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ABSTRACT

(Building on theories of perception, theories of employee motivation and theory of person-organization fit, this research aims to determine what organizational attributes attract, motivate and retain Generation Ys in the Malaysian banking industry. With the massive influx of Generation Ys into the working arena today, therefore this study is focused on them rather than the other generations.) The interview asked about 25 organizational attributes in the survey among 80 Generation Y respondents. The respondents rate the attributes in terms of agreement and perceived attractiveness. This general research is conducted with simple descriptive statistics methodology to enable specific analysis and explanation on the findings. Among Generation Ys, the five most important organizational attributes are: “sensible company rules, regulations, procedures, and policies” “friendly, informal culture” “provide job security and responsibility” “widely regarded as a highly prestigious employer with good reputation” and “a pure meritocracy (rewards and promotions based on performance)”. Managers’ and HR personnel’s understanding on this will help the company reap the best from the input of Generation Ys in terms of their having the competitive advantage and staying ahead of the fast changing game in the banking industry.
**ABSTRAK**

Berasaskan teori persepsi, teori motivasi pekerja dan teori kesepadanan pekerja-organisasi, kajian ini bertujuan untuk menentukan apakah sifat-sifat organisasi yang menarik minat, memberi motivasi and mengekalkan golongan Generasi Y di dalam industri perbankan di Malaysia. Kemusukan ramai golongan Generasi Y ke alam pekerjaan telah menyebabkan kajian ini memberikan fokus terhadap mereka untuk dijadikan golongan sasar sebagai responden berbanding golongan generasi terdahulu. Temuduga yang dibuat menanyakan mengenai 25 sifat-sifat organisasi di dalam survey dikalangan 80 orang responden golongan Generasi Y. Para responden kajian memberikan satu kadar ke atas setiap sifat-sifat organisasi tersenarai yang akan mengukur sejauh mana tahap persetujuan mereka serta persepsi daya tarikannya terhadap mereka. Kajian am ini telah dilakukan dengan menggunakan kaedah statistik bersifat menghuiri untuk membolehkan analisis serta penerangan spesifik ke atas hasil kajian dijalankan. Di kalangan golongan Generasi Y, lima sifat-sifat organisasi yang paling penting adalah seperti berikut: “undang-undang, peraturan, prosedur and polisi syarikat yang sesuai” “mesra, budaya tidak formal” “memberi jaminan dalam pekerjaan dan tanggungjawap” “majikan yang dianggap berprestij tinggi dan bereputasi yang baik” dan “satu amalan meritokrasi sebenar (ganjaran dan kenaikan pangkat berdasarkan prestasi)”. Pemahaman para pengurus dan pengamal tenaga manusia mengenai sifat-sifat organisasi terpenting di atas akan membantu syarikat memperolehi input yang terbaik daripada golongan Generasi Y dari segi kelebihan persaingan kompetitif untuk berada di depan dalam persada industri perbankan yang sentiasa mengalami perubahan.
ACKNOWLEDGEMENT

Without outstanding support, this study would never see the light of the day. My appreciation goes first to God for His guidance and the wisdom; to my wife Rachael Tahyas Kolony and daughter Adrianna Amaris Sliong for their support and patience. My appreciation also goes to my supervisor Associate Professor Dr Ricardo Baba for his valuable guidance throughout the writing of this study. Thanks also to my parents and in-laws who helped me in one way or another to make this study possible.
“Real intelligence is a creative use of knowledge, not merely an accumulation of facts. The slow thinker who can finally come up with an idea of his own is more important to the world than a walking encyclopedia who has not learned how to use the information productively.”

Kenneth Winebrenner on Knowledge and Wisdom
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CHAPTER ONE: INTRODUCTION

1.1 Overview

The Malaysian banking industry is in the process of moving into a more competitive financial atmosphere, with a wide variety of financial products or services. Strategies are needed to shift in terms of distribution channels to compete with each other. Therefore, banks develop a differentiated strategy in order to create a niche as a basis for competition. A strategy such as product differentiation is a key measure to building a strong competitive position in today’s robust environment. Another effective way is through service differentiation. Banks with limited presence of branches develops a young mobile sales distribution channel mainly via Generation Y (hereafter termed “Gen Y”) instead of purely depending on extra physical branches to reach out to the critical mass market.

A steady demand for Gen Y to promote sales and marketing of financial products can be witnessed by the continuous recruitment drives initiated by various licensed commercial banks. This is proven from classified section in local dailies and job portals such as jobstreet.com which commonly advertise job vacancies for young “fresh graduates” and those without working experience. These individuals are being absorbed and accepted for not only sales position but also other non-sales oriented roles within the banks. A current challenge that has caught nearly every organization off guard today is Gen Y, and organizations have to tried new methods and skills to attract, motivate, and more importantly, retain Gen Y (Yoga, 2010).
One of the most difficult changes occurs when new employees are hired, especially if they are young and from a generation first entering the workforce in large numbers (Twenge and Cambell, 2008) is the ability to embrace new technology which comes with an owner/initial author’s hard copy manual, but where the generation of new employees find difficulty in adjusting and adapting to. Many banks are now recruiting and training young and dynamic sales forces - new comers in the job market called Gen Y. Although many of them are under contract, some are immediately converted or fast tracked to permanent employment status. They are now entering junior elementary level for sales careers and other positions. They formed substantial numbers for the current total mobile sales forces in the banking industry. Massive entrant of Gen Y today with unique generational differences in personality and motivation indirectly will influence their productivity and contribute to the driving factor of staying on at a workplace.

In today’s highly competitive labor market, there is extensive evidence that organizations regardless of size, technological advances or market focus, are facing retention challenges (Ramlall, 2004). Ahmad and Bakar (2003) mention that voluntary turnover is a major problem for companies in Malaysia. With annual average turnover rate of 12.12% for the period from June 2010 to July 2011 for the Malaysian banking sector, job-hopping has become so rampant that it has, in part, become a culture and seems to be a normal trend in today’s business environment (Goh, 2012).
An IBM research survey has revealed what mega trends are to shape the banking industry in the future and the key strategic imperatives banks need to develop, and one of the important trends is changes in human capital which has become more complex to manage (Hedley et al. 2006). Amid considerable high staff annual turnover rate, banks should harness the potential of the workforce through effective performance management. According to one survey of financial services executive reported by Talent Max Limited in 2005 (cited in Hedley et al. 2006), 88% of their firms believe talent is a very important or an important contributor to business performance, and 92% believe that talent management is one of the top three sources of competitive advantage.

In light of this widespread recognition that the individuals in an organization is critical to its business results, banks will need to drastically change their existing talent development programs to better take into account projected industry trends and to establish effective incentive and performance management strategies to attract, motivate and retain staff. They will also need to facilitate communication of knowledge to fuel new innovative ideas from Gen Y. This especially becomes more challenging now with their mass entry into workplaces.

1.2 Historical Background of The Banking Industry in Malaysia

According to a special report from “The Edge” on the Malaysian Central Bank, Bank Negara Malaysia (hereafter named “BNM”) which carries the blueprint for further liberalization of the financial sector, the banking industry in Malaysia is celebrating its 50 years of central banking in year 2009 (Taing, 2009). Before Malaysia gained its
independence in the 1950s, there was not much of a domestic financial sector. The industry was dominated by very few foreign banks such as Ho Hong Bank, Chinese Commercial Bank, Oversea Chinese Bank, Hong Kong and Shanghai Bank, Chartered Bank, and Eastern Bank which controlled the major deposits and lending activities. There were less than a handful of local banks. The local banks back then were more of a one-branch operations banks and mostly family operated banks; for example, informal families owned the bank. Apart from that, banking was much based on personal relationships, and centered within dialects and clans.

In those days, if a customer knew the owner of the bank, or someone who knew him, he could just discuss getting a loan over a cup of Chinese tea. In the absence of institutional ownership model, the individual ownership business model for Malaysian banks had evolved over the years. Thus, in the history of local banking industry, we can find names like Wong Ah Fook, who set up Kwong Yiik Bank in 1913 first in Singapore; Tan Sri Koo Teck Puat, who founded Malayan Banking Bhd in 1960; Yeap Chor Ee, the founder of the Ban Hin Lee Bank in 1935; and Tan Sri Saw Seng Kew, Tan Sri Tan Seng Kee and Tan Sri Lim Goh Tong who co-founded Southern Bank Bhd. As can be anticipated, these founders were owners, and in most cases, the running and managing of the banks were actually handed over to the next generation. These people were seen as among the early pioneers of the Malaysian banking industry. This trend still continues even after Malaysia gained its independence in the 1960s and 1970s. Names like Tan Sri Teh Hong Piow, who established Public Bank Bhd in 1966; Tan Sri Azman Hashim, who founded AmBank Group; Tan Sri Quek Leng Chan, Hong Leong Group; and lastly Tan
Sri Rashid Hussain, founder of RHB Bank are also famous names in the next generation of the Malaysian Banking realm.

1.2.1 The Banking Industry in Malaysia Today

There are dynamic changes taking place in the Malaysian banking industry over the years. Banking industry has operated in a relatively stable environment for decades. However, today the industry is facing dramatically due aggressive competition in a newly deregulated environment. As the Malaysian economy boomed over the past few years and decades, the local banking industry has also become more developed and more sophisticated. Competitive pressures and demand on capital for sustainable growth has intensified. Bank Negara Malaysia (BNM) has now recognized the shortcomings in the business model of individual-owned banks.

In its efforts to encourage institutionalized domestic financial institutions, BNM made it mandatory for individuals to sell down their stake to a maximum of 10% or less. Meanwhile, for institutions ownership, they were allowed to own stakes of not more than 20%. Both measures are encouraged in order to be in compliance with the Banking and Financial Institution Act 1989 (BAFIA). Currently, all of the local banking groups in this country are already ‘institutionalized’. Institutionalization is an idea of good governance. The failure of the world’s largest banks recently following the global financial crisis
which started in the US in second-half of 2006 further justifies the reason for enhancement of a solid banking system in Malaysia.

1.3 Licensed Banking Institutions in Malaysia

BNM has identified 25 commercial banks (illustrated in the table 1 from BNM below) and 15 investment banks to operate in the country. Bank Islam Malaysia and Bank Muamalat are the country’s only 100% Islamic banks but there are also Islamic financing subsidiaries or Islamic financing window of commercial banking groups. In terms of ownership, about 8 commercial banks belong to local companies and the remaining 17 are either locally incorporated or totally foreign based companies. There are also few Investment banks catering to a totally different niche market for investment based activities, however they are not the main focus of subject matter in this research.
Table 1: List of licensed commercial banking institutions in Malaysia.

<table>
<thead>
<tr>
<th>No.</th>
<th>Bank Name</th>
<th>Ownership (Local/Foreign)</th>
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<tr>
<td>1</td>
<td>Affin Bank Berhad</td>
<td>Local</td>
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<td>2</td>
<td>Alliance Bank Malaysia Berhad</td>
<td>Local</td>
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<tr>
<td>3</td>
<td>Ambank (M) Berhad</td>
<td>Local</td>
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<tr>
<td>4</td>
<td>Bangkok Bank Berhad</td>
<td>Foreign</td>
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<td>5</td>
<td>Bank of America Malaysia Berhad</td>
<td>Foreign</td>
</tr>
<tr>
<td>6</td>
<td>Bank of China (Malaysia) Berhad</td>
<td>Foreign</td>
</tr>
<tr>
<td>7</td>
<td>Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad</td>
<td>Foreign</td>
</tr>
<tr>
<td>8</td>
<td>BNP Paribas Malaysia Berhad</td>
<td>Foreign</td>
</tr>
<tr>
<td>9</td>
<td>CIMB Bank Berhad</td>
<td>Local</td>
</tr>
<tr>
<td>10</td>
<td>Citibank Berhad</td>
<td>Foreign</td>
</tr>
<tr>
<td>11</td>
<td>Deutsche Bank (Malaysia) Berhad</td>
<td>Foreign</td>
</tr>
<tr>
<td>12</td>
<td>Hong Leong Bank Berhad</td>
<td>Local</td>
</tr>
<tr>
<td>13</td>
<td>HSBC Bank Malaysia Berhad</td>
<td>Foreign</td>
</tr>
<tr>
<td>14</td>
<td>Industrial and Commercial Bank of China (Malaysia) Berhad</td>
<td>Foreign</td>
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<tr>
<td>15</td>
<td>J.P. Morgan Chase Bank Berhad</td>
<td>Foreign</td>
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<tr>
<td>16</td>
<td>Malayan Banking Berhad</td>
<td>Local</td>
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<tr>
<td>17</td>
<td>Mizuho Corporate Bank (Malaysia) Berhad</td>
<td>Foreign</td>
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<td>18</td>
<td>OCBC Bank (Malaysia) Berhad</td>
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<td>19</td>
<td>Public Bank Berhad</td>
<td>Local</td>
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<td>20</td>
<td>RHB Bank Berhad</td>
<td>Local</td>
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<tr>
<td>21</td>
<td>Standard Chartered Bank Malaysia Berhad</td>
<td>Foreign</td>
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<tr>
<td>22</td>
<td>Sumitomo Mitsui Banking Corporation Malaysia Berhad</td>
<td>Foreign</td>
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<tr>
<td>23</td>
<td>The Bank of Nova Scotia Berhad</td>
<td>Foreign</td>
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<tr>
<td>24</td>
<td>The Royal Bank of Scotland Berhad</td>
<td>Foreign</td>
</tr>
<tr>
<td>25</td>
<td>United Overseas Bank (Malaysia) Bhd</td>
<td>Foreign</td>
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Source: BNM

1.4 The Financial Sector Master Plan (2001 to 2010) By BNM

In 2001, the BNM came out with the Financial Sector Master Plan (hereafter FSMP). The blueprint is laid out, phase by phase over the period of 10 years, the
comprehensive development of the domestic banking sector, which is strengthened in order to withstand foreign competition. The objective of FSMP is to serve as a catalyst to improve the competitiveness, resilience and dynamism of the financial system through best practices. The objectives of FSMP are as follows:

1.4.1 The ability to meet the increasingly more sophisticated demands of consumers and businesses;

1.4.2 The ability to adapt and adjust to technological advances;

1.4.3 The ability to face challenges from globalization and liberalization; and

1.4.4 The ability to withstand the economic cycle, thereby contributing to overall economic growth and stability.

The plan of FSMP are in three phases, as follows:

a) Phase 1 is to strengthen domestic banking institutions along with steps to create the necessary infrastructure for a more market-based consumer protection framework. By the fourth year, domestic banking institutions are expected to be strong enough for face the competition.

b) Phase 2 saw the playing field for incumbent foreign banks on level ground. Some restrictions set upon incumbent foreign banks were removed, such as allowing them to share automated teller machines (ATM) networks with local banks.
c) Phase 3 began in the seventh year (2007) when Malaysia opened up its banking industry to new foreign players in line with the World Trade Organization (hereafter WTO) liberalization program.

1.5 Liberalization of The Malaysian Financial Sector (2009)

According to BNM (2009), the liberalization measures announced on 27 April 2009 aimed to strengthen Malaysia's economic interlinkages with other economies and enhancing the role of the financial sector as a key enabler and catalyst of economic growth. These liberalization measures are consistent with the objectives committed under the FSMP issued in 2001 to develop a resilient, diversified and efficient financial sector. More than 90% of the FSMP initiatives have been completed or are being implemented on an ongoing basis.

The financial institutions are in a greater state of readiness to compete in a more liberalized and challenging environment. Over the years, the financial sector contribution to gross domestic product (GDP) has increased from 9.2% in 2000 to 11% in 2008.

1.6 Consolidation of The Banking Industry

Asian Financial Crisis in 1997 proved to the impetus needed to consolidate the banking industry. Waves of mergers and acquisitions (hereafter M&A) were brought on
as the Malaysian government learning from the vulnerability of local financial institutions to exogenous factors, and this has increased the process of consolidation in the Malaysian banking sector (Shanmugam, 2003). The end result is the formation of 10 anchor banks from a total of 54 financial institutions at end of year 2001. Factors such as globalization, liberalization and information technology developments have contributed to the need for a more competitive, resilient and robust financial systems in Malaysia. M&A has always been encouraged by BNM and it was peak in 2001.

M&A activities have brought big impact to the structure of the Malaysian banking industry. According to Shanmugam (2003), BNM accordingly decided to force banks to merge. On 29 July 1999, BNM announced that there should only be 6 banks in Malaysia and were termed as ‘anchor’ banks such as: Maybank, Bumiputra Commerce Bank, Public Bank, Perwira Affin Bank and Southern Bank. However, following much pressure or lobbying, the Malaysian government decided to increase ‘anchor’ banks from 6 to 10 anchor banks in February 2000.

M&A continues and ongoing exercises were determined by market forces, for example acquisition of Southern Bank by CIMB Bank Berhad in March year 2006. Hence, anchor banks were reduced from 10 to 9 anchor banks in Malaysia. With recent acquisition of EON Bank Berhad by Hong Leong Bank Berhad, now the anchor banks were further reduced from 9 to 8 anchor banks. Based on earlier FSMP initial blueprint, there is still room for further M&A activities if 6 anchor banks is the target. This can be witnessed by the recent tussle between CIMB Bank Berhad and Malayan Banking Berhad