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Tandatangan : 
Nama Penyelia Utama: Puan Edna Bt Buyong
Tarikh : 20 Jun 2014

*Potong yang tidak berkenaan
EXAMINING EMPLOYEES’ PERCEPTIONS ON ORGANIZATIONAL REWARDS SYSTEM

ZULIANA KARTINI BT ZULKIFLI

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

Fakulti Pengurusan Teknologi dan Teknousahawan
Universiti Teknikal Malaysia Melaka

JUNE 2014
“Saya akui laporan ini adalah hasil kerja saya sendiri kecuali ringkasan dan petikan yang tiap-tiap satunya saya telah jelaskan sumbernya”

Tandatangan:

Nama : Zuliana Kartini Bt Zulkifli
Tarikh : 13 June 2014
DEDIKASI

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

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ABSTRAK

ABSTRACT

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

KSAs = Knowledge, skill and abilities.
& = And
HRM = Human Resource Management
HR = Human Resource
PSM = Project Sarjana Muda
SPSS = Statistical Package for the Social Science
SPM = Sijil Pelajaran Malaysia
Socso = Social Security Organization
EPF = Employee Provided Fund
MRA = Multiple Regression Analysis
H = Hypothesis
AKSB = Air Kelantan Sdn Bhd
PAIP = Pengurusan Air Pahang.
ESOP = Employee Stock Ownership Plan
CHAPTER 1

INTRODUCTION

1.0 Background of the Study

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

Expectancy theory was proposed by Vroom in the 60s. He states that an employee will be motivated to work hard when he/she believes their efforts will produce a performance which, when recognized, will lead them to having rewards that have value to them. (Vroom & Kenneth, 1968). Expectancy theory says that an employee will be motivated to make a high level of effort when he/she believes that the effort will lead to a good performance evaluation; that a good evaluation of performance will lead to organizational rewards, such as a bonus, a salary increase or a promotion; and that the rewards will satisfy the employee’s personal goals. (Robbins, 1999). The reward is appropriate when the employee contributes an extraordinary way to the profits of the
organization. To qualify for a reward, the goal must be clear, meaningful and consistent with other rewards for similar goals. For a reward system to be effective and to be able to encourage motivation it needs to satisfy any individual need of an employee, in particular, besides keeping track of the changes in their needs. Otherwise, it is unlikely to achieve the performance desired. (Humphrey, 1987). The rewards may result in better performance if workers have the skills to enhance it, in fact, to desire the rewards being offered and if there are few physical and psychological restrictions. (Spector, 2002).

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

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

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

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

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

1.2 Research Questions

The research questions for this study are as follows:

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

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

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

1.4 Scope of Study

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

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

1.6 Importance of the Study

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

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