

THE INFLUENCE OF REWARD SYSTEM ON EMPLOYEES'  
PERFORMANCE AMONG NON-ACADEMIC STAFFS IN  
MASTERSKILL UNIVERSITY COLLEGE OF HEALTH SCIENCES

ASRA JUZIELA MD. HASHIM

UNIVERSITI UTARA MALAYSIA  
2011



**KOLEJ PERNIAGAAN**  
(College of Business)  
Universiti Utara Malaysia

**PERAKUAN KERJA KERTAS PROJEK**  
(Certification of Project Paper)

Saya, mengaku bertandatangan, memperakukan bahawa  
(I, the undersigned, certified that)

**ASRA JUZIELA MD. HASHIM (805431)**

Calon untuk Ijazah Sarjana  
(Candidate for the degree of) **MASTER OF HUMAN RESOURCE MANAGEMENT**

telah mengemukakan kertas projek yang bertajuk  
(has presented his/her project paper of the following title)

**THE INFLUENCE OF REWARD SYSTEM ON EMPLOYEES'  
PERFORMANCE AMONG NON-ACADEMIC STAFFS IN  
MASTERSKILL UNIVERSITY COLLEGE OF HEALTH SCIENCES**

Seperti yang tercatat di muka surat tajuk dan kulit kertas projek  
(as it appears on the title page and front cover of the project paper)

Bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan.

(that the project paper acceptable in the form and content and that a satisfactory knowledge of the field is covered by the project paper).

Nama Penyelia : **MADAM WAN SHAKIZAH BT WAN MOHD NOOR**

Tandatangan :

Tarikh : **17 FEBRUARY 2011**

## **DECLARATION**

I declare that the substance of this project paper has never been submitted for any degree or post graduate program and qualifications.

I certify that all the supports and assistance received in preparing this project paper and all the sources abstracted have been acknowledge in this stated project paper.

Asra Juziela Binti Md. Hashim

**805431**

College of Business  
Universiti Utara Malaysia  
06010 Sintok  
Kedah Darul Aman

## **PERMISSION TO USE**

In presenting this project paper as partial fulfillment of the requirements for a postgraduate degree from Universiti Utara Malaysia, I agree that the Universiti Utara Malaysia may make it freely available for inspection. I further agree that permission for copying of this project paper in any manner, in whole or in part, for scholarly proposes may be granted by my supervisor, or in their absence, by the Dean of College of Business. It is understood that any copying or publication or use of this project paper or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my project paper.

Request of permission to copy or to make other use of material in this thesis, in whole or in part should be addressed to:

**Dean of College of Business  
Universiti Utara Malaysia  
06010 Sintok  
Kedah Darul Aman**

## **ABSTRACT**

Employees are the most valuable asset to organizations. Employee's performance is the main factor in determining the organization's performance and ensuring the organization to run smoothly and successfully. In order to maintain a good employee's performance, an effective performance management is compulsory. The purpose of this study is to examine the relationship between reward system (monetary and non-monetary rewards) and employee's performance in Masterskill University College of Health Sciences (MUCH). A survey involving 91 executive and non-executive staff was carried out. Three monetary reward factors (basic pay, merit/cost of living, performance bonus) and four non-monetary reward factors (recognition, learning opportunity, challenging works and career advancement) were tested. The data was analyzed using SPSS version 19. Pearson Correlation Coefficient analysis was run and employed to examine the affect of reward systems on the performance of MUCH employees. The result from Pearson Correlation Coefficient revealed that there is a positive significant relationship between reward system (monetary and non-monetary rewards) and employee's performance. Based on the results, it can be concluded that employees' performance is influenced by both monetary reward and non-monetary reward at 57% and 69.8% respectively. This study proposes that HRM must review the important of monetary and non-monetary rewards which can affect the employee's performance in their organization. In view of the results, other implications and recommendations are also discussed.

## ABSTRAK

Pekerja adalah aset yang paling berharga kepada organisasi. Prestasi pekerja yang baik dapat memainkan peranan yang penting dalam menentukan prestasi sesebuah organisasi serta memastikan ianya berjalan lancar dan berjaya. Bagi mengekalkan prestasi pekerja pada tahap yang baik, suatu pengurusan prestasi yang efektif diperlukan. Tujuan kajian ini dijalankan adalah untuk mengenalpasti hubungan antara sistem ganjaran (ganjaran kewangan dan ganjaran bukan kewangan) dengan prestasi pekerja di MUCH. Satu kaji selidik melibatkan 91 orang staf eksekutif dan bukan eksekutif telah dijalankan. Tiga faktor ganjaran kewangan (gaji asas, merit/kos sara hidup dan bonus prestasi) dan empat faktor ganjaran bukan kewangan (penghargaan, peluang belajar, tugas mencabar, peluang kerjaya) telah diuji. Data dianalisis menggunakan SPSS versi 19. Analisis "Pearson Correlation Coefficient" dijalankan dan digunakan untuk mengkaji keberkesanan sistem ganjaran terhadap prestasi pekerja MUCH. Keputusan daripada analisis ini menunjukkan bahawa terdapat hubungan positif yang kukuh antara sistem ganjaran dengan prestasi pekerja. Berdasarkan kepada keputusan, didapati bahawa prestasi pekerja dipengaruhi oleh ganjaran kewangan (57%) dan ganjaran bukan kewangan (69.8%). Kajian ini menyarankan supaya pihak Pengurusan Sumber Manusia mengkaji semula kepentingan sistem ganjaran kerana ia dapat mempengaruhi prestasi pekerja dalam organisasi. Berdasarkan kepada keputusan yang didapati, implikasi dan saranan lain turut dibincangkan.

## **ACKNOWLEDGMENT**

**“In The Name of Allah The Most Gracious And The Most Merciful”**

Firstly, I would like to convey my gratitude to Allah S.W.T for giving me the drive and motivation to complete this study.

Secondly, from the inception until the completion of this research, my sincere appreciation and innumerable thank you goes to my supervisor Pn. Wan Shakizah bt. Wan Mohd Noor, whose guidance, careful reading, constructive comments, support and advice has enabled me to gain a deep understanding throughout the whole process of the study.

Thirdly I would like to take this opportunity to acknowledge with gratitude the cooperation received from all respondent in Masterskill University College of Health Sciences (MUCH) for continued support, time, and cooperation and took deep interest by giving information to complete my study.

Finally, I would like to express my deeply gratitude to my beloved parents, Md. Hashim B. Abdul Rahman and Faridah Bt. Hj. Abdullah and my beloved brothers, Mohd Farid Asraf and Mohd Hafiz Asraf for all their love, support and encouragement throughout the entire process of this study.

## TABLE OF CONTENTS

	<b>Pages</b>
<b>DECLARATION</b>	<b>i</b>
<b>PERMISSION TO USE</b>	<b>ii</b>
<b>ABSTRACT</b>	<b>iii</b>
<b>ABSTRAK</b>	<b>iv</b>
<b>ACKNOWLEDGMENT</b>	<b>v</b>
<b>LIST OF TABLES</b>	<b>ix</b>
<b>LIST OF FIGURES</b>	<b>x</b>
 <b>CHAPTER 1: INTRODUCTION</b>	
1.1 Introduction	1-2
1.2 Problem Statement	3-4
1.3 Research Questions	4
1.4 Research Objectives	4
1.5 Significance of Study	5
1.6 Scope of Study	5
1.8 Organization Study	5-6
 <b>CHAPTER 2: LITERATURE REVIEW</b>	
2.1 Performance and Reward	7
2.1.1 Overview of Employees Performance	7-8
2.1.2 Overview of Employee's Rewards	9-12
2.1.3 Monetary Rewards and Employee Performance	12
2.1.3.1 Basic Pay and Employee Performance	12
2.1.3.2 Merit/Cost of Living and Employee Performance	12-13

2.1.3.3 Performance Bonus and Employee Performance	13
2.1.4. Non-Monetary Rewards and Employee Performance	13
2.1.4.1 Recognition and Employee Performance	13-14
2.1.4.2 Learning Opportunity and Employee Performance	14
2.1.4.3 Challenging and Employee Performance	14
2.1.4.4 Career Advancement and Employee Performance	14

## **CHAPTER 3: RESEARCH METHODOLOGY**

3.1 Introduction	15
3.2 Research Design	15
3.2.1 Type of Research	15
3.3 Research Framework	16
3.3.1 Employees' Performance (Dependent Variables)	16
3.3.2 Reward System (Independent Variables)	16-17
3.4 Hypothesis Development	17-18
3.5 Questionnaire Development	18
3.5.1 Questionnaire Design	18-19
3.6 Pilot Test	20
3.7 Questionnaire Refinement	20
3.8 Conducting the Survey	20
3.8.1 Sample Selection (Quatitative)	20-21
3.8.2 Sampling Framework	21
3.8.3 Data Collection	22
3.9 Data Analysis	22
3.9.1. Descriptive Analysis	22
3.9.2 Pearson Correlation Analysis	23
3.9.3 Data Screening	23
3.9.3.1 Reliability Analysis	24
3.9.3.2 Linearity Analysis	24

## **CHAPTER 4: FINDING**

4.1	Introduction	25
4.2	Reliability Analysis	25
4.3	Data Screening	26
	4.3.1 Linearity Analysis	26-27
	4.3.2 Normality Analysis	28
4.4	Descriptive Analysis	29
	4.4.1 Demographic Characteristic	29-31
4.5	Data Analysis	31
	4.5.1 Pearson Correlation Analysis	31
	4.5.1.1 Monetary and Employee Performance	31-32
	4.5.1.2 Non-Monetary Rewards and Employee Performance	32
	4.5.1.3 Monetary and Non-Monetary Rewards and Employee Performance	33
4.6	Summary of Hypothesis	33

## **CHAPTER 5: DISCUSSION**

5.1	Introduction	34
5.2	Monetary Rewards and Employees' Performance	34-35
5.3	Non-Monetary Rewards and Employee Performance	35-36
5.4	Limitation of Study	36
5.5	Implication of Study	36
	5.5.1 Organization	36-37
	5.5.2 Employees	37
5.6	Conclusions	37
5.7	Recommendation	38

<b>REFERENCES</b>	<b>39-41</b>
-------------------	--------------

<b>APPENDIX A : QUESTIONNAIRE</b>
-----------------------------------

## **List of Tables**

Table 3.1: Proportionate Stratified Random Sampling	21
Table 3.2: Interpretation of Strength of Correlation Coefficient	23
Table 4.1: Reliability Analysis	25
Table 4.2: Descriptive Tables on Demographic Factors	30
Table 4.3: Relationship between Monetary Reward (Basic Pay, Merit/Cost of Living and Performance Bonus) and Employee Performance	32
Table 4.4: Relationship between Non-Monetary Rewards (Recognition, Learning Opportunity, Challenging Work, Career Advancement) and Employee Performance	32
Table 4.5: Relationship between Monetary and Non-Monetary Rewards and Employee Performance	33
Table 4.6: Summary of Hypotheses Testing	33

## **List of Figures**

Figure 3.2: Research framework on the relationship of monetary and non-monetary rewards toward employee's performance	17
Figure 4.1: The Scatter Plot between Monetary Rewards and Employee Performance	26
Figure 4.2: The Scatter Plot between Non-Monetary Rewards and Employee Performance	27
Figure 4.3: The Normal Q-Q Plots of Types of Rewards-Monetary Rewards and Non-Monetary Reward and Employee Performance	28

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

#### **1.1.1 Background of the study**

The main purpose of this study is to examine the association between reward system and the performance of employees in Masterskill University College of Health Sciences (MUCH). Masterskill University College of Health Sciences (MUCH) is one of the famous University College and also the biggest nursing college in Malaysia. MUCH is established since 1997 and was officially attained its university college status in the year 2008. The college's mission is to become a premier college for Nursing and Allied Health Education in the Malaysia and also in Asia. It also in a path of realizing an objective in fulfilling the future demand of providing professional candidate for Malaysian health industry.

Employees are the most valuable the asset to Masterskill University College of Health Sciences (MUCH) and they play an important role in preserving the successful image of an MUCH. Employee performance is the main factor in ensuring the organization to run smoothly and successfully. Good employee performance will improve the organization performance. To maintain a good employee performance, a suitable performance management is needed. According to the Hermann (2007), performance management is defined as a continuous process of identifying, measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization.

Performance management requires all managers to ensure that all of their employee activities and outputs are congruent with the organization's goal and therefore help the organization to gain a competitive advantage, (Aguinis, 2009), organization that have a good performance management will have many advantages such as increased in self esteem, clear mind regarding

The contents of  
the thesis is for  
internal user  
only

## REFERENCES

Aguinis, H. (2009). *Performance Management*. New Jersey. Pearson Prentice Hall.

Aino, S, and Sini,J. (2010). Perceptions of politics and fairness in merit pay. *Emerald Group Publishing Limited*, 25 (3).

Allen and Kilmann, (2001) The role of the reward system for a total quality management based strategy, *Journal of Organizational Change Management*, 14( 2), 110-131.

Armstrong, Brown and Reilly (2011), Increasing the effectiveness of reward management: an evidence-based approach, *Employee Relations* , 33(2), 106-120

Bunmi,O, & Owolabi,A.B. (2007) . *Monetary Reward: A Predictor of Employee' Commitment to Medium Scale Organization in Nigeria*.

Barson, D.C. (2003), 'Quantitative market research', *Global Cosmetic Industry*, 171( 2), 18.

Baron, A. and Armstrong, M. (2007), *Human Capital Management: Achieving Added Value Through People*, Kogan Page, London.

Bruce, C 2001, 'Interpreting the scope of their literature reviews: significant differences in research students' concerns', *New Library World*, 102 (4/5), 158-165.

Coates, Kritsonis (2008), The M&M Effect-Assessing the Impact of Merit, *National Journal For Publishing and Mentoring Doctoral Student Research*, Vol. 5 Num 1, 2008

Chan (2009), Impact of intellectual capital on organisational performance An empirical study of companies in the Hang Seng Index (Part 2) *The Learning Organization*, 16 (1), 22-39

Chapman and Kelliher (2011), Influences on reward mix determination: reward consultants' perspectives, *Employee Relations*, 33 (2), 121-139

Cavana, Robert, Y, Brian, L, Delahaye and Sekaran,U. (2000). *Applied Business Research: Qualitative and Quantitative Methods*. ( 3<sup>rd</sup> ed). John Wiley & Sons, Inc

Carraher (2011) Turnover prediction using attitudes towards benefits, pay, and pay satisfaction among employees and entrepreneurs in Estonia, Latvia, and Lithuania, *Baltic Journal of Management* , 6 (1), 25-52.

Christopher M. L, Petty, M.M, Thompson, J.W. (1996). Assessing the Merit of Merit Pay: Employee Reactions to Performance-Based Pay. *Human Resource Planning*, 19.

Ellis, T. I. (1984). *Merit pay for teachers*. Clearinghouse on Educational Management. Retrieved on 2 January 2011 from <http://www.ericdigests.org/pre-922/merit.htm>.

Gerhart, B. and Rynes, S.L. (2003), Compensation: *Theory, Evidence and Strategic Implications*, Sage, Thousand Oaks, CA.

Henderson, Richard 1. (1997) *Compensation Management in a Knowledge-Based World*. Upper Saddle River, NJ: Prentice Hall,.

Islam, R & Ismail, AZH 2008, 'Employee motivation: a Malaysian perspective', *International Journal of Commerce & Management*, 18( 4), 344-362.

John Shields. *Managing employee performance and reward: concepts, practices, strategies*. Edition illustrated Publisher Cambridge University Press, 2007 ISBN0521820464, 9780521820462 Length594 pages

Kepner, Karl W. 2001. Class lecture notes from *AEB 4424: Human Resource Management in Agribusiness*. Taught at the University of Florida, Gainesville, FL.

Kerrin and Oliver (2002), Collective and Individual Improvement Activities : The role of reward system, Personal Review, 31(.3), 330-337

Knight Ridder/Tribune Business News May 18, 2002. *Nurses, University of California Are Split on Merit Pay Issue*.

Kohn, Alfie. (1993). Why incentive plans cannot work. *Ultimate Rewards. A Harvard Business Review Book*, edited by S. Kerr. Boston, MA: Harvard Business School Press.

Lawler III, E. E., & Worley, C. G. (2006). *Winning support for organizational change: Designing employee reward systems that keep on working*. Ivey Business Journal Online.

*Leslie Allan* Merit-based Pay and Employee Motivation, October 24th, 2010  
 Manicatide, Mircea, and Virginia Pennell. "Key Developments in Compensation Management." *HR Focus* 69 (October 1992): 3-4.

Milkovich, George T., and Jerry M. Newman.(1993) *Compensation*. 4th ed. Burr Ridge, IL: Irwin,.

Milkovich, GT & Newman, JM 2002, *Compensation*, 7th edn, McGraw-Hill, Irwin, United States.

Nelson, Bob. (1999). *Incentives for all generations*. Nelson Motivation Inc. Available on the World Wide Web at <http://www2.inc.com/search/16431.html>. Date visited, January 13, 2011.

Pfeffer, Jeffery. "Six Dangerous Myths about Pay." *Harvard Business Review*, May/June 1998, 109.

Robert Beard. 2001. *What is Higher Productivity Really Worth?* Robert A. Beard & Associates Inc. Available on the <http://www.ptonline.com/articles/what-is-higher-productivity-really-worth>

Rock, Milton L., and Lance A. Berger. *The Compensation Handbook: A State-of-the-Art Guide to Compensation Strategy and Design*. 3rd ed. New York: McGraw-Hill, 199

Rowley, J & Slack, F (2004), 'Conducting a literature review', *Management Research News*, 27(6) 31-39.

Savelsbergh, C.M.J.H, Heijden, B.I.J.M.V.D and Poell, RF (2010), Attitudes towards factors influencing team performance. A multi-rater approach aimed at establishing the relative importance of team learning behaviors in comparison with other predictors of team performance, *Team Performance Management*, 16 (7/8), 451-474

Schmidt, Trittel and Muller (2011), Performance-related pay in German public services  
The example of local authorities in North Rhine-Westphalia, *Employee Relations*, 33(2), 140-158

Sekaran, Umar. (2003). *Research Methods For Business, A Skill Building Approach*. John Wiley & Sons, Inc

Yap J.E, Bove L.L & Beverland M.B (2009), *Exploring the effects of different reward programs on in-role and extra-role performance of retail sales associates*, *Baltic Journal of Management*, 12 (3), 279-294