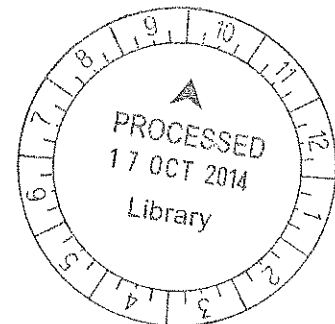


INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

**The impact of rewards on employee motivation in SME in Klang Valley,
Malaysia**

Author: Yang Yu
Student Number: I12002124
Supervisor: Ms. Abidah Saad
Submission Date: 27th August, 2014
Ethics Number: c BUS/PG/CP/00065
Final Word Count: 15,370



Faculty of Business, Communications and Law

ABSTRACT

In the economy of Malaysia, Small and Medium Enterprises (SMEs) play an important role that is considered as the backbone of the economy. Small and Medium Enterprises (SMEs) make so many contributions to development of economy by virtue of their contribution to Gross Domestic Product and employment rate in Malaysia. The importance of employee motivation, affecting the behaviors of small and medium enterprises' employees to behave in right ways, can ultimately decide the failure and success of each small and medium enterprise. Therefore, it is important that managers of SMEs motivate their employees in their organizations. In developing economies like Malaysia, the lack of motivation among employees to improve productivity is due to their not having goal-oriented reward system. Thus, the objective of this study is to try to examine the relationship between rewards and employees motivation in SMEs in Klang Valley. In addition, quantitative method will be used while 200 questionnaires will be distributed to the employees who are my respondents in SMEs. The employees are of individuals that are above 18 years old who had worked in SME for more than six months. The data will be analyzed using SPSS (Statistical Product and Service Solutions) software version 20.

Key Words: SMEs, Rewards, Employee Motivation

ACKNOWLEDGEMENT

As Raph Waldo Emerson said "Cultivate the habit of being grateful for every good thing that comes to you and to give thanks continuously, because all things have contributed to your advancement, you should include all things in your gratitude". This word has explained the importance of acknowledging others for their help. Therefore, we must realize the significance of contributions from others.

In the first place, I would love to express my very great appreciations to my supervisor, Ms. Abidah Saad, second supervisor Mr. Ponusamy and my examiner Ms. Cherish Liew. I am honor to acquire the selfless guidance and constant supervision from them, who also provide important information regarding the project. Their support was vital as I went through all the hardships I faced while completing this project. Their support and confidence in me kept me going. Besides, I would use this opportunity to thank all the other lecturers that have aided me directly or indirectly throughout my project period.

Furthermore, "A life without a friend is a life without a sun." This describes the importance of friends. Therefore, there is my special thanks to my fellow scholars and friends in sharing their knowledge and help me physically, mentally and emotionally in this period of my project. I would not have completed my thesis in time without their constant support and motivation. I would also like to thank my cute friends, Lin Jing, Liu Jiachi, Zhang Yue, Liu Cong, Xu Mengxue, Dai Hairong, Woon Tah Therk and Margaret Libau which have helped me in so many wonderful ways in completing my project.

Moreover, I am honor to extend my sincere thanks to the authorities such as Asia Food Network Sdn Bhd, Teafe Sdn Bhd, THE STREE CAFÉ Sdn Bhd, SKY VILLAGE CAFÉ Sdn Bhd, GOSPLE BOOK CENTRE etc. and its human resource

department that allowed me to conduct surveys in their institutes. At the same time, I am glad to express my thanks to all the employees who participated in survey.

Finally, I would like to offer my special thanks to my dear family. Family has always been backbone to my entire endeavor and determination. Their endless support and love are the core reasons for my thirst for improvement. I would also love to take this opportunity to thank the most influential people in my life, my parents. They are my best friends, number one support as well as critic, my adviser, motivator, consultant, idol and so on. They told me to be humble when I face success, encourage me when I face challenges, gave me a shoulder when I face hardship, never hesitated to correct me when I'm wrong, all and beyond I am very much indebted with them.

Thank you very much.

DECLARATION

"I hereby declare that this research project is of my own effort except for the information that has been used from various authors that have been cited accordingly and ethically."

Name: Yang Yu

Signature: *Yang Yu*

Date: 27th August 2014

Table of Contents

ABSTRACT	I
ACKNOWLEDGEMENT	II
DECLARATION	IV
LIST OF TABLES	XI
LIST OF FIGURES	XIII
LIST OF ABBREVIATIONS	XIV
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Background of the Study.....	1
1.2 Problem Statement	3
1.3 Research Objectives.....	4
1.4 Significance of the Study.....	5
1.5 Limitations of the Study.....	5
1.6 Scope of the Study.....	6
1.7 Organization of the Report.....	6
CHAPTER TWO	8
LITERATURE REVIEW	8

2.1 Introduction	8
2.2 SMEs in Malaysia	8
2.3 Theories of Employee Motivation	11
2.3.1 Herzberg's Two-Factor Theory	11
2.3.2 Expectancy Theory	13
2.3.3 McClelland's Human Motivation Theory	14
2.4 Key Concepts	15
2.4.1 Rewards	15
2.4.2 Intrinsic Reward	16
2.4.3 Extrinsic reward	17
2.4.4 Employee Motivation	19
2.5 Hypotheses Development	20
2.6 Conceptual Framework	20
CHAPTER THREE	22
METHODOLOGY	22
3.1 Research Design	22
3.2 Measuring Instrument	22
3.3 Pilot Test	24
3.4 Validity and Reliability Test	24

3.5 Study Population, Unit of Analysis, Sample Selection and Sampling Techniques	24
3.5.1 Study Population	24
3.5.2 Unit of Analysis.....	25
3.5.3 Sample Selection.....	25
3.5.4 Sampling Techniques	25
3.6 Data Collection and Analysis Method.....	26
3.6.1 Data Collection	26
3.6.2 Analysis Method	26
3.7 Research Methodology Outline.....	27
CHAPTER FOUR	29
FINDINGS AND DISCUSSIONS	29
4.1 Introduction	29
4.2 Pilot test (Reliability).....	29
4.3 Response Rate	31
4.4 Descriptive Analysis.....	31
4.5 Factor Analysis	35
4.5.1 Summary of Research Objective and Research Hypothesis	35
4.5.2 Measurements and Interpretation of KMO Value and Bartlett's Test.....	36

4.5.3 Factor Analysis on Independent Variables	37
4.5.4 Factor Analysis on Dependent Variable	42
4.6 Reliability Analysis	44
4.6.1 Reliability Testing on All Variables.....	44
4.6.2 Reliability Testing on Independent Variables.....	45
4.6.3 Reliability Testing on Dependent Variable.....	45
4.6.4 Summary of the Reliability Testing	46
4.7 Correlation Analysis	46
4.7.1 Correlation of Intrinsic Reward with Employee Motivation	47
4.7.2 Correlation of Extrinsic Reward with Employee Motivation.....	48
4.7.3 Summary of the Results in Correlation Analysis.....	49
4.8 Linear Regression Analysis.....	49
4.8.1 Linear Regression Analysis of Intrinsic Reward on Employee Motivation	50
4.8.2 Linear Regression Analysis of Extrinsic Reward on Employee Motivation	53
4.9 Multiple Regressions.....	56
4.9.1 Multiple Regressions of Intrinsic Reward and Extrinsic Reward on Employee Motivation.	56
4.10 Summary of Hypothesis Results	60

CHAPTER FIVE	61
CONCLUSION AND RECOMMENDATIONS	61
5.1 Introduction	61
5.2 Conclusion	61
5.3 Recommendations	63
5.3.1 SMEs	63
5.3.2 Employee	64
5.3.3 Government	64
5.4 Contribution	65
5.5 Implications for Future Research	65
5.6 Personal Reflection	66
References	68
Appendices	80
Appendices 1 Questionnaire	80
Appendices 2 SPSS Output	84
Pilot Test	84
Descriptive Analysis	87
Factor analysis	90
Reliability Testing	101

Correlations Analysis.....	105
Linear Regression Analysis	106
Multiple Regressions	109
Appendices 3 Initial Research Paper Proposal.....	111
Appendices 4 Project Paper.....	118
Appendices 5 Ethic Form.....	126
Form EC1	126
Form EC3.....	159
Form EC6	161
Appendices 6 Permission Letter	165
Appendices 7 Turnitin Result	172

LIST OF TABLES

Table 3.1 The summary of items and sources.....	23
Table 3.2 Research Methodology Outline	27
Table 4.1 The result of the Pilot test (Reliability test).....	31
Table 4.2 Summary of demographic profile	32
Table 4.3 Summary of Research objective and Research Hypothesis	35
Table 4.4 Acceptance level of KMO value.....	36
Table 4.5 Summary of Factor Analysis on Intrinsic Reward	37
Table 4.6 Summary of Factor Analysis on Extrinsic Reward	40
Table 4.7 Summary of Factor Analysis on Employee Motivation.....	42
Table 4.8 Reliability testing on all variables.....	44
Table 4.9 Reliability testing on independent variables	45
Table 4.10 Reliability testing on dependent variable	45
Table 4.11 Categorization of the scale of correlation coefficient.....	46
Table 4.12 Correlation of Intrinsic Reward with Employee Motivation	47
Table 4.13 Correlation of Extrinsic Reward with Employee Motivation	48
Table 4.14 Meaning of R-squared value.....	49
Table 4.15 Model Summary of Intrinsic Reward on Employee Motivation.....	50

Table 4.16 Anova test of Intrinsic Reward on Employee Motivation.....	51
Table 4.17 Coefficient of Intrinsic Reward on Employee Motivation.....	52
Table 4.18 Model Summary of Extrinsic Reward on Employee Motivation.....	53
Table 4.19 Anova test of Extrinsic Reward on Employee Motivation.....	54
Table 4.20 Coefficient of Extrinsic Reward on Employee Motivation.....	55
Table 4.21 Model Summary of Intrinsic Reward and Extrinsic Reward on Employee Motivation	56
Table 4.22 Anova test of Intrinsic Reward and Extrinsic Reward on Employee Motivation	57
Table 4.23 Coefficient of Intrinsic Reward and Extrinsic Reward on Employee Motivation	58
Table 4.24 Summary of Hypothesis Results.....	60

LIST OF FIGURES

Figure 2.1 Number of State SME Establishments	9
Figure 2.2 New Definition of SMEs (effective 1 January 2014).....	10
Figure 2.3 The conceptual framework for the study.....	21

LIST OF ABBREVIATIONS

KL	Kuala Lumpur
KMO	Kaiser-Meyer-Olkin
KV	Klang Valley
MITI	Minister of International Trade and Industry
MSA	Measures of Sampling Adequacy
SMEs	Small and medium sized enterprises
SPSS	Statistical Product and Service Solutions