

INTI INTERNATIONAL UNIVERSITY

MASTER IN BUSINESS ADMINISTRATION

**The Impact of Employee Motivation Approaches on Achieving Competitive
Advantage. Case of Banking Sectors in Pekanbaru, Indonesia**

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ABSTRACT

This study identifies the existing relationship between employee motivation approaches and competitive advantage. The role of employee motivation approaches have become important activities of Human Resource Management where employee motivation approaches can affect on employees' behavior and attitude to achieve organization's goals. This study was conducted in Pekanbaru, Indonesia as geographical location where this study was involving employees who in 4 selected banks. This relationship has been investigated by using SPSS. The results indicated a significant relationship between employee motivation approaches and competitive advantage.

Keywords: *Employee Motivation Approaches, Performance Appraisal, Adequate Training and Development, Fair Reward System, Competitive Advantage, Loyalty and Commitment*

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Chapter 1

Introduction

1.0. Introduction

This research is focusing on the impact employee motivation approaches on achieving competitive advantage in banking industries. The research is going to focus on 4 selected banks (Riau Bank, PANIN Bank, Mandiri Bank, and BII Bank) in Pekanbaru, Indonesia where the research is involving employees as respondents to give their feedback and opinion about the employee motivation approaches in their companies in order to support the information data for the research.

In this chapter, the researcher is going to describe about research background, problem definition, research question, research objective, significant of the research, limitation of research and assumption.

1.1. Research Background

The role of competitive advantage has become significant impact for all organization to sustain and survive their business. Strong competitive advantage cannot be easily achieved by organization because it required good and unique competitive strategy which cannot be imitate or copied by competitor (Price, 2004; Wright P, McMahan G and McWilliams A, 1994; and Barney, 1991). For any businesses, especially banking sector, to be able to have good innovation which meet customer need, better service with speed performance, and quality of goods and services are the main keys to drive strong competitive advantage (Bateman and Snell, 2007) which means strong competitive advantage cannot be achieve without powerful competitive advantage sources which provide or produce these objectives, such as innovation, speed, and quality

Human resources (employees) can meet the requirement to be one of powerful competitive advantage source (Wright P, McMahan G, and McWilliams A, 1994)

because employee is the asset cannot be replace even with adequate technologies or equipment, enriched with variety of skills, knowledge and experience which make them cannot be imitated by competitors (Yazdani, 2008; Chiavenato, 2001; Coff, 1994; Lado, Boyd, and Wright, 1992). The role of employee has become great impact to the successful of organization's businesses where the employees can perform well on their task which increases productivity and better services in organization (Becker and Huselid, 2006; Becker and Gerhart, 1996; and Arthur, 1994), but in order for organization, such as banking sector to achieve competitive advantage through employees, it required well human resources strategy which can affect on employee's behavior to make them willing to deliver excellent performance for organization (Mendonca and Kanungo, 1996).

Employee as the person who in charge in delivering good service to customer must has commitment to organization, because commitment is a fundamental principle and culture for the success of organization. A success company is always capable to maintain good relationship with their employees in order to create positive and better work environment and keep interaction with employees in strategic frame work where company is providing employees with compensation, facilities, welfare, protection and opportunity to develop themselves. While employees provide support not only skills and abilities, but also their individual's commitment and willingness to achieve to company's goals. By having strong commitment to company, it can give employee high desire and loyalty to keep working in the company, beside that it also give employee the confidence, strength, and seriousness in achieving organization's goals.

Lots of bank companies are trying to retain and attract customers by increasing the quality of service through their human resources in Pekanbaru, Indonesia. Bank companies are trying to improve the quality of human resource as powerful source of the company's operational support In order to increase the quality of service, but it is not easy for the company to recruit and retain competence employees who have the unique skills, knowledge, experience which can derive the competitive advantage of company.

For the company which is seeking for competitive advantage, it is good to aware about the important of human resources on business, because if there is no human resources in company to perform any tasks, the company could not be survive and success in market even with perfect plan, strategy, equipment, or tools. Nowadays, globalization has become the factor that significant influence any businesses where globalization is the main reason for every companies to improve and increase their competitive advantage due to intense competition in market. The role of human resource might be has the significant impact on achieving competitive advantage of company where the employees can deliver excellent performance to company and provide better services to customers. In order to achieve competitive advantage through human resource, it depends on employees' behavior because the employees are not willing to perform well tasks and works without any factors that can make them motivate and committed to company's goals.

Employee motivation might be suitable approach for banking sectors to influence employees' behavior to create competitive advantage (Afioni 2007; Agarwal and Ferret, 2001) because employee motivation can determined whether employee is satisfied or not satisfied with organization and it also can be human resource practice to encourage employee to develop high level of performance in their work by using approaches such as rewards, training and appraisal to fulfill the employees' desired need (Harter, Schmidt, and Hayes, 2002; Scott G., 1977).

Against this backdrop, the aim of this study is to determine which employee motivation approaches (performance appraisal, adequate training and development, and fair reward system) have significant impact to achieve competitive advantage (Loyalty and commitment) in banking sector, Pekanbaru, Indonesia.

1.2. Problem Definition

In intense competition, the role of competitive advantage has become significant impact for organization success in competitive market especially for Bank Company which provides services to customer, without any good competitive strategy, a bank company cannot sustain their competitive advantage. Lot of organizations could not sustain their competitive advantage due to unskilled and unmotivated employees in dealing with their own task. Employees who unmotivated in dealing with their tasks are not willing to perform well and contribute more tasks which can caused organization to experience lack of competitive advantage such as poor performance and low productivity.

Mostly, employees are unmotivated due to dissatisfy with company or job, according to Herzberg (1968), employees who dissatisfied with their company or job do not mean employees do not dealing with their works, they are still doing their works but there is no effort and quality of performance in their works. Due to dissatisfy and unmotivated in their task, many employees are frustrated and resigned from their job. Some employees felt there is lack of employee motivation approaches on their companies. Employees are willing to put lot of effort in their task if there is an achievement or rewards for their contribution, such inadequate employee motivation approaches will not enough to satisfy and motivate employees to develop better performance to achieve competitive advantage for organization. So, it is obvious that the impacts of employee motivation approaches are really important for organization to create workforces who are willing to achieve competitive advantage. However, employee motivation approaches are also become the biggest challenges for any organizations to sustain their competitive advantage, organizations should be able to choose the right motivation approaches in order to win employees hearted and attitudes to perform well on their task (Thompson, Strickland & Gamble, 2005). Although, employee motivation can be use as approach to encourage employee to deliver excellent operation, it is also become the biggest threat for large corporations where the level of employee

motivation do not always high even the corporation spend their money to increase employee motivation every years, because the level of employee need is unlimited and could not be satisfy with the same employee motivation approaches (Dixon, 2004; Burton, 2001).

1.3. Research Question

- Do employee motivation approaches such as performance appraisal, adequate training and development and fair reward systems have relationship towards competitive advantage
- Which employee motivation approaches which can help Indonesian Banking sector more to achieve competitive advantage?

1.4. Research Objective

- To identify the relationship between employee motivation approaches such as performance appraisal, adequate training and development and fair reward systems and competitive advantage in 4 selected Banks in Pekanbaru, Indonesia
- To determine which employee motivation approaches can derive or achieve more to competitive advantage in 4 selected Banks in Pekanbaru, Indonesia

1.5. Significant of the Research

The purpose of this research is to analyze the relationship between competitive advantage and employee motivation approaches in Indonesian Banking sectors, and determine whether employee motivation can be powerful approaches or not to achieve competitive advantage. By determine which employee motivation approaches that can derive more to competitive advantage, it can help the Banks to improve their competitive advantage by choosing or implementing the right motivation approaches in increase performance and service. Furthermore, the

topic of research is focusing on how Banks sectors to achieve their competitive advantage through employee motivation, so the result of the research can be use as reference for some of Banks companies not only in Pekanbaru but it also can be use by banking companies in other cities which want to improve their competitive advantage through employee motivation.

1.6. Limitation of Research

There are few problems or limitation that researcher faced and encountered when conducting the research. Firstly, the topic of the research is focusing on determining which employee motivation approaches have the significant impact towards competitive advantage and analyzing the relationship between competitive advantage and employee motivation approaches in banking sectors. In order to get the information to conduct the study, the researcher is going to collect the data by involving some employees who work in banking sectors, since there are more than 10 bank companies in Pekanbaru, the researcher is only going to select few bank companies due to limitation of time on collecting the data and difficulty to get permission on conducting research.

Secondly, the researcher is going to use questionnaire as tool to collect the data and the researcher is only going to distribute 200 questionnaires to the employees who work in banking sectors. The results might not totally reliable due to bias respondent and small sample size. Lastly, there is insufficient or limited of information from previous research and study in selected area such as Pekanbaru, Indonesia that can be use to support the research.

1.7. Assumption

This study is going to involve employees who work in baking sector as respondents. This research is focusing on employees who are willing to perform well in their task due to employee motivation approaches in their companies and willing to participate in the research by giving their perception and opinion about

employee motivation approaches in their companies. Each employee has different perception and level of satisfaction about employee motivation approaches, the impact of employee motivation approaches can be significant or insignificant to employees, it depends on how employee motivation approaches in banks companies affect employees, regard with their age, gender, religion, and position.

Chapter 2

Literature Review

2.0. Introduction

In this chapter, the researcher is going to review some literatures which relevant to research topic where the review will discuss about competitive advantage and the employee motivation approaches used on achieving competitive advantage in banking sector. Furthermore, this chapter will also discuss about the definition of competitive advantage and employee motivation approaches from previous researchers.

According to Barney (1991), the source can be qualify to sustained competitive advantage when the source is able to give value which can create benefit to the company, this value should be unique and rare which difficult for competitor to copy it. Wright, et al (1994) agreed with Barney's statement where source of sustainable competitive advantage must be unique and rare, and Wright, et al (1994) was trying to show that Human Resource meet the requirement to be one of sustainable competitive advantage sources. Coff (1994) responded that employee or human resource is important asset to every company and it can be powerful source of sustainable competitive advantage to company, because human resource cannot be replace by other source where the employee is enriched with variety of skills and knowledge which make them to be difficult to imitate by business rival. Guest (1990) suggested that it is good for management to trust their worker by giving full responsibility of challenging assignments, because by having full responsibility to complete their assignments, it can create employee to develop high commitment and motivation which leads to effectiveness and efficiency of company's business processes.

Gratton (1997) recommended six dimensions for the company to success in motivating its employees, such as the loyalty and commitment from employee, the achievement and ambition of employee, the ability of management in handling

employees, management's achievement towards company's goals, the management's ability to create and keep better relationship with alliances, and sustain business into global market. Pfeffer (1994) stated there are 16 approaches that can use to achieve competitive advantage through employees motivation, including performance appraisal, training and development and rewards. Based on statements from previous researches above, it shows that strong competitive advantage can be achieved by appropriate employee motivation approaches where organization does not need to depend on size budget or technologies to be success when it has effective human resource, such competencies and skilled.

2.1. Competitive Advantage

According to Inyang (2010), competitive advantage is the benefit or the uniqueness that organization has to stay competitive in the market and this benefit or uniqueness could not be easily copy or imitate by competitor. In order to achieve competitive advantage, an organization should be able to come out with good competitive strategy. According to Porter (1985), competitive strategy can be defines as a plan or approach that company has to compete in market place. Porter (1985) suggested that human resource can be powerful competitive strategy where organization can use talents of employees to develop innovative ideas, provide better services, and excellent performance.

Barney (1991) said that the competitive advantage in company can be sustained when the company can obtain the benefit of value creating strategy which cannot be duplicated or implemented by company's potential competitors. Barney (1991) also argues that for company which want to sustain competitive advantage, it must has powerful competitive advantage sources which have these following attributes such as: the sources must be valuable which not lead threats to company, the sources must has unique and characteristics, and the sources must be difficult to imitate by current competitors. From Barney's discussion about attributes of sources which can sustain competitive advantage above, it seems that Human

resources might meet the requirement of these attributes (Adner and Helfat, 2003; Datta, et al, 2005; Haslinda et al, 2007) where the human resources is deemed to be powerful and important source for company to sustain and obtain strong competitive advantage, because employees have unique values which can be difficult by potential competitors in term of variety of skills, knowledge, experiences and physical strength. Becker and Huselid (1998) mention that human resources such as employee are difficult to imitate compare to traditional competitive advantage source such technology and quality because competence employees have significant role to deliver faster and efficient performance which can help company to achieve competitive advantage in marketplace. Armstrong and Baron (2002) argue that for company, to recruit and retain competence employees are the best way to sustain competitive advantage because competence employees are the group of people who have variety of skills, knowledge, and experiences that significantly contribute to company success and competence employees are considered as powerful competitive advantage source.

According to Sanusi (2006), for organization to gain competitive advantage through employee, it required adequate training and fair rewards to motivate employee to deliver excellent performance which can increase the efficiency and effectiveness of organization's operations. Competitive advantage can be measured by 4 dimensions such as innovative idea, loyalty and committed, variety of skills, and willingness to achieve (Bateman and Snell, 2007). According Barras, R., (1984), Innovative idea is a creativity or skill of employee to come out with new strategy to develop better quality or innovation of products or services. For organization, by having employees who have knowledge and skill to develop innovative idea, it can increase effectiveness and productivity of organization (Ettlie, John E., 2006; Luecke, Richard; Ralph Katz, 2003). Solomon (2002) defines loyalty as decision that employees make to stay with the organization and committed to the organization's success or goals without planning to find for other employments or new job. Humphrey, B., and Stokes, J. (2000) defines skill as the capabilities or competencies of employees on dealing with their task effectively. According to

Armstrong and Baron (2002), skill has become continuous competitive advantage for organization where the success of organization is depending on employees and their competencies such as skills, abilities, and experience that can give significant contribution to organization. Becker and Huselid (1998) stated that skilled has significant role to provide effectiveness and flexibility for employees to accomplish their tasks. If the employees put their full effort and variety of skill on dealing with their task, it is not impossible for organization to achieve competitive advantage, since skill is one of source of competitive advantages from human resources. According to Hackman and Oldham's (1980) on their characteristics of job design model, an organization should be able to design variety of jobs for employees where the jobs have different level of responsibilities, because the same jobs repeatedly will leads to low skill variety from employees and the more employees involve in variety of jobs or activities, the more skills that employees can get. By having variety of skills, the employees can easily understand the need of meaningful jobs. It is good for organization to recruit employees based on their skill and knowledge (Boddy, 2008). Miles and Snow (1984) suggested that training and development program can build variety of skill for employees. Daft (2006) agreed with Miles and Snow statement where it is good for organization to adapt training and development to build skill for employees. From this evidence, there is relationship between training and development and variety of skills. According to Robin and DeCenzo (2005), willingness to achieve can be defines as high level of motivation that employees have to accomplish organization goal. For employees, it is good to have willingness to achieve behavior, where the employees can improve their performance by willing to learn new skill and knowledge to achieve organization's goals (Tsai and Huang, 1998). By having employees' willingness to achieve, it is not only giving benefit to organization but it is also will give benefit to employees itself.

However, the researcher is going to use only one dimension to measure competitive advantage on this study such as loyalty and committed because loyalty and committed might has significant potential on measuring competitive advantage

where employees' loyalty and commitment to company's goals have important role to determine company's business performance and survival in the marketplace (Wah, 1999)

2.1.1. Loyalty and Committed

For organization, employees are important assets that cannot be replace even with adequate technology and equipment (Coff, 1994). It is important for organization to keep or retain competencies employees for effectiveness and productivity. Harris J. (1996) says Employees are willing to put their full effort when they feel satisfied and engage with organization. By having loyalty to company, it can make employees to have high commitment to achieve company's goal and make decision to stay in company for long term period (Solomon, 2002). The organization will experience employee turnover when the employees are not loyal to organization and commit to their tasks. Moreover, for banking industries, it is important to keep their employees to be loyal to organization and committed to their task or organization's goals, because according to Heskett et al., (1994) employee loyalty and commitment has positive relation with service quality delivered which can increase organization performances and committed employees can be considered as strong competitive advantage source (Dessler, 1993).

2.2. Employee Motivation Approaches

According to Inyang (2010), each employee in organization has different culture, education background and religious which drive employees to have variety or different level of needs and desires. Nohria, N., Groysberg, B., and Lee, L. E. (2008) say that to keep or retain competencies employees with variety of skills and better experience on achieving competitive advantage, it is not enough for organization to give compensation alone as rewards for employees' contribution. The employees could not work effectively and efficient without rational motive because employees work hard based on their emotional (Lawler, 2008). Inyang

(2010) suggested manager to realize that employee motivation might be suitable approaches to fulfill employees' need and desires in order for employees to develop excellent performance

Kinicki (2006) define employee motivation as a process that can affect employees' behaviors and stimulate employees to achieve direct goal. Bateman & Snell, 2007 argue that motivation is the important factor for company to develop behavior of employees, in term of their loyalty and the quality of their tasks performance. Moreover, according to Kleiman (2000), employee motivation is powerful approaches or techniques that can be use to help organization to achieve goals where employee motivation has power to encourage employees to perform well and put lot of effort on dealing with their tasks in order to increase and achieve productivity and effectiveness of organization's business. Smithers and Walker (2000) proved that employee motivation approaches have significant role in enhancing organization's productivity where employee motivation approaches are giving company the benefit to achieve competitive advantage, such as increasing loyalty of employee to company, employees can obtain variety of abilities to deliver better job performance, and improve their willingness to achieve company's goals. By established employee motivation approaches in company, it can encourage learning, performance, enjoyment to employee. Taylor et al (2008) agreed that employee motivation approaches can meet the criteria to be key management tasks where employee motivation approaches can create condition for employees to be self – motivated. Senyucel (2009) argues that employee motivation approaches can be good human resources practice for company where employee motivation approaches can help company to develop competences employees who can be use to achieve competitive advantage. Furthermore,

According to Bartol and Martin (1998), employee motivation is more like the way how to move boredom to interest or represent of a person's effort where the organization can give variety of rewards to encourage employees to be energized, directed and persistence towards attaining organization's goals.

According to Adams's equity theory (Adams, 1965), employees are willing to contribute more tasks to organization if employees are received fairness or impartiality of the rewards which means the organization's success is depend on how the organization gives rewards to encourage employees to make more contribution to organization. Robbins (2005) says employees are motivated when the rewards are balance as the contribution they make to the organization.

According to Maslow's hierarchy of needs theory (Maslow, 1943), employees are motivated depended on their level of needs. Inyang (2010) suggested employees motivations are approaches or technique that can enhance employees' satisfaction with their job where employee motivation approaches can meet employees' expectation and needs. Furthermore, employees are motivated by archiving something such variety of rewards. However, the organization will experience employee turnover if organization does not has a capability to choose right employee motivation approaches which meet employees' expectation.

According to Inyang (2010), there are some of employee motivation issues or approaches that really important in achieving competitive advantage, such as performance appraisal, training and development and reward.

2.2.1. Performance Appraisal

Torrington et al. (2008) defines performance appraisal as an approach that allows organization to measure employees' task performance and reward the competencies employees with fairly compensation according to the amount of contributions they make to organization. Performance appraisal is more the way how to make organization/manager aware about capabilities of their employees. Torrington et al. (2008) says performance appraisal is the best way for the organization to give accurate feedback to employees on their performance and how the employee can make any improvement to deliver excellent performance. However, Daft (2006) stated that good performance appraisal is required strong leadership characteristic and responsible from manager, because manager has

significant role on giving feedback about employees' performance. Without, strong leadership characteristic, it is difficult for manager to build relationship with their employees due to lack of responsible on recognition, praising and rewarding the employees for their tasks accomplishment

2.2.2. Adequate Training and Development

Harrison (2000) defines training as special processes or courses that have been established by organization to improve the efficiency and effectiveness of organization business process by involving employees to attend the course to obtain and gain new skill, knowledge and attitude.

Schneier, Russell, Beatty and Baird (1994) define development as the next process of attainment of knowledge, attitude and skills that may be needed if there are any changes happened during work performance. Valaries et al (2009) agreed training and development are the best way to equip employee with variety of skills and knowledge to perform well on their tasks. Moreover, Valaries et al (2009) argues that the more adequate training and development that organization has established, the more skills and knowledge that employees can achieved to improve organization's effectiveness and productivity.

Furthermore, adequate training and development is really important for company which want to achieve competitive advantage where adequate training and development can help company to develop and improve employees' skills, knowledge and experience with variety of activities and continuous training and ensure employees to use their skill capabilities to improve the quality of products and services.

2.2.3. Fair Reward Systems

According to Dewhurst et al. (2010), reward is not define as only for financial compensation but anything that can achieved or gained by employees to encourage them to delivery excellent performance, such as praise, better treatment and recognition from manager, promotion, and receive important task or assignment from management. La Belle (2005) says each employee has different need and expectation towards rewards, and the reward supposed to be giving fair according to the contribution employees make to organization. Babakus et al. (2003) agreed with La Belle's statement where the perception of employees towards reward is influencing their attitudes. This is really important for organization/manager to consider on how to rewards their employees

Chapter 3

Research Methodology

3.0. Introduction

The main objective of this research is to determine which employee motivation approaches have greater impact on achieving competitive advantage in banking sectors. Therefore, this chapter will describe which methods and techniques that researcher needs to use for test to find the exists relationship between two variables, such as employee motivation approaches and competitive advantage.

3.1. Research Design

The purpose of using research methodology for this research is to help the researcher to use appropriate method and procedure to conduct research by collecting data and facts (Kothari, C.R., 1985). There are two approaches of research method in collecting data for research, such as quantitative and qualitative. Usually, quantitative research method used for large design of research where the collection of research data is going to use survey or questionnaire, and the collection of data can be analyze manually and computerize and qualitative research method used for collecting of very personal data where the collection of data need to follow strict rules and some processes called content analysis (Kumar, Ranjit, 2005; and Dawson, Catherine, 2002).

Quantitative research methodology will be conduct in this study where the collection of data is going to use primary data such as questionnaire due to flexible, fair, and quick. Moreover, secondary source might also need to support this research. This research is going to use "correlation" test to find the existing relationship Independent Variable and Dependent Variables. Correlation research is a test to find out or determine the existence of a relationship between two or more variables (Dawson, Catherine, 2002; and Kothari, C.R., 1985).

3.2. Research Framework

This figure 3.1 shows the relationship between competitive advantage and employee motivation approaches. In this research framework, the researcher has determined which employee motivation approaches that suitable in achieve competitive advantage in banking sector and employee motivation approaches is determined based on previous research or literature review. In this theoretical framework, Competitive advantage (innovative idea, loyalty and engagement, variety of skills and willingness to accomplish) will be independent variables, and employee motivation approaches (performance appraisal, adequate training and development, and fair reward system) will be dependent variables

Employee Motivation Approaches:

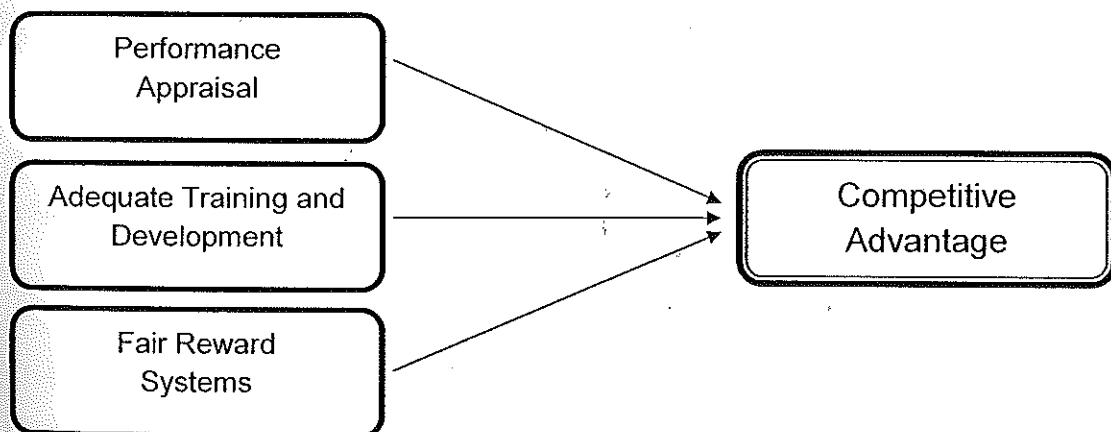


Figure 3.1: Research Framework

3.3. Hypothesis

H_0 = There is no significant relationship between performance appraisal and competitive advantage

H_1 = There is significant relationship between performance appraisal and competitive advantage

H_0 = There is no significant relationship between adequate training and development and competitive advantage

H_1 = There is significant relationship between adequate training and development and competitive advantage

H_0 = There is no significant relationship between fair reward system and competitive advantage

H_1 = There is significant relationship between fair reward system and competitive advantage

3.4. Research Method

This research is going to use primary data such survey method as research method to find the significant impact of employee motivation approaches on achieving competitive advantage where the researcher is going to use questionnaire as survey tool to collect or gather information data from respondents which can be useful for further research. Survey method is suitable to gather descriptive information by using formal question and ask every respondent in the same way due to consistency and reliable results (Dawson, Catherine, 2002; and Kothari, C.R., 1985).

Survey method is suitable and effectiveness method for researcher to gather desire information needed from respondents, such as employees' perception and opinion about employee motivation approaches in their companies, beside that survey method such questionnaire is the quickest and cheapest way in collecting information compare to observation and experimental method (Kothari, C.R., 1985). Although survey method is effective in gathering information data, it is also has the limitation which lead to disadvantage situation for researcher, such as some respondents will avoid to answer the questionnaire due to busy work or not trying to answer the questionnaire honestly (Dawson, Catherine, 2002).

In order to prevent such disadvantage situation happen in conducting researches, researcher is going to see the respondents directly and trying to make them to understand about the question asked in the questionnaire. The researcher also will create schedule for distributing the questionnaire to respondents, so it will not disturbs respondents' busy time. The researcher is going to keep whole respondent's information secure and private due to respondents' privacy.

In this research, the researcher is going to use close – ended questionnaire where the respondents can easily answer the question by choosing on the answer has been determined by the researcher, beside that, it will save time for respondents to answer the question because they do not need to think or use their own word to answer the question. It is also will give advantage to researcher where the researcher can get ease of analysis when entering the data into computer (Kumar, Ranjit, 2005; Dawson, Catherine, 2002; and Kothari, C.R., 1985).

3.5. Questionnaire Design

Basically, questionnaire is survey tool that used by researcher to gather desirable information from respondent to conduct research where respondents are willing to share their opinion or perception by answering the question that has been set by researcher (Kumar, Ranjit, 2005). In addition, it is also flexible and required low

cost to collect the information from respondents. Moreover, well designed questionnaire will give more reliable information for research.

In this research, the researcher has designed the questionnaire into three sections and the questionnaire is designed based on theoretical frame work or literature review. First section of questionnaire is going to ask about demographic information such as gender, age, marital status, education level, position, work experience, and salary, second section of questionnaire is going to ask about employee motivation approaches, such as the level of satisfaction of employee towards appraisal performance, adequate training and development, and fair reward system, and last section is going to about ask competitive advantage, such as which employee motivation approaches will have great impact to the employee to achieve competitive advantage. In addition, since the research is going to conduct in Pekanbaru, Indonesia, the researcher will translate the questionnaire language from English to Indonesian language due to some of respondents might not be able to understand English language.

3.6. Sampling

Sampling is a process for researcher to select small portion of populations or group as respondent to represent the information need for research or study, because it is not possible to select whole population as respondents. By having smaller sample, it will give advantage situation to researcher where the researches can save time and cost, but there is a possibility that the result might be invalid or not reliable (Kumar, Ranjit, 2005; William G. Zikmund 2003; Burns, R.B., 2000, Sarantakos, 1998).

This research is going to use some number of populations in selected bank companies in Pekanbaru as sample due to save time and cost in conducting the research, but in order to make sure that there is invalid of studied sample, the researcher is going to select some group or population (employees) from 4

selected bank companies in Pekanbaru who are willing to participate and meet the criteria for this study.

3.7. Geographical Location

In this research, the researcher is going to choose Pekanbaru as geographical location of study. Pekanbaru is one of provinces in Indonesia which located in Sumatera, Riau. The population of Pekanbaru is almost reaching 904.000 people (Citypopulation.de, 2011). From its name the meaning of Pekanbaru is New Market or New Town which means lot of trading activities happened in this city. Pekanbaru is known as the oil city where most of petroleum in Indonesia has been produced in Pekanbaru and this is the reason that makes Pekanbaru has stabile economy and highest per capita income in Indonesia (Bi.go.id, 2011). Lately, Pekanbaru has become commercial center in Sumatra where there are lots of larger companies established their business in Pekanbaru due to stabile economy and large opportunities, such as bank industries (Bi.go.id, 2011).

There are more than 15 bank companies are operated in Pekanbaru (bi.go.id, 2011) which means there is a possibility for bank companies to have intense competition in market. Recently, Pekanbaru is preparing for PON XVIII in 2012 (Pekan Olahraga Nasional), PON is multi – sport competition which held every four year in Indonesia where some people from all over Indonesia will come to see and participate in this event. Pekanbaru had been selected to become host for this sport event in 2012. PON is not only become good opportunities for the government to gain revenues but it is also will bring to advantage situation to any companies in Pekanbaru, especially baking industries (Riau.go.id, 2011) where lot of people from all over Indonesia will come to Pekanbaru and need banking transaction and activities during their staying in Pekanbaru. So, it is important for banking companies in Pekanbaru to have strong competitive advantage to stay competitive in intense competition.

3.8. Study Population

The researcher is only targeting and surveying the employees who work in 4 selected bank companies in Pekanbaru, Indonesia such as Riau Bank, PANIN Bank, Mandiri Bank, and BII Bank for study population. The total number of respondents is going to be 200 sample sizes. The researcher will target the employees who willing to give their time and provide sufficient information to the researcher and this information might be useful for researcher to achieve the objective of study. For researcher, to prevent any invalid questionnaires from respondents, the researcher will only choose at employees who have required information and understand about employee motivation approaches. The researcher believed that the employees who have high education background and more work experience in banking sector will provide desire information need for researcher.

3.9. Unit of Analysis

The unit of analysis of this research is employees in selected bank companies in Pekanbaru who have high education background at least undergraduate, and have work experience at least more than two years. Employees who motivated by achieving rewards and understand about employee motivation approaches are suitable unit of analysis for this research, because the researcher can get positive feedbacks and comments for questionnaire when the analysis units of research understand about the topic of survey.

3.10. Reliability and Validity tests

As researcher, it is important to measure the reliability and validity of data because it can gives significant outputs or results for the research. Kumar (1996) states that the research instrument should be consistence and stable in analyzing the data, and the researcher can measure the consistency and stability of research instrument by doing reliability test. Churchill (2000) agrees that if the research