



Faculty of Cognitive Sciences and Human Development

**THE RELATIONSHIP BETWEEN WORK ENVIRONMENT AND EMPLOYEE
PERFORMANCE IN RETAIL INDUSTRY**

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(Human Resource Development)

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ABSTRACT

THE RELATIONSHIP BETWEEN WORK ENVIRONMENT AND EMPLOYEE PERFORMANCE IN RETAIL INDUSTRY

Princher Anak Johen

This study aims to investigate the relationship between work environment factors that include working hours, wages, coworker relationship and managerial support on employee's performance in the retail industry. This study also aims to identify the most influential factor affecting employees performance in the retail industry. Hypotheses were constructed by reviewing one previous research which was by Nur Shifaa Athirah Saidi et al. (2011). A total of 70 employees from one retail company located in Batu Kawa, Kuching have participated in this research study. Pearson Correlation Coefficient was used to test the relationship between two variables whereas Multiple Linear Regression was used to determine the dominant factor between the four independent variables. The research findings indicate that working hours, wages, coworker relationships and managerial support influence the performance of the employees. Empirical findings show that coworker relationship was the most influential factor affecting employees' performance. Therefore, the managers were suggested to foster social harmony among their employees if they want to enhance their performance. By doing this, organizations could cultivate a strong sense of belonging and teamwork value among their employees. Thus, this helps to boost the performance of employees and the organization as a whole.

ABSTRAK

HUBUNGAN ANTARA PERSEKITARAN KERJA DAN PRESTASI PEKERJA DALAM INDUSTRI PERUNCITAN

Princher Anak Johen

Kajian ini dijalankan bertujuan untuk mengenal pasti hubungan antara faktor persekitaran kerja yang merangkumi waktu bekerja, upah, hubungan rakan sekerja dan sokongan pengurusan terhadap prestasi pekerja dalam industri peruncitan. Kajian ini juga bertujuan untuk mengenal pasti faktor paling berpengaruh terhadap prestasi pekerja dalam industri peruncitan. Hipotesis kajian telah diubahsuai dengan dengan merujuk satu kajian terdahulu yang dijalankan oleh Nur Shifaa Athirah Saidi et al. (2011). Seramai 70 orang pekerja dari satu syarikat peruncitan yang terletak di Batu Kawa, Kuching telah mengambil bahagian dalam penyelidikan ini. Pearson Correlation Coefficient digunakan untuk menguji hubungan antara dua pembolehubah manakala Regresi Linear Berbilang digunakan untuk menentukan faktor dominan antara empat pembolehubah bebas. Dapatan kajian menunjukkan bahawa waktu bekerja, upah, hubungan kerja bersama dan sokongan pengurusan mempengaruhi prestasi pekerja. Selain itu, hasil darikajian empirikal menunjukkan bahawa hubungan rakan sekerja adalah faktor yang paling berpengaruh terhadap prestasi pekerja. Oleh itu, pihak pengurusan disarankan untuk memupuk keharmonian sosial di kalangan pekerja mereka jika mereka mahu meningkatkan prestasi pekerja. Dengan melakukan ini, organisasi boleh memupuk semangat kepunyaan dan nilai kerja berpasukan yang kuat di kalangan pekerja mereka. Oleh itu, ini membantu meningkatkan prestasi pekerja dan organisasi secara keseluruhan.

CHAPTER 1

BACKGROUND OF STUDY

1.0 Introduction

This chapter discussed about the background of the study which identify the gap in this research topic. Statement of problem was also discussed in this chapter. Next, the general and specific objectives of study was also determined. The relationship between the dependent and independent variables was illustrated through conceptual framework and the research hypotheses was formed based on the framework. The definition of terms used in the conceptual framework were explained in depth based on operational and conceptual definition. Besides that, the discussion about significant of study and research limitations was also presented in this chapter. Finally the summary of all section was presented in the last section of this chapter.

1.0 Background of the Study

An organization's success was tightly connected with the job performance of its employees. As we are into the fourth industrial revolution, working styles, social connections and organizational culture need to evolve to suit the fast-changing business world. All employers expect their employees to perform better to reach their target goals. According to Ollukkaran and Gunaseelan (2012), the level of employee's motivation was affected by the quality of their workplace environment which indirectly affect employees performance. This means, when the working environment was stimulating and supportive, employees feel motivated to do their work. Thus, employees able to contribute significantly towards organizational performance as a whole. Nanzushi (2015) also agrees that a comfortable and conducive work environment increase employees' performance which boosting organizational performance. According to Ilgen and Favero (1985), the work environment was one of the factors that impact employee performance. This clearly shows that the working environment has a relationship with employees performance.

However, Nanzushi (2015) stated that employees in many organizations are facing serious working issues that connected with workplace environmental and physical factors. He stated that employees experience stressful and challenging work surroundings which make them vulnerable to occupational hazards such as emotional imbalance, health risks and accidents. This situation has a bad impact on employee motivation subsequently company performance as well. Therefore, it was essential for employees to be provided with a healthy and conducive work environment so that a positive outcome can be maintained. When employee feel their workplace have adequate facilities, safe, friendly work environment and supportive management, this would encourage them to exert more effort on their jobs. After all, employee motivation, happiness, productivity and efficiency all depends on the working

environment that the employees have at their workplace which was crucial in determining the success of an organization.

Generally, employee performance was a common subject that most organizations put more attention to especially in the retail industry. It is because employee performance reflects on business performance and overall organizational performance. According to Lim, Nurwati Badarulzaman and Ahmad (2003), retailing is a part of the commercial sector that significantly contribute to Malaysia Gross Domestic Product (GDP). Retail sub-sectors include supermarkets and hypermarkets, fashion outlets and accessories, department stores, pharmacy and personal care, and other speciality retail stores. The retail industry recruits the biggest percentage of workers. Therefore, managing and improving the performance of employees was a common challenge for retail managers. The performance of retail employees has a significant role in improving working efficiency, building, increase profits and customer loyalty. Retail shops and hypermarkets are one of the contributions to economic business in Malaysia. Based on a report by Tharanya Arumugam (2019), the wholesale and retail sector had contributed about 16 per cent of the GDP compared to contribution for decades ago only 10 per cent. This indicates that the retail industry is progressing well and contribute significantly to Malaysia economy.

Unfortunately, according to the managing director of Retail Group Malaysia, Tan Hai Tsin, Malaysia's retail growth dropped to 60.7 per cent in April 2020 compared to 2019, due to the Covid-19 pandemic and the extended Movement Control Order (MCO) until April 28, 2020. He again stated that it was because of majority the retail sector have zero sales. As reported in “Worst quarterly performance” (2020), supermarkets and hypermarkets experienced a decrease of 6.7 per cent in retail growth rate in the third quarter of 2020 despite the opening during the pandemic lockdown. Even though the retail growth was expected to recover in 2021, the employee functions that highly impacted by the pandemic can result in

employees getting a much lower salary increment. Therefore, Malaysian employees are requested to adjust their salary expectations says Fahad Nae, the head of operations of Randstad Malaysia. Therefore, if employees were getting less salary increment and decreased in bonus payout, this can affect their motivation subsequently their performance at work too. Therefore, employers need better interventions to maintain their employee performance.

The organization have to remain competitive and able to provide a better advantage to their employees. A supportive work environment is important to maintain employee motivation and increase their performance at work. In this study, the researcher intended to investigate the relationship between working environment and employee performance considering the importance of employees performance in the retail industry. Besides that, the researcher also intended to identify which work environment factor have the most influence on employee performance in the retail industry. There are several components of working environment that the researcher want to study which include working hours, wages, co-worker relationship and managerial support.

1.2 Statement of Problem

The study about employee performance always getting much interest for researchers. It was not the latest topic to discuss since there was much previous research conducted related to employee performance. However, less research was carried out focusing on the relationship between workplace environment and employee performance in the retail industry. Only a few research that was closer to the topics found by the researcher to acquire understanding about the topic. For example, research was done by Nanzushi (2015) related to the work environment and employee performance at a telecommunication company. The lack of specific studies regarding the relationship between the two variables in the retail industry, makes the researcher want to investigate the relationship between work environment and employees' performance in the retail industry.

Several studies have been done related to the work environment. However, much previous research relates work environment with job satisfaction. One study the researcher had found that relates work environment with employee performance was by Nur Shifaa Athirah Saidi et al. (2001). This study helps the researcher to understand the relationship between work environment on employee performance. Therefore by conducting this research, the researcher hopes to contribute significantly towards determining the relationship between work environment with employee performance.

Lastly, the research about work environment impact on employee performance gives diverse results. Since much past research conducted in the western country, the researcher faced difficulty to determine which factors of work environment that triggers employee performance the most especially in the Malaysian context. The difference in context makes the research findings to be varied. Besides that, the work environment factors that influence employee performance might be diverse. Therefore, the researcher wants to understand the relationship between work environment and employee performance in the Malaysian context.

Determining the impact of the work environment on employee performance is crucial to understand the needs and comfortableness of the employee at the workplace. Therefore, the purpose of conducting this study was to bridge the gap found in the previous research. The researcher identified which work environment component contributes significantly to create a supportive working environment that influenced employees performance.

1.3 Research Objectives

1.3.1 General Objective

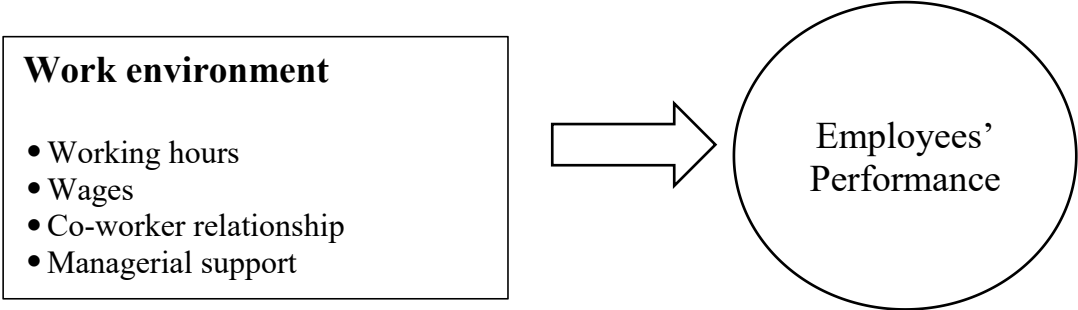
In general, the purpose of this research was to investigate the relationship between work environment and employees performance in retail industry. Other than that, this research also recommend the supportive working environment that able to improve employees' performance in the related industry.

1.3.2 Specific Objectives

1. To determine the relationship between working hour and employees' performance
2. To determine the relationship between wages and employees' performance
3. To determine the relationship between coworker relationship and employees' performance.
4. To determine the relationship between managerial support and employees' performance
5. To identify the dominant factor of work environment with employee performance.

1.4 Conceptual Framework

Figure 1.1 shows the conceptual framework in this research to illustrate the relationship between work environment and employee performance in the retail industry for a better understanding. The independent variables represent the work environment components that include working hours, wages, co-worker relationships and managerial support. Meanwhile, the dependent variable represents employees performance. This framework was adapted and modified from Nur Shifaa Athirah Saidi et al. (2019) on the study entitled “ The relationship between work environment and employees performance”.



Source : Nur Shifaa Athirah Saidi et al. (2011)

Figure 1.1 : Conceptual Framework of The Relationship Between Work Environment and Employee Performance

1.5 Research Hypotheses

There are five null hypotheses developed for this research.

Ho1: There is no significant relationship between working hours and employee performance.

Ho2: There is no significant relationship between wages and employee performance.

Ho3: There is no significant relationship between co-worker relationship and employee performance.

Ho4: There is no significant relationship between managerial support and employee performance.

Ho5 : There is no dominant factor in work environment with employee performance.

1.6 Definition of Terms

The definition of terms used in this research was discussed based on two categories which were conceptual definition and operational definition. This section provides the reader with an explanation regarding the terms used in this study to help the reader understand better.

1.6.1 Work Environment

Conceptual Definition

The work environment is one of the fundamental employee requirements that allows them to perform an excellent job under comfortable conditions. According to Srivastava (2008), the work environment can be defined as the physical and psycho-social behavioural work environment. The physical work environment includes workplace facilities, workplace environment, and security. Meanwhile, behavioural work environments comprise of social relationships, pay system, trust and support.

Briner (2000) defined a work environment simply as an environment in which people perform their duty. He also viewed work environment as a broad category that includes the physical work surrounding (e.g: facilities, room temperature etc.), job feature (e.g: task, job complexity etc.), broader organizational characteristics (e.g: work culture, company background etc.), and even aspects of the extra organizational environment (ex: business market, employment market condition, telecommunication, etc.). These definitions explain that the work environment was the combination of connections that happens between the employees and employers and the environment of the workplace which includes the practicality, the employee and the organizational environment.

Lambert (2001) states that the workplace environment consists of many factors that can influence employee performance. These factors may contribute significantly or insignificantly to attain the best performance from the employee.

Operational Definition

The work environment in this study referred to both physical and psycho-social aspects in the workplace. The physical work environment studied was the working hours while the psycho-social work environment was wages, managerial support, and co-worker relationship.

1.6.2 Employee Performance

Conceptual Definition

Armstrong (2006) defined performance as the development of evaluative objectives. Dewhurst, Guthridge and Mohr (2010) generally viewed employee performance as the best result employee get for the activity done over a period of time. Based on Sultana et al. (2012), employee performance was when the selected employee or group manage to complete their task, responsibilities or assignment based on a set of evaluative objective instrument that indicate their efficiency and effectiveness in utilizing the resources given to them. In other word, when employees able to achieve the targeted goals of the task given, it means the employees had exerts a better performance.

Simamora (2004) states that the quantity and quality of work plus the period to complete the task given is the variable used to measure employee labour productivity. Gunawan and Amalia (2015) stated that performance is determine by two factors which is the individual factor and external factor. Individual factors are employee's personal ability, their expertise, knowledge, motivation, mental thinking and experience while external factors are organizational environment which include the working culture, managerial support, interaction with members of organization, training and performance appraisal.

Stup (2003) explained that employers need to ensure employee follow the work time-line given to reach the standard performance. By following the time-line, organization goal or

target was achieved. Therefore, the role of supervisor is important to assist and supervise their employees during the work process in order to improve their performance.

Frese and Sonnentag (2001) opined that an employee performance is really important for the functions of organization and the employees as well. Employers need employees who can exert high performance to reach organizational goals. In order to motivate employees to perform better, the organization should provide a supportive work environment which allows employees to carry out their tasks effectively and efficiently.

Operational Definition

In this research, employee performance was referred to employees' work-related achievement which was influenced by work environment components that include managerial support, wages, working hours and team and co-worker relationships. Employee performance was measured based on their perception regarding their work performance, situational performance and counter-productive behaviour. Determining the work environment component that can influence employee performance was important so that managers can handle well with the work environment, policies and practices and affect employees more effectively and efficiently.

1.6.3 Working hour

Conceptual Definition

According to the Department of Labour (DOL), working hours include all the time employee was needed to be on the employer working premises. According to the Malaysian Employment Act, the working hours per week was forty-eight hours, with eight hours per day and six days of working per week. For any overtime work, the pay rate should not be less than one-and-one half times hourly rate of pay not include the basis of their fixed pay rate. This means that the agreement on the work hours per week must be written at the first hand and the remaining numbers of hours worked beyond that work week was calculated and paid at the regulated overtime rate. Overtime means employee work beyond the maximum working hours. They can work more during certain period in exchange for the other periods of working less hour. According to Abid and Barech (2017), employees are most likely to have a deal for having a flexible working hours with their employer to enhance employee productivity and higher profitability of the organization. Employees working hours should be flexible in a way that employee are able to carry out their other responsibilities aside from their job, which includes responsibilities towards family and society. Kelly and Kalev (2008) stated that there are various forms of flexible work practices include telecommuting, compressed hours, shift, flexitime and annualized hours.

Operational Definition

In this research, working hours was referred to the amount of time employee are working and the forms or practices of flexible work hour they have at their workplace.

1.6.4 Wages

Conceptual Definition

Werther and Davis (1996) defines wages as any compensation received by workers for their contribution to the company. Nguyen, Dang, and Nguyen (2015) states that wages is one of the direct financial payments. Urbancová and Šnýdrová (2017) defined wages as the monthly payment the employee received based on their contract agreement. Amalia and Gunawan (2012) states that one purpose of a person to work in an organizations was to earn an income. The wages that employee received was used to fulfill their basic needs such as foods, shelter, clothing, etc. Therefore the amount of wages offered by the organization must be feasible and can satisfied their needs of life.

Umar (2014), opined that wages can significantly influence employee performance which makes it one of the important aspect in work environment. Low rate of pay and benefits leads to dissatisfaction of employees which can lead to low motivation. Motivation can certainly affect the performance. He added that the higher the wages received by workers, the higher the level of employee work motivation which subsequently increase employee performance.

According to Milkovich and Newman (2008), employees perceived pay and benefits as a rights, independent of how well they or the company performs. Wages is one of the essential aspects in the industry because it shows the efforts of industry to protect their human capital in order to maintain employee trust and dedication towards the industry.

Urbancová and Šnýdrová (2017) states that organization should design a strategic compensation schemes to increase the level of employee performance. For example, the data from the labour market and internal policies of the organization was processed and evaluated so that the actual wage can be modified in line with the establish wage structure. Losey (1998) stated that a well-designed benefits package for employees was essential to enhance employees' motivation at work. An effective pay strategy can helps organizations to maintain

the potentiality of workforce, clear understanding of vision and mission, as well as achievements of work objectives.

Operational Definition

Wages in this study refers to the remuneration paid in terms of money that satisfy employees' needs . In this study, wages refers to the monthly payment the employees' received based on their contractual agreement.