

‘Saya/Kami* akui bahawa telah membaca
Karya ini dan pada pandangan saya/kami* karya ini
Adalah memadai dari segi skop dan kualiti untuk tujuan penganugerahan
Ijazah Sarjana Muda Pengurusan Teknologi (Inovasi Teknologi)’

Tandatangan :

Nama Penyelia Utama: Puan Edna Bt Buyong

Tarikh : 20 Jun 2014

*Potong yang tidak berkenaan

EXAMINING EMPLOYEES' PERCEPTIONS ON ORGANIZATIONAL REWARDS
SYSTEM

ZULIANA KARTINI BT ZULKIFLI

Laporan ini dikemukakan sebagai memenuhi sebahagian daripada syarat penganugerahan
Ijazah Sarjana Muda Pengurusan Teknologi (Inovasi Teknologi)

Fakulti Pengurusan Teknologi dan Teknousahawan
Universiti Teknikal Malaysia Melaka

JUNE 2014

“Saya akui laporan ini adalah hasil kerja saya sendiri kecuali ringkasan dan petikan yang tiap-tiap satunya saya telah jelaskan sumbernya”

Tandatangan:

Nama : Zuliana Kartini Bt Zulkifli

Tarikh : 13 June 2014

DEDIKASI

Untuk keluarga, pensyarah dan rakan-rakan tersayang.

AKNOWLEDGMENT

In the name of Allah SWT, The Most Gracious and The Most Merciful, I would like to express my highest gratitude to Him for His guidance to be on the right path in completing this academic project. Without His blessing, I could have never proceeded with this Projek Sarjana Muda (PSM). Besides that, I would like to express my sincere gratitude and appreciations to each person who had give me a valuable contribution throughout conducting this project.

Firstly, I would like to thank my supervisor Madam Edna Binti Buyong who has provided guidance and encouragement to me to complete this task. Without him I could no finish the tasks. He has also helped me in completing tasks and patient in my attitude.

In addition, I would also like to thank my parents, namely Zulkifli bin Mohd Jaafar and Rohana Binti Ismail who gave give me full support and encouragement for me to complete this task. My parents also had of helped in financial aspects of my expenses when it completing the task.

Finally, I would like to express my profound gratitude to all my friends who have helped and assisted me when completing this task. Guidance, cooperation and encouragement of friends are very important to me in completing this task. They have sacrificed much time and energy to teach me. The sacrifices I will not forget indefinitely. I would like to thank all those involved directly or indirectly in completing this task. I hope this project paper can give benefits not only to me, but also for others in the future for reference.

ABSTRAK

Semakin banyak organisasi yang menyedari bahawa mereka perlu mewujudkan keseimbangan antara caruman pekerja kepada organisasi dan sumbangan organisasi kepada pekerja. Mewujudkan keseimbangan ini adalah salah satu sebab utama untuk memberi ganjaran kepada pekerja. Organisasi yang mengikuti pendekatan strategik untuk mewujudkan keseimbangan ini memberi tumpuan kepada tiga komponen utama sistem ganjaran yang termasuk , pampasan , faedah dan pengiktirafan. Kajian ini meneliti persepsi pekerja pada sistem ganjaran organisasi di Air Kelantan Sdn Bhd dan Jati Beringin Sdn. Bhd .Kajian ini dijalankan untuk tempoh 6 bulan , mengenal pasti komponen yang paling wajar dalam jumlah pakej ganjaran bagi kedua-dua entiti untuk membantu mereka merangka dan membangunkan strategi pampasan yang paling sesuai. Kaedah kuantitatif digunakan dalam kajian ini . 100 soal selidik telah diedarkan dengan 100 peratus kadar kembali dan data yang boleh digunakan ; kepada pekerja-pekerja yang terdiri daripada pentadbiran, teknikal , pengeluaran dan kewangan. Walaupun ganjaran kewangan terdiri daripada gaji dan faedah, ganjaran bukan kewangan termasuk program perlindungan, penglibatan pekerja dalam membuat keputusan, penyeliaan , peluang latihan pengiktirafan serta menyokong, memupuk budaya syarikat . Hasil kajian ini mendapati bahawa para pekerja di kedua-dua firma lebih suka ganjaran kewangan dalam bentuk gaji premium di atas bahawa orang bukan kewangan untuk meningkatkan prestasi. Selain itu jumlah ganjaran sepatutnya setimpal dengan sumbangan pekerja kepada syarikat.

ABSTRACT

Increasingly, organizations are realizing that they have to establish an equitable balance between the employee's contribution to the organization and the organization's contribution to the employee. Establishing this balance is one of the main reasons to reward employees. Organizations that follow a strategic approach to creating this balance focus on the three main components of a reward system, which includes, compensation, benefits and recognition. This research examined employees' perceptions on organizational rewards system at Air Kelantan Sdn Bhd and Jati Beringin Sdn. Bhd. The study was conducted for a period of 6 months, identifying the most desirable components in the total reward packages of both entities to assist them formulate and develop the most appropriate compensation strategy. Quantitative method was used in this study. 100 questionnaires were distributed with 100 percent returned rate and usable data; to employees ranging from administrative, technical, production and finance. While financial rewards comprise of salaries and benefits, non-financial rewards include protection programs, employee involvement in decision making, effective supervision, recognition training opportunities as well as supportive, nurturing company culture. The findings of this study found that employees in both the firms preferred the financial rewards in the form of premium pay above that of the non-financial to improve performance. Additionally total rewards should commensurate with employees' contribution to the company.

TABLE OF CONTENTS

CHAPTER	TOPIC	PAGE
	PENGAKUAN	ii
	DEDIKASI	iii
	PENGHARGAAN	iv
	ABSTRAK	v
	ABSTRACT	vi
	TABLE OF CONTENT	vii
	LIST OF FIGURES	xiii
	LIST OF TABLE	xvii
	LIST OF ABBREVIATIONS AND SYMBOLS	xviii
1	INTRODUCTION	
	1.0 Background of the Study	1-2
	1.1 Problem Statement	3
	1.2 Research Question	3
	1.3 Research Objective	4
	1.4 Scope of Study	4
	1.5 Limitation of Study	5
	1.6 Importance of the Study	5
	1.7 Summary	6

2	LITERATURE REVIEW	
2.0	Definition Reward System	7-8
2.1	Total Reward Strategy	9-18
2.2	Financial Reward	19-20
2.2.1	Direct Financial Reward	20-21
2.2.2	Indirect Financial Reward	22-23
2.3	Non – Financial Reward	24-27
2.4	Employee’s Performance and Result	27-29
2.4.1	Maslow’s Need Hierarchy	30
2.4.2	Alderfer’s ERG theory	31
2.4.3	Herzberg’s (1968) Two Factor Theory	32-33
2.4.4	Expectancy Theory	33
2.4.5	Equity Theory	34-36
2.5	Quantitative Research	36
2.6	Theoretical Framework	37
2.7	Hypothesis	39
2.8	Summary	40
3	RESEARCH METHOD	
3.0	Research Methodology	41
3.1	Research Design	42
3.2	Quantitative Research Method	43
3.3	Primary and Secondary Data	43
3.4	Location of Research	44
3.5	Validity and Reliability	44
3.5.1	Validity	45
3.5.2	Reliability	45

3.6	Scheduling	47
3.6.1	Gantt Chart (PSM1)	47
3.6.2	Gantt Chart (PSM2)	48
3.7	Summary	49
4	RESEARCH ANALYSIS AND FINDING	
4.0	Introduction	50
4.1	Result and Analysis	51
4.2	Demographic Analysis	52
4.2.1	Respondents' Sex	52
4.2.2	Respondents' Race	53
4.2.3	Respondents' Education	54
4.2.4	Respondents' Year of Work Experience	55
4.2.5	Respondents' Department	56
4.2.6	Frequencies of i wish to be rewarded in the form of premium base salary, notwithstanding paid overtime, Socso,EPF and Medical Care.	57-58
4.2.7	Frequencies of Merit Payment Based on Performance, Bonuses and Commisions are Financial Rewards that I Need Most From My Employer.	59-60
4.2.8	I Want the Share of Profit from Sales Made By I Exceed the Target Set By the Employer.	61-62
4.2.9	Frequencies of Share Options are Granted to Me to Avoid Paying Income, Taxes, Retirement, Compensation And Scholarship.	63-64

4.3.0	Frequencies of Team Based Rewards are Importaant to Me to Imporove My Performance as a Team Member.	65-66
4.3.1	Frequencies of Production Incentives given By The Organization Motivate Me To Work and Produce Beyond Motivate Me To Work and Produce Beyond Specied Goals Set by the Company.	67-68
4.3.2	Frequencies of Merit Payment Given to Improve the Performance of My Work as a Worker.	69
4.3.3	Frequencies of Salaries Based on Education Qualification and Skill are Crucial in Determining an Employee's the Rate of Pay.	70
4.3.4	Frequencies of Pension Paid to Me Upon Retirement Provide a Quarantee For Me To Be Financially Independent	71
4.3.5	Frequencies og Medical and Dental Benefits Provide Me The Health Protection Needed By me	72
4.3.6	Frequencies of Personal Loan Facility Help Me when Faced With Financial Difficuty.	73
4.3.7	Frequencies of Life Insurance are Needed by Me When Working in Dangerous Situation.	74

4.3.8	Frequencies of I require a transportation service or Transport allowance paid to me to commute to work.	75
4.3.9	Frequencies of provision of childcare centers help Mothers return to work after confinement.	76
4.4.0	Frequencies of provision of gym facilitate Worker to exercise after work hours.	77
4.4.1	Frequencies of counseling services help Workers Who have problems.	78
4.4.2	Frequencies of I look forward to be provided with Transport allowance for loan to purchase a vehicle	79-80
4.4.3	Frequencies of I should be covered by group hospitalization and personal accident policy for any Incidents at work or otherwise.	81
4.4.4	Frequencies of appreciation from the employer are want For work well done .	82-83
4.4.5	Frequencies of vacation leave help me to get rid of Work stress.	84
4.4.6	Frequencies of workplace that is comfortable and safe to raise my passion to continue working.	85
4.4.7	Frequencies of time table systematic work to relieve my pressure.	86

4.4.8	Frequencies of the culture of a company are also important For me to adapt to while working.	87
4.4.9	Frequencies of the support and Encouragement from Employers to improve my performance in doing the job.	88
4.5	Correlation	90-91
4.6	Reliability and Validity	92
4.6.1	Reliability for Research (30 respondents)	93-95
4.6.2	Reliability for Research (100 respondents)	96-98
4.7	Multiple Regressions Analysis	99-102
4.7.1	Testing hypothesis with simple linear Regression	103-10
4.8	Summary	109
5	CONCLUSION AND RECOMMENDATION	
5.0	Introduction	110
5.1	Implication of study	110
5.2	Limitation	111
5.3	Discussion	112
5.4	Conclusion	113
5.5	Recommendation	114-115
	REFERENCE	116-119
	APPENDIX	120-125

LIST OF FIGURE

BIL	TITLE	PAGE
1	Reward strategy and its relationship to business and other strategies	12
2	Reward Management	14
3	Reward System	18
4	Direct Reward	21
5	Indirect Reward	22
6	Non-Financial Reward	26
7	Hygiene Factors Versus Motivators at work	32
8	Theoretical Framework	37
9	Pie Chart for Frequency Distribution Sex	52
10	Pie Chart for Frequency Distribution Race	53
11	Pie Chart for Frequency Distribution Education	54
12	Pie Chart for Frequency Distribution Experience	55
13	Pie Chart for Frequency Distribution Department	56
14	Rewarded in the form of premium base salary, notwithstanding paid overtime, Socso, EPF and medical care.	57

- 15 Respondents percentages of merit payment based on performance, bonuses and commissions are financial rewards that I need most from my employer. 59
- 16 Respondent percentage of want the share of profits from sales made by me if I exceed the target set by the employer. 61
- 17 Respondents' percentage of share options are granted to me to avoid paying income taxes, retirement, compensation and scholarship. 63
- 18 Respondent's percentage of team based rewards is important to me to improve my performance as a team member. 65
- 19 Respondent's percentage of Production incentives given by the organization motivate me to work and produce beyond specified goals set by the company. 67
- 20 Respondent's percentage of merit payment given to improve the performance of my work as a worker. 69
- 21 Respondents' percentage of salaries based on educational qualification and skills are crucial in determining an employee's the rate of pay. 70
- 22 Respondent's percentage of pension paid to me upon retirement

	provide a guarantee for me to be financially independent.	71
23	Respondents percentage of medical and dental benefits provide me with the health protection needed by me.	72
24	Respondent's percentage of personal loan facility help me when faced with financial difficulty.	73
25	Respondent's percentage life insurance is needed by me when working in dangerous situation.	74
26	Respondent's percentage of I require a transportation service or transport allowance paid to me to commute to work.	75
27	Respondent's percentage of provision of childcare centers help working mothers return to work after confinement.	76
28	Respondent's percentages of provision of gym facilitate workers to exercise after work hours.	77
29	Respondent's percentage of counseling services help workers who has problems.	78
30	Respondent's percentage of I look forward to be provided with transport allowance for loan to purchase a vehicle.	79
31	Respondent's percentage of I should be covered by group hospitalization and personal accident policy for any incidents at work or otherwise.	81
32	Respondent's percentages of appreciation from the employer are what I want for work well done.	82

33	Respondent's percentage of vacation leave help me to get rid of work stress.	84
34	Respondent's percentage of workplace that is comfortable and safe to raise my passion to continue working.	85
35	Respondent's percentage time table systematic work to relieve my pressure.	86
36	Respondent's percentages of the culture of a company are also important for me to adapt to while working.	87
37	Respondent's percentages of support and encouragement from employers to improve my performance in doing the job.	88

LIST OF TABLE

BIL	TITLE	PAGE
1	Gantt Chart PSM I	47
2	Gantt Chart PSM II	48
3	Correlation	89
4	Values of the Correlation Coefficient	90
5	Reliability of Pilot Test (30 Respondents)	94
6	Reliability of Pilot Test (100 Respondents)	97
7	Model Summary	99
8	Anova	100
9	Coefficients	101

LIST OF ABBREVIATIONS AND SYMBOLS

KSAs	= Knowledge, skill and abilities.
&	= And
HRM	= Human Resource Management
HR	= Human Resource
PSM	= Project Sarjana Muda
SPSS	= Statistical Package for the Social Science
SPM	= Sijil Pelajaran Malaysia
Socso	= Social Security Organization
EPF	= Employee Provided Fund
MRA	= Multiple Regression Analysis
H	= Hypothesis
AKSB	= Air Kelantan Sdn Bhd
PAIP	= Pengurusan Air Pahang.
ESOP	= Employee Stock Ownership Plan

CHAPTER 1

INTRODUCTION

1.0 Background of the Study

Reward systems are a critical part of any organization's design. How well they fit with the rest of the systems in an organization has an important impact on how effective the organization is and on the quality of life that people experience in the organization. Over the past decade, some new reward system practices have become popular in order to align the reward system with the important changes that are occurring in the way organization are designed and managed. (Lawler, 1990, Schuster and Zingheim, 1992).

Expectancy theory was proposed by Vroom in the 60s. He states that an employee will be motivated to work hard when he/she believes their efforts will produce a performance which, when recognized, will lead them to having rewards that have value to them. (Vroom & Kenneth, 1968). Expectancy theory says that an employee will be motivated to make a high level of effort when he/she believes that the effort will lead to a good performance evaluation; that a good evaluation of performance will lead to organizational rewards, such as a bonus, a salary increase or a promotion; and that the rewards will satisfy the employee's personal goals. (Robbins, 1999). The reward is appropriate when the employee contributes an extraordinary way to the profits of the

organization. To qualify for a reward, the goal must be clear, meaningful and consistent with other rewards for similar goals. For a reward system to be effective and to be able to encourage motivation it needs to satisfy any individual need of an employee, in particular, besides keeping track of the changes in their needs. Otherwise, it is unlikely to achieve the performance desired. (Humphrey, 1987). The rewards may result in better performance if workers have the skills to enhance it, in fact, to desire the rewards being offered and if there are few physical and psychological restrictions. (Spector, 2002).

The reward system is an important ingredient in managing innovation in a company. It is essential for the firm's success to reward innovators for their contribution to reward people who collaborate as well as individual performs. The rewards can be given in many different recognition programs both intrinsic and extrinsic than can be used. Different features of the reward system can stimulate different aspects of innovation within a firm. (Harden, Kruse and Blasi, 2008).

Various methods and means have been taken by the organization to improve efficiency and productivity. The organizations implement a reward system for employees in the form of financial and non-financial. This reward system can motivate and thus able to attract workers to do the work.

Total reward consists of all the tools available to the employer that may be used to attract, motivate and retain employees. It includes everything the employee perceives to be of value resulting from the employment relationship.

This research examined employees' perceptions of the total rewards system provided by the organization and the type of reward systems implemented by employers in a private organization.

1.1 Problem Statement

The rewards are very crucial for shaping the behavior of an employee to be more motivated and work hard. Employees are often de-motivated because the total rewards packages offered by employers do not commensurate with their knowledge, skill and abilities (KSAs) that they possess and the work that they perform. Rewards constitute a quantitative measure of an employee's relative worth. For most employees, pay has a direct bearing not only on their standard of living, but also on the status and recognition they may be able to achieve both on and off the job. Because pay represents a reward received in exchange for an employee's contribution, it is essential also that an employee's pay be equitable in the organization, thus a motivating factor to drive performance.

1.2 Research Questions

The research questions for this study are as follows:

- What reward packages should employers offer to reinforce employees' performance?
- What the employees' perceptions about the rewards packages?
- Why are rewards crucial in motivating employees to perform?

1.3 Research Objectives

The research objectives that can be extracted from this paper are:

- To identify the reward packages offered by employers to reinforce employees' performance.
- To examine the employee perceptions of the total rewards extended by the organizations.
- To investigate the important of rewards in motivating employees to perform.

1.4 Scope of Study

The scope of this study covers employees in Air Kelantan Sdn.Bhd and Jati Beringin Sdn.Bhd company. Each employee has their own perceptions of rewards from of employers. Every organization has its own way and different from other organizations in formulating reward strategy system. Employees who are involved in this research regardless of subordinates and superiors workers because each worker will be rewarded not based on position. By doing this research, the researcher is able to employee determine total reward strategy given by employer. The research also to investigate about impact total reward strategy implemented by company to increase employee's performance and results. As well as the importance rewards in motivating employees to perform.

1.5 Limitation of Study

The research only involved at employees in Air Kelantan Sdn Bhd and Jati Beringin Sdn. Bhd. The company place at Kelantan and Melaka. This research to get the employees' perceptions about the total rewards strategy they get in work Company. Respondent may not provide their honest responses in answering the questions. The questionnaire only to get 100 respondents in company employees. Worker difficult to provide good cooperation.

1.6 Importance of the Study

Nowadays there is causing a lot of problems for employees and reduced productivity. This study is very important to identify the most desirable component of organizations' total rewards strategy. The rewards strategy is financial and non financial. Employees will not be given work without wages because they also most need to accommodate the higher cost of living. Workers would prefer to work with organizations that can provide rewards that commensurate with what has been done by them. Rewards offered by the organization are not necessarily in the form of money but also in the form of appreciation and so on. Companies need to implement pay equity to employees. I flow pay equity the result in potential increase absenteeism, dissatisfaction and decreased work performance.

This study is also important to assist organization formulate and develop the most appropriate rewards strategy in order to motivate employees' perform. Still there