Group</td>
<td>623</td>
<td>238.479</td>
<td>0.383</td>
<td></td>
</tr>
</tbody>
</table>

(* p<0.05)

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Count</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Degree</td>
<td>165</td>
<td>3.582</td>
<td>0.691</td>
</tr>
<tr>
<td>2. Diploma</td>
<td>83</td>
<td>3.562</td>
<td>0.717</td>
</tr>
<tr>
<td>3. SPM/MCE</td>
<td>381</td>
<td>3.896</td>
<td>0.560</td>
</tr>
</tbody>
</table>
The summary of the output of the ANOVA in Table 7.46 indicates that there were significant differences between those of different educational backgrounds, in their feeling of general satisfaction with the company (F=20.021, P<0.05).

To determine which group differed significantly from the others, the Bonferrani multiple range test was carried out as shown in Table 7.47.

**Table 7.47. Bonferrani Multiple Comparison Test for Mean Difference-Academic Qualification**

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
<th>2</th>
<th>1</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.562</td>
<td>2</td>
<td></td>
<td>1*</td>
<td></td>
</tr>
<tr>
<td>3.582</td>
<td>1</td>
<td></td>
<td>1*</td>
<td></td>
</tr>
<tr>
<td>3.896</td>
<td>3</td>
<td></td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Group
1. Degree
2. Diploma
3. SPM/MCE

(*) Denotes pair of groups significantly different at 0.05 level

The result indicated that there were significant differences in mean between the SPM/MCE groups and both the diploma and the degree level groups. However, there was no significant mean difference between the diploma and the degree level groups. The individual mean score denoted that the SPM/MCE (M=3.896) group’s mean was significantly higher than those of the degree (M= 3.562) and the diploma (M=3.582) groups.

v) Education with Motivation

Table 7.48 summarises the output of the ANOVA test for significant differences in mean score for motivation, based on education.

286
Table 7.48: One Way ANOVA for Mean Differences in Motivation by Education Background

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>23.381</td>
<td>11.691</td>
<td>26.774*</td>
</tr>
<tr>
<td>Within Group</td>
<td>623</td>
<td>272.026</td>
<td>0.437</td>
<td></td>
</tr>
</tbody>
</table>

*p < 0.05

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Count</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Degree</td>
<td>165</td>
<td>3.477</td>
<td>0.704</td>
</tr>
<tr>
<td>2. Diploma</td>
<td>83</td>
<td>3.498</td>
<td>0.802</td>
</tr>
<tr>
<td>3. SPM/MCE</td>
<td>381</td>
<td>3.880</td>
<td>0.606</td>
</tr>
</tbody>
</table>

The output of the ANOVA, as indicated in Table 7.48 above, shows that there were significant differences between the three groups in their motivation as a result of ESOS (F=26.774, P<0.05).

In order to determine which group differed significantly from the others, the Bonferrani multiple range test was conducted. The results were as summarised in Table 7.49.

Table 7.49: Bonferrani Multiple Comparison Test for Mean Difference-Academic Qualification

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.477</td>
<td>1</td>
</tr>
<tr>
<td>3.498</td>
<td>2</td>
</tr>
<tr>
<td>3.880</td>
<td>3</td>
</tr>
</tbody>
</table>

Group
1. Degree
2. Diploma
3. SPM/MCE

(*) Denotes pair of groups significantly different at 0.05 level

The results indicated that the mean score of the SPM/MCE group (M=3.880) was significantly higher than those of the degree (M=3.477) and the diploma (M=3.498) groups.

Length of Service

i) Length of Service and commitment
Table 7.50 summarises the output of ANOVA for a significant difference in mean for commitment in relation to tenure.

### Table 7.50: One Way ANOVA for Mean Differences in Commitment by Tenure

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>4.161</td>
<td>2.080</td>
<td>4.188 *</td>
</tr>
<tr>
<td>Within Group</td>
<td>623</td>
<td>309.505</td>
<td>0.497</td>
<td></td>
</tr>
</tbody>
</table>

* p<0.05

The summary of the output of the ANOVA in the table above indicates that there were significant differences between the lengths of service groups, in their commitment scores (F=4.188, P<0.05).

In order to determine the nature of the difference, the Bonferrani multiple range test was conducted. The result was as shown in Table 7.51.

### Table 7.51: Bonferrani Multiple Comparison Test for Mean Difference-Tenure

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4771</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.5268</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.6684</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Group
1. 1 to 5 years
2. above 5 to 10
3. above 10 years

(*) Denotes pair of groups significantly different at 0.05 level

The above result indicates that there were significant mean differences between those who had worked more than 10 years and those who had worked less than 10 years. Respondents who had worked more than 10 years (M=3.668) had the highest mean score, compared to those who had worked from five to 10 years (M= 3.526) and those who had worked from one to five years (M=3.477).
ii) Length of Service with Integration

Table 7.52 summarises the output of ANOVA for a significant difference in mean for integration, in relation to tenure.

**Table 7.52: One Way ANOVA for Mean Differences in Integration by Tenure**

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>4.200</td>
<td>2.100</td>
<td>4.050*</td>
</tr>
<tr>
<td>Within Group</td>
<td>625</td>
<td>316.829</td>
<td>0.519</td>
<td></td>
</tr>
</tbody>
</table>

* p<0.05

The summary of the output of the ANOVA in the table above indicates that there were significant differences between the lengths of service groups, in their integration scores (F=4.050, P<0.05).

In order to determine the nature of the difference, the Bonferrani multiple range test was carried out. The result was as shown in Table 7.53.

**Table 7.53: Bonferrani Multiple Comparison Test for Mean Difference-Tenure**

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.6598</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.6667</td>
<td>2</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>3.8333</td>
<td>3</td>
<td></td>
<td></td>
<td>*</td>
</tr>
</tbody>
</table>

Group
1. 1 to 5 years
2. above 5 to 10 years
3. above 10 years

(*) Denotes pair of groups significantly different at 0.05 level

The above result indicates that there were significant mean differences between those who had worked more than 10 years and those who had worked less than 10 years. Respondents who had worked more than 10 years (M=3.833) had the highest mean score, compared to
those who had worked from five to 10 years (M= 3.667) and those who had worked from one to five years (M=3.569).

iii) Length of Service and Involvement

Table 7.54 summarises the output of the ANOVA test for a significant difference in mean score for involvement, in relation to tenure.

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>12.510</td>
<td>6.255</td>
<td>8.846*</td>
</tr>
<tr>
<td>Within Group</td>
<td>625</td>
<td>432.038</td>
<td>0.707</td>
<td></td>
</tr>
</tbody>
</table>

* p<0.05

The summary of the output of the ANOVA above indicates that there were significant differences in mean depending on the length of service.

To determine which group differed significantly from the others, the Bonferrani multiple range test was carried out, as shown in Table 7.55.

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Count</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 1 to 5 years</td>
<td>109</td>
<td>3.178</td>
<td>0.8976</td>
</tr>
<tr>
<td>2. above 5 to 10 years</td>
<td>143</td>
<td>3.305</td>
<td>0.8151</td>
</tr>
<tr>
<td>3. Above 10 years</td>
<td>376</td>
<td>3.536</td>
<td>0.8355</td>
</tr>
</tbody>
</table>

(*) Denotes pair of groups significantly different at 0.05 level

The results indicate that the significant difference was between those who had worked more than 10 years and those who had worked less than 10 years. The individual mean score of those who had worked more than 10 years (M=3.536) was significantly higher compared to...
the scores of those who had worked between five to 10 years (M= 3.305) and those who had worked between one to five years (M=3.178). Thus, it seems that the longer the ESOS participants had worked with their companies, the more they felt involved with their companies.

iv) Length of Service and General Satisfaction

Table 7.56 summarises the output of the ANOVA test for significant difference in mean based on tenure.

**Table 7.56: One Way ANOVA for Mean Differences in General Satisfaction by Tenure**

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>5.033</td>
<td>2.516</td>
<td>6.248*</td>
</tr>
<tr>
<td>Within Group</td>
<td>625</td>
<td>246.074</td>
<td>0.403</td>
<td></td>
</tr>
</tbody>
</table>

* p<0.05

Tenure Count Mean SD
1. 1 to 5 years 3.643 0.684
2. above 5 to 10 years 143 3.669 0.666
3. Above 10 years 376 3.843 0.609

The summary of the output of the ANOVA in Table 7.56 indicates that there were significant differences, according to length of service, in the feeling of general satisfaction as the result of ESOS.

To determine which group differed significantly from the others, the Bonferrani multiple range test was carried out, as summarised in Table 7.57.

**Table 7.57: Bonferrani Multiple Comparison Test for Mean Difference - Tenure**

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.643</td>
<td>1</td>
</tr>
<tr>
<td>3.669</td>
<td>2</td>
</tr>
<tr>
<td>3.843</td>
<td>3</td>
</tr>
</tbody>
</table>

Group
1. 1 to 5 years
2. above 5 to 10
3. above 10 years
(* Denotes pair of groups significantly different at 0.05 level
The result above indicates that those who had worked more than 10 years had a significantly higher mean score ($M=3.843$) than those who had worked from over five to 10 years ($M=3.669$) and those who had worked between one to five years ($M=3.643$). This indicates that the longer the ESOS’ participants had worked with the companies, the greater the overall satisfaction with the companies they felt as a result of ESOS.

v) Length of Service and Motivation

Table 7.58 summarises the output of the ANOVA test for significant differences in mean motivation scores, based on tenure.

<table>
<thead>
<tr>
<th>Source</th>
<th>D.F</th>
<th>Sum of square</th>
<th>Mean Square</th>
<th>F Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Group</td>
<td>2</td>
<td>7.480</td>
<td>3.740</td>
<td>8.056*</td>
</tr>
<tr>
<td>Within Group</td>
<td>625</td>
<td>283.670</td>
<td>0.464</td>
<td></td>
</tr>
</tbody>
</table>

* $p<0.05$

The output of the ANOVA test in Table 7.58 above indicates that there were significant differences between the tenure groups, in their motivation as a result of ESOS ($F=8.056$, $P<0.05$).

To determine which group differed significantly from the others, the Bonferrani multiple range test was carried out. The result are summarised in Table 7.59.

<table>
<thead>
<tr>
<th>Mean</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.553</td>
<td>1</td>
</tr>
<tr>
<td>3.613</td>
<td>2</td>
</tr>
<tr>
<td>3.812</td>
<td>3</td>
</tr>
</tbody>
</table>

Table 7.59: Bonferrani Multiple Comparison Test for Mean Difference-Academic Qualification

<table>
<thead>
<tr>
<th>Group</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.553</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.613</td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.812</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
</tbody>
</table>

Group
The result indicated that respondents who had worked more than 10 years had a significantly higher mean score ($M=3.812$) than those who had worked from above five to 10 years ($M=3.613$) and those who had worked between one to five years ($M=3.553$). The results indicated that the longer the ESOS participants had worked with the companies, the more motivated they were as a result of ESOS.

**Units of Shares Owned**

The output of the ANOVA indicated that there was no significant difference in the feeling of commitment, integration, involvement, satisfaction and motivation according to the number of shares owned.

Overall, the result of the ANOVA for the three demographic variables, i.e. education background, length of service and number of shares owned, as explained above, are as summarised in Table 7.60.

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>Commitment</th>
<th>Integration</th>
<th>Involvement</th>
<th>G. satisfaction</th>
<th>Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education background</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Length of service</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>No. of share own</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
</tbody>
</table>

* = Significant at or less than 0.05, ns=not significant

As shown above, educational background was associated with significant mean differences in all the variables. The results indicated that the most affected group is the SPM/MCE level, which showed significant mean differences with both university and diploma level.
Employee length of service also seemed to have some effect on organisational identification, in that there were significant mean differences for all the variables except for commitment. The group that seemed to be different was those who had worked in the company for more than 10 years. Finally, it was surprising to find that the difference in the number of shares owned did not have any effect on organisation identification.

For the education background as found earlier, the SPM/MCE level tended to be different from those with a degree or diploma. For all the five dependant variables, the SPM/MCE level group were the most affected by the ESOS. For example the SPM/MCE group had the greatest tendency to say they were more committed, integrated, involved and felt satisfied by the ESOS scheme. As the SPM/MCE was the lowest paid group in the company, the extra amount of money that they gained from the profit on their shares might have made them feel more satisfied with the company. Second, as shareholders, the lower level employees probably felt that the company appreciated them, as they were entitled to receive the financial statement or any other information related to the changes in the company. These factors might have made them feel motivated to work for their companies. Higher-level employees might have been less affected by such factors, because they had higher income and more status and respect within the company, so the ESOS made less difference to them.

As regards length of service, the employees most affected were those who had worked for the companies for over 10 years. Their longer service with the company had given them longer exposure to the idea of ESOS, so they were probably able to value the scheme, and also could relate it to the performance of the company. This might eventually increase their understanding, involvement, positive feeling and motivation to give their best to the company. In contrast to this finding, it was surprising to find that the number of shares owned
Employee length of service also seemed to have some effect on organisational identification, in that there were significant mean differences for all the variables except for commitment. The group that seemed to be different was those who had worked in the company for more than 10 years. Finally, it was surprising to find that the difference in the number of shares owned did not have any effect on organisation identification.

For the education background as found earlier, the SPM/MCE level tended to be different from those with a degree or diploma. For all the five dependant variables, the SPM/MCE level group were the most affected by the ESOS. For example the SPM/MCE group had the greatest tendency to say they were more committed, integrated, involved and felt satisfied by the ESOS scheme. As the SPM/MCE was the lowest paid group in the company, the extra amount of money that they gained from the profit on their shares might have made them feel more satisfied with the company. Second, as shareholders, the lower level employees probably felt that the company appreciated them, as they were entitled to receive the financial statement or any other information related to the changes in the company. These factors might have made them feel motivated to work for their companies. Higher-level employees might have been less affected by such factors, because they had higher income and more status and respect within the company, so the ESOS made less difference to them.

As regards length of service, the employees most affected were those who had worked for the companies for over 10 years. Their longer service with the company had given them longer exposure to the idea of ESOS, so they were probably able to value the scheme, and also could relate it to the performance of the company. This might eventually increase their understanding, involvement, positive feeling and motivation to give their best to the company. In contrast to this finding, it was surprising to find that the number of shares owned
did not make any difference to the respondents. One possible reason that might explain this is the way the shares are apportioned, which in the surveyed organisations was related to levels of employee in the companies. Therefore it seemed that the different levels of employees accepted the quantity of shares that they already expected and there was no element of surprise or challenge, and this resulted in the non-significance the different quantity owned.

Next this study will look into the relationships among ESOS variables and the expected attitudinal change toward the company.

7.7 Employee Share Ownership Variables and Attitudinal Change

This section looks into the relationships among three ESOS variables and five expected feelings toward the company among the ESOS participants. The three ESOS variables chosen were: first, employees’ positive perception toward ESOS (ESOSP), second, their understanding of the company’s objective in introducing ESOS (COMOBJ); and third, their understanding of ESOS (UNDERESO). These three factors were chosen because they appeared to be the most appropriate for this study as this study is the first of this kind in Malaysia. A second reason is related to the background and the level of understanding of employees in Malaysia itself, as the respondents are relatively new to this kind of research; therefore the three variables above were considered the most basic and reasonable to be asked about and tested.

The five expected outcomes of ESOS were Commitment (COM), integration (INTG), involvement (INV), satisfaction (SATIS) and motivation (MOTV). Pearson’s correlation coefficient was used to help uncover and explore their relationship. Five hypotheses were
developed based on the relationship. In interpreting the results it is useful to bear in mind the principle outline by Pamela and Robert (1995), that if the correlation coefficient ‘r’ is bigger than 0.8, the relationship between the variables is considered as very strong, if ‘r’ is between 0.4 to 0.8 the relationship is a moderate to strong one; and if ‘r’ is less than 0.4, the relationship is a weak.

7.7.1. Positive View toward Employee Share Ownership (ESOSP)

1A. ESOS positive (ESOSP) with commitment (COM).

Hypothesis 7a: There is no relationship between ESOS positive (ESOSP) and commitment (COM)

The Pearson correlation showed that there was a positive significant relationship between ESOS positive (ESOSP) and the feeling of commitment to the organisation (r=0.494, p<0.05). Based on this finding, the null hypothesis above was rejected.

1B. ESOS positive (ESOSP) with integration (INTG).

Hypothesis 7b: There is no relationship between ESOSP and integration

The Pearson correlation showed that there was a positive significant relationship between ESOS positive (ESOSP) and the feeling of integration with the company (r = 0.716, p< 0.05). Therefore, based on this finding, the null hypothesis above was rejected.

1C. ESOS positive (ESOSP) with involvement (IVL).

Hypothesis 7c: There is no relationship between ESOSP and involvement
The Pearson correlation showed that there was a positive significant relationship between ESOS positive (ESOSP) and the feeling of involvement with the company, \((r=0.638, p<0.05)\). Based on this finding, the above null hypothesis was rejected.

**1D. ESOS Positive (ESOSP) with General Satisfaction**

*Hypothesis 7d: There is no relationship between ESOSP and general satisfaction toward the company*

The Pearson correlation showed that there was a positive significant relationship between ESOS positive (ESOSP) and the feeling of general satisfaction with the company \((r=0.574, p<0.05)\). Based on this finding, the null hypothesis was rejected.

**1E. ESOS Positive (ESOSP) with Motivation.**

*Hypothesis 7e: There is no relationship between ESOSP and motivation*

The Pearson correlation showed that there was a positive significant relationship between ESOS positive (ESOSP) and the feeling of motivation with the company \((r=0.615, p<0.05)\). Based on this finding, the null hypothesis was rejected.

**7.7.2 The Understanding of Company Objective (COMOBJ)**

**2A. Understanding of Company Objective (COMOBJ) with Commitment.**

*Hypothesis 8a: There is no relationship between COMOBJ and commitment*

The Pearson correlation showed that there was a positive correlation between the understanding of company objectives in ESOS and the feeling of commitment to the
organisation ($r = 0.383, p < 0.05$). Therefore, based on this finding, the null hypothesis was rejected.

2B. Understanding of Company Objectives (COMOBJ) with Integration.

*Hypothesis 8b: There is no relationship between COMOBJ and integration*

The Pearson correlation showed that there was a positive relationship between the understanding of company objectives and the feeling of integration with the company ($r = 0.541, p < 0.05$). Therefore, based on this finding, the null hypothesis was rejected.

2C. Understanding of Company Objectives (COMOBJ) with Involvement.

*Hypothesis 8c: There is no relationship between COMOBJ and involvement*

The Pearson correlation showed that there was a positive relationship between understanding of company objectives and the feeling of involvement with the company ($r = 0.513, p < 0.01$). Therefore, based on this finding, the null hypothesis was rejected.

2D. Understanding of Company Objective (COMOBJ) with General Satisfaction.

*Hypothesis 8d: There is no relationship between COMOBJ and general satisfaction*

The Pearson correlation showed that there was a positive relationship between understanding of company objectives and the feeling of general satisfaction with the organisation ($r = 0.503, p < 0.01$). Therefore, based on this finding, the null hypothesis was rejected.

2E. Understanding of Company Objective (COMOBJ) with Motivation.
Hypothesis 8e: There is no relationship between COMOBJ and motivation

The Pearson correlation showed that there was a positive relationship between understanding of company objectives and the feeling of motivation towards the organisation (r = 0.512, p<.01). Therefore, based on this finding, the null hypothesis was rejected.

7.7.3 The Understanding of Employee Share Option Scheme (UNDERESOS)

Hypothesis 9: There is no relationship between the understanding of the employee share option scheme and employee sense of identification (commitment, integration, commitment, involvement and satisfaction) with the company.

The Pearson correlation showed that the degree of employee understanding of ESOS was not significantly associated with commitment, integration, involvement, general satisfaction and motivation. Therefore, the hypothesis is supported.

The findings suggested that there were positive correlations between ESOSP and COMOBJ with commitment (COM), integration (INTG), involvement (INV), satisfaction (SATIS) and motivation (MOV). One can ascribe the above outcomes to various factors. For example having a positive perception toward ESOS could mean that the employees look at the ESOS as something positive which indirectly improves their view towards their companies. The same could be said for the understanding of companies’ objectives. As indicated earlier, employees seemed to view the objectives of the companies positively. Therefore, this would improve their perceptions of their companies. However understanding of ESOS by itself
seemed not to improve their perceptions of the companies, as this is only an understanding of the scheme.

7.8 Trade Union and Employee Share Ownership

7.8.1 Employee Share Option Scheme and Attitude towards Unions

The aim of this section is to look at the attitude of the trade union toward ESOS. Although, theoretically, employee share ownership is not directly opposed to trade unionism, however, there is a possibility that such schemes could counter some trade union interests. For example, the scheme could strengthen employees’ identification with the company and remove a part of employee remuneration from the bargaining table, or the employees may consider the company profit as part of their own interest rather than perceiving an opposition between earnings and profit.

Some studies have looked at the relationship between employee share ownership and trade unions, including those by Long (1978) and by Pendleton, Wilson and Wright (1995). The studies were conducted in different contexts, such as different forms of share ownership, different strengths of union, different societal and other social environments and also different methodologies being used. Although there were differences in the background between the previous studies and this study, they were very useful to be used as a guide for this research, as explained below.

Based on the Malaysian background where unions are comparatively week and the structure of the ESOS aimed more toward motivating staff than sharing power, this study looked into several aspects of employee share ownership and trade unions, related to the Malaysian
background itself. First, this study examined what the trade union representatives had said about ESOS and to what extent they were involved in ESOS. Second, it attempted to find out how members and non-members, whether shareholders or non-shareholders, perceived the union and its function related to ESOS. For the first part, information was gathered through interviews. This was done to find out how the trade unions perceived ESOS and their involvement in it. Short interviews were conducted with trade union representatives in the companies involved in this study. Second, data on the unionists’ and non-unionists’ perceptions on the union in general and its function related to ESOS were collected through questionnaire. Most of the items in this section were adopted from Poole and Jenkins (1990) and had also been used by Long (1978).

7.8.2 Interviews with Trade Union Representatives

The same questions were posed to all the trade union representatives involved in this study. It was surprising to find that there were only small variations between the different unions in responding toward the questions, as most of them had similar views. The differences were mostly related to their views about the position and the strength of their union in the company, as the nature of the unions vary among the companies. Two companies have in-house unions, while four other companies have national trade unions. However they had similar views about ESOS.

Most of the union representatives accepted that ESOS is a management prerogative and acknowledged that it is not a part of the terms and conditions of employment, which unions can bargain for. They also acknowledged that their unions do not have any specific policies related to the scheme and they do not feel it is necessary for them to have them. When they were asked about the possibility that the scheme would cause problems to unions and their
members, they did not agree, as based on the nature of the scheme, they felt that unions have nothing to lose by accepting it. One of the union representatives even stressed that they look at ESOS as of less importance than their annual bonus. Nor did they feel that ESOS was something that could weaken their members' loyalty. Instead, they believed that ESOS could help the unions to strengthen their members' integrity; for example, members often consult the union if they are unsure about ESOS.

All representatives agreed that unions in their companies were not formally involved in the setting up of ESOS. However, they were given the opportunity to propose changes to the management proposals about the scheme. Examples of union recommendation to the management that were extracted from one union's publication are as follows;

a. Participation of all employees. The union demanded that all levels of employee be given the opportunity to own shares in their companies.

b. Fair allocation of shares to employees and the minimum number of shares given to each employee should be not less than 2000 units.

c. The period of option should be up to five years. Employees should not have to exercise their option at once, but be able to do it depending on the price of the shares at the time. They also demanded that upon the exercise of the option, there should be no retention on the sale of shares issued.

d. Giving financial assistance to employees to purchase shares. The unions demanded that companies should make the necessary financial arrangements to assist employees to purchase the shares allocated to them. They requested that employees should be given the option to pay for the shares by way of monthly deduction from their salary or to pay directly to the bank. They further proposed that the financial arrangements for the payment of loan should be
made over a period ranging from five to 12 years and the arrangement should be made as follows:

i. No payment for the first six months

ii. Repayment of interest only from the 7th to the 24th month; and

iii. Repayment of the outstanding balance to be made over the remaining period.

The unions' representatives seem to agree that some of their recommendation were implemented by the companies. The unions affirmed that they were directly involved in explaining the ESOS to their members, to the extent, sometimes of becoming like individual spokespersons for management in educating their members about ESOS. For example, in their meetings and in the union's newsletter, they had given explanations about ESOS so that their members could understand and derive benefit from the scheme.

When the union representatives were asked for their views about the achievement of the management objectives in introducing ESOS, all of them acknowledged that they had never conducted any survey into the effects of the scheme. They seemed to think that it was not necessary for them to get feedback about the scheme from their members. However four representatives agreed that the scheme had at least made their members sensitive to the share prices, which had consequently made them more aware of the performance of the shares of their companies. They did not believe that ESOS, by itself could increase employees' loyalty to the company, because the number of shares allocated to them was relatively small. One of the union representatives further explained that what influenced employees to be more loyal to the companies was the overall package of benefits offered by their company, including annual bonuses, family medical benefits, and retirement and other benefits.
The views of the union representatives regarding the number of shares allocated to different levels of employee differed. Some of them felt that they should be given more shares, because they felt that what they received far fewer than managers did. However, some were satisfied with the companies' allocations. Their arguments were, first, that the number of lower-level employees was greater than that of employees at management level. Even though, individually, the management levels were allocated more shares, the allocation to each different level of employees was quite similar. The point was also made that if they were given bigger shares by their company they might not be able to get financial assistance to exercise their option, because financial institutions normally base their loans on the employees' income. Furthermore, they need to be sensitive to fluctuation in the share prices. One representative spoke of what happened in Malaysia, when the share prices went down due to the effect of the currency crisis in the region. This affected employees and if they had obtained loans from financial institutions in order to exercise their option and the price of the shares plummeted; they would be in great difficulty. He further added that the biggest problem they encountered was that some members did not even bother to check the market prices of their shares.

Next this study will look into how the different categories of employees have responded to the positive and negative views of unions' function as forwarded in the questionnaire.

7.8.3 Employee Response to Unions

As stated earlier, one of the objectives of this study was to determine the attitudes of union members to the union's function as the result of ESOS. It was hypothesised in Chapter Six, that the unionists might perceive the unions as less important, and this would make them rely less on the union in dealing with ESOS. To test this, this study compared the perceptions of
unions of trade unionist shareholders and non-unionist shareholders and those of shareholders and non-shareholders. Three hypotheses were put forward, each of which will be tested as follows.

**Hypothesis 10**

*There is no significant difference between trade unionist shareholders and non-unionist shareholders as regards their positive views of the union and the need for the union.*

To test the above hypothesis, a T-test was conducted of responses to the statement that indicated a positive view toward the union (GOODUNI), between trade unionist shareholders and non-unionist shareholders. The output of the test showed that there was a significant mean difference between the two ($t = 6.936, p< 0.05$). The result showed that trade unionist shareholders ($M = 3.96$, $SD = 0.69$) had higher mean scores than non-unionist shareholders ($M = 3.62$, $SD = 0.610$). Therefore hypothesis 10 is rejected.

The above findings tend to suggest that trade unionist shareholders have more favourable perceptions of their unions than non-trade union shareholders. This seems to show that the employee share option scheme has not affected the feeling of unionists toward trade unions, which is contrary to expectations that employee share option scheme can affect trade unionist (Poole and Jenkins 1990).

The details of the statements that represented the GOODUNI are shown in the Table 7.61. Factor analysis seems to show that all the statements of GOODUNI represent one factor (refer to appendix 23). Table 7.61 shows how the trade unionist shareholders and non-trade
unionist shareholders differed in their perceptions of the unions and the role that the unions play in the ESOS.

Table 7.61. Shareholders' attitudes to trade unions by union status (GOODUNI)

<table>
<thead>
<tr>
<th></th>
<th>Unionist N=298</th>
<th>Non-trade union N=327</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Basically, the union and management have similar goals.</td>
<td>3.48 ± 0.94</td>
<td>3.40 ± 0.94</td>
</tr>
<tr>
<td>3. There is no reason why the union and management cannot work together.</td>
<td>3.83 ± 0.87</td>
<td>3.91 ± 0.78</td>
</tr>
<tr>
<td>4. Without a union, employees would probably not get fair treatment from management</td>
<td>4.04 ± 1.01</td>
<td>3.69 ± 1.02</td>
</tr>
<tr>
<td>5. The union works primarily for the best interest of its members</td>
<td>4.21 ± 0.81</td>
<td>4.09 ± 0.74</td>
</tr>
<tr>
<td>6. We rely on the union to voice whatever dissatisfaction we have about ESOS to the management.</td>
<td>3.93 ± 0.90</td>
<td>3.57 ± 0.90</td>
</tr>
<tr>
<td>10. The best way of obtaining workers' say or influence in decision-making in this firm is through increasing the influence of the union.</td>
<td>3.85 ± 0.99</td>
<td>3.49 ± 0.96</td>
</tr>
</tbody>
</table>

The data showed that the trade unionist shareholders have a better perception of the union than the non-unionist shareholders in response to almost all the statements, except for the two neutral statements, one and two. Their mean scores indicated that most of the trade unionist shareholders had a better perception toward the union than non-unionist shareholders.

To determine the consistency of the finding above, the following hypothesis related to the negative perspective about the union (NEGUNI) is stated.

**Hypothesis 11**

There is no difference between trade unionist shareholders and non-unionist shareholders in their view that the union is not necessary in dealing about ESOS.
The output of the T-test indicated that there was a significant mean difference between the two groups \((t = -3.376, p<0.05)\). The result showed that trade unionist shareholders \((M = 2.573, SD = 0.7619)\) had a higher mean score than non-unionist shareholders \((M = 2.7564, SD=0.6968)\). This result was not as expected. It was expected that the ESOS would dilute the positive view of trade unionists toward the union and it was expected that there was no significant different between the groups. On the contrary, this finding tends to indicate that the unionists disagreed more than non-unionists about the declining role of the function of trade union. Their responses seem to be consistent with the earlier finding.

The details of the statements that represented the negative attitude to the union (NEGUNI) are as shown in Table 7.62 below. Factor analysis seems to show that all the statements represent one factor (refer to appendix 24). The table below shows how the trade unionist shareholders and non-trade unionist shareholders differed in their perceptions toward a view that the union is not necessary in dealing with ESOS.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Trade Unionists</th>
<th>Non-trade Unionists</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>SD</td>
<td>Mean</td>
<td>SD</td>
</tr>
<tr>
<td>2. A union is not really necessary in this firm at this time</td>
<td>2.06</td>
<td>0.98</td>
<td>2.20</td>
</tr>
<tr>
<td>7. We are satisfied with the financial benefit that we gain from ESOS, even without union involvement</td>
<td>2.85</td>
<td>1.09</td>
<td>3.17</td>
</tr>
<tr>
<td>8. If we have any problem with ESOS, it is easier for us to talk straight to management, rather than going through the union first</td>
<td>2.91</td>
<td>1.11</td>
<td>3.07</td>
</tr>
<tr>
<td>9. It is felt that union does not need to be present and involved in matters related to the ESOS scheme</td>
<td>2.36</td>
<td>1.01</td>
<td>2.56</td>
</tr>
</tbody>
</table>

* significant at 0.05 or less

The findings indicated that fewer employees agreed with these statements than with those of the earlier group. Statistically, the mean scores for each of the statements inclined more toward neutral and disagree. There were significant different between union and non union
for statement seven and nine. However, the mean score for the non-unionists was higher than for unionists, which tends to indicate that non-unionists agreed more than unionists.

To get an overall picture about respondents' view of the role of unions, the following hypothesis was forwarded.

*Hypothesis 12*

*There is no difference between shareholders and non-shareholders in their view that the union is not necessary in the company.*

This hypothesis was tested through responses to the statement that indicated 'a union is not really necessary in this firm at this time'. This test was conducted between shareholders and non-shareholders.

The output of the T-test indicated that there was a significant mean difference between shareholders and non-shareholders ($t = -2.971, p < 0.05$). The result showed that shareholders disagree more ($M = 2.13, SD = 0.97$) than non-shareholders ($M = 2.44, SD = 1.01$) that a union is not really necessary in the firm.

Overall, from the outcomes of the three hypotheses tested above, there is no evidence that the employees become less favourably disposed to the union as a result of ESOS.

### 7.9 Conclusion

Generally this chapter has shown the different categories of respondents and how their backgrounds and experiences related to ESOS. It also showed the relationship of ESOS with employee attitudes to work and company.
The respondents consisted of different categories of employees. The results from the tests conducted provided some insight to show that the different demographic characteristics of the employees tended to make them have different views and experience, as well as differences in their perceptions toward the ESOS. In particular, this study found that two hypotheses related to demographic characteristics, i.e. ethnic groups (view toward ESOS) and the religious factor (reason for not participating in ESOS) were rejected. On the other hand, the results showed that more than 90% of the respondents (ESOS participants and non-participants) indicated that they had favourable views toward ESOS. It is interesting to find that most of the participants attributed their involvement in the scheme to its financial aspect.

Comparisons were made between ESOS participants and non-participants in their attitudes toward work and company. It was found that there were no significant mean differences between participants and non-participants. This tends to indicate that there was no great change, if any, in the employee shareholders as a result of ESOS that can differentiate them from the non-shareholders. Nevertheless most of them seem to perceive about the positive effect of the scheme. This could be seen from how they responded to the questions asked in the survey where both shareholders and non-shareholders have chosen the positive aspect of the statements.

For the ESOS participants, this study found that the respondents agreed more with the positive aspects of ESOS than its negative aspects. For the positive aspects a higher percentage of respondents agreed that ESOS are able to create more financial awareness among employee shareholders than that they are able to change their work attitude. They also believed that the scheme brings benefits not only to employees but also to companies.
Related to the information and the communication about the scheme, the respondents indicated that most of them were aware of their companies' information about the scheme. They were also able to recognize their companies' objectives in offering the scheme to employees. However, related to the employee understanding of the scheme, the results indicated that the respondents still do not fully understand the scheme, particularly related to how to value the shares. The lower level employees especially felt this.

The perceived effect of share holding on the commitment, integration, involvement, general satisfaction and motivation toward their companies was also identified in this study. From the respondents' answers overall, most of them tended to agree that ESOS had changed their feeling of commitment, integration, involvement, satisfaction and motivation toward their companies. Comparisons were also made between three different categories of demographic characteristics of respondents, namely their educational background, length of service and units of shares owned. The outcome of the survey showed that the variable most affecting ESOS is educational background, followed by length of service. Surprisingly the unit of shares owned did not affect the feeling of the employees. Even though there may be some overlap between educational background and the number of shares owned, the two factors seemed to have given different outcomes. For educational background, the SPM/MCE level was most affected and for the length of service, the employees who had worked more than 10 years were the most affected.

Three ESOS variables, ESOSP (positive toward ESOS), COMOBJ (understand company objectives) and UNDERESOS (understand ESOS) were tested to show their relationship with commitment, integration, involvement, satisfaction and motivation. It was found that there
were positive relationships between ESOSP and COMOBJ with commitment, integration, involvement, satisfaction and motivation. However UNDERESOS did not appear to show a relationship with any of the factors above.

The last part of the chapter examined the trade unions' view about ESOS and showed their relationship with the scheme. It was found that the trade unions were not directly involved in setting up ESOS. However, they were given opportunities to give some recommendations and suggestions on the implementation of the scheme. Overall, the unions felt that the ESOS does not challenge the union’s integrity. In contrast, their members had referred to the unions to solve problems and to get clarification about ESOS, even though other way of doing so were available in their companies. In general, most of respondents still considered the union’s role to be important and beneficial to employees. Also by comparing shareholders and non-shareholders from three different classification of respondents; the shareholder and non-shareholder trade unionists, trade unionist and of non-trade unionist shareholders and of shareholders and non-shareholders, about their perceptions of the unions. All the results showed that there were significant mean differences between shareholders and non-shareholders. This seems to indicate that unions were not affected by the ESOS.

Finally, from the above findings the hypotheses tested in this study have been answered. Even though the results have not been as exactly as predicted, they have generally been in the predicted direction. In the next chapter, an attempt will be made to discuss some of the possible reasons for the findings presented in this chapter.
CHAPTER 8
DISCUSSION OF FINDINGS

8.1 Introduction

The transfer of management practices such as employee share ownership across national borders has become a common practice. Nevertheless serious questions have been asked about the universal success of the practices, partly in view of the many economic and other differences between countries, This point applies to employee share ownership schemes as well as to most other practices. In most countries and indeed sectors, practices like them have different origins, characteristics and outcomes (Aitken and Wood 1989).

This chapter uses the evidence identified and the findings reported in the previous two chapters, to together relevant arguments and facts. In doing so the main facts and practical issues concerning the development, nature and outcomes of Malaysia’s employee share option schemes and the research problems, hypotheses and the overall objectives of this study will be discussed together. First there is a discussion of the development of the employee share option scheme (ESOS) in Malaysia.

8.2 Evidence on the Development of the Employee Share Option Scheme (ESOS)

In discussing the development of ESOS, various issues have to be considered. However, first, each will be discussed individually, then they will be looked into. Initially, however, the
factors that probably contributed most toward the development of ESOS in Malaysia will be identified. Initially, the objectives of companies as regards it will be dealt with.

8.2.1 Company Objectives with ESOS

Baddon et al. (1987) argued that financial participation schemes are usually introduced and controlled by managements, and not usually regarded as being negotiable with unions or any other institutions or individuals. The relevant findings as regards Malaysia, reported in Chapter Six, seemed to indicate a similar situation, where participation in management-initiated ESOS schemes is offered to employees without the latter being involved in the design or administration of the schemes. There was no evidence in this study that the companies implemented ESOS due to the pressure from employees or trade unions.

The reasons why companies chose to introduce the scheme reflect its development and context. In a discussion by Hyman and Mason (1995) of reasons why managements introduce employee financial participation they group them into two kinds. Some belonged to an 'idealistic philosophy', where the employer has an idealistic outlook, to share the benefits and the responsibilities of company activities with employees. The second were 'instrumental objectives', where companies do such things as offer shares to employees in the expectation that by doing so they will alter employees' behaviour and improve their productivity.

The findings reported in Chapter Six seem to show that the objectives of Malaysian companies in introducing ESOS are of the second kind. The companies were looking for attitudinal change, and to educate, reward and also to share their success with their employees.
As regards the idealistic philosophy, there was no indication that ESOS were offered out of a desire to share responsibility or power with employees. For example, the encouragement for employees to participate in their company as stated in one of the companies’ objectives was about promoting the well-being of the company and giving employees an opportunity to participate with motivational objectives, rather than the participation being about a genuine sharing of power between company and employees. In general managers sought to develop employees’ sense of ownership and belonging in their companies and to share their success with employees, and all this was about motivating employees and increasing their dedication and loyalty.

Besides any clearly stated objectives there are other advantages that companies could derive from ESOS. For example, as mentioned in Chapter One, one of the ways for a company to acquire funds is by issuing equity to the public. Therefore the issuing of shares to employees when shares are being offered to the public would bring a win-win situation to both the company and to its employees. The advantages of having an internal source of capital can be motivational as well as financial. As was noted in Chapter Six, in Malaysia only publicly quoted companies are encouraged to offer ESOS to their employees. For a company to be allowed issue its shares and to be listed on the stock exchange its has to fulfil various conditions before gaining approval by the Securities Commission. As Poole (1989) noted in a discussion of ‘economic infrastructures’ and ESOS, ‘different mode[s] of ownership’ and ‘the size and capital-labour ratio’ are very often among the variables relevant to the development of ESOS in different countries. In Malaysia non-listed companies do not have the opportunity to practice one ‘Western’management practice, ESOS or rather a substitute method of employee financial participation for companies that do not issue shares to the public and which are not are not listed an the stock exchange, because such companies are not regarded
as having the more transparent kind of management that listed companies appear to and/or do have.

8.2.2 Other Reason for Introducing ESOS

Other factors apart from companies' objectives have contributed toward the development of ESOS in Malaysia. First, as in other countries, it was identified that in Malaysia too, government encouragement (which is one element of external support) has played a part in inducing companies to introduce ESOS. However the relevant literature shows that relevant national laws vary in terms of their degrees of comprehensiveness. In Malaysia the approach that the government has used to encourage companies to offer shares to their employees is relatively simple, and in particular, there is no tax concession or tax benefit either to companies' or employee shareholders. Whereas in the UK, tax benefits have been given directly either to companies and employees, and its law envisages a variety of financial schemes for employee shareholding with various different objectives. In Malaysia, the government encouragement has a facilitating quality. It makes it easy for companies to introduce schemes and its own objectives and reasons for doing so are transparent and obvious and partly to do with national unity and its development agenda. The government has developed several strategies for achieving an equitable distribution of wealth and to redress the economic imbalance and polarisation among the ethnic groups, including trying to restructure the ownership of share capital in the private sector and giving priority to Bumiputra people in the privatisation process. To complement this it has worked to develop public awareness about the importance of shares and encouraged them to get involved in the share market generally as a way to improving their incomes and in educating them about capitalism. For example, the government has formed unit trust schemes such as the *Amanah*
Saham Nasional (National Unit Trust or ASN) and the Amanah Saham Bumiputra (Bumiputra Unit Trust or ASB). The share schemes were specifically designed to mobilise Bumiputra funds for capital market investment and for the acquisition of share capital ownership of public companies. The interest of the Malaysian government in educating Bumiputra and to enhance their understanding about shares about shares could also be seen, for example, in the establishment in 1996 of a fund of RM5 million to provide training for Bumiputra in stockbroking.

As explained in Chapter Six, any company which is to be listed in stock exchange must allocate 10 percent of its shares to Bumiputra. Also the government encourages companies to offer shares to their employees by allowing them to allocate a certain percentage of them (5%) to their employees when they want to make a public issue, and this has been allocated through ESOS by most companies. This, in one way or another, will give an opportunity to lower level employees to learn about shares as ESOS is a ready made scheme for them. As was also noted earlier those who have no experience in dealing with shares are indirectly being guided by employers; and for those who lack financial resources, their companies will make loan arrangements for them. Most importantly, employees are offered shares without they themselves having to bid in the share market. All these arrangements can be considered as part of the social re-engineering process toward achieving the vision 2020 that Malaysia to become an industrialized country as proposed by the present Prime Minister (Mahathir Mohamad). To speed up this process the need for its citizens from the different ethnic groups to have equal economic and social status is seen as paramount. The government believes that if the economic disparity and social polarisation between ethnic groups is not resolved, it will create social unrest and will be a barrier to Malaysia achieving its vision. Malaysia has experienced the unstable before in what is popularly known as the 13th May 1969 racial riot,
when many lives were lost and much property damaged. The cause of the riot was said to be the economic imbalance and social polarisation between the ethnic groups. Baddon et al. (1989), argued that one possible objective of employee share ownership is to broaden the distribution of wealth in a society. They quoted Ridley (1981) who argued that ‘the more widely share ownership can be spread throughout the community, the more individuals invest in the stock market and the more our citizens own capital, the better it will be for general political reasons’.

As Malaysia is entering a new phase in her development, the government is struggling hard to prepare the course of the nation to attain the objective of industrialisation by 2020, noted above. The government too has played its part judiciously and actively, trying to avoid the costs of the work disruption cause by workforce such as high employee turnover, absenteeism, poor morale, job dissatisfaction and low levels of employee commitment. In doing so, and in encouraging ESOS, it has followed examples of various already industrial countries. It felt that it could usefully introduce management practices, like ESOS and others, that might prevent or nullify the negative aspects mentioned above, and at least theoretically help to integrate employees into their organizations. The government has thus been proactive in many ways, for example through its ‘look east policy’ initiative then the Prime Minister called on public servants to emulate the Japanese, particularly their work ethic and their participative management style, and also its quality improvement philosophies such as that of Total Quality Management. All these forms of encouragement by the government seem to have contributed in inducing companies to introduce ESOS as they become publicly listed. ESOS is therefore helping to achieve the government’s objectives to some degree.
Second, the implementation of ESOS by companies may also be partly a reaction to circumstances, where companies that are considered as role models influence other companies to introduce it. In other words a 'bandwagon effect' has had and is having an effect, including one on the public listed companies investigated in this study. Malaysian company managers are aware of the value to them of supporting and being seen to support their government, as this is clearly in the interests of almost everyone concerned. Abrahamson and Rosenkopf (1993: 488) discussed the bandwagon effect, commenting that 'the diffusion processes whereby organisations adopt an innovation, not because of their individual assessments of the innovation's efficiency or return, but because of a bandwagon pressure caused by the sheer pressure of the number of organisations that have already adopted this innovation'. This is considered important here, even though a company may implement the scheme for other reasons, but still need to have it to attract potential employees or to retain current ones. In Malaysia employees seem very ready to move to companies that give them better financial offers, and they actually seek out companies that are better in this respect. This view is supported by the explanations given by companies' representatives for the present study, that their companies offer shares to their employees partly because other companies in their areas have given shares to their employees. However we should remember that when this study was conducted Malaysia has not reached a stage of full employment where there was a competition for labour among the companies. Instead potential employees tried to go for bigger and more reputable companies that could offer them higher pay and more benefits. So if a company wanted better employees the company it had to project a reputable image.

So which factors contributed most to the development of ESOS in Malaysia? It is impossible to quantify the factors involved but the evidence of this study suggests that the
implementation of the ESOS by Malaysian companies could have been influenced by the following, in order of importance:

a) First, there is government encouragement, which has had several aspects. The government’s desire to stimulate the redistribution of company equity among its citizens, to help it to achieve its economic policy and other national objectives is well known across the country (as explained in chapter Four). The rules that companies must allocate 10 percent of shares to the Bumiputra and that allow them to offer a certain percentage of shares (5%) to their employees when they become public listed companies have been important for this purpose, even though neither employees nor companies derive tax advantages from the ESOS. Another advantage for companies is the use of employees as sources of relatively cheap finance.

The degree of the encouragement from the government in the development of ESOS may be linked to the choice of the scheme, which is a simple and relatively cheap for companies to establish compared to other forms of employee share ownership. The nature, design and the regulations established related to ESOS are all in the government’s domain. As was explained in Chapter Seven, ESOS in Malaysia is a broadly-based scheme and contributory in nature. The breadth reflects the government policy to involve all levels of employee, especially low-level Bumiputra ones, with company shares and at the same time to help them learn more about business. While the scheme’s contributory nature means that employees joining it are responsible for finding their own funding out of savings or in other ways, in practice the government strongly encourages companies to arrange loans for them, especially for the lower-level ones. Hence the problem of insufficient funding for the low-income earner to take up the option could be overcome. This is important as the success of the scheme much
depends on the willingness and the capacity of the employees to purchase the shares offered to them.

In encouraging the banks to agree to make the relevant loans available, particularly for lower-level employees, certain arrangements have been formulated to protect the banks from losses. Under certain condition the banks are given right to sell the shares to the public. This is practised when the value of the shares drop to a level as previously agreed between employee shareholders and the bank. This is called a ‘forced sale’. Under this condition the issue of unequally distributed shares, where higher level employees are given more shares and are able to take advantage of the scheme more than the lower level employees, seems not to be a real issue as they are in a better position to pay back their loans. This may show that the capacity of the share option scheme to bring about a significant redistribution of wealth is limited in the Malaysian context the scheme is practicable and its objectives are not only to bring financial return to employees but, and more important, is to educate them, particularly low level ones, about shares and also involve them with shares as a further long-term objective.

Companies are not free to implement the scheme without strictly complying with the guidelines stipulated by the Malaysian Security Commission (SC). For example companies have to submit proposals to the SC in detail and they have to get the SC’s approval before their schemes can be implemented. Why is the ESOS all that is offered in Malaysia, when in other countries several alternatives also tend to be available? ESOS is, as noted earlier, simple and inexpensive to use, but there are other reasons too. Malaysia is still rather inexperienced with modern HRM and employee involvement practices. There has not been a great deal of knowledge about other kinds of employee share ownership in Malaysia.
Therefore the other forms of the share ownership schemes still need to be further identified for their usefulness and their suitability within the Malaysian context, and what is more important is that the advantages of such schemes are realised after implementing them. Furthermore as a developing and comparatively a newly independent country, Malaysia may not have experienced the same problems with employee attitudes, commitment, behaviour and do on. or the problems are not identified and discuss academically as in the West, that are normally mentioned in the Western literature associated with the development of employee share ownership. However relevant debates in Malaysia among officials, academics, business people and international consultants have been developing quite significantly recently. In this context the author believes that there are potential that some other forms of employee share ownership besides ESOS will be considered and implemented in the future particularly with the seriousness of the government to make Malaysia a highly competitive an industrialise country.

b) A reaction to circumstances could be considered as the next important reason for the development of ESOS. Here companies seemed to have been influenced by other companies that have introduced the scheme, indicating a 'bandwagon effect'. Some naïve copying of management strategies may have been involved. Companies do not have to offer ESOS to their employees, but the statistics show (refer to chapter One) that the number of companies that have made applications to the SC for approval to offer shares in the form of ESOS to their employees is encouraging. Yet the findings of this study suggest that the seriousness of the companies that have implemented the scheme to achieve the objectives as stated in their ESOS 'byelaw' is questionable. Companies seem rather passive about ESOS and its effects. They simply seem to be following general trends of contemporary economic development and management. Therefore the element of convergence between developed countries and
Malaysia in management practice cannot be ignored as a factor that has contributed toward the development of ESOS in Malaysia. The element of competing for or to retain employees which is normally said to be one of the reasons that trigger companies to introduce the scheme seemed does not appear to be a main factor in Malaysia. Other facts about ESOS support these impressions, when employees can sell their shares soon after they have exercised their options. The shares offered between the companies are not very competitive, and it seems that the shares alone cannot be a main factor in employees’ decisions to leave one employer for another.

c) Beliefs about the positive effects of the scheme, as stated in the objectives of the companies, seem to be the least important reason for the development and the implementation of ESOS in companies. Company objectives are the source of understanding why this is so. Baddon et al. (1989) found that many companies in the UK had implemented employee financial participation for diverse reasons. They argued that that ‘financial participation has some resemblance to an “act of faith” on the part of management’, which literally means that companies are expecting ‘something’ good from the scheme. A similar kind of attitudes seemed prevalent in the companies in this study.

The above order seem to give a useful guide in understanding the main factor that contributed to the development of ESOS in Malaysia.

Thus as was explained in Chapter Six, one of the instruments used to identify the seriousness of the companies’ objectives in asking for their views about the success of the scheme or asking about feedback from the use of it. The companies were asked for their views about the success of the scheme related to their stated objectives. Surprisingly, none of the companies
in the study had monitored or evaluated their schemes even though they had been implemented for some time. In practice companies seemed unclear about their objectives and about how to achieve them and to measure their achievement. Their stated objectives often seemed to be marginal to them. Most of the representatives of the participating companies said that what concerned them most about ESOS was related to their objectives was to get approval from the SC. To do this they had to indicate in their applications to the SC their objectives for implementing their schemes and how they would also document their objectives in their companies' 'ESOS byelaws' that needed to be published and distributed to all shareholders.

This is not to deny that determining relevant outcomes sometime can be a problematic process that this would add to reasons for the vagueness and to why companies had not so far determined the outcomes of their schemes. It is hard to measure the effect of financial involvement and this might be part of the reasons why companies still do not evaluate their schemes. Poole and Jenkins (1990) argued that the effects of the schemes are often indirect, as there are wider environmental influences can affect outcomes. Hyman and Mason (1995: 107) explained the difficulty in more detail. They wrote 'Overall, research findings indicate that change which is unambiguously attributable to the effects of employee share programmes is highly elusive. This is not to say that share programmes are not associated with positive outcomes; rather it is to say that the effect of the scheme are not easily attributable to the share scheme'. Hyman and Mason (1995) then gave a detailed explanation of the problems in measuring the effect of financial involvement. Those that seem relevant to the Malaysian practices include:

i) The scheme is introduced in profitable or already successful enterprises, so changes will difficult to determine. This seemed to apply to all the companies involved in this study, as all
are public listed companies. It could be argued that in Malaysia only well-performing companies offer ESOS, as all publicly quoted companies have to meet a minimum level of performance, quantitatively and qualitatively, before they can be listed. However, this does not mean that only the best performance companies offer ESOS, as the criteria for stock exchange listing are much broader than that.

ii) Management reasons for the introduction of the scheme have been non-specific and a company may have a number of objectives or simply operate a diffuse philosophy regarding the roles that share schemes are expected to play. It may also be that managers have articulated no coherent objective, especially if the scheme is introduced at the behest of an influential senior manager. These reasons seemed applicable to this study. This could be seen from the objectives of the companies themselves. As explained earlier on, all the companies in this study had more than one objective and it seemed that the companies had no specific objective in introducing the scheme. Furthermore, the implementation of the scheme and the decision on its objectives are under the power of ‘ESOS Committees’ that are dominated by senior managers and the board of directors.

iii) All advocates of share schemes recognise methodological difficulties in attributing positive outcomes to share schemes. Hyman and Mason (1995) referred to Kelly and Kelly (1991) who had indicated that the most empirically rigorous of these studies tended to signal the most severe doubts with regard to attitude change. This seems to apply to all companies that wish to determine the outcome of the scheme, including the companies in this study.

It is also important to consider the relationship between ESOS and decision-making in companies. It has long and often been argued that for the benefits of employee share ownership schemes to be realized the participation of employee shareholders in decision-making is essential. However the present data showed that there is no other official form of
employee involvement and participation in decision-making resulting from the use of ESOS. The only means is through voting rights, and employee shareholders are only given the right to vote during such meetings as their companies' annual general meetings. Employees did not really appreciate the rights that they are entitled to: either because the value of their voting rights is too small or they were not interested in it. The old formerly colonial administrative system in the country, whereby the administrative practices in the public sector tended to influence the private one, may also be very relevant (Zainal 1999). This was not unique in the former British Empire and it was even true of the UK. In Malaysia officials in government service, civil servants, were historically recognised as the most brilliant people in the country, and enjoyed the traditional institutional dominance. The prevailing management philosophy in most public organizations is that subordinates should not share in decision-making, nor question their superior's decisions. The role of the manager under this management philosophy is to think and decide, and the role of subordinate is to do what they are told and not ask any questions. The assumption is that the managers know what is to be done and the subordinates do not. Managerial behaviour has also developed from the values and beliefs of the individuals who occupy leadership positions. Managers also did not trust their subordinates because of their lack of competence. Therefore they strongly defended the centralisation of authority and they advocate close supervision of their employees at the workplace. Managers also tend to lean more to the authoritarian style in their managerial practices. The practices may have some influence on current managers and employees that may affect their stances toward the new participative way of management practices.

It is worth to considering, here, what was argued by Pierce and Furo (1990) about the three critical dimensions in the design of employee ownership scheme for them to be effective (also see Chapter Two) First, the system should provide the individual employee owner with
physical possession of evidence and reminders that part of the equity in the organisation is theirs. Second, the scheme should be operated in such a way that employees can have timely access to information about organisational affairs and so that they are regularly provided with information about past, present and future events. Third, the scheme should be designed so that the employee shareholders continually have the opportunity to exercise influence over organizational decisions. Currently the practice of the ESOS in Malaysia does not really fit, as our evidence shows, the critical dimension required. The fact that employees can sell either part or all of their shares soon after they have exercised their share options, seems to have made some of them feel less interested in their rights in this respect, which may make the scheme less effective for achieving longer-term company objectives.

The next section will discuss the research evidence in relation to the problems and hypotheses of this study. The discussion is divided into sub-sections as below.

8.3 Employees’ Views about ESOS

Different types of actor are involved with the ESOS. Employees are another group of actors besides employers and the government. As explained above employees first have to decide whether or not to participate in the scheme, and second, to make their own financial commitments if they wish to. With this in mind it is interesting to know what their views about the scheme were. Their views are of course relevant to the development of the scheme.

Generally, the findings of this study seem to show that ESOS is very attractive to employees. Indeed both participants and non-participants have had favourable views about ESOS.
However, it is necessary to be aware, as Forgarty and White (1988: 26) noted, that such favourable opinions may only be mere politeness. To be sure whether individuals’ actual behaviour accorded with their expressed views, they proposed one basic check, namely, to determine the actual numbers of respondents who actually participated in the scheme when they were given the opportunity to do so. This study found that 86% of respondents (628) had chosen to participate in the scheme. Their real participation in the scheme can be viewed as evidence of a favourable attitude, which indicated little discrepancy between intention and what is actually done.

Another issue that needs consideration related to the respondents’ favourable attitude is that any favourable feelings toward their companies or what is normally termed as the ‘halo effect’ could have influenced their favourable view. The ‘halo’, which reflects the general attitude toward the company, is a measure of the employee’s attitude to company, and it may also influence satisfaction with the scheme Fogarty and White (1988). To determine if such a ‘halo effect’ existed, the respondents were asked to give their opinions on two matters: first, ‘whether they agreed that overall their company is a good company to work for’ and second, ‘how they viewed the employee share ownership scheme’. As explained by Fogarty and White (1988), if the halo effect exists there would be a strong relationship between the two statements. This could be measured statistically by determining the correlation coefficient between the two variables. Overall, the result of this study showed, that there was a significant correlation but the size of the relationship was quite small ($r = 0.135$). Therefore these findings suggest that the respondents’ favourable opinion in this study was not strongly influenced by the presence of the ‘halo effect’. Hence the personal interview data tend to support the view that respondents genuinely have a favourable attitude to the scheme.
8.3.1 ESOS: Reason for not participating

Respondents who indicated their favourable view toward the scheme but did not participate in it, gave non-entitlement as their main reason for not participating in the scheme, and to a lesser extent they indicated that they could not afford to participate. Inability to afford was less of a consideration for respondents because, as explained in Chapter Six, the employees are given a number of finance options if they want to participate in the scheme. As indicated in Chapter Five, a hypothesis was used to compare the Muslim and non-Muslim employees, to see if the former were more reluctant to participate because of religious objections. Religion is one characteristic that differentiates Malaysia from many other countries in this respect and context.

It was found that there was no significant difference between Muslim employees and non-Muslims in their reasons for not taking ESOS. The religious factor, which was expected to be one of the factors that would hinder Muslim employees from participating in the scheme, was not found to be significant in comparing Muslim and non-Muslim employees in this way. The percentage of the Muslim respondents who agreed with this view was far fewer than anticipated, even though it was not expected to be the main reason that would deter Muslims from participating. However, this does not mean that those who did take the option are considered to have acted illegally in Islam. Islamic teaching is far from clear on this matter, because there are differences in views among the Islamic scholars in interpreting the Islamic teaching related to share transactions of and types of company in which to invest. Also, how ordinary Muslims interpret and view ESOS may influence their decisions, as the legality of the scheme from an Islamic view is not publicly discussed, since this is a scheme that is supported by the government, which is comparatively liberal in its approach.
To know whether the scheme suits Muslims normally depends on an individual Muslim's sensitivity toward the religious teaching and this will determine their approach toward the scheme. Related to transactions in shares, Islam has provided some general guidelines. For example as explained in Chapter Four, Islam forbids certain market practices such as *ikthikar* (hoarding), *gharar* (sale and purchase with uncertainty or ambiguity, for example in price, object of sale, time and place of delivery), sale of something which one does not possess (Islam requires that each transaction must involve the physical transfer of the commodity or share ownership from the seller to the buyer) and several others. It was these principles that led most of the conservative Muslim jurists to disallow transactions involving contra trading, short selling, future trading, option market and its related derivatives. As for types of company to invest in, Muslims are clearly prohibited from investing in companies that are involved in any business considered *haram* (illegal) in Islam, such as business that involves giving or taking *riba* (interest), gambling, liquor and a few others. In general, this precludes Muslims from engaging in margin transactions on the stock market, which involves the buying and selling of securities in a margin account in which money is owed to the brokerage firm. For example the account permits an investor to purchase securities on credit and to borrow on securities already in the account. Interest is charged on any borrowed funds for the period of time the loan is outstanding. In practice or reality many Muslims still practise giving and taking interest, particular those who need to be involved in the conventional banking system, when there is no alternative Islamic system, or when they have got used to the system, even though most Muslims realise that it is illegal in Islam.

Regarding shares, however, others take an opposite view, and argue, based on certain other evidence, in favour of transactions in shares in Islam. For example, they argue that to facilitate and make things easier and to remove hardship from people are among the
fundamental objectives of the *shari'ah* (Islamic law). The dynamism of the *shari'ah* (Islamic law) is reflected in its capacity for continuous application and refinement, pragmatism and convenience, rather than guidance involving rigidity and fear. The norm in *shari'ah* (Islamic law) in commercial transactions is 'business is all permissible unless there is a clear injunction to the contrary' (Sheikh Abood 1995). Based on the relevant evidence of the *Quran* (the Muslim holy book) and *Sunnah* (the practices of prophet Muhammad—a source of Islamic law) Muslim jurists have drawn several enlightening conclusions on the subject of permissibility. They have claimed that to declare a transaction valid, there is no need to search for affirmative evidence in the source. All that one needs is to check whether there is a clear and self-explanatory prohibition, and if none is found to exist, the transaction may be presumed to be valid. Second, the forms of trading and transaction that the *Quran* and *Sunnah* have explicitly validated are not exhaustive and do not preclude new varieties on which *Shari'ah* might remain silent. Finally, with regard to new transactions such as stock market investment, there is no need to search for supportive evidence in the views and precedents of early jurists, for it is essentially incorrect to extend and apply a medieval juristic opinion to a form of trade that was not known in medieval times. Such scholars take the view that the correct approach in such instances is to attempt *ijtihad* (independent reasoning— one of the instruments for determining law in Islam) in the light of the basic guidelines of the *Quran* and *Sunnah*. Based on the objectives of *Shari'ah* and the argument above, they contend that, provided there is no element of *riba* (interest), *masyir* (gambling) and *gharar* (uncertainty leading to exploitation, fraud and justice) in the contract between the consenting parties of investors and companies, there is no reason to believe that investing in the stock market (of companies whose nature of business is not prohibited in Islam), should be regarded as unlawful from a *Shari'ah* perspective. This divergence in views means that
Muslims who want to take part in ESOS can find some support for their views and believe that they are not necessarily infringing the tenets of their faith.

Nevertheless, one of the important points here is that the religious factor could be a factor that differentiates between Muslims and non-Muslims in their reasons for not participating in the scheme, even though this study did not support the hypothesis. The Muslim view is important to look into, as Muslims are the majority in the country (53% of the population). Therefore their views may affect the implementation and the outcome of the scheme. Besides that, it is also interesting to note, that this is one of the variables that makes Malaysia different from many other countries, which shows how the religious factor might affect employees’ views. This dimension has not appeared in discussions of employees shareholding in other countries.

8.3.2 ESOS: Reasons for Participation

Many researchers have suggested that there may be certain preconditions that influence how employees will react to an employee ownership scheme (Pierce et. al 1991: 127). Among the pre-conditions that have been forwarded by them are ownership expectation, perception of legitimacy associated with ownership, management’s philosophical orientation to employee ownership, and the employee’s financial orientation.

The findings of this study showed that there was a small number of reasons why the respondents participated in the scheme. However, financial orientation toward the scheme was the main reason that attracted the respondents to ESOS. The financial aspects, as indicated in this study, included both the expected financial gain from the scheme and the consideration of the scheme as part of saving. In comparing between the two financial
aspects, the potential financial gain tended to be more favoured by the respondents (58%) than using the scheme as part of saving (38%). The same issue was raised by French (1987). He explained that there are employees who approach the scheme as an investment opportunity, seeing the scheme in terms of an expectation of profit and increase in the value of the shares.

Reflecting the above findings, it is useful to look a little further at the differences between the two, i.e. the expected financial gain from the scheme and the consideration of the scheme as part of saving, as the choice of either one would possibly give different outcomes or consequences. Those who seek a short-term financial gain would be likely to sell their shares when they have an opportunity to do so. In this study, a high percentage of respondents fell into this category. On the other hand, those who consider the scheme as a form of saving may keep their shares. If employee shareholders keep their shares for a long time, such as a year or more after they have exercised their options, they are entitled to dividends, the percentage of which would be based on their companies' profits. So, this second outlook, which was to keep the shares as saving, is what most of the companies preferred. This was reflected in one of the objectives as for the scheme discussed in Chapter Six; the scheme was intended, inter alia, 'to enable employees to participate in the future growth and to participate in company profit and development'. Nevertheless, the organization of the scheme does not seem directed towards achieving this aim.

In looking for further evidence, this study has also considered whether employees held on to their shares or has sold them by asking them if they had sold their shares before this survey was conducted. The findings of this study seem to confirm the respondents' choices above. The results showed that 57.6% of the participants had sold their shares. This percentage is
similar to those who said that they had taken the option in order to have some financial gain (58.1%). As for the 41.9% of the respondents who agreed that they had not sold any of their shares before the survey was conducted, this percentage was similar to the percentage of respondents who said that they had joined the scheme as part of saving, which was 38%. These percentages appear to show that those who considered the scheme as saving still kept their shares. There were also other reasons why more respondents were likely to sell their shares than to keep them or consider the scheme as a long-term investment. These could be due to a relative lack of sophistication among the employees in looking at financial matters. They might have an idea in their mind about investment, but lack understanding of it, and it might also be that they were unwilling to take the risk of making less profit due to the fluctuation in share prices.

The reason why the financial aspect of the scheme attracted the respondents the most could also be due to companies themselves, since they stressed the financial aspect of the scheme more than any other. Compared to the financial aspect, as identified in Chapter Six, the companies gave little effort to developing the psychological aspect of the scheme. For example, little consideration was given to creating a situation in which employees feel that part of the equity in the company belongs to them. This could be seen in the fact that the companies created all the related departments just to handle the financial aspect and to explain the financial aspects of ESOS. However, this does not mean that the respondents did not value participation in the company or did not want what they were entitled to from the scheme. Besides the financial aspect, another factor that attracted the respondents to the scheme was the wish to have a voice in the company. However, the findings showed that the percentage of those who agreed that they joined the scheme in order to have a voice in the company was comparatively small (5.6%). Although the percentage was small, nevertheless it
is worthwhile to mention it, because there were some respondents who considered this reason. Nevertheless this finding tends to show that other factors than the financial aspect such as to have a voice in or influence on their companies was accorded less importance by employees.

The small number of respondents who agreed that they had joined the scheme in order to have a voice in the company was not a surprising; it was expected. There are a few reasons for this. First, in Malaysia as a developing country, processes of democratising the workplace still have a long way to go and the awareness and the eagerness to control their companies among the employees is still remote, as up to the time this research was conducted, there was no single case of a company being taken over by the employees, except in the case of some management buy-outs. However, even for a management buy-out, the companies that were taken over by the management belonged to the government, one of whose objectives is to increase Bumiputra ownership of Malaysian corporate assets (Gomez 1995). Besides that, there are many restrictions imposed by the government on workers' movements, particularly so as to maintain industrial harmony, because attracting foreign investors is very important among the government's objectives. Second it could also be related to the Malaysian values as presented in Chapter Four. There are some Malaysian values that could be related to the above, such as collectivism and pride in working in and belonging to a team. Malaysians have the value of doing things together in the spirit of a happy family. They have strong concern for others and consider the group as the basic unit of survival. It could also relate to what Hofstede (1984) has termed under the 'hierarchy'. As stated by Asma (1994) in Hofstede's terms, Malaysia is classified as having high power distance, which means that Malaysians are willing to accept inequality in power, that the power holders' authority is often unquestioned by subordinates, so that for example subordinates will be considered rude if they assert
themselves. Therefore these are among the factors that might have influenced Malaysian workers to be less concerned about gaining control in their companies.

This finding, therefore, further supports the view that the financial aspect of ESOS was the main factor that attracted the employees to the scheme. Even though this study was conducted in a different country, it seems to support the propositions of French (1987), Baddon et al. (1989) and Rosen et al. (1988). French (1987) indicated that the financial orientation of employees is one of the preconditions that could influence employees to feel interested in the scheme. Baddon et al. (1989) noted that gaining a stake in the company, involvement in the future of the company and financial reward were dominant factors in attracting respondents to share ownership schemes. Rosen et al. (1988) has also indicated a similar finding. They found that their respondents appreciated the financial benefits of their schemes the most.

As for this study, there is also a possibility that this finding is related to the lack of sophistication of the workforce as far as ESOS is concerned, or the workforces are still not familiar with the scheme. There is a likelihood the workers may change their views when they have more experience.

This study has shown that there was evidence that the government has influenced companies to introduce ESOS. Another factor that was considered in this study was the encouragement and the inducement of the government for employees to take up shares in their companies. As has been explained earlier, the Malaysian government strongly encourages its citizens, particularly Bumiputra, to participate in share schemes. They have set up for all citizens, different kinds of shares schemes, trusts and also different share institutions, to help educate and encourage Malaysian citizens in general and the Bumiputra in particular, about shares.
This is also part of their strategy and initiative to redistribute wealth more equitably among the population and particularly to increase the economic standing of the Bumiputra community, which has hitherto lagged behind the non-Bumiputra groups. The government initiatives, as explained, have been said able to induce companies to introduce the scheme it might also have the same effect on employees.

The result as shown in Chapter Seven showed that to a certain degree the involvement of employees in the ESOS was due to government inducement and encouragement. In other word the government encouragement seems to have affected the respondents’ view toward ESOS. Therefore, indirectly, the ESOS has made a contribution toward achieving government objectives in encouraging workers to participate in shares. Even though sometimes the scheme does not offer much in terms of its returns to lower level employees, it has to some degree educated employees about shares. For that reason, ESOS could be considered as a scheme that gives workers from different levels of employment an opportunity to participate and to learn about shares. ESOS is also considered to be an easier way for employees to own shares than buying them on the open share market, where their chance of getting the shares is subjected to balloting. The fairly small proportion of respondents in this study who owned shares outside their companies, which was only 20%, may exemplify this. The fairly low percentage might be due to a combination of factors such as the difficulty of getting shares from the open share market, and it could also be due the employees’ lack of knowledge about shares, which makes them lack confidence to venture into the share market individually, in contrast to the employee share option scheme, where employees are guided by their employers.
8.4 ESOS and Demographic Variables

Social norms often shape people's expectation about the way things are supposed to be (Pierce et al. 1991). In relation to this they gave an example of North Americans, who commonly associated the right of ownership with equity possession, information and the exercise of influence and control. Culture and background may also influence people's views about investments. Snap (1994) classified two different types of investor, the 'expedient investor' and the 'calculative investor'. The differences between the two categories are related to how the different groups view the scheme, for example in terms of its financial prospects, the way they approach the scheme as an investment and the level of knowledge that they possess with respect to financial affairs generally.

It is important to note that Malaysia is a multi-racial country, with a multi-cultural society. These characteristics were reflected in the different categories of respondents involved in this study, who had different ethnic and other backgrounds and experiences. The different demographic characteristics, it has been argued, affect respondents' perceptions of ESOS. For example this can be seen from Fogarty and White's (1988) study of employee share ownership. They found a number of associations between demographic variables and respondents' views about it.

Ethnic group, classified into Bumiputra and non-Bumiputra, is one of the variables that was chosen to be explored in this study. The two different groups have different cultures and economic backgrounds. Non-Bumiputras are more business-oriented and also in a better economic position compared to Bumiputra. From the findings (refer to Chapter Seven) it was found that there was a significant different between Bumiputra and non-Bumiputra where the non-Bumiputra employees seemed to be less enthusiastic about ESOS, compared to the
Bumiputra. In other words, their favourable view toward the scheme was less compared to that of the Bumiputra, and this seems to indicate that employees’ backgrounds affect how they view ESOS. This finding was quite unexpected. To strengthen this view, as indicated in Chapter Seven there were also differences between Bumiputra and non-Bumiputra related to their intention to participate in ESOS in the future. As shown, more Bumiputra respondents than non-Bumiputra agreed that they wished to participate in the ESOS if they were offered the scheme in the future, while most the non-Bumiputra were more undecided. It was expected that the non-Bumiputra employees based on their background of greater familiarity with shares should have been more comfortable and more likely to have a more favourable view toward ESOS and more likely to participate in the ESOS in the future than the Bumiputra. Their familiarity with shares appeared to be supported in this study, as one of the findings showed that the non-Bumiputra employees owned more shares outside their company than Bumiputra employees.

There are various possible explanations for the differences between Bumiputra and non-Bumiputra in their views of ESOS. One explanation could be related to their different backgrounds. In practice, the Bumiputra are less exposed to shares, relatively new in dealing with them and they also tend to be less engaged in trade and business. Therefore, a share scheme such as ESOS might be very attractive to Bumiputra, as it is a new venture and a new opportunity and they are also strongly encouraged by the government. On the other hand for the non-Bumiputra, the ESOS is only another form of share for them. Even though they showed favour toward the scheme but their degree of favour was less compared to the Bumiputra. It may also be, that the non-Bumiputra reaction to the above was only temporary, specific to the time when this study was conducted, because of their understanding of the volatility of share prices. For example, they seemed to be more undecided about taking future
ESOS. This may also due to their understanding of shares, so their participation in the future scheme may depend on the value of the shares. It is also worth relating this to the earlier point, that the non-Bumiputra are not being encouraged to participate as much by the government, compared to Bumiputra which might affect their view toward ESOS.

Besides, the non-Bumiputra have different views in their degree of favour toward ESOS, and in their future intention toward the scheme, they were also were more agreed than the Bumiputra that they joined the scheme to have a voice in their companies. A few reasons for this could be suggested. First, for the non-Bumiputra, owning shares is part of their usual business. Therefore to have a voice in the company is another aspect that might interest them to participate in the scheme. On the other hand for Bumiputra, shareholding is new to them, especially for lower level employees; therefore they seemed to be more concerned about the potential financial benefit that the scheme could offer. Other aspects such as to have a voice in the company might not attract them as much. Second, for non-Bumiputra, to have a voice in their companies could also be related to a feeling of dissatisfaction. It cannot be denied that there is an element of dissatisfaction amongst some non-Bumiputra who see the government policy of giving priority to Bumiputra as a form of ethnic economic discrimination. For example they have a perception that the UMNO-led and Malay-dominated Alliance government is practising discrimination against them (Jomo 1990). Therefore, this might have influenced their views and make them wish to have more voice in their companies.

The differences between the ethnic groups in their views and experiences toward ESOS, as discussed above, could be related to Snap’s (1994) classification of the two different types of investor, as explained earlier. From the background characteristics, it seems that the
Bumiputra could be categorised as 'expedient investors'. This is because the findings tend to show that this group choose to invest in the scheme because the scheme is an easy way to invest, did not require much individual effort and involvement, and gave them the opportunity at an opportune moment. However, for the non-Bumiputra, based on their background, it seems better to consider them as 'calculative investors'. They seem to be quite particular in their investment and apparently had more experience in other financial ventures. Therefore, these are some of the factors that appear to show differences between the Bumiputra and non-Bumiputra.

Overall, among the lessons that can be learned from this finding, is that in Malaysia, due to its multi-ethnicity, the employees’ background is one of the factors that needs to be considered before implementing schemes such as the ESOS, as their differences could affect how they view such schemes. This is another characteristic that makes Malaysia different from other countries. This is an important factor to be considered, as the prior understanding of ethnic differences could contribute toward the success of companies in pursuing their objectives.

8.5 ESOS: Attitudes toward Work and Companies

Pendleton, Wilson and Wright (1998) indicated that those promoting employee share ownership emphasise its effects on employee attitudes more than anything else. This is based on their view that employee owners are more likely to identify with their firms, to feel part of them, to be motivated to perform well, to be aware of competitive pressure and to remain with their firms. However the literature on employee share ownership provides mixed evidence on attitudinal change. Bell and Hanson (1987) and Poole and Jenkins (1990) found
some attitudinal change among employees in firms with share schemes. Yet Baddon et al. (1989), Dewe et al. (1988) and Dunn et al. (1991) found few pronounced differences between employee shareholders and others. In the above studies it was noticed that different methods had been used. The methods had included, first, comparing the attitudes of share-owners with those of employees not participating (e.g. Baddon et al. 1989; Dewe et al, Poole and Jenkins 1990); second, longitudinal investigations of employee attitudes (e.g. Dunn et al. 1991; Long 1981) and third, asking share-owning employees whether they thought that ownership had affected their attitudes towards their firms (e.g. Bell and Hanson 1987; Fogathy and White 1998).

In the present study, a series of tests was conducted on the expressed perceptions of employees of work and companies as a result of ESOS. It is useful to recall that the involvement of employees in this scheme was based on their choice, with their own financial commitment. Therefore it seemed likely that employees were aware of their involvement and they had some expectations of the scheme, which as explained earlier, were mainly financial. In determining if ESOS bring any changes to its participants, among other dimensions that this study tested were employees' attitudes to work, their feelings about working in their companies, their satisfaction with the benefits that their companies had given them and their intentions to leave their companies or generally their identification with company.

The first method used in this study was by comparing between employee shareholders and non-shareholders. In doing so four hypotheses were tested, which include:

a) The employee shareholders have a better perception toward the company than non-shareholders.
b) The employee shareholders show more satisfaction toward the benefit that their company offer them than non-shareholders.

c) The employee shareholders are more motivated in their work than non-shareholders.

d) Employee Shareholders wish to stay longer with the company, compared to non-shareholders.

The outcomes of the tests revealed that there were no significant mean differences between employee shareholders and non-shareholders in their perceptions of their company and work behaviour. for all the hypotheses above. In other words the findings of this study did not support any of the hypotheses proposed above. The results seem to indicate that ESOS did not have a strong effect on its participants, which could make them differ significantly from non-participants and be reflected in their attitude towards work and companies. Nonetheless how they responded (statistical mean) indicated that they agreed with the changes.

The next section looks at how ESOS participants perceived the changes that they felt had resulted from the scheme (as presented in Chapter Seven). It should be noted that this test uses as different approach from the earlier tests in examining the relationship between ESOS and shareholders. Instead of comparing the views of participants and non-participants, this section used employee shareholders’ own perceptions, by asking them whether ownership had affected their identification with their firms. The same procedure had also been used by, for example, Bell and Hanson (1987); Fogarty and White (1988) and Rosen et al. (1986) even though this method has been argued earlier (see for example .Pendleton et al., 1998) to be prone to respondent bias.
From the descriptive analysis, this study found that most of the participants agreed that ESOS has to a certain degree increased their feelings of commitment, integration, involvement, general satisfaction and motivation in their work and toward their company. However one question arose when these findings were compared with those from the earlier test. The current findings appear to indicate that the respondents have felt certain positive changes toward their work and companies as a result of ESOS. On the other hand, the earlier finding revealed no significant difference between ESOS participants and non-participants in their view toward work and company. Therefore differences between research methodologies and variables were among the factors believed to have contributed toward this appearance of inconsistency. This could be related to what have been noted by Ramsey et al. (1990: 185), that the inconclusive nature of research findings can be traced in part to the methodological difficulties in evaluating and relating employees' responses to the specific effects of employee share schemes. The earlier findings were findings from statistical tests that compared the ESOS participants and non-participants in their views toward their work and company, whereas the second finding was only feedback from employees' own perceptions and feeling about any changes related to organisational identification (commitment, integration, involvement, general satisfaction and motivation) as a result of ESOS.

Besides the different methodology used that caused the differences in the outcomes, it is helpful to speculate about a few factors that could be related to the non-significance of the result of comparisons between relevant data on employee shareholders and non-shareholders. First, how ESOS participants view the scheme might explain the non-significance of the above hypotheses. As found in Chapter Seven, most employee shareholders agreed more on the positive aspects of ESOS than on its negative aspects. However, they seemed to agree more with the view that ESOS had raised their financial awareness than any other change. For
example, as found in the sample of the study, most of them agreed that ESOS had made them feel interested in the profit and financial results of company and also made them feel that they should take responsibility for the profit and losses of the company. However, for the attitudinal aspect, compared to financial awareness, only a low percentage of the respondents agreed that ESOS has changed their attitudes to work, made them more conscious about waste or developed a greater team spirit among them. This view could be one of the reasons why participants and non-participants did not differ significantly in their attitudes to work and their companies, but it appears positive in the second test.

Second, ESOS might have had only a small effect impact on a typical employee’s total income, and the income from the selling of shares would also depend on the number of shares owned and the share prices at the time when the shares were sold. Furthermore, income is only one of the influences, which is believed to be able to change employees’ perception toward their companies. The finding could be related to what Locke (1976) argued, that there are many other factors besides income that can affect employee morale, such as working conditions, co-workers, supervisors and company policy, which are not related to ESOS.

Third, there is the view that ESOS might increase employee participation in the company, which then could increase employees’ morale. Pendleton (1997) commented that only a few opportunities are provided for employees to translate ownership into increased control and participation in decision-making, and that as a result, employee share schemes tend to be marginal to the overall relationship between employees and their employer. The findings of this study seem to agree with the view, as the participants were not involved much in the companies as a result of ESOS, except for the right to vote on certain occasions such as the
companies' Annual General Meetings. Therefore this does not make them very different from non-participants.

Fourth, the period when the survey was conducted also needs to be taken into consideration. As Aitken (1989) stated, employees generally are more willing to accept employee share ownership plans in times of economic growth. He further said, that the success of such plans might be linked to the growth cycles in a country's economy, because a flourishing economy would give better share prices. In the light of this view, there is a need to be aware that at the time this survey was conducted, there was an economic and currency crisis in Malaysia, where the Malaysian currency depreciated and share prices were adversely affected. The depreciation of the share prices was drastic and such a fall had never been experienced in Malaysia before. The situation may have affected the perceptions of shareholders, especially those who saw the scheme as a way making profit. This might have made them feel less interested in ESOS and eventually narrowed the gap in their view between shareholders and non-shareholders.

Fifth, it could also be related to the average investment of the employees, the way the employees get their money for the investment and the mechanism for selling the shares. It seems that the employees did not really feel that the investment that they made was from their own hard-saved money, because most of them had had loans arranged by the company for the exercise of the option. The same applies to the process of selling their shares, in practice, what the employees see is only the cash that they gain from selling their shares, which seems to be easy money for them.
The results of this study seem to be inconclusive, showing both positive and negative effects. Nevertheless there is generally reason for optimism about the results of the scheme as the mean for both tests showed that respondents generally agreed with the positive reactions, but this whole process might have had insufficient ingredients to have a greater psychological effect on employees shareholders that could change their attitude and make them significantly different from non shareholders.

This study will discuss the relationship between communication and identification with the organization further. Poole and Jenkins (1990: 16) indicated that increasing communication between management and employee shareholders could encourage employee identification. Rosen et al. (1986) stressed the importance of communication. They considered management communication to be one of the eight possible determinants of employee satisfaction with stock ownership. They said that the communication programmes should be able to educate and reshape employees' expectations, because if employees do not understand the scheme they will not appreciate it and be less likely to be motivated by it. In another study, Anfuso (1995) explained how PepsiCorp., an American company, believed in the importance of communicating the scheme to its employees. They believed that an employee ownership programme can be motivational, but only if the company communicates it effectively and employees understand the employee ownership aspect.

This section will now discuss how the participants in this study perceived the effect of companies' communication and whether the communication about the scheme to a certain degree has made the employees aware of the companies' information, look at ESOS positively, understand about the companies' objectives in introducing the scheme and understand about the scheme itself. First, related to the companies' information about the schemes, the majority of the
participants agreed that they were aware of their companies’ information. Their awareness of the scheme was as expected because of the considerable efforts made by all companies to inform employees about their share schemes. As indicated in Chapter Seven, the strategies that have been used by the companies included sending letters to eligible employees explaining about the scheme, providing brochures that describe the principles and the operation of the scheme, providing an ‘ESOS Hotline’ number for employees to obtain help about the scheme, and encouraging trade unions to explain the scheme to their members. The communication about the scheme seems to have produced positive results, as the findings of the survey showed broad similarities between employees’ perception of why companies’ introduced ESOS and the management’s declared objectives in introducing the scheme. This finding support the statement made by the management, that they were satisfied with their explanations of the scheme to their employees.

Second, in determining the correlation between communication and organisation identity, in this study three variables related to the outcome of communicating ESOS and their relationship with the feeling of sense of identification toward the company will be discussed. The variables tested were the employees’ positive perception toward ESOS (ESOSP), the employees’ understanding of company’s objectives (COMOBJ), and finally employees’ understanding of ESOS (UNDERESO). The feelings of identification expected as a result of ESOS included: commitment (COM), integration (INTG), involvement (INV), satisfaction (SATIS) and finally Motivation (MOTIV). Related to this as explained earlier, in Chapter five, three hypotheses were advanced. The hypotheses were:

a) There is a positive relationship between positive view toward ESOS (ESOSP) and employee sense of identification with the company.
b) There is a positive relationship between the understanding of ESOS (UNDERESO) and employee sense of identification with company.

c) There is a positive relationship between the understanding of company’s objective (COMOBJ) and employee sense of identification with company.

The outcomes of the Pearson correlation test between ESOS variables and their expected outcomes including commitment, integration, involvement, satisfaction and motivation for the above hypotheses were as displayed in Table 8.1 below.

<table>
<thead>
<tr>
<th>Variables</th>
<th>ESOSP</th>
<th>COMOB</th>
<th>UNDERESOS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>0.494**</td>
<td>0.383**</td>
<td>0.013</td>
</tr>
<tr>
<td>Integration</td>
<td>0.716**</td>
<td>0.541**</td>
<td>-0.004</td>
</tr>
<tr>
<td>Involvement</td>
<td>0.638**</td>
<td>0.513**</td>
<td>0.070</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.574**</td>
<td>0.503**</td>
<td>0.033</td>
</tr>
<tr>
<td>Motivation</td>
<td>0.615**</td>
<td>0.512**</td>
<td>0.029</td>
</tr>
</tbody>
</table>

**P<0.01, *P<0.05

The above results show a positive relationship between positive attitude toward ESOS (ESOSP) and understanding of the company’s objectives (COMOBJ) with commitment, integration, involvement, general satisfaction and motivation. No such associations were found for understanding of ESOS (UNDERESO). Most of the values of ‘r’ for “ESOSP” and “COMOBJ”, above, are of such a size as to suggest a moderate to strong relationship and are significant at p=0.01. Comparing “ESOSP” and “COMOBJ” in terms of five expected
outcomes, i.e. commitment, integration, involvement, general satisfaction and motivation, overall the \( r \) values for ESOSP are bigger than those for "COMOBJ". This tends to show that the ESOSP has a stronger relationship with the five variables. Therefore, the above findings support the hypothesis of the relationship between positive attitude toward ESOS and positive feeling toward the company, and between understanding company objectives and positive feelings towards the company.

In contrast, there were no significant relationships between UNDERESOS and the five variables. The reason for the differences observed in this respect between ESOSP and COMOBJ on the one hand and UNDERESOS on the other hand may be because knowledge and understanding of ESOS by itself does not bring much difference to employees; it is merely another form of knowledge. This knowledge might be just about the legal aspect, how to value shares and how to sell shares. Such knowledge would not bring the employees closer to the company as ESOSP and COMOBJ do. Therefore, this finding leads to rejection of the hypothesis that proposed a positive relationship between understanding of ESOS and a positive feeling toward the company. In comparison, ESOSP and COMOBJ are different from UNDERESOS. The former two factors reflected the employee's positive feeling toward the scheme and also their understanding about why the scheme is being implemented in their company. The more they feel positive about the scheme and the more they know about the objectives of their company, the stronger their feeling of commitment, motivation, integration, satisfaction and involvement with their companies. Related to the outcomes, this study suggested that positive perception towards ESOS and having a good understanding of the company's objectives, play roles in making some positive changes in the employees.
To sum up, this finding gives an indication that there are positive relationships between employees having positive views toward ESOS and making employees clear about the company’s objectives in introducing the scheme, with attitudinal changes in them. The understanding of ESOS does not show any relationship with attitudinal change. Therefore this finding tends to support the importance of communication in making employees understand companies’ objectives in introducing ESOS and to make employees look at the scheme positively in order to produce positive outcomes from the scheme.

8.6 ESOS and Trade Unions

As mentioned earlier in the review of literature, different authors have put forward many different views about the relationship between employee share ownership and unions. The classical view is that share ownership will weaken employees’ attachment to unions, as the employees will take the attitude and perspective of owners, the scheme would undermine collective bargaining and the role of the union might be contaminated by ownership. However, other writers assert that employee share ownership does not have any effect on unions, as the financial benefit of the scheme is too small in relation to the benefit from employment, and also employee participation in decision making, if any, as a result of ownership is insufficient to make employees feel appreciated or like real owners (Rafiq 1997).

Poole and Jenkins (1990) stated that employee financial participation has been used to reduce a long-standing conflict between trade unions and management in the firm. Baddon et al. (1989) felt that the thought of profit-sharing or employee share ownership being an element in anti-union behaviour belongs in the realm of history and that financial participation now
seems to be viewed in a different light. Zalusky (1990) noted that some unions are now beginning to perceive the scheme as a means of obtaining influence in corporate decision-making. Therefore among the objectives of this section is to discuss the view of trade union representatives toward ESOS and to discuss the employees’ attitude to union function of this study. In particular, this study wishes to consider whether trade unionists become less allied to the union as a result of ESOS or otherwise. As indicated in chapter seven, three hypotheses were tested.

For the first hypothesis it was found that there was a significant difference between unionist and non-unionist shareholders in their view toward the positive roles played by union. This result seems to indicate that the unionist shareholders have more positive views toward the union than the non-unionist shareholders.

For the second hypothesis, about the union being not necessary in dealing with ESOS, there was a significant mean difference between unionist shareholders and non-trade unionist shareholders. The outcome indicated that trade unionist shareholders disagree more strongly than non-shareholders. This finding also tends to indicate that the union’s role is still considered important by the trade unionists or, at least, that the union role is not diminished by the ESOS. The second hypothesis is rejected.

Finally, for the third hypothesis, the findings of this study led to rejection of the hypothesis that the shareholders felt that a union was unnecessary. The result of the test showed a significant difference in mean score between shareholders and non-shareholders. The outcome showed that the mean for the shareholders was lower than non-shareholders, which seemed to indicate that the shareholders were more inclined than non-shareholder to disagree
that the trade union is not necessary in the company. Overall, all the hypotheses above, which tested the traditional view that ESOS will make trade unionists rely less on trade unions have not been supported. Instead, those findings support the view that ESOS will not threaten union unity or weaken their members' loyalty. Indeed, the scheme may indirectly strengthen it. One possible reason for this might be the relationship of the trade unions with their members. For example they help their members in dealing with ESOS. Also, as found in the study, the role of the union in dealing with ESOS becomes more prominent as the companies themselves have made use of the union to explain ESOS to employees. From the findings above therefore, this study concluded that the clearest effect on union membership was a preference for the union to be involved in the scheme. Even the non-unionists seemed to agree that there was a need for the union to be present in their companies. This finding seems to support the view of those authors cited earlier (eg. Rafiq 1997, Poole et al. 1990, Baddon et al. 1989) that employee share ownership did not appear to have weakened trade unions and this result also agreed with the empirical findings of Pendleton et al (1995, 1998) and Long (1978), that unions were not affected by ESOS. Overall, the empirical findings seem to indicate that trade unions' roles are not affected by the existence of ESOS.

The above findings appear to be consistent with the views of the trade union representatives surveyed in this study. Even though most of the trade union representatives acknowledged that ESOS is a scheme that was initiated by the company and they considered it as part of the management prerogative, they believed that ESOS is not a scheme that could threaten union unity or weaken their members' loyalty. Instead, they had a feeling that the scheme has strengthened their members’ loyalty to the union, because their members would normally refer to the union to seek help for any problem that they faced related to ESOS. This finding is consistent with that of Baddon et al. (1989), who said that unions were moving away from
the attitude of ‘bored hostility’ to share ownership, but instead turning the issue to the advantage of collective interest of the trade union. It is also consistent with the objectives of the companies in introducing ESOS, in the sense that there is no indication in the stated objectives that ESOS were intended to undermine the trade unions. Also, as explained in the literature review about Malaysia (Chapter Four) unions in Malaysia are relatively weak. Therefore there is no reason why companies should consider unions as threat to companies and feel a need to use ESOS to reduce the union’s power. For example as reported by ILO (1999) that workers in Malaysia continue to be denied their right to join a trade union of their choice, and to freely organize and bargain collectively because of government policy, restrictive legislation and bureaucratic practices.

8.7 Conclusion

In Malaysia, the employee share option scheme (ESOS) is the most common form of share ownership scheme and it is a broadly-based scheme. The scheme has been seen as having dual objectives, i.e. direct and indirect. The direct objectives can be seen from the management objectives. Their objectives could be considered as mainly instrumental, in that the companies used the scheme to bring benefits to the company, rather than having a philosophical view about the need to share the power with employees. The indirect objective of the scheme is related to the government. The scheme is seen as a vehicle for achieving government objectives, among them to encourage employees, particularly Bumiputra, to participate in the equity of the company, with the ultimate aim of rectifying the economic imbalance between Bumiputra and non-Bumiputra.
The overall conclusion and their wider implications will be spelt out and explored in the next and final chapter.

Second, most of the respondents indicated that they had a favourable view of ESOS and this favourable view was related very much to the financial aspect of the scheme. This appears important, as the participants in relating the effects of the scheme, focused largely on matters such as their awareness of the financial aspects. This evoked more agreement than did the idea of a change in their work attitude. This outcome is in line with the way the scheme was portrayed, which is more financially oriented.

Third, the respondents’ demographic characteristics have some influence on their views, experiences and background in the scheme. Among the distinct demographic characteristics related to the Malaysian background that were examined in hypothesis testing, were religion and ethnic groups. As for religion, it was felt important to test this, because most Malaysians are Muslims, therefore the success of the scheme depends on how Muslim employees view the scheme, since there are some conflicting views among Muslim scholars in interpreting the status of shares in Islam. It was predicted that the religious factor would be one of the factors that could deter Muslim employees from participating in the scheme. In this study even though only very small percentage of respondents agreed that they did not participate in the scheme for religious reasons, nevertheless, there is evidence that some Muslim employees hold this view. For the second hypothesis, related to ethnic group, this study found a significant difference between Bumiputra and non-Bumiputra employees. The results seem tp reflect the theory that the non-Bumiputra are economically superior, more business-oriented and more involved and knowledgeable about shares compared to Bumiputra employees.
Fourth, this study identified the effect of the ESOS on employees by looking at the changes in the participants' attitude toward work and company, by first comparing the participants and non-participant and second, looking at the participants' perception of identification with the organisation as a result of the scheme. Statistical comparison between participants and non-participants revealed no significant mean difference between them. Some reasons have been put forward to explain the non-significance of the test. However, based on the evidences from the participants' own perception about organisation identification, there have been some positive outcomes in their views as a result of ESOS. Overall, this study shows that ESOS has brought some positive attitudinal change to shareholders, as the percentages of respondents for both tests seem to indicate that they agreed with the positive changes, even though these may not always be a good indicator of real attitudinal change.

Fifth, the importance of communication in making employees understand the scheme seems undeniable. This is important to enable companies to deliver their message and explain their objectives effectively. The findings of this study showed that employees who have positive views toward ESOS and understand company objectives in introducing the scheme are more likely to have the feeling of integration, motivation, commitment, and involvement with the company. One indication that could be deduced from the above finding is that having positive view toward ESOS and understand company’s objectives seemed to be among the factors that could help to produce positive results from the scheme, and that, however, it is subject to the effectiveness of the communication.

Finally, the view that indicated employee share ownership, which is ESOS in this study, could make union members become less allied to the union is not supported. As the outcome
indicated that the unionists tended to show stronger attachment to the union, and even non-
unionists also acknowledged the role of the union in the companies.

The overall conclusions and their wider implications will be spelt out and explored in the
next and final chapter.
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CHAPTER 9
CONCLUSION

The purpose of this study was to examine ESOS in Malaysia and to identify the reasons for its development, nature and its relationship with employees and trade unions. Although these objectives are relatively simple, nevertheless in the Malaysian context, they are considered particularly relevant and important.

This is the first study that has looked at employee financial involvement in Malaysia, in the form of its ESOS. Hence there was no previous academic knowledge of the structure and nature of the scheme, of the reasons why companies implemented the scheme, or of how employees responded to it, or of its consequences. Second, one needs to be aware that Malaysia is a developing country that has particular priorities for its development that are much influenced by its history. For example Malaysian industrial relations are uncomplicated, highly regulated and otherwise strongly influenced by the government, and the unions tend to be quite weak. Malaysia also is a multi-racial country and its citizens thus have different ethnic, economic, political, religious and social backgrounds. All those could have influenced the development of ESOS, employees' perceptions and the consequences of the scheme. Hence due to some of the factors as given in the above example it is feel rational and important to look at the basic aspects as previously explained.

The research questions and the hypotheses tested through this study were therefore formulated after taking the above backgrounds into account and also after given due
consideration of the limited resources available for conducting this research such as financial, time, manpower and also in view of the lack of readily available information about the subject of the study in this country. Therefore it is important that the variables tested and materials discussed are within the scope, relevant to the current practices of ESOS, and also within the level or scope of study that being conducted in Malaysia. In identifying ESOS and its outcomes, this study as the reasons given in the methodology chapter has focused on employees from six companies that offered shares option scheme to their employees.

This conclusion chapter therefore will give an overview of the empirical evidences of the above objectives, the implication of the scheme and highlighted ways in which ESOS is being influenced by their contexts and overall implications related to the model as proposed in Chapter Two. Next, some comments on the limitations of the present study are made and directions for future work are recommended. Finally, the general prospect for ESOS in Malaysia is contemplated.

9.1 ESOS: Overview of Empirical Evidences

This study has identified and answered the research questions put forward in Chapter One that included the possible reasons for the development of the scheme, how employee share option schemes have been implemented and their relationship with employees and trade unions.

On the development of the ESO, and as discussed in the last chapter, it appears to have been associated with external factors that included the government policy and strategy, the
influence of other companies, reactions to fashionable foreign management practices, and such internal influences from companies as their specific objectives.

Other issues, as detailed in the model in Chapter Two are related to the nature of the organisational and industrial relations environment in Malaysia. Both do not appear to have had significant effects on the development of the scheme. The survey showed that there was no particular industrial sector which is more dominant than any other in offering ESOS. The same was the case for the industrial relations environment where most companies tend to have similar practices and the evidence showed that the ESOS are operated quite independently from industrial relations system. Also the idea of involving employees in the ESOS was concerned more with achieving future company objectives, hoping that the scheme would produce results as expected in theory, rather than companies using the scheme to help solve any current problems. The scheme was largely unrelated to the trade unions, because the unions did not initiate the scheme and nor was the scheme initiated because of unions, partly because the unions in Malaysia are relatively weak.

As regards the objectives of the scheme two main issues have been considered. First, why did the government encourage the scheme, and second, why do the managements use it so much? As for the government, the scheme acts indirectly as a vehicle for achieving the government's economic policy and development agenda. The government wants to improve the socio-economic condition of the country, where there is an economic imbalance between its different ethnic groups, and a polarisation of their economic activities. It also wants to educate the population, particularly the Bumiputra majority, about shares, all with the ultimate aim of achieving the status of an advanced industrial country. This seems to be a role peculiar to ESOS in Malaysia that appear different from
the roles of employee share-holding in other countries. For company managements, the reason for the scheme is to help fulfil the allocation of shares to employees as permitted by the government when their companies become publicly listed or when they issuing new shares. Companies were also seemingly influenced by the practices of other companies, in the form of a bandwagon effect, and also seemed to be engaged in some naïve copying of ‘Western’ management strategy. The findings from this study seem to indicate that the companies’ objectives for ESOS were rather poorly thought through and more to do with getting ESOS schemes accepted by the SC than with company strategies as such.

Third, the reason why ESOS is chosen instead of another form of employee share ownership and why the overall structure and nature of the scheme have been implemented in such a manner, seemed to have been associated with the development of the scheme itself. The influence of the government seems to have contributed or played a crucial part for the reasons given above. Note how the scheme is implemented: even though there is no clear financial advantage given to companies by the government to introduce the scheme, the government has some control over the types of company which do so and and the ways in which the scheme has to be implemented. This can be seen from the restrictions placed by the government concerning the types of company that are eligible to offer ESOS. More restrictions have been imposed on private companies in implementing ESOS than on private ones. The same applies to the nature of the scheme and the way it is structured. These are controlled, regulated and determined by the SC. Companies have to follow its guidelines strictly and get prior approval for any changes to be made. The SC has the right to reject any application from a company that does not comply with the guidelines (SC Act 1993).
Fourth, and related to the research question that concerned employees' views and their perceptions of the effects of the ESOS, the findings of this study showed that most respondents were in favour of it. Non-entitlement was the main reason given for the non-participating. The financial aspect of ESOS is the most attractive feature of the scheme, where most respondents looked at the scheme mainly in terms of its expected financial return and also considered it as part of their savings. Fewer respondents considered the scheme as part of a strategy to gain power in their companies, even though the respondents believed that to own shares in the companies is part of their right.

As for the perceived effects of the scheme, the results seem to show that ESOS has not made the participants have a better attitude to work or better perceptions of their companies, compared to non-shareholders. However through employee shareholders' own perceptions or self-reports, the findings showed that most employee shareholders felt that the scheme has made them feel more integrated, involved, committed and satisfied with their organizations and motivated in their work. To some degree it seems to indicate that the ESOS is able to increase employees' identification with their employing companies, even though this finding seems to contradict the first test, which compared shareholders and non-shareholders. This latter 'discrepancy' could be related to a different research methodology being used to explore the outcome, but as explained in previous, Discussion chapter, there is optimism that the scheme is able to produce positive results for to employee shareholders.

The summary above shows that this research has partly answered and reconfirmed the model that was theorised and proposed earlier, in Chapter Two. However some of the variables in the
original model have been omitted because of their insignificance, as indicated by the shaded area below:

**Figure 9.1 The framework of the Outcome of the relationship between ESOS, Factor of the Development, nature and outcome**

The above diagram allows for the fact that, probably because of different demographic characteristics of respondents, employees' objectives and perceptions of the ESOS were not uniform. The demographic characteristics of employees appeared to have played a part in influencing the respondents' views about the scheme, as summarized below.

The most prominent demographic characteristics was ethnicity. There were many significant differences between Bumiputra and non-Bumiputra for all of the dependant variables tested, except for the government's influence on taking ESOS and on reasons for not taking ESOS. Bumiputra tended to form the group that was more in favour of selling its shares and also more keen to participate in the scheme in the future. Non-Bumiputra
showed more interest than Bumiputra in having a voice in their companies and were more likely to own shares outside them.

As regards gender, male respondents tended to show more favourable views toward ESOS, than females, and were more likely to own shares in other companies, and also had more experience in selling their shares. There were significant relationships between marital status and owning shares in other companies, experiences in selling shares and reasons for not taking the scheme. More married employees had sold their shares than single employees. This might be because more of them seemed to view the scheme in terms of its financial benefits, whereas the single employees tended to consider the scheme more as a form of saving, and also, a comparatively higher percentage of single employees owned shares in other companies.

Qualifications of employees also affected their views. There were significant associations between respondents' qualifications and their owning shares in other companies, being influenced by the government in taking the scheme and experience in selling shares. The SPM/MCE level, the lowest education level, are more influenced by the government and more likely to sell their shares, but less likely to own shares in other companies.

Generally, the above outlines have given an overall picture of how ESOS is practised in Malaysia. Next, this study will look at some of the issues related to the practices of the scheme in this country.
9.2 Issues surrounding ESOS

Certain issues are associated with the ESOS:

a) How the scheme is implemented: in Malaysia, the government has some control over the types of company and how the scheme is to be implemented. The latter is different in Malaysia from the ways in which option schemes are implemented in other countries, including the UK, although it is believed that Malaysia referred to the UK when first considering having the present scheme. In the UK there have been two different types of employee and management share option scheme. One is the all-employee Save-As-You-Earn (SAYE) Share Option. This savings-related scheme allows an employee to take a five-year and in some cases a seven-year option (Grout 1984). The option cannot be exercised until the full term of the SAYE contract has expired. The SAYE scheme has been developed in recent years. The other scheme was the discretionary Executive Share Option Scheme. This was an example of the most common form of scheme in the UK. Under it a company has to limit its offer to sections of employees in the firm; it was normally given to its senior managers. Employees were exempted from income tax if they first exercised the option after not less than three years but before ten. The only liability to employees was for capital gains tax. If employees exercised the option outside this time limit, then full income tax applied to all gains. However this scheme was stopped by the government.

Compared with the above two option schemes, the nature and structure of the share option scheme implemented and operated in Malaysia is simpler. Employees are not subjected to variations in tax and employees can sell their shares whenever they wish after first exercising their options, within the five-year vested period, or keep the shares as long as they wish. As a company does not derive any tax benefit from the scheme, as explained
previously, the simplicity reduces management costs and it can also ease the management workload in monitoring it. This would 'indirectly' encourage a company to offer the scheme and eventually will help to speed up the working out of the government strategy. This seems to agree with Rodrick (1998), who felt that due to different contextual factors, for example, the differences in legal frameworks between countries, sometimes, even the schemes with similar names are implemented differently between countries. In its highly regulated and developing country the Malaysian government plays a major role in determining the scheme and how it should be operated.

One of its implications of this is that companies have restricted choices of schemes, of kinds which might suit their objectives. ESOS is probably the easiest and the cheapest scheme to implement compared to other employee share ownership schemes. However the government could usefully give tax incentives for companies to adopt other forms of employee share ownership scheme that might serve them better than ESOS, and at the same time similarly contribute to achieving its objectives and the long-term agenda for Malaysia.

b) Objective of the scheme: government versus company

The findings showed that the introduction of the scheme has to some extent been influenced by a combination of government and companies' objectives. Nevertheless evidence showed that the organization of ESOS does not appear to support the stated company objectives for it. It seems biased towards the government's objectives. For example ESOS shares can be sold at any time after the employee shareholders have exercised their rights to buy them. After making some profit from the shares employees can
leave their companies as soon as they like, as there is no contract to bind them to the companies. Even though some companies have put some restrictions on higher-level employees, where they need to segregate their shares in exercising their option in a five-year period, but the time is considered too short to tie employees with the company especially for higher-level management. Hence the practices look as if they are inconsistent with the objectives of keeping employees in their companies or of increasing their commitment.

Company objectives do not show much difference from the objectives of similar schemes in the developed countries, such as to develop and motivates employees, although these tend to be associated with some doubts about their focus, priorities and the genuineness in setting the objectives. However it is interesting to find in this study that the ESOS has been used for disciplining employees where their right to participate in the scheme could be suspended or withdrawn if they are subject to disciplinary action.

As for the government, it too has some objectives that seem similar to the developed countries', such as to improve employee attitudes. Yet one of the most peculiar objectives, which differs from those pursued in the developed countries, is that the scheme is being used to complement other government initiatives. It is being use to redistribute share equity, wealth and income among the different ethnic groups, and what is more important, to educate people about shares which is partly to achieve its political, economic and development agenda. This also might answer why the government has chosen ESOS and designed its operation in such a manner. Even though it may not encourage long-term commitment, but from the government’s perspective and through by the nature of ESOS it could educate and stimulate interest in employees about investment. As employees can sell
the shares as soon as they have exercised their options, and in other words, because employees can see the profit from their investments in a short time, this could, as a consequence, stimulate employees’ interest and educate them about shares.

It is quite significant that the use of the scheme is more about achieving national objectives than achieving the stated company’s objectives.

c) The degree of commitment to the scheme: government versus company

Related to the company, it appears to indicate some degree of no seriousness or lack of commitment in the company in identifying how it should design and implement the scheme in order to improve employees’ attitude and behaviour as indicated in the company’s objectives. For example the way the scheme is designs and conducted seem does not fulfil the three critical dimensions as proposed by Pieces and Furo (1990). They indicated that the scheme should provide the individual employee owner with physical possession of evidence and situational reminder that part of the equity in the organization is theirs. Also give employee timely access to information about organization affair and provide regularly information about past, present and future event and give continue opportunity to employees’ shareholders to exercise influence over decision making which these can make them feel part of the company and may improve their attitude, behaviour and commitment. Even though there are communication between company and employees but it is more toward explaining the financial and technical aspect of it. Similar to their objectives, they have a number of objectives, which this seemed to indicate that they have no focus in determining the objectives, no seriousness in determining outcome and the management not very committed with the objectives. So the possibility of naïve copying management practices by the companies seems justifiable.
Second, as for the government, how they organise their policy, regulation and encouragement seem to show their commitment in implementing the scheme. For example why ESOS and not other employee share ownership scheme is chosen seem to justify their objective and it suits the Malaysian context. As due to the simplicity of the scheme it could encourage more company to offer shares to their employees. In another example it could be seen from the way the government organised the different form of financial arrangement for employees who do not have enough money to exercise their option. Particularly for Muslim employees who do not want to involve in interest, such as the interest incurred from their loan, they are offered alternative financial arrangement that is based on Islamic concept. It is similar to how they protect the financial institutions from loses due to the depreciation of the share price from the money that they loaned to employees. The financial institutions are allowed to practice 'force sale'. One implication, that in order for companies to be more successful in the scheme the management should be more serious, committed and be knowledgeable not only about the technicality of the scheme but also about the intrinsic value of the scheme. Based on the finding of this study it seems that there is no seriousness in the management, hence there is also possibility that the introduction of the scheme by the company is more as a result of government inducement and it could also be complemented by the lack of management skill or the management not knowing and doing what make them successful. For example as stated earlier generally the officers involved in the scheme they themselves not clear about the objectives that their companies wish to achieve out of the scheme.

d) The nature and the outcome of the scheme

The results of this study seem to show some positive relationship between the share option scheme and it outcomes. However it is believed that the way that the scheme to be
implemented should not necessarily follow as what being said important in the literature as indicated in the west. This is said so because the critical dimensions that should go along with the scheme in the Western literature as proposed by Piece and Furo (1986) such as to having voice, gain more information and being treated as owner seem to be absent, yet there were still some degrees of positive results being produced. As within the context of Malaysian culture the said dimension seem to be considered less important and were something that do not bother employees much. For example related to the Malaysian cultural dimension, at the macro level, Malaysia is characterised by high power distance, low individualism, weak uncertainty avoidance and masculinity (refer to Hostede's classification; even though it is aware that there are many other recent studies by different authors, but this classifications are used because at this stage most study about culture in Malaysia are rely on Hofstde's classification). Particularly related to power distance and individualism, for example Asmah (1992) has given some descriptions of Malaysia as follows: for power differences, Malaysians have the value of respect for seniors, authoritarian management is tolerated and compromise is preferred to confrontation. With these characteristics, it seems that superiors and subordinates are less likely to be openly in conflict. Related to low individualism, Malaysians seem to work well in a team environment and they like to have the sense of belonging, where satisfaction at work are felt when they receive respect from their colleagues and enjoyable friendship between subordinates and peers. So the lack of the said critical dimensions such as to having voice, gain more information and being treated as owner may be complemented by the value in the culture itself such as the value of respect seniors, tolerated authoritarian management, preferred compromise than confrontation and others as mentioned above.
As for the outcome of the scheme that related to government objectives, first, how ESOS contributed toward redistributing shares among the different ethnic group is marginal, as there are many much larger shares being offer to Bumiputra, hence ESOS is just complementing toward achieving government objectives. However in term of educating employees about shares, to some degree ESOS seem to have been successful, as without ESOS due to the nature of the business that related to share market the probability that many particularly low level employees will involve in share will be low. The implication that could be derived from the above that ESOS to a certain degree seem to be compatible with the Malaysian culture and it suits the government strategy, which the scheme seems to some degree plays some part in complementing toward achieving part of the management and government objectives.

e) ESOS and Trade Union

For trade unions, the Malaysian trade unions are considered relatively weak. Also, the rules and regulations seem to have restricted the role and the development of the trade unions. In Malaysia, there is a tendency for the industry role of trade unions to be replaced by enterprise unions, which many consider to have less power than trade unions. It seems that the relationship of ESOS with trade unions in Malaysia has also partly been influenced by contextual factors, i.e. the strength of the union itself. As indicated in the findings, companies have not considered ESOS either directly or indirectly as a means to reduce the power of trade unions. On the other hand, the companies have sought the help of the unions in explaining ESOS to their members. Therefore, the assumption that management make use of ESOS to weaken or to bypass trade unions in dealing with employees, and the belief that employees' identification with the company as a result of ownership will negatively affect their identification with the trade union, expressed by many writers, seem not to be
applicable in Malaysia. Rather, the unions from the different companies involved in this study seemed to have supported the scheme, looked at the scheme positively and considered it as another kind of bonus that will give employees an opportunity for financial gain.

f) ESOS and employees’ shareholders

The finding of this study showed that there were some similarities between this study and the study conducted elsewhere as indicated in the literature. For example first, majority of the employee shareholders even the non-shareholders indicated that are highly favourable toward ESOS. Similar findings were found in other studies for example Forgathy and White (1988), Baddon et al. (1989), Long (1982), Poole and Jenkin (1990) and Rosen et al. (1986). Second the employees appeared to be interested in the financial aspect of the scheme, the same applies to the finding of other studies conducted elsewhere for example the studies conducted by for example Dewe et al. (1988), Forgarthy and White, (1988). Third the same results show there was no change in employees’ attitude toward the trade union (eg. Pendleton et al. 1998, 1995, Keef, 1998, Baddon 1989) and no evidence that the scheme had reduced perception of ‘them and us’ attitude as indicated by Kelly and Kelly (1991) and a few other similarities were found between this study and others conducted elsewhere that related to employees.

Even though there were some similarities in findings between this study and studies conducted elsewhere, however, this study has shown some evidence of the influence of the contextual environment on the outcome of employee share option scheme as indicated in the above example. Thus, the researcher feels that from one aspect the similarity of the findings cannot be totally taken to indicate universal outcomes of the scheme. As
evidences show even though it is not statistically proven but the outcomes could be explained and it is related to the contextual environment where the scheme is being implemented, for example how companies have treated the scheme. In this study, the share option scheme is little more than a financial arrangement in the companies. No company in this study has made a serious attempt to embrace share option as a mean of culture change and real encouragement of employee participation. Therefore, that the financial aspect of the scheme is the main attraction for employees is something that is expected as the outcome of this survey, as this is what employees can see the most from the scheme. Another example is about the feeling of 'them and us' in Malaysia it is not something that is important to be overcome, as the society accepts it as something normal. For example it could be related to cultural factors as explained in the earlier section. In other word their culture may have not make them felt encouraged to do so. All the above characteristics seemed to have a profound effect on the respondents in this Study.

Overall from the issues above it seems to indicate that the government objectives have had a critical impact on the development and the forms the scheme has taken, which is ESOS. The position of ESOS in this country also to an extent degree could be seen as an integral strategy toward developing a larger social order. Even though there might be some similarity in the outcome, the issues forwarded seem to support the earlier assumption that the results of share ownership are not universally applicable to all countries, as they could be influenced by contextual factors within the country such as political, social and economy. Hence companies needs to understand, for example, the contextual environment before implementing or relying on management strategies and practices, which mostly are underpinned by the Western theoretical perspective, which represent Western concepts and
contexts. For example, in this study, ESOS was implemented in a country, which has legal and political norms, social relationships, cultural values and many other differences from the context in which the scheme originated. Therefore, to use ESOS as a management strategy to change employees’ attitude, for example, or to motivate them in their work, it would need to be implemented with caution, as the above factors need to be taken into consideration. Particularly related to culture, it is useful to bear in mind for example what has been proposed by Hofstede (1980) about the need to consider culture before any management theories and practices are imported. According to Hofstede (1980), management models and other related management practices that were developed in this society would carry with them ‘cultural baggage’ which reflects those values. This makes the relevance of some of its theories in other cultural environments doubtful. For example, comparing between Malaysia and America in relation to motivation, as summarised by Asma (1992), for Americans the values of self-esteem and self-actualisation are very high, reflecting the American high individualism. On the other hand, according to Asma (1992), Malaysians generally are motivated when they are able to develop and cultivate good relationships between bosses and subordinates and also within a friendly and supportive work environment. This was said to be the result of the interaction between religion and culture.

Finally, based on the findings and the discussion in this study, looking as a form of employee share ownership scheme, namely ‘employee share option scheme’, has to some extent contributed to the growing evidence that questions the universal transference of managerial ideas and practices across national borders without making changes to suit the need of the contextual factors of a country and to look what need to be modified to suit the country and what seem to be naturally fit. For example with regard to employee share
option scheme, even though Malaysia's contextual environment seems different from that where the employee share option scheme originated, one interesting aspect is that the scheme can create money, which this seems to suit naturally with Malaysians. There is no dispute about the similarity between Malaysian and others in their view toward money. For example according to Asma (1992) money is generally the underlying factor that drives Malaysians to work. Therefore this is one of the strongest points that might make ESOS work for the companies in Malaysia.

9.3 Limitation on Inferences

As with any other research, this study is subject to limitations. The limitations are discussed below that include: causal inferences, generalisability and methodological limitations.

Causal Inference

This study was done by cross sectional investigation, for example in examining ESOS-related changes in employees' attitudes toward work and employers, participants' organizational identification, and the perceptions of trade union members of their unions. This method places limitations on the ability to determine causality between variables. It only provides information with regard to the degree of 'association' or 'relationship' between variables. Although it is tempting to draw inferences of a causal nature, such interpretations should be viewed with great caution, because no changes taking place over time could be observed.

Generalisability
The aim of the present study was to draw conclusions about the development of ESOS in Malaysia, perceptions of employees about it and the relationship of the scheme with individual participants and their trade unions. However there were weaknesses in the sampling and the design of the study that pose some limitations on its generalisability. Among these weaknesses are:

a) Due to the lack of resources, only organisations in Kuala Lumpur and Klang Valley were selected. Even though there are other companies outside this area, most of the companies that have trade unions and give ESOS to their employees operate within the defined area.

b) Participation in the survey, either of companies or of employees, was voluntary, so there is a possibility that the organisations and employees that declined to participate were different from those who participated, even though some measures were taken to overcome this problem.

c) Due to the voluntary nature of participation, and also because of the difficulty of gaining access to the companies, the respondents who participated in the survey may not reflect all levels, types and sectors of employment.

Methodological Limitations

a) Most of this study used a five-point Likert scale, whereby respondents were asked to indicate their strength of agreement or disagreement with statements pertaining to certain issues. Regarding the Likert scale, Brown (1990) pointed out that the use of it may result in the possibility of patterned responses. There is a tendency that the respondents respond automatically to questions without paying careful attention to the questions being asked. A problem may also arise, when different respondents give different interpretations to the numbers in the scales, although the researcher has clearly defined each of the numbers.
b) There was a limitation in the technique used in getting feedback from employees in this study. This study has relied mainly on quantitative technique in getting employee feedback. Due to limited resources, some of the intended qualitative dimension that be incorporated in the design of this study had to be omitted. Without doubt, one of the limitations of the quantitative technique is the difficulty of translating people's feelings into numbers. Thus, if it had been possible to combine both quantitative and qualitative techniques it would have strengthened the findings.

Other limitations

Study of the development of employee financial participation that related to the different sectors of industry in Malaysia was purposely omitted, as no compilation of data or observations of its development exist from previous work. Such a survey could be done in this study, due to time, financial and manpower constraints.

9.4 Recommendations for Future Research

A number of suggestions were made and issues raised that could not be further explored in this study, and seem to be worth considering in future research. Some of the possible topics are as follows:

a) The reaction of the different level of employees toward ESOS. Although this issue was raised earlier on in this study, however there is a need to focus in more detail on the difference between management-level and lower-level employees in their relationships with ESOS. This is important as this study found that the scheme appears more advantageous for the management-level employees than for others. Therefore, a further
study between the two groups, to determine how the scheme affected each, would be useful.

b) It was found that there were some significant differences between the ethnic groups (Bumiputra and non-Bumiputra). Therefore a more detailed study of the differences between the two groups, particularly related to reasons for taking ESOS and their perception of the effect of the scheme seems necessary.

c) The perspectives used in this study appear to recognise that Muslims are divided on issues related to shares, including ESOS. Within this context the necessity of looking specifically at the Muslim employees’ perceptions toward ESOS and related factors such as financial aspects, for example loans as these normally involve interest which is forbidden in Islam, and to relate this to their understanding of how Islam views the scheme, is important. As Muslims are the majority of the Malaysian population their views about the scheme are essential for understanding its viability, and the effectiveness of the scheme may depend on how well their views are understood.

d) The results of the two different tests conducted in this study showed some discrepancies in employee attitudes toward work and companies, and identification with companies, as a result of the ESOS. An alternative way to determine the actual outcome of the scheme related to changes in employee attitude and organisation identification could be by means of a longitudinal study.

e) Due to the roles of different ethnic groups that have different social and economic backgrounds it seems essential that this kind of study should look in more detail at how different ethnic backgrounds can influence the degree to which employees wish to participate in employee share option schemes.
9.5 The Future of ESOS in Malaysia

Some speculation can be made about the practice of companies in giving shares to their employees in Malaysia. The number of companies that give shares to their employees is expected to grow, since many people find something appealing in the concept, and most unions are becoming more receptive to the scheme. It is also found that the scheme is in line with the government’s policy and strategy and suited to the Malaysian culture. Although certain Muslims reject the scheme, many initiatives have been taken by the government to overcome this by introducing Islamic financial schemes and by clearly identifying companies that are not suitable for Muslims.

As the findings indicated, the scheme has, to some extent, produced positive results for both the companies and employees and it is strongly believed that the scheme could motivate employees. However it is not enough simply to give employees an equity stake while continuing to run their companies in the same old way. It is important to make employees understand their companies, to instil in them a sense of ownership and give them the feeling of real involvement and participation. If employees do not understand the objectives of their schemes, are not aware of the real situations of their companies and do not feel not properly involved, there is a possibility that the growing interest in the scheme will come to a halt. For example, this could happen if there were to be a slowdown in the economy or a recession, as happened in some Asian countries during the recent economic crisis, when share prices dropped to their lowest value. Such a situation would deter employees from accepting the options available to them, as, if they were to accept it, they would face the risk of making some short-term loss in their investment. As a consequence the attractive objectives and the promising outcomes of the scheme would be defeated.
Dear sir,

I am an academic staff at the Department of Management University Kebangsaan Malaysia and presently doing PhD. in the Faculty of Management at the University of Stirling Scotland. I am doing research on Employee Share Option Scheme and have now reached the stage where I need to gather the require data. I therefore would be grateful if you could answer all the relevant questions in this questionnaire.

For your information this research will only be used for academic purposes. I assure that nothing confidential will be asked and this survey will be kept strictly confidential as no individual name will be published.

Thank you.
### INSTRUCTION: PLEASE ANSWER THIS SECTION BY CIRCLING THE NUMBER THAT BEST DESCRIBES THE INFORMATION ABOUT YOURSELF:

(ARAHAH: SILA JAWAB BAHAGIAN INI DENGAN MEMBULATKAN NOMBOR YANG TERBAIK MENJELASKAN BERKENAAN DIRI ANDA)

1. **Gender (Jantina saya):**
   - 1. Male (Lelaki)
   - 2. Female (Perempuan)

2. **Age (Umur saya):**
   - 1. Under 21 years (Bawah 21 tahun)
   - 2. 21 to 29 years (21 ke 29 tahun)
   - 3. 30 to 39 years (30 ke 39 tahun)
   - 4. 40 to 49 years (40 ke 49 tahun)
   - 5. 50 and above (50 ke atas)

3. **Race (Keturunan saya):**
   - 1. Malay (Melayu)
   - 2. Chinese (China)
   - 3. Indian (India)
   - 4. Others (Lain-lain)

4. **Religion (Ugama saya):**
   - 1. Muslim (Islam)
   - 2. Christian (Kristian)
   - 3. Buddhist (Budha)
   - 4. Hindu (Hindu)
   - 5. Others (Lain-lain)

5. **Marital status (TARAF PERKAHWINAN SAYA):**
   - 1. Married (Berkahwin)
   - 2. Single (Bujang)
   - 3. Others (lain-lain)

6. **Highest qualification (KELULUSAN TERTINGGI SAYA):**
   - 1. Degree/Professional (Ijazah/Professional)
   - 2. Diploma (Diploma)
   - 3. SPM/M.C.E (SPM/MCE)
   - 4. Others (Lain-lain)

7. **For how long have you been working with this company? (BERAPA LAMAKAH ANDA TELAH BERKHIDMAT DISYARIKAT INI?):**
   - 1. Less than a year (Kurang dari setahun)
   - 2. 1 year to 5 years (1 tahun hingga 5 tahun)
   - 3. 5 years above to 10 years (5 keatas hingga 10 tahun)
   - 4. Above 10 years (10 tahun keatas)

8. **Are you a member of a trade union? (ADAKAH ANDA MENJADI AHLI UNION DI SYARIKAT INI?):**
   - 1. Yes (Ya)
   - 2. No (Tidak)

9. **Do you hold any post in the union? (ADAKAH ANDA MEMEGANG SEBARANG JAWATAN DALAM UNION?):**
   - 1. Yes (Ya)
   - 2. No (Tidak)

If yes, what is it? (Jika ya apakah jawatan tersebut?)

10. **Your job category in this company (KATEGORI KERJA ANDA DI SYARIKAT INI):**
    - 1. Management level (Tahap pengurusan)
1. What department or section are you, in this company? (Di jabatan atau seksi manakah anda bekerja di syarikat ini?)

2. Have you ever worked with other company before? (Pernahkah anda berkhidmat dengan syarikat lain sebelum ini?)

3. If yes, did the company gave shares through an employee share option scheme (ESOS) to its employees? (Jika pernah adakah syarikat tersebut memberi saham ESOS pada pekerjanya)

4. Do you own shares in other companies? (Adakah anda memiliki saham di syarikat-syarikat lain)

5. How do you view the employee share option scheme (ESOS) in the company you are working now? (Bagaimanakah pandangan anda terhadap ESOS di syarikat anda bekerja sekarang)

6. Have you taken part in the ESOS in the company where you are working now? (Adakah anda menganbi ESOS di syarikat anda bekerja sekarang ini)

7. How many units of shares do you own? (Berapakah unit saham ESOS yang anda miliki?)

8. What is your main reason for taking up ESOS? (Apakah sebab utama anda mengambil ESOS?)

9. Did government inducement and encouragement influence you to participate in ESOS? (Adakah penyertaan anda dalam skim ESOS ini juga disebabkan oleh pengaruh dan galakan kerajaan ?)
1. Yes (Ya)
2. No (Tidak)

20. How long have you owned the shares? (Berapa lamakah anda telah memiliki saham ESOS tersebut?)

21. Have you ever sold any part of your share? (Pernahkah anda menjual sebahagian dari saham tersebut?)

22. What is the main reason why you did not take part in the ESOS? (Apakah sebab utama, anda tidak mengambil ESOS)

1. Couldn’t afford it (tidak mampu untuk membelinya)
2. Didn’t know about it (tidak tahu mengenainya)
3. Not entitled to participate (tidak layak menyertai)
4. Not interested in shares (tidak berminat dengan saham)
5. Against my religious belief (tidak sesuai dengan agama saya)

Others, please specify if necessary (lain-lain, sila nyatakan jika sesuai)

23. Are you likely to take part in the ESOS in the near future? (Adakah kemungkinan anda akan mengambil ESOS satu masa nanti)

1. Yes (Ya)
2. No (Tidak)
3. Undecided (Belum pasti)

SECTION B (BAHAGIAN B)

TO BE ANSWERED BY ALL EMPLOYEES (HENDAKLAH DI JAWAB OLEH SEMUA PEKERJA)

This section is about various aspect of you and your job, firm and workplace. Please indicate the extent to which you agree or disagree with the statements below by circling or tickling the number that shows best what you think:

Key: Strongly Disagree =1, Disagree = 2, No view = 3, Agree = 4, Strongly Agree = 5

(Bahagian ini adalah berkenaan anda dan kerja anda, serta syarikat dimana anda bekerja. Sila nyatakan setakat mana anda bersetuju atau tidak bersetuju dengan kenyataan-kenyataan dibawah. dengan membulat atau menandakan angka yang paling sesuai dengan pendapat anda)

Petunjuk: Sangat tidak setuju =1, Tidak setuju = 2, Tiada pandangan = 3, Setuju = 4, Sangat Setuju = 5

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<tr>
<th>Statement</th>
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<tbody>
<tr>
<td>1. Doing my job well gives me a lot of personal satisfaction (Membuat kerja dengan sempurna memberikan banyak kepuasan kepada diri saya)</td>
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<tr>
<td>2. I feel bad when I make a mistake in my work (Saya merasa kecewa apabila saya membuat kesilapan dalam kerja saya)</td>
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<tr>
<td>3. My job is more important to me than just money (Kerja saya adalah lebih penting bagi saya dari hanya kepentingan wang semata-mata)</td>
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<tr>
<td>4. I am really interested in my work</td>
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</tbody>
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379
| (Saya amat berminat dengan kerja saya) | | | | |
|---|---|---|---|
| 5. When some workers do not put much effort into their job, other workers should encourage them to work harder (Apabila seseorang pekerja tidak bekerja bersungguh-sungguh, pekerja lain patut menggalakkan mereka supaya berkerja lebih rajin) | 1 | 2 | 3 | 4 | 5 |
| 6. It is important for an employee to feel a part of the company (Adalah penting bagi seseorang pekerja itu merasakan dirinya sebagai sebahagian dari anggota syarikat) | 1 | 2 | 3 | 4 | 5 |
| 7. The most important element in a job to me is the salary (Perkara yang terpenting bagi saya dalam sesuatu kerja adalah gajinya) | 1 | 2 | 3 | 4 | 5 |

**ATTITUDE TO COMPANY AND THE WORKPLACE**
(SIKAP TERHADAP SYARIKAT DAN TEMPAT KERJA)

| 8. Morale is generally good in this company (Moral di syarikat ini adalah baik) | 1 | 2 | 3 | 4 | 5 |
| 9. This is a friendly place to work (Ini adalah tempat yang mesra suasananya untuk bekerja) | 1 | 2 | 3 | 4 | 5 |
| 10. We have a good team spirit here (Kami mempunyai semangat dalam kumpulan yang baik di sini) | 1 | 2 | 3 | 4 | 5 |
| 11. This firm is a fair employer (Majikan di syarikat ini adalah adil) | 1 | 2 | 3 | 4 | 5 |
| 12. If a problem crops up at work in this company it’s easy to get it sorted out (Jika ada sebarang masalah yang timbul semasa bekerja disyarikat ini ianya adalah mudah untuk diselesaikan.) | 1 | 2 | 3 | 4 | 5 |
| 13. I would not hesitate if I want to leave this firm (Saya tidak akan berfikir panjang jika saya hendak berhenti dari bekerja di sini) | 1 | 2 | 3 | 4 | 5 |
| 14. This firm pays pretty well (Gaji yang dibayar oleh syarikat ini agak baik) | 1 | 2 | 3 | 4 | 5 |
| 15. I know what the supervisor expects from me (Saya tahu apa yang supervisor harapkan daripada saya) | 1 | 2 | 3 | 4 | 5 |
| 16. Communications between workers and managers are poor here (Perhubungan antara pekerja dan pengurusan kurang baik di sini) | 1 | 2 | 3 | 4 | 5 |
| 17. This firm looks after its workers well (Syarikat ini menjaga kebajikan pekerjanya dengan baik) | 1 | 2 | 3 | 4 | 5 |
| 18. Working for this firm really makes me want to try to do my job the best it can possibly be done (Bekerja di syarikat ini membuatkan saya ingin bekerja dengan sebaik mungkin yang boleh) | 1 | 2 | 3 | 4 | 5 |
19. This firm should pay a better salary to its employees (Syarikat ini sepatutnya membayar gaji yang lebih baik kepada pekerjanya) | 1 | 2 | 3 | 4 | 5

20. There is no point in complaining or giving suggestions about anything here (Tidak guna untuk memberi sebarang cadangan atau membuat bantahan di syarikat ini) | 1 | 2 | 3 | 4 | 5

21. Things would be better here if more workers joined the trade union (Keadaan mungkin menjadi lebih baik di sini jika ramai pekerja menyertai union) | 1 | 2 | 3 | 4 | 5

22. Considering my skill and the effort I put into my work, I am satisfied with my pay (Mengambil kelebihan dan tenaga yang saya berikan kepada kerja, saya berpuas hati dengan gaji yang saya dapat) | 1 | 2 | 3 | 4 | 5

23. My job is boring (Kerja saya membosankan) | 1 | 2 | 3 | 4 | 5

24. If I were offered a similar job with another firm at a slight increase in pay, I would take it (Jika saya ditawarkan kerja yang sama oleh syarikat lain walaupun dengan pertambahan gaji yang sedikit saya akan menerima tawaran tersebut) | 1 | 2 | 3 | 4 | 5

25. If I were offered a similar job with another firm for a large increase in pay, I would take it (Jika saya ditawarkan kerja yang sama dengan gaji yang lebih besar oleh syarikat lain saya akan menerima tawaran tersebut) | 1 | 2 | 3 | 4 | 5

26. Overall, this is a good company to work for (Secara keseluruhannya syarikat ini adalah tempat yang baik untuk bekerja) | 1 | 2 | 3 | 4 | 5

27. I feel loyalty to this firm (Saya menaruh penuh kesetiaan kepada syarikat ini.) | 1 | 2 | 3 | 4 | 5

28. There is too much pressure to work overtime here (Terlalu banyak tekanan untuk bekerja 'lebih masa' di sini) | 1 | 2 | 3 | 4 | 5

29. I would like more responsibility in my work (Saya suka jika diberi tanggung jawab yang lebih dalam kerja saya) | 1 | 2 | 3 | 4 | 5

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<th>SECTION C (BAHAGIAN C)</th>
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<tr>
<td>TO BE ANSWERED BY ALL EMPLOYEES (HENDAKLAH DI JAWAB OLEH SEMUA PEKERJA)</td>
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</table>

This section is about the reasons for setting up the employee share option scheme (ESOS) in this company. Please indicate to what extent you agree or disagree with each reason given below by circling or ticking the number that shows best what you think:-

Key: Strongly disagree = 1, Disagree = 2, No view = 3, Agree = 4, Strongly agree = 5

(Bahagian ini berkenaan dengan tujuan yang ingin dicapai oleh syarikat ini apabila memberi ESOS kepada pekerja-pekjerannya. Sila nyatakan setakat mana anda bersetuju atau tidak bersetuju dengan tujuan -syarikat dibawah berhubung dengan kenapa syarikat memberi ESOS kepada pekerja mereka dengan membulat atau menandakan angka yang paling sesuai dengan pendapat anda) (Petunjuk: Sangat tidak setuju = 1, Tidak setuju = 2, Tiada pandangan = 3, Setuju = 4, Sangat Setuju = 5)
This company gives ESOS to its employees in order… (Syarikat ini memberi ESOS kepada pekerja supaya……)

| 1. To give employees a share in company profit. (Memberi peluang kepada pekerja berkongsi keuntungan syarikat) | 1  2  3  4  5 |
| 2. To enable employees to participate in the future growth of the company. (Membolehkan pekerja terlibat sama dengan perkembangan syarikat dimasa depan) | 1  2  3  4  5 |
| 3. To increase employees’ knowledge about company finance (Meningkatkan pengetahuan pekerja berkenaan kewangan syarikat) | 1  2  3  4  5 |
| 4. To give an incentive to employees to participate more actively in the operation of the company. (Memberi insentif kepada pekerja supaya mereka melibatkan diri dengan lebih cergas dalam operasi syarikat) | 1  2  3  4  5 |
| 5. To give recognition and reward to long-serving employees (Memberi pengiktirafan dan ganjaran kepada pekerja yang lama berkhidmat di syarikat ini) | 1  2  3  4  5 |
| 6. To give employees greater sense of ownership so that they are motivated to work harder (Memberikan pekerja rasa ada hak milik dan mereka lebih bermotivasi untuk bekerja dengan lebih rajin) | 1  2  3  4  5 |
| 7. To bring closer the management and employees’ relationship (Merapatkan hubungan antara pekerja dan majikan) | 1  2  3  4  5 |
| 8. To give employees a say in the company, as shareholders (Memberi hak bersuara kepada pekerja sebagai pemegang saham) | 1  2  3  4  5 |
| 9. To encourage the employees to work longer with this company. (Menggalakkan pekerja berkhidmat lebih lama dengan syarikat ini.) | 1  2  3  4  5 |

SECTION D (BAHAGIAN D)
TO BE ANSWERED BY ALL EMPLOYEES (HENDAKLAH DIJAWAB OLEH SEMUA PEKERJA)

This section is about employee share option schemes in general. Please indicate the extent to which you agree or disagree with the statements below by circling or ticking the box that shows best what you think:-

Key: Strongly Disagree =1, Disagree= 2, No view = 3, Agree = 4, Strongly Agree = 5

(Bahagian ini adalah berkenaan ESOS secara am. Sila nyatakan setakat mana anda bersetuju atau tidak bersetuju dengan kenyataan-kenyataan dibawah dengan membulatkan atau menandakan angka yang paling sesuai dengan pendapat anda)

(Petunjuk: Sangat tidak setuju =1, Tidak setuju = 2, Tiada pandangan = 3, Setuju = 4, Sangat Setuju = 5)

<p>| 1. ESOS make employees feel more a part of the Company (ESOS menjadikan pekerja rasa dirinya sebagai sebahagian daripada ahli syarikat) | 1  2  3  4  5 |
| 2. ESOS create a better atmosphere in the firm (ESOS mewujudkan suasana yang lebih baik di syarikat) | 1  2  3  4  5 |
| 3. ESOS help to build up greater team spirit among employees | 1  2  3  4  5 |</p>
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<td>4.</td>
<td>ESOS reduce feelings of ‘them and us’ between management and employees (ESOS mengurangkan ‘rasa terpisah’ antara pekerja dan pihak pengurusan)</td>
<td>1</td>
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<td>5.</td>
<td>ESOS make employees take greater interest in the profit and financial results of the company (ESOS menjadikan pekerja lebih cenderung untuk mengetahui keuntungan dan kedudukan kewangan syarikat)</td>
<td>1</td>
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<td>6.</td>
<td>ESOS make people work harder (ESOS menjadikan pekerja lebih rajin bekerja)</td>
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<td>7.</td>
<td>ESOS make people more conscious of waste (ESOS menjadikan pekerja lebih berhati-hati terhadap pembaziran)</td>
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<td>8.</td>
<td>ESOS strengthen people’s loyalty to their firm (ESOS meningkatkan kesetiaan pekerja kepada syarikat)</td>
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<tr>
<td>9.</td>
<td>ESOS make employees feel that employees should share the profits and loses of the company (ESOS menjadikan pekerja merasai bahawa kentungan atau kerugian syarikat harus dikongsi bersama)</td>
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<tr>
<td>10.</td>
<td>It is the right of workers to own shares in the company (Adalah hak pekerja untuk memiliki saham di syarikat di mana ia bekerja)</td>
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<td>2</td>
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<td>11.</td>
<td>ESOS give employees more influence as shareholders (ESOS memberikan pekerja lebih pengaruh sebagai pemegang saham)</td>
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<td>12.</td>
<td>ESOS give employees profit with less effort (ESOS memberi kepada pekerja kentungan tanpa bersusah payah)</td>
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<td>13.</td>
<td>ESOS is very difficult to understand (Adalah sukar untuk memahami ESOS)</td>
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<td>14.</td>
<td>If this firm does badly they put your ESOS at risk (Sekiranya syarikat ini mengalami kerugian ini akan memberi risiko kepada saham ESOS anda)</td>
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<tr>
<td>15.</td>
<td>Its difficult to keep up the monthly payment to pay back the money borrowed to buy ESOS. (Adalah sukar untuk membayar secara bulanan wang yang telah dipinjam untuk membeli ESOS)</td>
<td>1</td>
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<tr>
<td>16.</td>
<td>You have to wait before you can make money out of ESOS (Anda perlu menunggu sebelum anda boleh mendapat keuntungan dari ESOS)</td>
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<td>17.</td>
<td>ESOS try to tie employee down to one employer (ESOS cuba mengikat pekerja dengan syarikat di mana anda bekerja)</td>
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<tr>
<td>18.</td>
<td>ESOS give a better deal to the company than to the worker</td>
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<tr>
<td>19. ESOS weakens the trade union in this company (ESOS melemahkan union di syarikat ini)</td>
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<tr>
<td>20. ESOS puts pressure on workers to do what is good for the company rather than what is good for themselves (ESOS memberi tekanan kepada pekerja untuk melakukan yang terbaik kepada syarikat dari kebajikan pada diri sendiri)</td>
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<tr>
<td>21. No matter how hard you work, you cannot affect the share price (Sekuat mana pun anda bekerja anda tidak akan dapat mempengaruhi harga saham)</td>
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<tr>
<td>22. I look at the ESOS as a form of saving (Saya melihat ESOS sebagai satu bentuk simpanan)</td>
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<tr>
<td>23. ESOS helps to make the company more successful (ESOS boleh membantu syarikat untuk menjadi lebih berjaya)</td>
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**SECTION E (BAHAGIAN E)**

This section is about trade unions and employee share option schemes (ESOS). Please indicate the extent to which you agree or disagree with the statements below by circling or ticking the box that shows best what you think:

Key: Strongly Disagree = 1, Disagree = 2, No view = 3, Agree = 4, Strongly Agree = 5

(Bahagian ini adalah berkenaan 'union' dan ESOS. Sila nyatakan setakat mana anda bersetuju atau tidak bersetuju dengan kenyataan-kenyataan dibawah dengan membulatkan atau menandakan angka yang paling sesuai dengan pendapat anda)

(Petunjuk: Sangat tidak setuju = 1, Tidak setuju = 2, Tiada pandangan = 3, Setuju = 4, Sangat Setuju = 5)

|   |   |   |   |   |   |
|---|---|---|---|---|
| 1. Basically, the union and management have similar goals. (Secara dasarnya pihak pengurusan dan union mempunyai matlamat yang sama) | 1 | 2 | 3 | 4 | 5 |
| 2. A union is not really necessary in this firm at this time. (Union dirasakan tidak diperlukan sangat di syarikat ini masa ini) | 1 | 2 | 3 | 4 | 5 |
| 3. There is no reason why the union and management cannot work together. (Tiada sebab kenapa pihak pengurusan dan union tidak boleh bekerjasama di syarikat ini) | 1 | 2 | 3 | 4 | 5 |
| 4. Without a union, employees would probably not get fair treatment from management (Tanpa union, pekerja mungkin tidak akan mendapat layanan adil dari pihak syarikat) | 1 | 2 | 3 | 4 | 5 |
| 5. The union works primarily for the best interest of its members (Peranan utama union ialah untuk cuba mendapatkan yang terbaik untuk ahli-ahli nya) | 1 | 2 | 3 | 4 | 5 |
| 6. We rely on the union to voice whatever dissatisfaction we have about ESOS to the management. (Kami akan menyelaraskan kepada union untuk menyuarakan apa saja rasa tidak puas hati kami tentang ESOS pada pihak pengurusan) | 1 | 2 | 3 | 4 | 5 |
7. We are satisfied with the financial benefit that we gain from ESOS, even without union involvement. (Kami puashati dengan ganjaran kewangan yang kami dapat dari ESOS walaupun tanpa penglibatan union)  

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8. If we have any problem with ESOS, it is easier for us to talk straight to management, rather than going through the union first. (Jika kami mempunyai apa-apa masalah tentang esos adalah lebih mudah bagi kami berhubung terus dengan pihak pengurusan dari melalui union)  

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9. It is felt that union does not need to be present and involved in matters related to the ESOS scheme. (Adalah dirasakan tidak perlu bagi union untuk terlibat sama dalam perkara-perkara berkaitan dengan ESOS)  

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10. The best way of obtaining workers’ say or influence in decision making in this firm is through increasing the influence of the union. (Cara yang terbaik untuk pekerja dapat menyuarakan atau mempengaruhi dalam membuat sesuatu keputusan disyarat ini ialah dengan memperkuatkan pengaruh union)  

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SECTION F (BAHAGIAN F)

TO BE ANSWERED BY ‘ESOS’ PARTICIPANTS ONLY (HENDAKLAH DIJAWAB OLEH PEKERJA-PEKERJA YANG MENGAMBIL ESOS SAHAJA)

This section is about your understanding of the employee share option scheme (ESOS). Please indicate the extent to which you agree or disagree with the statements below by circling or ticking the box that shows best what you think:-

**Key**: Strongly Disagree =1, Disagree = 2, No view = 3, Agree = 4, Strongly Agree = 5

(Bahagian ini adalah berkenaan kefahaman anda tentang ESOS. Sila nyatakan setakat mana anda bersetuju atau tidak bersetuju dengan kenyataan-kenyataan dibawah dengan membulatkan atau menandakan angka yang paling sesuai dengan pendapat anda)  

(Petunjuk: Sangat tidak setuju =1, Tidak setuju = 2, Tiada pandangan = 3, Setuju = 4, Sangat Setuju = 5)

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1. I fully understand the ESOS scheme and how it benefit is calculated  
(Saya benar-benar memahami ESOS dan juga cara pengiraannya)  

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2. I am uncertain and would like to know more about the scheme  
(Saya tidak berapa pasti tentang ESOS dan saya ingin mengetahui nya dengan lebih lanjut)  

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3. I am somewhat uncertain about ESOS but not interested to find out more  
(Saya tidak berapa pasti tentang ESOS tetapi tidak berminat untuk mengetahui dengan lebih lanjut)  

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4. Further effort is needed to explain the ESOS to employees  
(Perlu diperbanyakkan usaha untuk menerangkan ESOS kepada pekerja-pekerja)  

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5. I have a vague idea of how the ESOS works but I could not explain  

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<th>2</th>
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<th>4</th>
<th>5</th>
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</table>

385
<p>| | | | | | |</p>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>I am unaware of any information about the scheme</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya tidak menyedari adanya penerangan tentang ESOS)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>7.</td>
<td>Information about ESOS is provided, but I have not read it</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Penerangan berkenaan ESOS ada diberi tetapi saya tidak membacanya)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>8.</td>
<td>Information about ESOS is provided, but I cannot understand it</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Penerangan berkenaan ESOS ada diberi tetapi saya tidak memahaminya)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Information about ESOS is provided and it has helped me to understand the scheme</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Penerangan berkenaan ESOS ada diberi dan, ia nya banyak membantu saya untuk memahaminya)</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>10.</td>
<td>I am not sure about how the value of shares is calculated when someone decides to sell</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya tidak berapa pasti bagaimana saham akan dinilai bila seseorang itu ingin menjualnya)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>I am not sure how to sell my shares if I decide to sell</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya tidak pasti bagaimana untuk menjual saham sekaranya saya hendak menjualnya)</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>12.</td>
<td>I follow the movements of my company's share price closely</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya mengikuti perubahan harga saham syarikat ini dengan teliti)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>I intend to sell my shares if there is a sharp rise in the share price</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya ada bercadang untuk menjual saham saya jika harganya naik dengan ketara)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>I intend to sell my shares if there is a sharp fall in the share price</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya bercadang untuk menjual saham saya jika harganya turun dengan ketara)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>I intend to sell my shares if I need money</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya ada bercadang untuk menjual saham saya jika saya memerlukan wang)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>I would have considered the possibility of owning shares in this company even if they had not been issued through the employee share option scheme (ESOS)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya mengambil kira untuk membeli saham di syarikat ini walaupun sekarinya syarikat ini tidak tidak memberi saham kepada pekerjanya melalui ESOS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>I am not concerned about the value of the shares as I know that the value of shares is bound to rise and fall.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya tidak kisah sangat mengenai nilai saham sebab saya tahu adalah biasa bagi harga saham turun dan naik)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>I am concerned about the value of the shares, but I have to accept the situation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(Saya ambil berat tentang nilai saham, tetapi saya harus terima keadaan harga saham tersebut)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
This section is about how the employee share option scheme (ESOS) has affected you personally. Please indicate the extent to which you agree or disagree with the statements below by circling or ticking the box that shows best what you think:

Key: Strongly Disagree = 1, Disagree = 2, No view = 3, Agree = 4, Strongly Agree = 5

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Made me feel like a partner in this company (Membuatkan saya rasa saya sebagai rakan kongsi syarikat ini)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Made me feel more secure in my job in this company (Membuatkan saya rasa saya lebih terjamin bekerja di syarikat ini)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Increased my sense of team spirit with my fellow employees (Meningkatkan rasa semangat kumpulan dengan rakan sekerja saya disyarat ini)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Increased my overall satisfaction working for this firm (Meningkatkan secara menyeluhroh rasa kepuasan saya bekerja di syarikat ini)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Made me more careful in my work (Menjadikan saya lebih berhati-hati dalam menjalankan tugas)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Encouraged me to work harder (Menggalakkan saya bekerja dengan lebih rajin)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Made me feel a sense of self-employment (Menjadikankan saya rasa seperti bekerja sendiri)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>8. Increased my sense of loyalty towards the company (Meningkatkan rasa kesetiaan saya kepada syarikat)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Made me feel I am an important member of this company (Membuatkan saya rasa, saya penting di syarikat ini)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Made me want to stay with the company longer (Membuatkan saya hendak berkhidmat lebih lama di syarikat ini)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Made me take a greater interest in the company’s profitability and financial success (Membuatkan saya lebih berminat untuk mengetahui keuntungan dan kejayaan dalam kewangan syarikat)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<tr>
<td>---</td>
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<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>12. Made me feel what is good for the company is good for me (Membuatkan saya rasa apa yang baik untuk syarikat adalah baik untuk saya)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>13. Made me feel pride of this company (Membuatkan saya rasa bangga dengan syarikat ini)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14. Made me more cost conscious in the company (Membuatkan saya lebih berhati-hati dan berjimat di syarikat ini)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>15. Increased the sense of cooperation between me and management (Meningkatkan rasa kerjasama antara saya dengan pihak pengurusan)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>16. Given me more say in decisions affecting my job (Memberi saya lebih peluang untuk bersuara dalam membuat keputusan dalam pekerjaan saya)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

THANK YOU FOR YOUR PATIENCE AND KINDNESS
(TERIMA KASIH DIATAS KESABARAN DAN KEBAIKAN ANDA)
### APPENDIX 2: TABLE FOR CALCULATING SAMPLE SIZE

#### Appendixes

**Table for Determining Sample Size from a Given Population**

<table>
<thead>
<tr>
<th>N</th>
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<td>1700</td>
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<td>40</td>
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<td>162</td>
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<td>320</td>
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<td>300</td>
<td>169</td>
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<td>113</td>
<td>800</td>
<td>260</td>
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<td>170</td>
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<td>3000</td>
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<td>123</td>
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<td>210</td>
<td>136</td>
<td>1100</td>
<td>285</td>
<td>100000</td>
<td>384</td>
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</tbody>
</table>

* N is population size
* S is sample size
APPENDIX 3: PART OF OUTCOME OF FACTOR ANALYSIS FOR POSCOM

KMO and Bartlett's Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | .836 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1214.453 |
| | df | 15 |
| | Sig. | .000 |

Component Matrix

<table>
<thead>
<tr>
<th></th>
<th>Component 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECB8 morale good in comp</td>
<td>.697</td>
</tr>
<tr>
<td>SECB9 friendly place to work</td>
<td>.716</td>
</tr>
<tr>
<td>SECB10 good team spirit</td>
<td>.771</td>
</tr>
<tr>
<td>SECB12 problem easy to sort out</td>
<td>.668</td>
</tr>
<tr>
<td>SECB18 to do my job best in this comp.</td>
<td>.736</td>
</tr>
<tr>
<td>SECB26 good company to work</td>
<td>.701</td>
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</table>

Extraction Method: Principal Component Analysis.

a. 1 components extracted.
APPENDIX 4 : PART OF OUTCOME OF FACTOR ANALYSIS FOR SATISCOM

KMO and Bartlett's Test

<table>
<thead>
<tr>
<th>Component</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
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<td>.859</td>
</tr>
<tr>
<td>SECB17</td>
<td>.789</td>
</tr>
<tr>
<td>SECB22</td>
<td>.796</td>
</tr>
<tr>
<td>SECB27</td>
<td>.618</td>
</tr>
</tbody>
</table>

Component Matrix

Extraction Method: Principal Component Analysis.

a. 1

Co

Component

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.

<table>
<thead>
<tr>
<th>Bartlett's Test of Sphericity</th>
<th>Approx. Chi-Square</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>KMO</td>
<td>.712</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bartlett</td>
<td>842.841</td>
<td>6</td>
<td>.000</td>
</tr>
</tbody>
</table>
APPENDIX 5: PART OF OUTCOME OF FACTOR ANALYSIS FOR WORKATT

KMO and Bartlett's Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy: | .769 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | df | Sig. |
| | 652.648 | 21 | .000 |

Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>SECB1 job well personal satisfaction</th>
<th>SECB2 fell bad do mistake</th>
<th>SECB3 job impt than money</th>
<th>SECB4 interest in work</th>
<th>SECB5 not much effort encourage harder</th>
<th>SECB6 feel part of company</th>
<th>SECB29 like more responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1</td>
<td>.659</td>
<td>.439</td>
<td>.527</td>
<td>.712</td>
<td>.626</td>
<td>.687</td>
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</table>

Extraction Method: Principal Component Analysis.

a. 1 components extracted.
APPENDIX 6: PART OF OUTCOME OF FACTOR ANALYSIS FOR BADCOM

KMO and Bartlett's Test

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<table>
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<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</td>
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<td>Bartlett's Test of Sphericity</td>
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<td>Approx. Chi-Square</td>
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<tr>
<td>Sig.</td>
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</table>

Component Matrix

<table>
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</tr>
</thead>
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<tr>
<td>SECB13 not hesitate to leave the comp.</td>
<td>0.653</td>
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<tr>
<td>SECB24 offer with slight increase in pay</td>
<td>0.827</td>
</tr>
<tr>
<td>SECB25 offer with large increase in pay</td>
<td>0.757</td>
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</table>

Extraction Method: Principal Component Analysis.

a. 1 components extracted.
APPENDIX 7: PART OF OUTCOME OF FACTOR ANALYSIS FOR ESOSP

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.

<table>
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<tr>
<th>Component</th>
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</tr>
</thead>
<tbody>
<tr>
<td>SECD1 feel part of comp</td>
<td>.775</td>
</tr>
<tr>
<td>SECD2 create better atmosphere</td>
<td>.796</td>
</tr>
<tr>
<td>SECD3 built team spirit</td>
<td>.831</td>
</tr>
<tr>
<td>SECD4 reduce feeling them and us</td>
<td>.700</td>
</tr>
<tr>
<td>SECD5 interest in profit, financial result</td>
<td>.710</td>
</tr>
<tr>
<td>SECD6 make people work harder</td>
<td>.854</td>
</tr>
<tr>
<td>SECD7 conscious of waste</td>
<td>.813</td>
</tr>
<tr>
<td>SECD8 strengthen loyalty</td>
<td>.818</td>
</tr>
<tr>
<td>SECD9 should share profit and loss</td>
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<tr>
<td>SECD10 right of workers</td>
<td>.445</td>
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<td>SECD11 give employee more influence</td>
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<td>SECD23 make company successful</td>
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Extraction Method: Principal Component Analysis.

a. 1 components extracted.
### APPENDIX 8: PART OF OUTCOME OF FACTOR ANALYSIS FOR ESOSN

#### KMO and Bartlett's Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .720 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 387.342 |
| | df | 15 |
| | Sig. | .000 |

#### Component Matrix

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<th>SECD15</th>
<th>SECD17</th>
<th>SECD18</th>
<th>SECD20</th>
<th>SECD21</th>
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<td>.580</td>
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Extraction Method: Principal Component Analysis.

1. 1 component(s) extracted.
## APPENDIX 9: PART OF OUTCOME OF FACTOR ANALYSIS FOR ESOSINFO

### KMO and Bartlett's Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | .659 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 418.440 |
| | df | 6 |
| | Sig. | .000 |

### Component Matrix

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<th>RSECF7</th>
<th>RSECF8</th>
<th>SECF9 INFORMATION HELP UNDERSTAND</th>
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</thead>
<tbody>
<tr>
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Extraction Method:
Principal Component Analysis.

a. 1 component(s) extracted.
### ANOVA

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<td>Between Groups</td>
<td>9.314</td>
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### KMO and Bartlett's Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .928 |
| Bartlett's Test of Sphericity |  |
| Approx. Chi-Square | 4036.026 |
| df | 36 |
| Sig. | .000 |

### Component Matrix

| SECC1 give employee share | .743 |
| SECC2 participate in company growth | .800 |
| SECC3 increase employee knowledge | .784 |
| SECC4 incentive to participate | .821 |
| SECC5 give recognition and reward | .763 |
| SECC6 sense of ownership | .832 |
| SECC7 closer management and employee | .811 |
| SECC8 give employee say | .792 |
| SECC9 encourage employee work harder | .737 |

Extraction Method: Principal Component Analysis.

a. 1 components extracted.
### APPENDIX 15: REASONS FOR INTRODUCING ESOS BETWEEN COMPANIES

#### ANOVA

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<th>SECC</th>
<th>Reason</th>
<th>Sum of Squares Between Groups</th>
<th>df</th>
<th>Sum of Squares Within Groups</th>
<th>df</th>
<th>Total Sum of Squares</th>
<th>F</th>
<th>Sig.</th>
</tr>
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<td>538.125</td>
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### APPENDIX 16: UNDERSTANDING OF ESOS BETWEEN COMPANIES

#### ANOVA

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<th>F</th>
<th>Sig.</th>
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<td><strong>SECF2 uncertain would like to know more</strong></td>
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### APPENDIX 17: PART OF OUTCOME OF FACTOR ANALYSIS FOR UNDERESOS

#### KMO and Bartlett's Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .763 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 990.803 | df | 10 | Sig. | .000 |

#### Component Matrix

<table>
<thead>
<tr>
<th></th>
<th>Component 1</th>
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<tbody>
<tr>
<td>SECF2 uncertain would like to know more</td>
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<tr>
<td>SECF4 further effort need to explain about Esos</td>
<td>.462</td>
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<tr>
<td>SECF5 vague idea and cannot explain</td>
<td>.796</td>
</tr>
<tr>
<td>SECF10 not sure share calculated when selling</td>
<td>.817</td>
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<tr>
<td>SECF11 not sure how to sell</td>
<td>.780</td>
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**Extraction Method:** Principal Component Analysis.

a. 1 components extracted.
APPENDIX 18: PART OF OUTCOME OF FACTOR ANALYSIS FOR COMMITMENT

KMO and Bartlett’s Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .622 |
| Bartlett’s Test of Sphericity | Approx. Chi-Square | 608.789 |
| | df | 3 |
| | Sig. | .000 |

Component Matrix^a

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<td>SECB24 offer with slight increase in pay</td>
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<tr>
<td>SECG8 increase sense of loyalty</td>
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<tr>
<td>SECG10 want to stay longer with company</td>
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Extraction Method: Principal Component Analysis.

^a 1 components extracted.
APPENDIX 19: PART OF OUTCOME OF FACTOR ANALYSIS FOR INTEGRATION

KMO and Bartlett's Test

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<tr>
<td>Bartlett's Test of Sphericity</td>
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<td>Approx. Chi-Square</td>
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<td>Sig.</td>
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Component Matrix

<table>
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<th>Component 1</th>
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<td>SECG11 make greater interest in profitability</td>
<td>.880</td>
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<tr>
<td>SECG12 good for company good for me</td>
<td>.884</td>
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</table>

Extraction Method: Principal Component Analysis.

a. 1 components extracted.
### Appendix 20: Part of Outcome of Factor Analysis for Involvement

**KMO and Bartlett's Test**

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<td>Bartlett's Test of Sphericity</td>
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<td>Approx. Chi-Square</td>
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<tr>
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<tr>
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**Component Matrix**

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<td>SECG1 feel like partner</td>
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<td>SECG7 falls sense of employment</td>
<td>.858</td>
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<tr>
<td>SECG8 increase sense of loyalty</td>
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**Extraction Method:**

Principal Component Analysis.

a. 1 components extracted.
APPENDIX 21: PART OF OUTCOME OF FACTOR ANALYSIS FOR GENERAL SATISFACTION

KMO and Bartlett's Test

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<tr>
<td>df</td>
<td>3</td>
</tr>
<tr>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

Component Matrix

<table>
<thead>
<tr>
<th>SECB26 good company to work</th>
<th>Component 1</th>
<th>.585</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECG4 increase overall satisfaction</td>
<td>Component 1</td>
<td>.856</td>
</tr>
<tr>
<td>SECG13 feel pride of company</td>
<td>Component 1</td>
<td>.867</td>
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</tbody>
</table>

Extraction Method: Principal Component Analysis.

a. 1 component s extracted.
APPENDIX 22: PART OF OUTCOME OF FACTOR ANALYSIS FOR MOTIVATION

KMO and Bartlett's Test

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</td>
<td></td>
<td>.799</td>
</tr>
<tr>
<td>Bartlett's Test of Sphericity</td>
<td>Approx. Chi-Square</td>
<td>524.068</td>
</tr>
<tr>
<td></td>
<td>df</td>
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</tr>
<tr>
<td></td>
<td>Sig.</td>
<td>.000</td>
</tr>
</tbody>
</table>

Component Matrix

<table>
<thead>
<tr>
<th></th>
<th>Component 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>SECB18 to do my job best in this comp.</td>
<td>.667</td>
</tr>
<tr>
<td>SECG6 encourage work harder</td>
<td>.852</td>
</tr>
<tr>
<td>SECG14 made more cost conscious</td>
<td>.894</td>
</tr>
</tbody>
</table>

Extraction Method:
Principal Component Analysis.

a. 1 components extracted.
APPENDIX 23: PART OF OUTCOME OF FACTOR ANALYSIS FOR GOODUNI

KMO and Bartlett's Test

<table>
<thead>
<tr>
<th>Component Matrix a</th>
<th>Component 1</th>
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</thead>
<tbody>
<tr>
<td>SECE4 no union no fair treatment</td>
<td>.733</td>
</tr>
<tr>
<td>SECE5 union for member interest</td>
<td>.736</td>
</tr>
<tr>
<td>SECE6 rely on union</td>
<td>.772</td>
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<tr>
<td>SECE10 influence through increase trade union</td>
<td>.729</td>
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</table>

Extraction Method: Principal Component Analysis.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.

<table>
<thead>
<tr>
<th>Bartlett's Test of Sphericity</th>
<th>Approx. Chi-Square</th>
<th>df</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>550.333</td>
<td>6</td>
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</table>

a. 1 components extracted.
APPENDIX 24: PART OF OUTCOME OF FACTOR ANALYSIS FOR BADUNI

KMO and Bartlett's Test

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .688 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 557.669 |
| | df | 6 |
| | Sig. | .000 |

Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>Coefficient</th>
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<tbody>
<tr>
<td>SECE2 union not necessary</td>
<td>.628</td>
</tr>
<tr>
<td>SECE7 satisfy financial benefit</td>
<td>.701</td>
</tr>
<tr>
<td>SECE8 easier to talk to management</td>
<td>.757</td>
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<tr>
<td>SECE9 union no need involve</td>
<td>.820</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.

a. 1 components extracted.
Missing pages are unavailable
BIBLIOGRAPHY


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in Malaysia. Unpublished M.Phil Dissertation, University of Wales Aberystwyth.


