

The Perception on the Importance and Actual Practice of Top Management Commitment and Leadership in Palm Oil Mill Benchmarking Implementation

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Abstract

The palm oil industry is the backbone of Malaysian commodities market that contributed to the nation economic stability. In order to sustain and stay competitive, this industry needs to continuously improve its productivity and process efficiency. Benchmarking techniques can be used to identify and investigate palm oil industry best practices adopted by palm oil planters and millers. Past studies showed that the success of benchmarking initiative is very much dependent on top management's commitment and leadership. This paper aims to discuss managers' perception on the importance and actual practice of eight attributes of top management's commitment and leadership in palm oil mills benchmarking implementation and the relationship of attribute's actual practice with company age. A survey questionnaire was sent to 350 palm oil mill's middle managers in Malaysia. The survey response rate was 51%. Analysis of the survey results shows significant differences between respondents' perception on the importance and actual practice of the eight attributes of top management's commitment and leadership. In other words, they have high perception of importance for the eight attributes; however, in reality the practice of attributes is still low. The actual practice of each attributes decreased as the company age increased. In conclusion, to ensure benchmarking implementation success, top management need to practice these attributes systematically.

Keywords: Top management, perception, practice, palm oil mill, benchmarking, company age

1. Introduction

In this era of "faster, cheaper and better", many forward-thinking companies strive to progressively improve their product development process by applying new business strategies and technologies to stand relevant within their market sector. Thus, in order to remain sustainable, there is no exception to palm oil industry in Malaysia to further improve its productivity and efficiency. Increasing productivity and profitability depend largely on maintaining high quality and yield levels through producing high oil extraction rate [11]. According to [28], benchmarking can be utilized to identify operational and strategic gaps, and to search for best practices that would eliminate such gaps. Benchmarking exercise should not merely have viewed at the potential policies but also at the processes during the implementation and these include the support from management [25]. In putting benchmarking in place, the management should identify the hard measures, which include the production system, machine efficiency and extraction techniques. In addition, soft elements such as: top management leadership, customer satisfaction, training, employee involvement, strategic planning and policy should also be considered which formed value added improvement [4],[23] in their research found that there is strong relationship between identified soft element and tangible effect of total quality management. The purpose of this paper is to empirically identify the middle managers' perception on the importance and actual practice of the eight top management commitment and leadership attributes in benchmarking

implementation in Malaysian palm oil mills and the actual practice of each attributes based on company age.

Overview of benchmarking: In the late 1970s, Xerox Corporation lost their market share and felt a lot of pressure from its competitors. In an attempt to try and "get back into the game", Xerox decided to benchmark and learn from its Japanese joint-venture partner, Fuji-Xerox. After finding quality dimensions with which to compare itself, Xerox began one of the greatest trends in the business world today [6]. In the early stages, the development of benchmarking more emphasized on activities and / or orientation process. However, now the scope of benchmarking has evolved into a broader aspect by taking into account the strategy and system as well ([28]; [9]). In summary, the benchmarking process involves the process of measurement, comparison, identification of performance gap between companies that conduct benchmarking and benchmarked companies and further strive to achieve performance improvements either comparable or better than the benchmarked companies.

Top management's commitment and leadership in benchmarking: Naturally, top management is responsible for guiding all activities of the company towards quality excellence. They are more likely to have first-hand information and knowledge of the overall operations and performance status of their organizations. Therefore, a good leadership and strong commitment from very top management could have direct effect on the performance of an organization. In this study, top management is referred to the Board of directors, CEO, Managing Director and General Manager. To implement benchmarking, top

management's commitment and leadership is very important. As proposed by [7], the eight steps benchmarking project waterfall diagram cannot be implemented without a strong support from top management. Similarly, high dedication of top level management towards benchmarking is a very important precondition in order to promote and adopt benchmarking in a company [3]. Nevertheless, several researchers such as [2], [13], [20] and [24] highlighted that the lack of top management commitment in benchmarking initiatives was the main reason of benchmarking failure.

Any improvement cannot be done without the drive and commitment at all levels of management in the organization to make a change and search for new ideas. Indeed, the desires to learn, openness, build sense of urgency and awareness to adopt new initiatives must come from top management. According to [23], with a clear line of responsibility and command running up to an accountable individual at the top of the management and reviewing quality improvement is another method of showing management commitment. In addition, they need to fully understand the new processes along with concerns over their impact on existing processes work practices to make the development more meaningful and robust metrics [15] and may be subject to a degree of false consciousness with respect to their true state of awareness of the benchmarking concept [22].

Top management also should strive to harmonize benchmarking in strategic planning processes and direction of the organization. Before rushing off with great enthusiasm, it is very important to make sure that the organization's culture is right. If a few vital success factors are missing, then the effort are likely to stumble and fall at the first step [26]. Failure to develop the coherent quality improvement culture may present a barrier to cooperation and problem solving across the organization [14]. The culture of improvement can be developed by encouraging the employee to participate and work in team. This will give them the opportunity to expand their knowledge on benchmarking needs, sharing ideas, to think differently about the nature of their jobs and eventually enhance their manufacturing process [21]. Improvement should be viewed as a never ending process. The organization should not regard benchmarking approach as quick fixes. [13]claims that one common problem faced by organization undertaking benchmarking is resource constraints, which include: time, finance and expertise, although time was by far the greatest factor. In fact, lack of resources can stem revenue generation and will become a thorn in a company business development [8]. Besides that, top management should also facilitate their workers to access the required information to avoid any misunderstanding during benchmarking implementation process, ensure the consistency of improvement process and eliminate the benchmarking barriers [22].

Top management is an important body and the primary decision maker in the organization, with employees looking to the top leader for guidance and approval. So, the top management behaviour and perseverance towards this endeavour will give a clear message to the rest of the employees that benchmarking is an ongoing process which is valued [26]. A study by [27] provides further support for this statement through the idea of "shared values" to aggregate employees' attitudes and mediates the link between CEO behaviours and firm's performance. As a result, employees will be motivated to work harder to accomplish the company's goal through cooperation and collaboration with others. It will develop the organizational culture that nurture trust, teamwork and problem-solving at all levels in the organization especially at the executive level [16]. Apart from that, [17] opined

that top-down, bottom-up and horizontal communication between top management and employees are capable of developing inter-organizational trust, confidence and reaching a consensus among all employees within an organization in view of achieving a desirable benchmarking output. In addition to this, top management may have the highest potential to improve trust in their organizations by being open and honest in their words and deeds [1].

2. Material and Methods

This paper is part of a larger research on benchmarking implementation in Malaysian palm oil industry. A self-administered questionnaire was employed in this research. The questionnaire was designed using relevant findings from the literature and insights gathered from the semi-structured interviews conducted during site visit to several palm oil mills and oil palm plantation. The survey instrument was developed in two parts: first, investigates the background information of the respondents participating in this research and secondly, identifies the respondents' perception on top management's commitment and leadership attributes for benchmarking implementation in palm oil industry. There are eight attributes of top management commitment and leadership were generated that believed to be critical in benchmarking implementation. They are, namely: willingness to learn, change and improve, understand the objective of conducting benchmarking, support and involvement in benchmarking effort, open to new ideas and builds a continuous improvement culture, willingness to commit time and resources, care for employee welfare, health and safety, take responsibility for shaping employees' attitudes and relationship, and develop trust in each other through good communication. This survey questionnaire reliability and consistency also was analyzed by using Statistical Package for the Science Social (SPSS) software, Version 22.0 prior to questionnaire distribution to 350 middle managers involved in oil palm plantation and palm oil mill in Malaysia. The reliability test indicates that this instrument Cronbach's alpha value is 0.953. This shows it is a reliable instrument because its Cronbach's alpha value is much higher than the minimum acceptable level is 0.7 [18]. A high value for Cronbach's alpha indicates good internal consistency of the items in the scale[10].

3. Results and discussion

Respondent background: A total of 180 palm oil mills responded to the questionnaire giving a response rate of about 51%. More than half (64%) of the responses received were from government link (GLCs) oil palm companies and 36% from private oil palm companies. It is about 29% of the respondents participates in this study are from the company age between 20 to 30 years. Meanwhile, 32.8% of the company's age is more than 30 years and the remaining 38.3% are less than 20 years. All respondents were assumed to have a broad knowledge and well-experienced with respect to the firm's operational and practices because majority of them have more than ten years' working experience in the palm oil industry. Table 1 summarized the company background.

Table 1: General background of the company

Nature of business	n	Company Age	n
GLC	104	<20	69
Private	59	20 –30	52
		>30	59

Importance and actual practice: Paired compared t-test were conducted to obtain the mean score and significant difference between the importance and actual practice of top management and leadership attributes. Based on Table 2, it clearly shows that on overall the respondents had placed high degree of perception of importance on all attribute; however, the extent of practice was generally lower. The respondents felt that willingness to learn, change and improve, care of employee welfare, health and safety and developing trust through good communication are the three most important attributes that should be given attention by the top management. While, the less practice of top management's commitment and leadership attributes in oil palm companies are: top management support and involvement, understanding the objective of benchmarking and willingness to commit time and resources. This finding similar to other studies conducted on quality management such as ([5]; [19]; [29]; [30]) where they found that management may have full awareness on the TQM

principles; however, they failed to fully practice it in their organization. The gap that exists on the extent of the practices and the perception of the importance of top management commitment and leadership attributes may occur when the oil palm companies attempted to adapt benchmarking in an ad-hoc and informal manner or to blindly follow the efforts of other organizations without prior awareness and understanding. Since, this initiative is still new or at infancy stage and lack of benchmarking practitioners among this industry might be the main contributing factor to the above results.

Table 2: Overall respondents Perception on Importance and Actual Practice

Top management's commitment and leadership attribute		Importance (mean)	Practice (mean)	Rank	p-value	Results
1	Willingness to learn, change and improve	4.344	3.679	4	*0.000	Sig.
2	Understand the objective of conducting Benchmarking	4.035	3.399	7	*0.000	Sig.
3	Support and involved in benchmarking Effort	4.026	3.379	8	*0.000	Sig.
4	Open to new ideas and builds a continuous improvement culture	4.184	3.615	5	*0.000	Sig.
5	Willing to commit time and resources	4.035	3.458	6	*0.000	Sig.
6	Care for employee welfare, health and safety	4.490	3.985	1	*0.000	Sig.
7	Take responsibility for shaping employees' attitudes and relationship	4.245	3.726	3	*0.000	Sig.
8	Develop trust in each other through good Communication	4.297	3.784	2	*0.000	Sig.

Notes: Based on the Likert scale: Importance - 1 = "not important at all"; 5 = "very important"
Practice - 1 = "very low"; 5 = "very high"
* significant at level < 0.05

Practice of each attributes based on company age: This section aims to investigate whether three types of company age (i.e. <20 years, 20 – 30 years and >30 years) give the difference level of practices for each top management's commitment and leadership attributes. In order to achieved this objective, a one-way ANOVA test was conducted and the result was exhibited in Table 3. Referring to Table 3, only attribute 'Willing to commit time and resources' and 'Develop trust in each other through good communication' show the significant differences at the p-value 0.017 and 0.019 respectively. Meanwhile, from Tukey post-hoc multiple comparison test result indicates that the actual practice of the top management commitment and leadership attributes

decreased as the company age increased. It is supported by [12] which found that as the company grow older, it was more difficult for them to accept the changes of the competitive environment and technology. This may occur when the company feels complacent with their current achievement and the absence of a competitive spirit which leads to the truncated growth of that particular company. In short, all attributes shall be well systematically practiced by the top management in order to avoid failure in benchmarking implementation.

Table 3 Test Results of ANOVA

Top management's commitment and leadership attribute		df	F	p-value	Result
1	Willingness to learn, change and improve	2	1.387	0.253	Not Sig.
2	Understand the objective of conducting benchmarking	2	0.726	0.485	Not Sig.
3	Support and involved in benchmarking effort	2	0.916	0.402	Not Sig.
4	Open to new ideas and builds a continuous improvement culture	2	0.711	0.493	Not Sig.
5	Willing to commit time and resources	2	4.178	*0.017	Sig.
6	Care for employee welfare, health and safety	2	1.881	0.156	Not Sig.
7	Take responsibility for shaping employees' attitudes and relationship	2	2.135	0.121	Not Sig.
8	Develop trust in each other through good communication	2	4.081	*0.019	Sig.

Notes: * significant at level < 0.05

4. Conclusion

The study findings provide a useful knowledge to palm oil industry (especially to top management) to accelerate and emphasize their awareness and development of appropriate strategies prior to benchmarking implementation. By incorporating these findings in the benchmarking implementation

process, it will help the oil palm companies benchmarking practitioners to obtain full benefits from the benchmarking initiative and avoid failure during implementation. Since the empirical study on the top management role in palm oil industry benchmarking implementation has not been fully addressed, the result of the study would fill a gap that exists in the literature on benchmarking implementation in Malaysia. Top management readiness to change and improve will give confidence to middle

managers and their subordinates who are directly involved in plant operation in realizing the benchmarking process successfully. Also, good communication between top management with all levels of employees in the organization is necessary in order to quickly respond and commit to any changes and improvement efforts. It has been noted from the study, that there is significant difference between the perception of importance and actual practices in all top management's commitment and leadership attributes. This study also revealed that when the age of the company increased, the practices of top management's commitment and leadership attributes were decreased. It is also noted that, to ensure success in benchmarking implementation, top management need to practice in words and deeds especially in caring for employee welfare, health and safety.

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