

**RELATIONSHIP BETWEEN REWARDS AND MOTIVATION OF EMPLOYEE
PERFORMANCE AT KULIM HI-TECH INDUSTRY, KEDAH**

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"I admit that this report is my own work except the summary and excerpts of each of which I have mentioned the source"

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DEDICATION

To

My Mother

Thank you for always be with me and all the advices given.

My Father

Thank you for supporting and encourage me to believe in myself.

My Family

Thank you for all the support that you gave to me.

My Supervisor

Thank you for all your guidance during the completion of this project.

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ABSTRACT

Human resource is one of the important assets that organization owns. Reward helps management to retain efficient and experienced workforce in an organization. This research work examined the relationship between rewards and motivation of an employee's performance among employees in Kulim Hi-Tech Industry, Kedah. There are two types of reward that contributed to this research, which are the extrinsic reward of compensation and intrinsic reward of recognition. The data and information are collected by using questionnaires, which are distributed to the three organisations in the Kulim Hi-Tech Industry which are AMREC Sirim, First Solar and Inokom. Structured questionnaire was used to collect data from one hundred (100) participants through simple random sampling method and data were analyzed by simple regression analysis with the aid of statistical package for social science (SPSS) version 20. As for the result, all of two independent variables (extrinsic reward of compensation and intrinsic reward of recognition) that have been studied in this research have significant relationships towards dependent variable (motivation of employee performance) among employees in Kulim Hi-Tech Industry, Kedah.

Keywords: Extrinsic reward of compensation, intrinsic reward of recognition, motivation, employee performance, Kulim Hi-Tech, Kedah

ABSTRAK

Sumber manusia adalah salah satu aset penting yang harus dimiliki organisasi. Ganjaran membantu pengurusan untuk mengekalkan tenaga kerja yang cekap dan berpengalaman dalam sesebuah organisasi. Pengkaji membuat pemeriksaan hubungan antara ganjaran dan motivasi prestasi pekerja di kalangan pekerja di Kulim Hi-Tech Industri, Kedah. Terdapat dua jenis ganjaran yang menyumbang dalam penyelidikan ini iaitu ganjaran ekstrinsik pampasan dan ganjaran intrinsik pengiktirafan. Data dan maklumat yang dikumpul dengan menggunakan soal selidik yang diedarkan kepada tiga organisasi di Kulim Hi-Tech Industri iaitu AMREC Sirim, First Solar dan Inokom. Soal selidik berstruktur digunakan untuk mengumpul data dari satu ratus (100) orang peserta melalui kaedah mudah persampelan rawak dan data dianalisis dengan analisis regresi mudah dengan bantuan pakej statistik bagi sains sosial (SPSS) versi 20. Hasilnya, semua dua pembolehubah bebas (ganjaran ekstrinsik pampasan dan ganjaran intrinsik pengiktirafan) yang telah dikaji dalam kajian ini mempunyai hubungan yang signifikan terhadap pembolehubah bersandar (motivasi prestasi pekerja) di kalangan pekerja di Kulim Hi-Tech Industri, Kedah.

Kata kunci : Ganjaran ekstrinsik pampasan, ganjaran intrinsik pengiktirafan, motivasi, prestasi pekerja, Kulim Hi-Tech Industri, Kedah.

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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

An organization nowadays is highly based on the employee work motivation because it is one of important part in organization development. This is because; employees are the engine of organization vehicles while reward is the fuel. No organization can achieve its stated objectives without employees (Sajuyigbe et al. 2013). Therefore, it is essential for an organization to find out the factors that motivates its employees, so that the organization can plan a suitable reward system that can give a better result in employee's performance.

In the Utusan Online with the title No More Reward was Questioned, provide awareness to the importance of organizational rewards to employees. In this newspaper article state that cessation of payment rewards to the officers of the *Jabatan Kastam Diraja Malaysia (JKDM)* based cases were defeated since 2004 is believed to be one of the causes of cigarette and alcohol smuggling syndicates became rampant lately. The number of cases fell sharply after the cash prize of reward was discontinued. Previously, upon payment of the reward are implemented, employees feel happy and motivate JKDM to be persistent in charge because it able to accommodate the demands of the cost of living expenses, especially during the festive season.

The prize money of rewards can help ease the financial burden customs officers who sacrificed so much money and time in an effort to thwart smuggling and fraud involving the results of millions of dollars each year.

In connection with that, the reward system should be carried out again because it not only can improve the quality of work and productivity of the department officials even believed could reduce corruption.

Thus, a large number of researches (Pratheepkanth; 2011:Zaman et.al;2011) have divulged that reward system causes satisfaction of employee, which directly influences the performance of the employee.

1.2 Statement of the Problem

The imperative need of discovering, comprehending, and implementing employee motivation has been a principle concern for organizations and managers since employee's motivation has been and will be the deciding factor in work performance and in turn decide the success or failure of an organization (Kim, 2006). Motivation is a factor that exerts driving force on employee's action and work performance. Based on other researcher as Saeed et al. (2013), this research aims at exploring the relationship among rewards and employee performance. How rewards affect employee motivation? How motivation affects employee performance? What is the relation between rewards and employee performance? What are the factors that lead to rewards?

1.3 Research Question

There are plenty of challenges waits by gain data collection in scope of the relationship between rewards and employee performance. The identified major challenge in this context as:

1. What is the relationship between extrinsic reward of compensation and motivation of employee's performance?
2. What is the relationship between intrinsic reward of recognition and motivation of employee's performance?

1.4 Research Objective

The main objective of this study is to fill up the above mentioned gap in the literature. In accordance with the research problem, the following listed objectives are identified in addition to the main objective to achieve through this research.

1. To test the relationship between extrinsic reward of compensation and motivation of employee performance.
2. To test the relationship between intrinsic reward of recognition and motivation of employee performance.

1.5 The Scope of the Study

The scope of this study is to explore employee perception about motivation, to come up with reward systems that will not only be valued but will effectively employee performance. Rewards systems are divided into intrinsic rewards and extrinsic reward. In this study, researcher wants to highlight about intrinsic reward of recognition and extrinsic reward of compensation. Data will collect through a field survey using a questionnaire from employee in the organization to help employer to come up with appropriate forms of rewards to enhance employee performances.

1.6 Limitation of Study

Rewards and motivation are each quite large topics, each with many hundreds if not thousands of books and studies within their respective subject, it is therefore necessary to limit the references, primary to (extrinsic reward) monetary based reward and (intrinsic reward) non-monetary based reward. Besides that, almost of other researcher make rough study about intrinsic rewards and intrinsic rewards but not deeply like in this study that highlight intrinsic reward of recognition and extrinsic reward of compensation.

Finally, the potential for biases from the results obtained from surveys for future. Even though no identifying information (e.g., name, address) was required, respondents may have been reluctant to answer questions regarding their true feelings or perceptions of those factors associated with their work environment.

1.7 Important of Study

This research helps employer to recognize the best reward for employee performance in an organization. Furthermore, the purposed of this study will increase employer understanding about the great gains derived by linking rewards and recognition to the organization success and employees quality of work. Other than that, this study can use as a references or knowledge about reward that effect employee performance in an organization for future researchers.

1.8 Summary

This chapter is consists of the fundamental of this research. The introduction part are briefly explains the impact of no rewards to the organizations. This chapter also explains the research question as well as research objective of this study. The prominence of this study is explaining the important of the relationship between rewards as a motivation tool and employee performance in the organizations.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter will be discussing about the literature review for this research which the researcher obtained from several sources such as books, journals, and articles. The initial introduction will discuss about the discussion about rewards that motivate employee. Researcher also discuss about reward divide intrinsic and extrinsic reward. Researcher highlights intrinsic reward of extrinsic and extrinsic reward of recognition. In this chapter, researcher will define about performance and discuss relationship rewards as a tool motivation and employee performance. Researcher illustrate theoretical framework of this study and based on this researcher list the hypothesis. Lastly, researcher makes a summary of literature review for this study.

2.2 Reward

Luthans and Sommers (2005) define that rewards is a general term and were received as an exchange of services between employee and employer. As cited by Njanja et al. (2013) employees should be aware of the relationship between how they perform and the rewards they get. Organizations should apply performance management programs which assist in planning employee performance, monitor performance by effecting proper measuring tools. Rewards should be used as a way of strengthening good behaviour among employees as well as productivity.

This reward system is to motivated staff, according Torrington et al. (2008) aside from helping to ensure that effective performers are recruited and retained, in more general terms it is necessary that the reward package they are given serves to motivate positively. The question of the extent to which money ever can positively motivate has long been debated by occupational psychologists, many of whom accept that the power of monetary reward to motivate is very limited, at least over the longer term.

According to Saeed et al., (2013), rewards can be extrinsic financial or tangible and it can be intrinsic or intangible that may relate to only the feelings of employee towards the organization.

2.3 Motivation

Motivation is an interesting, challenging, and complex area of Human Resource Management studies which is rapidly changing both in terms of its nature, understanding, functions, purpose, as well as mode of application. It is generally agreed that managers need employees to work with. These employees do not only have to show up at work but more importantly they need to be motivated to perform their duties. Motivation can be defined as a driving force which leads people to want to act, perform, or do something without pressure or undue manipulation (Eshun and Duah, 2011).

To enhance employee's motivation and performance both financial and non-financial rewards are important and organizations must understand these interrelationships. Rewards especially financial ones create feelings of motivation that affects employee's level of performance. It can be said that intrinsic rewards create intrinsic motivation to perform and extrinsic rewards create extrinsic motivation to perform (Saeed et al., 2013).

2.3.1 Theoretical Foundation of Motivation

Rewards have been shown to motivate performance when certain conditions exist. Individuals are best motivated when they believe that the behaviour will lead to certain outcomes that are attractive and that performance at a desired level is possible. Motivation therefore best explains element of reward and the effect it has on performance. This study will be based on the following motivational theory.

According to McLeod (2007), Abraham Maslow who is a famous psychologist, talked about five hierarchical levels of needs i.e., physiological, safety and security, recognition, self-esteem, and self-actualization. According to him lower level needs must be met before higher level needs. Motivation theory examines the process of motivation. It describes what organizations can do to encourage employees to exercise their maximum efforts and abilities for the achievement of an organization's goals as well as satisfying their own needs.



Figure 2.1 : Maslow's Theory

Physiological needs in the organizational setting; these are reflected in the needs for adequate heat, air and a base salary to guarantee survival. Safety needs in an organizational workplace, safety needs refers to the needs for safe jobs, fringe benefits and job security. Social needs in the work environment; these needs affect the desire for good relationships with co-workers, participation in a work group and a positive relationship with supervisors.

Intrinsic rewards stem from Maslow's higher level needs (Roberts, 2005). It proposes that people can give themselves rewards in the form of self-esteem as well as in feelings of achievement and growth. Esteem is the desire for respect, which is affected by the person's standing reputation, employee need for attention, recognition, achievement and appreciation etc.

Maslow illustrated two versions of esteem needs, a lower one and a higher one. The lower one is the need for the respect of others, the need for status, recognition, attention, reputation, appreciation, and dignity.

The higher form involves the need for self-respect, including such feelings as confidence, competence, achievement, mastery, independence, and freedom. Within organizations, esteem needs reflect a motivation for recognition, an increase in responsibility, high status and appreciation for contributions to the organization.

Self-actualization refers to the desire for self-fulfillment; it is a drive for individuals for self-development, creativity and job satisfaction. They are related to developing one's full potential, increasing one's competence and becoming a better person. Providing people with opportunities to grow, to be creative, and to offer training for advancement are the means that self-actualization needs can be met with in the organization.

2.4 Intrinsic Reward

Macaulay and Cook (2001) argue that rewards intrinsic or intangible that may relate to only the feelings of employee towards the organization. To enhance employee's motivation and performance both financial and non-financial rewards are important and organizations must understand these interrelationships.

In the business dictionary define that intrinsic reward is an outcome that gives an individual personal satisfaction such as that derived from a job well done. Based on Abiola and Ajila's (2004) argue that, intrinsic rewards can be terms as 'psychological rewards and examples are opportunity to use one's ability, a sense of challenges and achievement, receiving appreciation, positive recognition, and being treated in a caring and considerate manner. Thus, in this study, researcher highlights variable of intrinsic reward of recognition.

Frederick Herzberg, who studied motivation back in the 1960s, found that feelings of accomplishment, personal challenge, increased responsibility and belonging were among the strongest intrinsic rewards in organizations (Babak Armajani, 2009). Mahaney and Lederer, (2006) argue that intrinsic rewards are those that exist in the job itself. Employees are thought to be motivated to work hard to produce quality results when they have pride in their work, they believe their efforts are important to the success of the team; their jobs are fun, and rewarding.