

# Financial reward and motivation toward employee job performance in the hospitality industry in Klang Valley

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## **Abstract**

The basic aim of this report is to identify how financial reward affects the job performance of employees. The report not only discusses the effect of financial reward towards job performance but also discusses the importance of job motivation towards job performance in the hospitality industry in Klang Valley. Quantitative research methodology was adopted in this research. The findings showed that different factors affect the job performance of employees which can be classified into two categories, financial reward, and job motivation. Apart from that, findings showed that the respondents identified financial reward and job motivation as important competencies to improve their job performance. Financial reward and job motivation are also found important not only to improve the job performance of employees, but is also considered an effective way for organizations to enhance their productivity and get more motivated to the work. It is a good contributor for human resource management to explore the knowledge world to find out which factors affect job performance and provide a better solution to the problems faced by employees at their job.

**Keywords:** *Financial reward, employee motivation, employee job performance*

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## **1. Introduction**

The study focuses on increasing employee job performance through financial reward and employee motivation in the hospitality industry. In this modern era of rapid change and complexities, employees are the competitive edge in the hospitality industry. But they face various problems in their work environment due to these changes. Stressful, depressed and dissatisfied employees would not be able to obtain the same quality level of work and productivity as those employees with low stress, high motivation and high satisfaction in terms of financial reward. It is therefore essential that the employee

psychological aspects be looked into. Malaysia is a multi-racial country with more than 70 identified ethnic groups. These ethnic groups are broadly classified into four major groups namely indigenous (inclusive of Malay and Indigenous), Chinese, Indians and Others (include indigenous tribes and non-Malaysian citizen) (Mahari, 2011). Malaysia with the population of 31 million and average annual population rate of 1.3% (Statistics.gov.my, 2015) is still a developing country faced with different challenges in a changing world. In Malaysia, the tourism sector is one of the 12 National Key Economic Areas (NKEAs), which has been identified as one of the contributing prime sectors in Malaysia economy achievement. Being the top 10 tourism destination, undeniably, Malaysia has proven its ability in the tourism industry (Tourism Malaysia, 2015). The tourism industry in Malaysia is constantly growing annually and it provides a considerable amount of national revenue to the government. According to the report, the growth in Malaysia's hospitality market was due to the government's Visit Malaysia 2014 campaign. The campaign offers various promotional packages and tours as part of the government's initiative to promote Malaysia as a tourist destination and achieve arrivals of 28 million and receipts of RM75 billion (The edge property, 2013).

A study by Vermeeren et al. (2009) has proved that work performance could help the public and private organization to improve service delivery. Income is indeed an important motivator for an employee work performance. A study done by Dieleman et al. (2003) showed that work performance is influenced by both financial and non-financial incentives. The main motivating factors for workers were appreciation by managers, colleagues, and the community as well as a stable job and income and training. The main discouraging factors were related to low salaries and difficult working conditions which normally drives an employee to bad working performance. According to the data collected in Hewitt's 2007 Total Compensation Management survey, the average Malaysian employee turnover rate is 18% (Hewitt, 2009). Turnover among Generation X (the year 1966 to 1976) and Y (the year 1977 to 1994) employees tends to be the highest, as company loyalty among the younger generations is weak and apparently eroding (Hewitt, 2009). The research on financial reward and employee motivation has never been stopped and throughout the research, it shows that financial reward and employee motivation have been independently linked to organizational performance within an organization.

## **2. Literature Review**

### ***2.1 Financial Reward***

In the real world, reward plays an important role on employee performance because rewards could determine how productive an employee performance is and motivate and control the performance as well. Therefore, it is necessary for a manager to understand how important a financial reward really inspires employees and motivate them. Financial reward is considered as the most functional tool for managers to motivate employees to move successfully and influence their behavior to achieve greater organization goals (Danish & Usman2010). On the other hands, failure in financial rewards would influence the effectiveness of skilled employees to be limited if they are not being motivated.

## ***2.2 Employee Motivation***

Motivation considers the individual and his performance (Ajang, 2007). In other words, motivation is defined as: “the set of processes that arouse, direct, and maintain human behavior towards attaining some goal” (Ajang, 2007). Organizations today from all around the world strive to motivate their employees. Most of the organizations realized that the action of motivating employees can drive to meet organization goals. The motivated employee relates to the manner of self-commitment and self-satisfaction which can increase their job performance. According to the journal research, employee motivation plays an important role in getting a high level of satisfaction. Apart from that, motivation can be referred to deals with drive, energy behind the action of an individual. People turn to be guided by their interest in making a good impression on others, doing interesting work and being successful in what they do. With increasingly job satisfaction, it drives an employee to perform better at work.

## ***2.3 Job Performance***

In simple words, task performance can be defined as proficiency of employee in generating products and services or the outcome that contribute to the progress into the result. In other words, job performance is the effort given by employees on the job. In an organization, every working employee is expected to perform his or her job in a dependable way. Based on the employment contract, every employee is responsible for performing better on tasks given as well as the duties involved in the job. They should have the feel of sense of responsibility for doing the tasks and duties given to them very well. Job performance includes the activities that can lead to the effectiveness of a company even though those activities are out of the rage of their specific task. In contrast, performance is also defined as the effort given by employees which it is not directly associated with their main task function and it is not formally written in the job description but yet it plays an important role in defining performance.

## **3 Methodology**

This paper employed a quantitative method and is an explanatory study. Looking into the sampling methodology, the population in this study are working employees in the hospitality industry in Klang Valley. This study focuses on financial rewards and employee motivation as the independent variable and employee job performance as the dependent variable. The research instrument used in this study is a structured questionnaire. In sampling methodology, there were 104 respondents chosen while sampling frame included all working employees in the hospitality industry in Klang Valley and only those working employees were selected for this study. In detail, the respondents from age group “below 30 years old” and “age 31 or above” were chosen accordingly. Secondly, the population of this study focused on the respondents from the company in the hospitality industry in Klang Valley. These selected companies were chosen randomly out from the list of the hospitality Industry. The list of the hospitality industry organizations was obtained from Malaysian Employers’ Federation. A systematic sampling method was used to select the samples for this study. The primary data was data gathered and assembled through a structured questionnaire. A total of 100 questionnaires were sent out to the selected hospitality organizations in Klang Valley. The unit of analysis was workers in various departments in the organizations such as Sales & Marketing, Human Resource, Operations, Finance & Accounting, Information Technology Support, Research & Development and Engineering.

### 3.1 Measurement

This survey was designed to investigate the factors that influence working employees to be motivated at work. Instrumentation and measurement are mainly used in examining the relationship of each statement towards employee job performance. In terms of the measurement of all the determinants, a five-point Likert scale was applied. Each statement was evaluated as five points which was given as “Strongly Agree”, four points as “Agree”, three points as “Neutral”, two points as “Disagree” and lastly one point as “Strongly Disagree”. The respondents were divided into various categories. As there are differences between what motivate employees on job performance and what actually influence employees to become demotivate on job performance, it is possible that there may also be differences between categories of employees based on their gender and age. Data analysis was performed by using Statistical Packages of the Social Science (SPSS). Multiple regression analysis was used to determine the relationship between the independent variables and the dependent variable. Stepwise regression analysis was used to determine which among the predictor variables contributed most to the job performance of employees in Klang Valley service organizations. After collecting the data on all the factors, excel computer programmed was used to present the results.

## 4 Result

### 4.1 Age

In this study, the frequencies for the age of respondents obtained in the various organizations shows that 61.5% of respondents were aged at 21-35, about 34.6% of respondents were aged at 36-50 and followed by 2.9% of respondents were aged at 51 or above.

**Table 1: Frequencies and percentage distribution of respondents age**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-35	64	61.5	62.1	62.1
	36-50	36	34.6	35.0	97.1
	51 or above	3	2.9	2.9	100.0
	Total	103	99.0	100.0	
Mis sing	System	1	1.0		
Total		104	100.0		

### Gender

According to Table 2, the frequencies obtained for the other variables, it was found that 45.2% of the respondents were female and the remaining 53.8% were male.

**Table 2: Frequencies and percentage distribution of respondents on gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	47	45.2	45.6	45.6
	Male	56	53.8	54.4	100.0
	Total	103	99.0	100.0	
Missing	System	1	1.0		
Total		104	100.0		

### Marital Status

According to Table 3, the frequencies obtained, it is shown that about 43.3% of respondents who were married and about 55.8% of respondents who were single.

**Table 3: Frequencies and percentage distribution of respondents on status**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	45	43.3	43.7	43.7
	Single	58	55.8	56.3	100.0
	Total	103	99.0	100.0	
Missing	System	1	1.0		
Total		104	100.0		

### Nature of the Job

According to the Table 4, the frequencies obtained from the nature of the job, about 4.8% of the respondents worked as temporary, about 89.4% of respondents worked as permanent in the organization and the remaining 4.8% of respondents worked as part time.

**Table 4: Frequencies and percentage distribution of respondents on nature of job**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Temporary	5	4.8	4.9	4.9
	Permanent	93	89.4	90.3	95.1
	Part Time	5	4.8	4.9	100.0
	Total	103	99.0	100.0	
Missing	System	1	1.0		
Total		104	100.0		

### Education Qualification

Based on the result in Table 5, it shows that the greatest qualification obtained from 104 respondents were Degree where contributes 56.7%. Second greatest was 28 individuals who hold SPM qualification and contributes 27.9%. Followed by nine respondents who hold Diploma qualification (9%). Apart from that, it showed four respondents who hold for Master's Degree with 3.8% from the frequencies result and lastly was two respondents with STPM qualification (1.9%).

**Table 5: Frequencies and percentage distribution of respondents on qualification**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SPM	29	27.9	28.2	28.2
	STPM	2	1.9	1.9	30.1
	Diploma	9	8.7	8.7	38.8
	Degree	59	56.7	57.3	96.1
	Master's Degree	4	3.8	3.9	100.0
	Total	103	99.0	100.0	
Missing	System	1	1.0		
Total		104	100.0		

### Job Department

The greatest number of individuals in the sample came from the Operations department (33.7%), followed by Finance & Accounting (24.0%). Only three individuals (2.9%) from the engineering department, eight individuals (8.7%) from Human Resource department, 11 individuals (10.6%) from Information technology department and followed by 20 individuals from sales & marketing department (19.2%).

**Table 6: Frequencies and percentage distribution of respondents Job Department**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sales & Marketing	20	19.2	19.4	19.4
	Human Resource	9	8.7	8.7	28.2
	Operation	35	33.7	34.0	62.1
	Finance & Accounting	25	24.0	24.3	86.4
	Information technology support	11	10.6	10.7	97.1
	Engineering	3	2.9	2.9	100.0
	Total	103	99.0	100.0	
Missing	System	1	1.0		
Total		104	100.0		

## Monthly Salary

From the frequencies result shown in Table 7, about 2% of respondents earn salary less than RM 1,000, about 40.4% of respondents whose salary is between RM1,000 – RM 3,000. Followed by the greatest number of respondents whose salary is in between RM 4,000 – RM 6,000 with 48.1% and only 9 respondents whose salary is RM6,000 above (8.7%).

**Table 7: Frequencies and percentage distribution of respondents on Monthly Salary**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than RM1,000	2	1.9	1.9	1.9
	RM1,000 - RM3,000	42	40.4	40.8	42.7
	RM4,000 - RM6,000	50	48.1	48.5	91.3
	RM6,000 Above	9	8.7	8.7	100.0
	Total	103	99.0	100.0	
Missing	System	1	1.0		
Total		104	100.0		

## Coefficients a- Regression between financial rewards, job motivation and Job Performance

The coefficient of the regression from result obtained, shows where that the Beta value for financial rewards is 0.271 and job motivation is 0.074. The second condition was met, as the regression was significant. Third, the mediator must affect the dependent variable. Thus, regression was conducted between the independent variable (financial rewards and job motivation) and dependent variable (job performance).

### Hypothesis 1: Correlation analysis between Financial Reward and Job Performance

According to the result, there is a positive relationship between financial reward and job performance. Using Cohen's (1988) guide as to the strength of the correlation, there is a large, positive correlation between the two variables ( $r = 0.398$ ,  $p < 0.01$ ), with high levels of financial reward effect on employee job performance. Overall, H1 which posits that financial reward has a positive relationship with individual job performance is supported.

### Hypothesis 2: Correlation analysis between Job Motivation and Job performance

According to the result, there is a positive relationship between employee job motivation and employee job performance. Using Cohen's (1988) guide as to the strength of the correlation, there is a large, positive correlation between the two variables ( $r = 0.474$ ,  $p < 0.01$ ), with high levels of employee job motivation effect on employee job performance. From the above, H2, which posits that employee job performance has a positive relationship with employee job performance, is supported.

### **Linear Regression & ANOVA (Financial Reward towards Job Performance)**

Based on the result, the  $R^2$  value for the final model is 0.158. The ANOVA result indicates that the model as a whole (which includes both blocks of variables) is significant ( $F= 19.008$ ,  $P= 0.00$  which  $p < 0.01$ ). The Beta-value for financial rewards is 0.298. The R square value is 0.158. The result shows that the regression was significant ( $F=19.008$ ,  $p= 0.000$ ). The coefficient of the regression, on the other hand, where the Beta value for financial reward is 0.2983, the second condition was met, as the regression was significant. Third, the mediator must affect the dependent variable. Thus, regression was conducted between the financial reward (independent variable) and job performance (dependent variable).

### **Linear Regression & ANOVA (Financial Reward towards Job Performance)**

Based on the result, the R square value is 0.224. The regression was significant ( $F=29.203$ ,  $p= 0.000$ ). The coefficient of the regression, on the other hand where the Beta value for job motivation is 0.073, the second condition was met, as the regression was significant. Third, the mediator must affect the dependent variable. Thus, regression was conducted between the job motivation (independent variable) and job performance (dependent variable).

## **5. Conclusion**

The analysis highlighted that the degree of financial rewards and job motivation has a strong relationship and directly impact on employee job performance. From the data, it was noted that most of the employees who work in the hospitality industry are not satisfied with their monthly salary as it would lead to a general lack of motivation and reduce morale for high performance on their job. Even though employees who work in the hospitality industry are given higher pay, it does not mean it would automatically result in higher productivity. This may be due to a different factor which depends on how job motivation styles by the organization management affect their employees. The research found that employees in different industries including hospitality industry are giving more importance to economic and financial rewards. If financial rewards are increased, it would lead to high job performance increase within the employees. Although an important motivational tool has been identified as financial rewards by previous studies, the rewards can lead to increase in the job performance within an employee. Put differently, money can perform a dual role in motivating employee on their job performance (Ajang, 2007). Overall in this study, regardless of age or gender, financial rewards are considered to be of motivational importance.

## **5 Recommendation**

Based on the literature review, sample of respondents who were involved in the survey questionnaire and the analysis conducted, it was clearly noticed that employees are not satisfied with the financial reward and are not motivated which affects their job performance. First of all, the organization in the hospitality industry can have improvement on their financial rewards level and some adjustment on their financial rewards structure with regard to various level attached to each grade so that majority of the employees who work in the hospitality industry in Klang Valley can enjoy better financial rewards. Secondly, it is suggested that management be aware that proper financial rewards and other financial aspects could motivate their employees to some extent. Nevertheless, for their employees to be more motivated and influence the job productivity as well as their job performance, the management in the organizations have to consider other motivational rewards and factors like monthly bonus, appreciation, recognition and management support from the department.

Thirdly, it is recommended that the manager choose a suitable motivation theory for their company and move to the approaches step. The recommended motivation theory for hospitality organization in Klang Valley is Maslow Hierarchy of Needs which is considered as one of the most useful and common theory as almost every employee has different needs in terms of job motivation (Afful-Broni, 2012). By using the theory, it clearly makes the process clear for the management. In this theory, there are divided into several levels in the pyramid form where the organization management will be giving a clear direction and division on how to improve the job motivation of their employees. By using the theory, employees will be motivated and will perform highly toward their job performance which will help to increase business performance and productivity. It also enhances the productivity within an employee and they will be more innovative and creative with the proper financial reward and job motivation and this could provide a high positive output on employee job performance. Overall the suggestions and recommendations given will definitely lead toward a high motivated employee with a high rate of job performance.

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