

Organizational Rewards Satisfaction And Work Performance Of Hr Professionals:A Study Of A Group Human Capital In Ez Bank, Malaysia.

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ABSTRACT

Rewards always play a significant role in influencing company's growth and employees' retention. Employees in this new era are more interested on how the organization uses its resources. Organizational rewards are one of the key elements to reward high-performer and eventually resulting in better performance and high employee retention. Nevertheless employees' perceptions toward rewards over its transparency, fairness and objectivity are always be the key over the satisfaction of the rewards itself. Hence this study examines the relationship between organizational rewards and work performance. The target group is HR Professionals in EZ Bank, Malaysia. The HR professionals were given questionnaire regarding the rewards practice in EZ Bank and respond to questions accordingly. 128 HR professionals participated in this study. Regression analysis results showed weak relationship between two components of rewards tested against work performance. The others, pay satisfaction and salary administration showed no relationship at all, thus having weak linear correlation with work performance.

Keywords: rewards, pay, benefits, satisfaction, work performance and human capital

INTRODUCTION

The economic-challenge was evident in several ways that caused the overturn of world economy in the entire economic-segments; make it even a struggle to the organization to keep up with better and efficient manpower planning as opposed to cost containment. Nevertheless, with proper planning and anticipation, organization therefore could optimize the limitation of resources with productive manpower performance towards driving high productivity and better return to the organization. This indeed requires a strong and appropriate intervention on Human Resource Management practices (HRM) that helps organization survives and overcome the challenge that occurs during the long-term economic crisis. Billkop (2006), pointed out that rewards generally has positive bearing on the individual performance, thus conform on the positive relationship between rewards and performance of the employees. However, how would the organization approach to stimulate the performance of the employees in light of the tight economic outlook and limited resources?

Howes (2010) remarked, many approaches have been developed and adopted worldwide to improve the employee's performance including goal setting approach, measurement and feedback approach, involvement of employees in decision approach, organization's culture approach, organization's expectation approach, job design approach, rewards and recognition approach. These approaches aim at increases the level of motivation of the employees that eventually resulted in better employees' performance. Most of the literatures in human resource suggest that there is a positive relation between rewards and work performance (Herzberg, Mausner & Snyderman 1959; Takeuchi, 1981; Fein, 1983; Kanungo and Mendonca, 1988; Utley et al., 1997; Osborne, 2001; Armstrong and Murlis, 2007; Sachau, 2007; Seay, 2008). However for some, argued that the huge cost implications in managing rewards could be well translated in return, by performing and productive employees. Bregmann & Scarpello (2002) opined that an individual's desire to join an organization, to remain with an organization, and to increase effort for the organization is a function of the design and implementation of the organization's compensation system.

Nevertheless according to Brian (2005) cited in Zaherawati, Zaliha, Nazni, Mohd Zool Hilmie & Zuriawati (2011) elucidated that the "compensatory damage" can arise from the unreliable reward system which has huge detrimental effects to the financial performance of the organization. As a result, the unreliable reward program could well translated on the reverse effects of its intended income, evidenced in reduced employees' productivity, equity issues on the fairness and transparency of the rewards process as well as other flaws in the Human Recourse Management (HRM) practices. Thus possibly could invite some negative perceptions from the employees on the fairness and transparency of the rewards program within the organization.

LITERATURE REVIEW

PAY SATISFACTION AND WORK PERFORMANCE

Organizations often use many criterions to study how effective their compensation plans are in driving the motivation of employees to work harder or as a tool to reward performer. These criteria include improved performance, compliance with laws and regulations, cost reduction, and contribution to the strategic plans (Bergmann, & Scarpello, 2002; Gomez-Mejia and Balkin, 1992). Besides, Heneman and Schwab (1985) highlighted that a consistent findings in the literature that there is a positive relationship between pay level and pay satisfaction. This is line with Heneman & Judge (2000) argued satisfaction with pay is directly related to the pay level.

Nevertheless Lawler (1971) cautioned that in order to model the precise relationship between pay level and pay satisfaction, care must be taken to consider the characteristics of the person and job as well as pay system administration (Dyer & Theriault, 1976) which may also influence pay satisfaction. Besides employee's tardiness and attitudes also the components that have been researched on the effectiveness of compensation plans towards driving the important of organizational outcomes. Heneman & Schwab (1985) hypothesized that pay satisfaction has been shown to be related to attendance, turnover, and union vote.

Conversely, only two previous studies, Griffin, Mathieu, and Jacobs (2001) and Schneider, Hanges, Smith, and Salvaggio (2003), that linked pay satisfaction to outcomes at the organizational level of analysis. The Schneider et al. (2003) study, by contrast, assessed a narrower range of satisfaction with pay; their measure used two items, namely respondents' comparison of pay with others in similar jobs and respondents' rating of the amount of their pay.

In addition, Lawler and Porter (1967) found that satisfaction with pay seems to be more a function of where an individual currently slots himself on pay, relative to where he feels he should be, than of his absolute pay level. The actual pay level and satisfaction is probably a function of the discrepancy of perceived pay level and the amount that employees believe their pays should be (William, McDaniel & Nguyen, 2006 cited in Till & Karren, 2011). According to Malhotra, Budhwar & Prowse (2007), perceived satisfaction with the pay received on the work done and relatively paid better, if not equal, provided by other organization

As well that it is not surprising that salary or wages as measures of pay level consistently have been shown to influence pay satisfaction (Berger & Schwab,1980; Dreher, 1980; Dreher, Ash & Bretz, 1988; Lawler, 1971; Miceli & Lane, 1991; Motowidlo, 1982; Ronan & Organt, 1973; Schwab & Wallace, 1974). Amount of pay relative to others working in similar jobs in other organizations (external equity) positively would have a direct influence over pay level satisfaction (Dyer & Theriault, 1976; Gerhart & Milkovich, (1992); Lawler, 1971; Miceli & Lane, 1991; Rice, Philips, & Mcfarlin, 1990).

For generating pay satisfaction, organizations have to ensure transparent policy of perception of pay-for performance. Perception of pay-for-performance is therefore influence positive influence on pay satisfaction. Bordia and Blau (1998) observed, perceived relationships between pay and performance account for more variances in pay raise satisfaction than all the demographic variables put together. Thus, establishing a pay-for-performance compensation system may be the most effective way to promote pay level satisfaction.

BENEFITS SATISFACTION AND WORK PERFORMANCE

Most of the organizations use the differentiated employee benefits to attract, retain, and motivate employee. It will increase employee satisfaction, if the benefits offered are matching the needs and the expectation of the employee. Employee benefits are defined, as that part of the total compensation package, other than pay for time worked, provided to employees in whole or in part by employer payments such as life insurance, pension, workers' compensation, vacation etc. (Milkovich & Newman, 2010; Moussa, 2000). According to Dreher et al., (1988), benefits satisfaction is influenced by benefit coverage and employee cost. Essentially employees of all level are given the coverage of benefits. Thus it may be useful to investigate factors that differs their perception towards benefit satisfaction (Gerhart & Milkovich, 1992; Miceli & Lane, 1991). Nevertheless, the individual differences still determine the level of benefits satisfaction as that would be the most predictive measure.

Miceli and Lane (1991) discovered that age negatively influences benefit satisfaction. Therefore, simply put that the longest serving staff in the organization is not influenced by the benefits satisfaction. This can be well-linked to the argument that the use of medical benefits, the most expensive of all benefits to employers and often employees (Milkovich & Newman, 2008), increases with age (Taubman & Rosen, 1982). Since older employees may be particularly sensitive to out of pocket benefit expenses (Barringer, Milkovich, & Mitchell, 1990), they are expected to be less satisfied with their benefits. It was also indicated that salary grade level is hypothesized to be negatively related to benefit satisfaction. Miceli and Lane (1991) highlighted that as inputs into the benefit system (like co-payment, deductibles, etc.) increases relative to benefit outcomes, satisfaction with benefits should decrease. In this context, it can be concluded the higher the level of income for employee earn in the organization, the lesser the impact on the benefits satisfaction persists among the higher-earning groups.

PAY RAISE AND WORK PERFORMANCE

Pay raise satisfaction are influenced by three variables that was hypothesized by Dyer & Theriault (1976), 1. The past raise history of the individual is expected to positively influence pay raise satisfaction. This has influence someone who have experienced the raise in the past would have positive reaction towards the raises; 2. Accuracy of performance assessment, positively influences pay satisfaction and 3. Perceived contingency between performance and pay, influences pay raise satisfaction.

However Dyer & Theriault (1976) argued should the employee perceive the appropriateness of pay criteria of which based on other criteria than performance, are also likely to see the criteria as appropriate thus resulting in the lower satisfaction with pay raise. The same sentiment was discovered from Folger and Konovsky (1989) who hypothesized that the perceived fairness of pay raise procedures, explained variance in pay satisfaction beyond the effect due to pay raises.

SALARY ADMINISTRATION AND WORK PERFORMANCE

Dyer and Theriault (1976) pointed that perceived understanding of pay criteria has a direct influence over pay satisfaction. Therefore it is logic to argue that employees who understand the pay policies, pay criteria, pay structure, the pay system and as well as the administration of pay in the organization will be then resulted in the salary administration satisfaction. Miceli and Lane (1991) also put forward that perceived managerial influence over the pay would affect satisfaction with the way the pay system is structured and administered. Those who have perceived that the manager play a less influential over the pay system is likely to have better satisfaction over salary administration.

Most of the organizations use the performance appraisals as a basic in their pay decision thus those who relate their salary administration to performance appraisal dissatisfaction would influence their salary administration satisfaction. Heneman & Schwab (1985) argued that attitudes about the performance appraisal process were often related to pay system administration, and based on Dyer and Theriault's (1976) findings, such attitudes should influence pay satisfaction.

As regards to the earlier discussion, despite many studies on rewards satisfaction (Ducharme, Singh., & Podolsky, 2005; Vest, Scott & Markham, 1994; Wu & Wang, 2008), most of them are either outdated, not fit or irrelevant to today's setting. In addition to that, in most studies, the scope of study was not focusing on the impact of many types of organizational rewards

specifically on individual work performance. Consequently, further studies to reflect on different audience and target setting must be explored and various organizational rewards must be examined in respect of its impact on individual work performance. Indeed, many researches in the past have shown that employees' performance is influenced by rewards satisfaction, but the context of study was on the different setting such that the researchers are predominantly western-oriented and the focus then was on the context of western world. This has minimum reflection on the Asian countries especially Malaysia. In addition, less attention also has been given to study on the rewards satisfaction amongst the human resource staff that hypothetically reflects positively on their work performance.

As this scenario refers to Malaysia's context, it is vital to understand the overall rewards system in EZ Bank and its relationship with EZ Bank's HR professionals especially in discharging their duties. In view, human resource professionals in EZ Bank acts as a strategic business partner, the emphasis on the work performance is rather critical as the expectation of the business and the customers within, has increases tremendously. Hence, there is a greater need to examine the relationship between organizational rewards satisfaction and work performance in EZ Bank. This study would help to uncover what motivates EZ's HR professionals and more specifically to find out which aspects of organizational rewards functions well and which aspect could be further improved.

The research framework is basically based on the potential source and consequence of the reward which introduced by Judge (1993) and Ballentine, McKenzie, Wysocki, & Kepne (2009) is as illustrated in Figure 1.

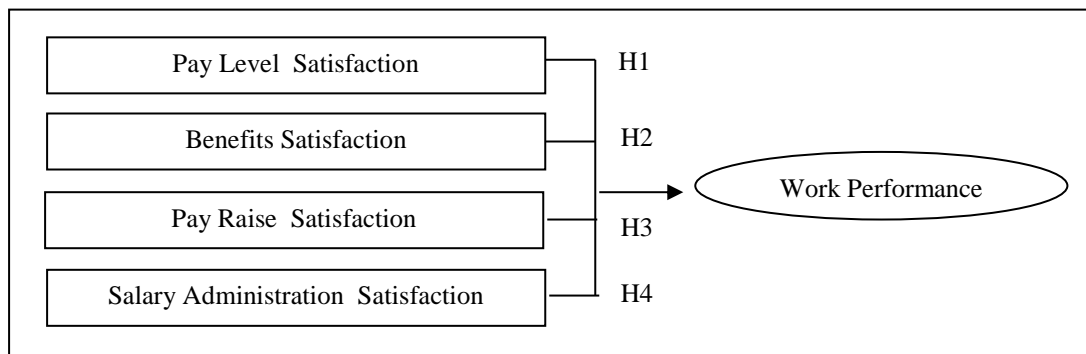


Figure 1: Research Framework

The following hypotheses were proposed:

H1: There is a positive and significant relationship between pay level and work performance

H2: There is a positive and significant relationship between benefit and work performance

H3: There is a positive and significant relationship between raise satisfaction and work performance

H4: There is a positive and significant relationship between salary administration and work performance

METHOD

PARTICIPANTS

128 out of 312 HR professionals (52 male, 76 female) from EZ Bank participated in this study. Majority of participants were single which is 53.9 %. 46.1 % from married group. Adding to this, majority of participants were also from age 20-30 years old which is 48.4 %, 33.6 % from age 31-40 years old. 14.1 % from age 41-50 years old and 3.9 % from more than 50 years old. Islam constitutes 69.5% of the survey respondents, followed by 15.6 Buddha and 3.9% Hindu. The majority of participants were from group experience more than 10 years which is 35.2 %. 24.2 % is from group experience 4-5 years, 21.9 % from group experience 6-10 years and 18.8 % from 1-3 years experience.

MEASUREMENTS

Work performance was the dependent variable and the measure was adapted from William and Anderson (1991). The 7-item scale asked respondents about performing their work in EZ Bank. Rewards satisfaction was measured by four dimensions; pay satisfaction, benefits satisfaction, pay raise satisfaction, and salary administration were the independent variables tested in this study. Rewards satisfaction was assessed using 18-item scale adapted from Henewan and Schwab (1985) where respondents were asked about their perceptions of rewards practices in terms of pay, benefits, pay raise and salary administration. In this study, each of the adapted questions asked how strongly the respondents agreed or disagreed with the statement given on a five-point scale whereby, 1 = strongly disagree and 5 = strongly agree.

FINDINGS

CORRELATION ANALYSIS

The means, standard deviations and correlation matrix of the variables measured for 128 participants is shown in Table 1. The internal consistency reliabilities (Cronbach's alpha) of the research measures are reported in parenthesis along the diagonal of the correlation tables. The reliability value for independent variables are pay satisfaction; 0.961, benefits satisfaction; 0.925, raise satisfaction; 0.843 and salary administration satisfaction; 0.846. As well, reliability for dependent variable, work performance recorded reliability of 0.763.

Table 1 also reveals that pay satisfaction ($r = 0.012$, $p < 0.01$) and salary administration ($r = -0.128$, $p < 0.01$) have no correlation to work performance, benefits has weak negative correlations; ($r = -.260$, $p < 0.01$), pay raise also has weak negative correlations ($r = -0.191$, $p < 0.01$). The results suggest that the participants (HR professionals) indicated that reward program is not one key factor that contributes to the work performance in EZ Bank.

Table 1
Correlation between Variables

Variables	N	Mean	S.D.	Pay	Benefits	Pay Raise	Salary Admin	Work Performance
Pay	128	3.21	.808	(.961)				
Benefits	128	3.79	.648	.458**	(.925)			
Raise	128	3.22	.692	.696**	.493**	(.843)		
Salary Admin	128	3.23	.578	.608**	.338**	.642**	(.846)	
Work Performance	128	3.68	.324	.012	-.260**	-.191*	-.128	(.763)

- ** . Correlation is significant at the 0.01 level (2-tailed).
 * . Correlation is significant at the 0.05 level (2-tailed).

REGRESSION ANALYSIS

The regression analysis as shown in Table 2 indicates that the rewards satisfaction in this study have weak contribution toward the work performance of EZ Bank’s HR professionals. The four dimensions of rewards satisfaction explained 13.7% ($R^2 = 0.137$, F value = 4.867, $p < 0.05$) toward work performance. 86.3% was explained by other factors such as company’s policies and cultures that may be the contributor factors toward the dimension of rewards satisfaction which were not analyzed in this study. The results in Table 2 indicate that only two dimensions of rewards satisfaction are significant. Among two dimensions, the pay satisfaction shows the highest influence toward work performance ($\beta = .375$; $p < 0.05$), followed by benefits satisfaction with ($\beta = -.272$; $p < 0.05$).

Table 2
Regression Analysis Rewards Satisfaction on Work Performance

Variables	Unstandardized Coefficients		Standardized Coefficients	<i>t</i>	Sig.
	B	Std. Error	Beta		
(Constant)	4.273	.193		22.190	.000
Pay	.150	.050	.375	3.018	.003
Benefits	-.136	.049	-.272	-2.778	.006
Raise	-.118	.061	-.253	-1.930	.056
Salary Admin	-.057	.064	-.101	-.885	.378

$p < 0.05$, $R = 0.370$, $R^2 : 13.7\%$, $F : 4.867$

DISCUSSION AND CONCLUSION

The main aim of this study was to examine the rewards satisfaction and work performance. The empirical results of this study suggest that rewards satisfaction have insignificant influence over employees’ satisfaction that could impact one performance. Its impact is proven not as great as it assumed to have. This statistical evidence has proven otherwise that rewards satisfaction is not the key factors to motivate employees and therefore has got no strong bearing over the work performance of the employees. Thus, the contribution of this study really discovered that rewards satisfaction has no influenced over the work performance of HR professionals in EZ Bank of which proven that rewards satisfaction; pay, benefits, pay raise and salary administration have very weak relationship in influencing the work performance of the employees specifically HR professionals.

As the study clearly rejected the hypotheses put forward, one could agree that rewards as the key factor to push for better work performance, cannot be over-emphasized. This is due to employees does not looking into rewards as to motivate them to perform but also looking into other elements of satisfaction that could relate to one’s motivation to still perform though not happy with the pay, benefits, pay raise or even the way of salary being administered. This is inconsistent with studies on pay (Dyer & Theriault, 1976; Heneman, 1985; Griffin et al., 2001; Schneider et al., 2003, Berger & Schwab, 1980; Dreher, 1980; Dreher et al., 1988; Lawler, 1971; Miceli & Lane, 1991; Motowidlo, 1982; Ronan & Organt, 1973; Schwab & Wallace, 1974), benefits (Gerhart & Milkovich, 1992; Miceli & Lane, 1991); pay raise

(Bergmann, & Scarpello, 2002; Gomez-Mejia & Balkin, 1992; Heneman & Judge, 2000; Lawler 1971) and salary administration (Miceli and Lane, 1991; Heneman, 1985).

Thus, we have to revisit into human's drive to motivation. As discussed earlier in this study on the intrinsic rewards that one could have from the job itself, thus create the inner strength to continue to perform and as any amount of salary received from the job is thereafter used to fulfill one's basic needs as per Maslow's Theory. Maslow (1943) also argued that only unsatisfied needs provide the sources of motivation. Kast and Resenweigh (1985) also argued that motivation refers to motive that prompt a person to act whether positively or negatively towards work. In this case though the mean for organization rewards is lower than the mean in work performance, one should have other force as to perform the job up the mark and avoid the aspects that would fail the job assigned.

Conversely based on this study we could acknowledge the fact that HR professionals are not truly satisfied with the rewards as well. It could be concluded that there are other elements that could drive HR professionals in EZ Bank to still perform and deliver their task accordingly though they have reversed their feedbacks on the elements of rewards of which to certain extent did not satisfy with the organizational rewards they received. Based on this we could infer that rewards package does not concern the HR professionals as to extend compromise their quality of work.

In term of benefits EZ Bank being the leading bank in Malaysia has so much to offer to its staff. EZ Bank is one of the financial institutions that still give the uncapped medical benefits to its staff and their family. On top of that EZ Bank also offers other benefits such as Long Term Incentive Plan or better known as ESOS (Employee Share Ownership Scheme) and many more that could potentially draw positive respond from respondent. Though, the benefits offered alone could not be concluded as a factor to showcase the satisfaction of HR Professionals over rewards given or experienced by them.

The study stands to conclude that there were weak correlations between organizational rewards and work performance amongst the HR professionals in EZ Bank

MANAGERIAL IMPLICATION

The finding and analysis of this research will provides clarity on what drives performance of HR professionals in EZ Bank. It is confirmed that rewards satisfaction has no bearing over the work performance; subsequently the management would need to look into other factors that could lead to some gaps in HR professional's performance. In summary, the prescriptions discussed are suggestive of the types of the actions that the HR's management in EZ Bank has also needs to look into the work processes, infrastructures, development and career's advancement plan for the staff and culture, consequently HR professionals could be more effective and efficient in the course on discharging their duties. As HR department in EZ Bank is supporting the EZ Bank's Group agenda to be the powerhouse of regional financial services in the future, HR department must also be able to support its agenda as well as the very own people agenda. This therefore requires more reflection and efforts by the management beyond the rewards.

LIMITATION OF STUDY AND FUTURE DIRECTION

The results discussed in this study are exploratory given that the number of participants who were willing to participate in this study was relatively small. Small number of participants would raise concerns about sample bias. The small number of respondents also prohibited

splitting of the sample to analyze the data along other dimensions. However, since the rewards satisfaction is comprised of four key dimensions so one could undermine the rest. There are other factors such as organizational-dynamic such as culture, leadership, supervision and Organizational Citizenship Behavior (OCB) as well as company policies. Bigger sample size would permit a more high level of analysis for future research.

Another limitation of this study is that data provided is only one category of employees from a specific sector. Thus, the findings cannot be generalized to other category of employees and sectors. In future research, it would be desirable to have more participants from other categories and sectors.

Given the findings and acknowledging the limitation of present studies, several of potential future research exists. Since the study tested only reward components, perhaps in the future research, it may be worth investigating other variables such as culture, leadership style and others which are not being considered in this study.

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