EMPLOYEE MOTIVATION IN HUMAN RESOURCE MANAGEMENT: A CASE STUDY ON FUNG HAP CONSTRUCTION IN KUCHING, SARAWAK

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EMPLOYEE MOTIVATION IN HUMAN RESOURCE MANAGEMENT: A CASE STUDY ON FUNG HAP CONSTRUCTION IN KUCHING, SARAWAK

By

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A Research Paper Submitted in Partial Fulfillment of the Requirement for the degree of Corporate Master in Business Administration

Faculty of Economics and Business
University Malaysia Sarawak
2004
I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a research paper for the degree or Corporate Master in Business and Administration.

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DECLARATION AND COPYRIGHT

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I hereby declare that this research is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by footnotes giving explicit references and a bibliography is appended.

Signature :
Date : 11 May 2004

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Jenny Bong
11/5/2004

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This research mainly studies the relationship between motivation factors (job security, advancement, company, its policy and administration, salary, the work itself, direct superior, social aspects of work, communication, working conditions, and employee benefits) with employee motivation. Also, it studies the comparison of motivation levels according to the selected demographic characteristics (age, gender, marital status, race, salary level, years of service) in Fung Hap Construction. In addition to that, the scope of study is to determine the ranking of ten motivating factors and determine its relationship with employee motivation. A number of 50 respondents were selected through simple random sampling in order to identify the probable respondents answering the questionnaire. The co-relational results shows that the direct strong relationship between job security ($r = .948$), advancement ($r = .909$), company, its policy and administration ($r = .916$), salary ($r = .840$), the work itself ($r = .872$), direct superior ($r = .958$), social aspects of work ($r = .936$), communication ($r = .954$), working conditions ($r = .942$) with employee motivation. Conversely, employee benefits factor has a slightly below average relationship ($r = .463$) with employee motivation but significance ($p<0.05$). For the independent sample t-test, the result shows that age, salary level and years of service have a significant effect ($p<0.05$) on employee motivation in the construction company. The ANNOVA result shows that race have a significance difference ($p<0.05$) in affecting motivation level. However, gender and marital status do not have significance difference ($p>0.05$) in affecting motivational level of the company. Therefore, sixteen hypotheses have been solved with fourteen nol hypothesis being rejected and two nol hypotheses being accepted. Lastly, from the ranking of the factors, salary factor is treated as the most motivating factor whereas advancement factor is the least motivating factor.
ABSTRAK

Penyelidikan ini mengkaji tentang hubungan antara faktor-faktor motivasi pekerja (keselamatan pekerjaan, kemajuan, polisi dan pengurusan syarikat, gaji, aspek pekerjaan, penyelanaan, aspek sosial pekerjaan, komunikasi, suasan kerja, dan faedah pekerja) dengan motivasi pekerja di syarikat ini. Selain daripada itu, ia juga mengkaji perbandingan antara tahap motivasi pekerja dengan faktor-faktor demografi (umur, jantina, status perkahwinan, tahap gaji, tempoh perkhidmatan) di Fung Hap Construction. Penyelidikan ini juga bertujuan untuk mengenalpasti kedudukan bagi faktor-faktor motivasi berdasarkan kepada kepentingannya dan juga perhubungannya dengan motivasi pekerja. Seramai 50 responden telah dipilih melalui teknik kaedah persampelan rawak mudah bagi menentukan responden yang bakal menjawab borang soal selidik. Keputusan korelasi menunjukkan bahawa terdapat hubungan langsung dan kuat yang signifikan (p<0.05) antara (keselamatan pekerjaan (r = .948), kemajuan (r = .909), polisi dan pengurusan syarikat (r = .916), gaji (r = .840), aspek pekerjaan (r = .872), penyelanaan (r = .958), aspek social pekerjaan (r = .936), komunikasi (r = .954), suasan kerja (r = .942) dengan motivasi pekerja. Tetapi, faktor faedah pekerja pula menunjukkan hubungan langsung dan sederhana lemah yang disignifikan (r = .463) dengan motivasi pekerja. Untuk keputusan independent sample t-test, keputusan menunjukkan bahawa terdapat perbezaan tahap motivasi yang disignifikan (p<0.05) mengikut umur, tahap gaji dan tempoh perkhidmatan. Keputusan ANOVA juga menunjukkan bahawa terdapat perbezaan tahap motivasi yang disignifikan mengikut bangsa pekerja. Tetapi, tiada perbezaan tahap motivasi yang disignifikan (p>0.05) bagi jantina dan status perkahwinan. Jadi, enam belas hipotesis telah diselesaikan dengan empat belas nol hipotesis tidak diterima dan 2 nol hipotesis telah diterima. Selain itu, salary faktor dilayan sebagai faktor motivasi yang paling kuat manakala faktor kemajuan dianggap sebagai faktor yang paling lemah.
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CHAPTER 1

INTRODUCTION

This chapter serves as an introduction and brief opening to this research. It presents background of the problem, company, the objectives and significance of this study. Also, it provides contents that would give readers some thought about this research. It is essential that readers understand the nature of this research in order to pursue to the next chapter.

1.1 Introduction to Motivation

The word 'MOTIVATION' is the feeling that induces someone to act in a certain way. Nevertheless, motivation really has many meanings. This is because it means different to every different person. Different things motivate a variety of people in different ways. Different people may feel the same way about something but express it in contrasting ways. Another reason why motivation has a different meaning for some people is because one issue or situation may motivate an individual and could be very important to that person, but that same situation could mean absolutely nothing to the next person. Different things motivate different people.

Jones (1955) described motivation as:

"... how behaviour gets started, is energized, is sustained, is directed, is stopped and what kind of subjective reaction is present [in the individual] while all this is going on."

This is where the issue of the various types of motivation comes into play. There are many types of motivation, but the focus will be mainly on two specific type. Intrinsic motivation and extrinsic motivation are the two types being discussed nowadays. Intrinsic motivation is one of the most powerful forms of motivation. It is felt when someone wants to fulfill his or her inner needs. They participate in a certain activity for their own pleasure. The result of the activity can affect the strength of the individual's motivation. Some qualities of intrinsic motivation include meeting the desire to know and to succeed (Bumpus et al. 1979). Extrinsic motivation is the motivation
to do or accomplish something for a reason, and outside source. They are doing this not because they want to, but because they feel they need to.

Many contemporary authors have also defined the concept of motivation. Motivation has been defined as: the psychological process that gives behavior purpose and direction (Kreitner, 1995); a predisposition to behave in a purposive manner to achieve specific, unmet needs (Buford et al., 1995); an internal drive to satisfy an unsatisfied need (Higgins, 1994); and the will to achieve (Bedelian, 1993). For this research paper, motivation is operationally defined as the inner force that drives employees of Fung Hap Construction to accomplish their job assignments.

Motivation has been found to be a major determinant of behavior in both work and study (Maehr & Midgley, 1991; Lussier, 1996; McInerney et al., 1997, 2001; McInerney, Yeung, & McInerney, 2001). Recent studies on motivation have increasingly emphasized theorizing on the basis of goal theory (e.g., Ames, 1992; Blumenfeld, 1992; Pintrich et al., 1993; Wentzel, 1991; DeBacker & Nelson, 2000).

1.1.1 Goal Orientations

Two types of motivation have been the focus of research based on goal theory. They are mastery and performance goals (e.g., Ames, 1992; Dweck, 1986; Maehr & Midgley, 1991; Nicholls, 1989). These goals have been traditionally recognized as intrinsic and extrinsic motivation, as discussed earlier.

Motivation in the workplace is studied using the same framework based on goal theory. The theory is also consistent with studies on needs for achievement in as early as the 1950s (e.g., Atkinson, 1958). In reviewing the needs for achievements, for example, Lussier (1996) describes three achievement motives that may contribute to behavior and other outcomes—achievement, power, and affiliation. These motives are in line with the mastery, performance, and social goal orientations described in the goal theory literature. Hence, working staff with a high score in a certain goal orientation would be expected to display certain performance and
behavior distinct from those displayed by those with a different goal orientation.

In the workplace, staff that is inclined towards a mastery goal (i.e., high achievement motive) is probably persistent and resilient and are willing to face the challenge of difficult tasks. Because they attach stronger intrinsic values to tasks, they may be expected to derive more satisfaction in attaining competence. In contrast, staff with a performance goal orientation (i.e., a high power motive) would attempt to demonstrate their ability and compare with others and to gain rewards, praise from others, and power and status. Employee with such a goal orientation may have negative feelings when their performance falls short of their expectations. Furthermore, staff with a strong social goal orientation values the interactions with other people in the workplace and satisfaction probably comes from their good relationships with their colleagues.

1.1.2 Employee Motivation in Human Resource Management

Motivation is putting high level of effort in order to achieve the planned goals of an organization and also an individual puts his or her effort in order to achieve his or her desired need. Everyone is motivated everyday by something that rouses the mind or emotions to take action in pursuit of a goal or to fulfill a need. High level of motivation always lead to greater quantity as well as greater quality of work which in turn leads to high profits which enables the organization to provide their employees with greater rewards and recognition. This is a circular process.

Figure 1.1: Circular process of motivation in an organization.
While the field of "employee motivation" is not yet considered a component of the human resource field, it nevertheless forms an integral part of several human resource subsections: Employee Development and Employee Relations are directly influenced by the human resource department's attitudes about the importance of fostering high levels of motivation. Staffing and Recruitment are affected and facilitated by the degree to which current employees are motivated by their work. Performance Appraisals serve not only as an opportunity to enhance motivation but also as a forum to gauge levels of motivation. Understanding what motivates people affects the level of compensation that is appropriate and whether incentives are required to reach individual and corporate goals. Lastly, training becomes both a faster process and a more effective one when both trainer and trainee are highly motivated by what they are doing.

Basically, employee motivation is the one of the most significant factors in managing people. No one’s style is better than another but it is essential that leaders are aware of their employee motivation style and are able to adapt for different circumstances. Some circumstances will call for a strong direction to inspire employee motivation; other circumstances will call for employee motivation to be influenced by a more consultative approach. The essential skill is in knowing what motivates people and satisfying the needs of individuals and groups at a given time.

At one time, employees were considered as another input into the production of goods and services. What perhaps changed this way of thinking about employees was referred to the Hawthorne Studies, conducted by Elton Mayo from 1924 to 1932 (Dickson, 1973). This study found out that employees are not motivated solely by money and employee behavior is linked to their attitudes (Dickson, 1973). The Hawthorne Studies began the human relations approach to management, whereby the needs and motivation of employees become the primary focus of managers (Bedelian, 1993).
1.1.3 Compensation and Benefits as the Key to Motivation

There are a number of factors that compensation professionals use to attract, retain and motivate employees. Compensation is one of the most critical tools and a crucial component of the employment relationship because of the magnitude of its financial and emotional value. Employee compensation traditionally has included direct cash payments, indirect payments in the form of employee benefits, and incentives, which are designed to motivate employees to strive for higher levels of productivity. Compensation is affected by numerous forces such as government legislation, labor market conditions, collective bargaining issues, upper-level management’s philosophy regarding pay and benefits.

Commitment to an effective communication and implementation program is essential for organizations that want to improve their employees understanding of their reward programs. Additionally, as benefits cost continue to rise rapidly, typically accounting for 40% of a payroll cost, organizations should consider a “total remuneration” approach giving employees visibility into the full value of all elements of compensation and benefits that they receive.

Pay systems are designed to attract, retain, and motivate employees, as well as, to achieve internal, external, and individual equity. Pay systems also maintain a balance of the relationship between direct and indirect forms of compensation and pay rates of supervisory and non-supervisory employees. Numerous pay plans have been designed to address the interests of different categories of employees. Long-term incentives, such as stock-options, traditionally account for a larger part of executive pay packages. Meanwhile, profit sharing, gain sharing and employee stock ownership plans are growing in popularity as organization-wide incentives.

Benefits are the second major part of a compensation package. They frequently include three major components: security and health benefits, payment for vacation/sick leave, and employee services. On average, benefits cost about 40 percent of base pay for every employee on the payroll, representing a very substantial portion of expenditures. Thus, not only is it important to carefully plan and weigh advantages and disadvantages of different benefit plans, but
also it is crucial for a company to communicate the value of its programs to employees.

Organizations that do not effectively implement their reward programs are missing significant opportunities to reinforce employee behaviors in achieving the goals and priorities of the organization. Direct financial compensation is defined as the pay that a person receives in the form of wages, salary, bonuses and commissions. Indirect financial compensation is defined as all financial rewards that are not included in direct compensation.

1.2 Background of the Company

Before going into detail of this research, the background of the company selected for this research need to be introduced to give a brief idea to readers.

1.2.1 History

Fung Hap Construction was established in 1979 from a few good friends, with a hope of achieving major success in the construction line. Unexpectedly, the partnership lasted until 1982 when they decided to have a better prospect by managing their own company. Mr. Bong Ah Shui, one of the company’s manager decided to continue its usual business with Fung Hap Construction. The company then improved its business from minor repair works around Kuching to bigger construction project as years go by. The company has a total of 75 employees. Appendix 1 shows the list of current employees (August 2003) in the company and Appendix 2 shows the company’s organizational chart.

In present, Fung Hap Construction handles a lot of maintenance works for JKR, DBKU and other government and private agencies. Although everything is going well at the moment, the company knows the importance of upgrading its status in its construction line. Table 1.1 shows the current license status of Fung Hap Construction, associated with the license class in Table 1.2 and 1.3.
value of its

their reward

employee

organization.

that a person

commissions.

financial rewards


Table 1.1: License Status of Fung Hap Construction

<table>
<thead>
<tr>
<th>Class</th>
<th>Head</th>
<th>Sub-Head</th>
</tr>
</thead>
<tbody>
<tr>
<td>PKK</td>
<td>D</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td></td>
<td>II</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. 2(a), 8(b)</td>
</tr>
<tr>
<td>UPK</td>
<td>EX</td>
<td>I</td>
</tr>
<tr>
<td></td>
<td>E</td>
<td>II</td>
</tr>
<tr>
<td></td>
<td>EX</td>
<td>III</td>
</tr>
<tr>
<td></td>
<td>EX</td>
<td>IV</td>
</tr>
<tr>
<td>CIDB</td>
<td>G1</td>
<td>CE</td>
</tr>
<tr>
<td></td>
<td>G2</td>
<td>D</td>
</tr>
</tbody>
</table>

Kelas Had Kewangan (RM)

A Melebihi RM 50,000,000
B RM 10,000,001 hingga RM 50,000,000
C RM 10,000,001 hingga RM 20,000,000
D RM 20,000,001 hingga RM 50,000,000
E RM 50,000,001 hingga RM 200,000,000
F Sehingga RM 200,000

Table 1.2: Had Kewangan (Kos Kerja) Dagi Kontraktor Kerja Awam
Source: UPK Board, Malaysia (2002).

Table 1.3: Kepala dan Sub-Kepala Untuk Pendaftaran Kontraktor Kerja Awam

<table>
<thead>
<tr>
<th>Kepala</th>
<th>Kepala I</th>
<th>Kepala II</th>
<th>Kepala III</th>
<th>Kepala IV</th>
<th>Kepala V</th>
<th>Kepala VI</th>
<th>Kepala VII</th>
<th>Kepala VIII</th>
</tr>
</thead>
</table>

Source: PKK Board, Malaysia (2003).
1.2.2 Vision

"To be a highly acclaimed professional engineering and construction company in Sarawak."

1.2.3 Mission

"To become the most excel company in Sarawak by providing the most efficient product and service in terms of construction and engineering expertise, backed by excellent management and staff to give confidence and satisfaction to its owner and every involved parties."

1.3 Problem Statement

As discussed earlier, employee motivation is one of the most significant factors in managing people. Therefore, it is important for the manager to understand the motivational aspect of the company. With the result of this research, motivation aspect of the employees can be identified. High level of motivation always leads to greater quantity as well as greater quality of work which in turn leads to high profits. This will enable the employee to provide its employees with greater rewards and recognition.

Throughout the past few years, employees in the company have not shown a strong motivation attitude, unsatisfactory quality of workmanship, attitude towards their tasks and many more. Regardless of all the problems, nothing solid has been done to understand the nature of this problem and to find ways to overcome it.

Therefore, preliminary study was done through observations and interviews to find out the nature of the problem. It is important as it would lead to the objectives of this research. To be in specific, in the preliminary findings the employees have shown:
1.) Breakdowns in employee communication and relationships

Through observations and conversation with employees within the company, it can be observed that the employees are divided into few groups. These groups do not communicate much among each other and to some extent; they do not want to speak even a word with colleagues from other groups. This kind of working environment is not healthy, as it would cause conflicts and miscommunication during work. Does this kind of attitude affect the motivation level of the employees? Is communication among colleagues important to motivate them?

2.) Limited management skills

It seemed the tensions were most obvious between the so-called immature supervisors and workers. The conflicts were produced because of a number of employees recognize the limited management of this company and communication skills of the supervisors. For instance, workers hardly accepted the way of talking and using a commanding tone by their supervisors:

**Scenario 1:**

Employee 1: You [Supervisor] said so, it is impossible that others do not listen to you. Now that you assign that job position, nobody would refuse to go ...

But sometimes, the supervisors and engineers were not very comfortable with the tone they were talking. It looked like they were forced to do things. However, this only happened to a number of employees. When the manager or supervisors are in bad mood, the employees are afraid of talking with them if they want to say something ... [at that time] even if they speak out, the manager or supervisors will not adopt their suggestions or complaints. Doubts arise on the affect of the company and management towards the motivation level of the employees.
3.) Reluctant dealing with the workers’ opinions and suggestions

Workers seemed to feel that they could hardly be heard. It seemed that the compliance is much more important than co-developing work procedures in this company. Can workers bring any useful suggestions? The discussion with supervisors seemed to reveal both positive and negative opinions on how useful having discussion-like work group meetings. This difference may have something to do with the different types of work in different units and the size of their working groups. The supervisors who lead small size of work groups tended to have a more positive opinion on discussion-like meetings. Does the supervisor or the way of the dealing things have affected the motivation aspect of the employee?

4.) Poor service quality in terms of time, cost and workmanship

The company has received numerous complaints clients about the quality of construction works executed by the company. Complaints such as works are not done accordingly, time delay, theft and rude behaviors have been reported to the company for the past few major construction projects. This is the evidence showing the poor motivation showed by the employees. These contexts could be studied in detail through interviews with Manager A and Client A.

Interview with Manager A on 16.5.2003

I = Interviewer, M = Manager A

I = Could you please briefly discuss about your employees’ performance up to date?

M = Well, their performance up to now is considered as modest, from my point of view. They used to be very efficient and productive.

I = Stressing on the employees’ motivation, could you please explain in depth on the issue of this factor?

M = Sad to say but I have to admit that our company is experiencing poor perception in terms of employee motivation. For your information, there are some poor attendances from few employees in this company for the past two years. Working for