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## Rewards and Organizational Commitment: A Study among Malaysian SME's Employees

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### Abstract

This study aims to examine the relationship between rewards (intrinsic and extrinsic) and organizational commitment. A total of 429 employees from SMEs in Klang Valley, Malaysia participated in this study. The Pearson's correlation analysis was employed to examine the relationships between the intrinsic and extrinsic rewards and the organizational commitment. Study revealed that the level of organizational commitment is moderately high among employees of SME in Klang Valley, Malaysia. Results also show that there is a significant and positive relationship between intrinsic rewards and organizational commitment; and a significant and positive relationship between extrinsic rewards and organizational commitment. A notable discovery from this study is that the employees' demographic background influenced the level of organizational commitment. However, results shows that the gender and the number of times in changing jobs have no significant influence on the level of organizational commitment.

**Keywords:** Intrinsic Reward, Extrinsic Reward, Organizational Commitment, SME, Malaysia

### Background of the Study

According to SME Corporation Malaysia (2020), the central coordinating agency (CCA) under the Ministry of Entrepreneur Development and Cooperatives (MEDAC), the definition of Small and Medium-sized Enterprise (SME) has been reviewed and endorsed in year 2013 due to economy progression since year 2005 which included changes in price inflation, economy structure and business trends. The new definitions indicate that manufacturing companies with sales turnover between RM300,000 to less than RM15 million or have 5 to less than 75 full-time employees are categorized as small businesses; while manufacturing companies with sales turnover from RM15 million to not exceeding RM50 million or have 75 to not exceeding 200 full-time employees are categorized as medium businesses. As for firms in service industry and other sectors, those with sales turnover from RM300,000 to less than RM3 million or have full-time employees from 5 to less than 30 are categorized as small

business, and the ones with sales turnover from RM3 million to not more than RM20 million or have full-time employees from 30 to not exceeding 75 are categorized as medium businesses (Pee, 2021).

Malaysian government promotes the establishment and development of SMEs and has been paying more attention to SMEs in the past four decades (Zain et. al., 2008). As SMEs and businesses represent a total of 99.2% of the Malaysian economic establishment (SME Association of Malaysia, 2020), SMEs are perceived as the pillar of the Malaysia economy, same goes to other developing countries or emerging new business hubs. These companies are the essential for economy development as they are flexible in the market, playing the roles of dynamic operating firms (Umar et al., 2019). Every SME needs a group of talented employees in the effort of achieving organizational goals and earn profits (Kumar & Chung, 2019; Yoshino, 2016). As SMEs play such crucial roles in the economy of Malaysia, there is a certain level of importance for employers to motivate and reward their employees accordingly because employees are one of the most important aspects in defining the success of a SME business.

Past researchers had indicated that compensation and benefits practices are important in increasing organizational competitiveness and significantly increase employee motivation to improve work performance. Organizational commitment is seen one of the major explanations to illustrate the employee turnover condition in an organization (Chung, 2020; Allen & Meyer, 1990) and one of the key human resource practices which contributed to employee turnover is rewards management (Mansor et. al., 2015). Previous research findings suggested that the situation of organizational commitment in Malaysia is not the same as western countries and other lower income countries in Asia (Kumar & Chung, 2019; Kokubun, 2017). In Malaysian, it is getting more and more challenging for organizations to cultivate and create the sense of commitment and loyalty amongst employees (Dileep Kumar & Chung, 2019; Lee et. al., 2016).

### **Problem Statement**

Employees' commitment has been all these while one of the most crucial areas for discussion in the field of organizational behaviour and human resource management. Generally, employers are aware that it is necessary to regularly review the welfare of their employees such as looking into the financial and non-financial rewards, continually seek improvement in creating a working environment which is motivating and encouraging to their employees (Al-Khaled & Chung, 2020; Al-Dmour & Masa'deh, 2019).

Effective reward system management benefits both employers and employees. An ideal reward system or compensation policy encourages the employees to perform better in line with organizational business objectives (Mansor et. al., 2015). According to Shafiq and Naseem (2011), poorly designed reward system may cause employee job dissatisfaction and demotivation because unsatisfactory environment frequently results in decrease of productivity and low employee commitment (Kumar & Chung, 2019; Quible, 2005).

Organizational success is generally related to achieving the organization's necessary goals. The different actions of employees will affect the organizational performance. Company policies and practices inspire the employees and affect the quality of the firm. Some

of these are: human resources planning, recruitment, selection, training and development, rewards, and relationships with employees (Al-Khaled & Chung, 2020).

It is believed that the practice of reward system gives a huge impact on organizational performance (Carlson et. al., 2006) according to the ample of researches on the relationship between job satisfaction and organizational commitment in major organizations. However, there is very limited research being reported on how reward system in SMEs impacts organizational commitment. According to Abdullah et. al (2010), SMEs usually have a more casual and organic setting. In such informal setting, some SMEs lack reward system that can motivate and retain employees (Zhang, 2018). Moreover, working adults in Malaysia nowadays especially the younger generations who were being brought-up in the technology era with highly industrialized economy are not as loyal compared to the older generation for instance the Generation X or even the Baby Boomers. Their low organizational commitment is one of the causes of why they would resign and opt for another job even though the pay difference is only slightly higher. One great challenge that most Malaysian organizations are facing now is the difficulty to invoke a sense of commitment and loyalty among their employees (Chung, 2020; Lee et. al., 2016).

Hence, this study begins with addressing the relationships between both intrinsic and extrinsic rewards and organizational commitment, then the gap exists between what is expected and the actual scenario in SMEs in Klang Valley, Malaysia will be discussed, enabling researchers to further investigate and offer implications concerning the related topics.

### **Research Objective**

The objective of this study is to determine the relationship between rewards and organizational commitment in the context of SMEs in Klang Valley, Malaysia.

### **Research Questions**

The study is directed by the following research questions:

RQ1: What is the relationship between intrinsic rewards and organizational commitment?

RQ2: What is the relationship between extrinsic rewards and organizational commitment?

RQ3: What is the level of commitment of SME's employees in Klang Valley, Malaysia?

RQ4: Is there any significant difference on level of commitment in accordance with the SME's employees' demographic backgrounds?

### **Hypotheses**

The hypotheses to be tested in this study include:

H<sub>1</sub>: There is a significant and positive relationship between sense of achievement and organizational commitment.

H<sub>2</sub>: There is a significant and positive relationship between responsibility and organizational commitment.

H<sub>3</sub>: There is a significant and positive relationship between recognition and organizational commitment.

H<sub>4</sub>: There is a significant and positive relationship between career advancement and organizational commitment.

H<sub>5</sub>: There is a significant and positive relationship between salary and organizational commitment.

- H<sub>6</sub>: There is a significant and positive relationship between bonus and organizational commitment.
- H<sub>7</sub>: There is a significant and positive relationship between fringe benefits and organizational commitment.
- H<sub>8</sub>: There is a significant and positive relationship between promotion and organizational commitment.

## Literature Review

### Organizational Commitment

SMEs are exposed to greater market pressure comparing to larger organization in the same industry in terms of their abilities to recruit and retain highly qualified talents. In a long-run, the shortage of highly qualified talents will lead to poor business performance and become less competitive in the industry (Kumar & Chung, 2019; Abdullah et. al., 2010).

Many Malaysian organizations had started to experience the difficulty in generating the sense of commitment and loyalty amongst their employees especially the younger working adults. Low organizational commitment is one of the causes of high turnover whereby fresh graduates tend to resign after working for a short while and opt for another job offer even though the pay difference is only slightly higher (Lee et. al., 2016). According to Mondy and Joseph (2016), the purpose of compensation is for employers to effectively attract, retain and motivate employees using both financial and non-financial approach. The abundant of research findings obtained by previous researchers which related to the impact of rewards on organizational commitment have benefitted large corporations and companies. However, SMEs often do not have formal Human Resource Management personnel to manage a reward system (Mondy & Joseph, 2016) such as remuneration and benefits package, job satisfaction and organizational climate. Hence, staffing and reward practices remain as an important human resource management issue for SMEs to focus on should they want to maintain a higher level of organizational commitment amongst their employees (Kumar & Chung, 2019; Kotey & Sheridan, 2001).

When a workplace appeals to potential staff, it will be perceived that the organization would be a productive and a good place to work for. Not only that, reward management will ensure the motivation as well as to ensure that the employees commit to their roles and in return, the organization will reward their staff according to their productivity and how they contribute to the organization as a whole. Furthermore, learning and development also plays a crucial role on organizational performance. It enlarges the base of expertise and establishes the levels of skill needed by the workforce (Pee, 2021; Al-Khaled & Chung, 2020). Apart from that, having the right job description also plays a crucial role in the performance of an organization. This will administer potential employees with job scopes that will provide them with the flexibility in order to increase their productivity. These will also increase the level of organizational commitment and their performance in the organization.

### Rewards

A reward system in a business's organization is typically classified into two main types which are the extrinsic and intrinsic rewards. Extrinsic rewards are external rewards which are tangible, such as salary, fringe benefits, promotions and the social environment (Ozutku, 2012). Intrinsic rewards exist in the job itself to fulfil the internal need which are intangible,

for example sense of achievement, challenges, responsibility, personal growth, professional growth, social status, acknowledgement or compliment from superiors and peers, self-worth and personal satisfaction (Ozutku, 2012).

Past researchers acknowledged that reward system is associated to the Herzberg's Motivation Theory, or commonly used as the two-factor theory (Tan & Waheed, 2011). Based on Herzberg's Motivation Theory, there are hygiene factors and motivators. Hygiene factors are extrinsic in value such as employee's compensation and benefits. Alternatively, motivators are intrinsic in nature, such as acknowledgement and recognition, including achievement, career development, personal growth, job interest and responsibility (Pardee, 1990). Getting intrinsic rewards may increase one's sense of accomplishment and increase self-esteem (Honig-Haftel & Martin, 1993).

Organizations can start with enhancing both intrinsic and extrinsic rewards to increase organizational commitment and employee performance (Suliman & Iles, 2000). In other words, a reward system has to be properly in-placed. Organizational reward system is one of the main

human resource management activities in business organizations, which has increasingly becoming more critical due to the challenges of rapid change in business settings and unpredictable organizational behaviours at a workplace (Mondy & Noe, 2005). Though monetary factors seem to be commonly recognized to have high importance in motivational effect (Flowers et. al., 2019), there is a continual debate on whether or not the most behaviour in organizational settings is motivated by only financial factors. Abuhashesh et. al (2019) argued that there are people who perceived their jobs simply as a source of income therefore all they need is monetary compensation while others also consider their job as social status.

### **Relationship Between Rewards and Organizational Commitment**

Luthans et al (2007) stated that organizational commitment is the reflection of employees' attitude and loyalty towards their organizations. Organisational commitment emphasises not only on the sense of attachment to the organisation but also the commitment to the organisation's goals and values (Chung, 2020). It is the influence of an employee's identification and engagement with employers (Nazir et al., 2016) which can be seen as a result of how the employer has taken care of employees' well-being and satisfaction, and how fairness of treatment from superiors and management team has been perceived by employees, and also the willingness of employers to invest in development and rewards to fulfil employees' needs (Eisenberger et al., 1990).

According to Yousef (2017), researchers stated that organizational commitment is the psychological attachment of an employee to an organization. Researchers identified three types of organisational commitment. First, the affective commitment exists in an employee who is emotionally attachment to the organization, hence, this employee will stay employed no matter under what circumstances. Second is continuance commitment, which means employees are having the fear of loss, worrying if they will lose more if they resign, such as losing income, status or even friendship. The third commitment is known as normative commitment, where employees have a sense of obligation to the employer especially when the employer invested in them by sending them for training or pay for their education fees.

Jha (2010) argues that employees will perceive higher degree of obligation when their employer recognizes and rewards their effort accordingly. Also, Meyer et al. (2002) specified that job satisfaction is the emotional responses that employees have towards any job and organizational commitment. Therefore, one of the important variables which lead to organizational commitment is job satisfaction, supported by previous researches which highlighted that there is a strong positive relationship between job satisfaction and organizational commitment (Luthans et. al., 2007). Job satisfaction and fulfilment may lead to employee commitment (Ali & Ahmad, 2017). Employees need motivation to be part of the effort in achieving organizational goals. The organizational reward system is essential in making it happen (Ong et. al, 2012). Organizational rewards can help an organization to increase their employees' motivation consequently enhance employees' job satisfaction (Abdul Rahman et. al., 2013). A reward system in an organization impacts the employees' organizational commitment (Black et. al., 2019). Armstrong (2012) emphasized on the need to reward employees in order to obtain job satisfaction and a well-managed reward system will result in desired organizational commitment. Therefore, it is commonly agreed that rewards and organizational commitment is significantly and positively related.

### **Intrinsic Rewards and Organisational Commitment Sense of Achievement (IR1)**

One of the three main job-related needs in McClelland's "Achievement Need Theory" is the need of achievements. While the other two: affiliation and power focusing more on building relationships with others and the capability in influencing others, the need of achievements is more job-focused and result oriented (Zhang, 2018). According to Bateman and Strasser (1984), it is believed that organizational commitment is rather a constant attitude over time as compared to job satisfaction. The sense of achievement derived from accomplishment of tasks is a form of self-generated 'psychological' rewards which affect employees' behaviour (Al-Madi et. al., 2017). Past researchers had concluded that employees who have higher need for achievement are also more likely to be have higher level of commitment to the organizations that they are attached (Chung, 2020; Black et. al., 2019; Kumar & Chung, 2019; Ali & Ahmad, 2017). Hence, the following hypothesis is derived:

*H<sub>1</sub>: There is a significant and positive relationship between sense of achievement and organizational commitment.*

### **Responsibility (IR2)**

According to Scholl (1981), concluded that commitment is a psychological measure than being influenced by structural variables such as salary, liberty, position, responsibility and opportunity. Ali and Ahmad (2017) argued that increasing the level of responsibility and accountability by promoting an individual can elevate one's social standing at work, indicated that there are other motivating factors besides mere salary increment and growth opportunity. This is because employee's needs are changing over time up till a point when a more challenging working environment and leadership role and can serve as a more fulfilling measure, thus trigger higher level of organizational commitment towards self-actualization (Chung, 2020; Ong, et. al., 2012). Another study conducted by Manzoor et. al (2015) revealed that by providing more opportunities and responsibilities to the employees, will increase their level of organizational committee. This finding was further supported by the study conducted

by (Kumar and Chung, 2019). Literately, the hypothesis that can be derived from the above discussions is:

*H<sub>2</sub>: There is a significant and positive relationship between responsibility and organizational commitment.*

### **Recognition (IR3)**

In all workforce, recognition practices can nurture employees' loyalty. It is more likely for employers who are willing to recognize and reward employees who performed well to increase level of commitment of employees (Ali & Ahmad, 2017). Employees who feel motivated in achieving individual as well as organizational goals have a better sense of control and self-worth (Moser & Morrissey, 1984). Employers should acknowledge and recognize employee's contribution to the organization as it is one way to retain valuable employees (Ong, Yip & Teh, 2012) because employees whom effort being recognized are motivated and more passionate towards their job commitments (Hussain, et. al., 2019).

### **Career Advancement (IR4)**

Studies show that perceived alternative job opportunities may decrease employees' organizational commitment. Regardless of job satisfaction, when employees who do not have high level of commitment towards their organizations are given other job offers, no matter what they will eventually wanting to leave their current jobs (Albalawi et. al., 2019). In other words, career advancement opportunity can retain employees when they are committed to the possibility of getting constant benefits from international career advancement and its related professional development (Fish & Wood, 1997).

## **Extrinsic Rewards and Organisational Commitment**

### **Salary (ER1)**

It is believed that employees are generally motivated to accomplish better results and contribute greater effort only if they are satisfied with their salary (Tan & Waheed, 2011). However,

Abuhashesh, Al-Dmour & Masa'deh (2019) argued that that salary increments only cause temporary effects on employee satisfaction as research studies show that there are two main reasons resulting in employee turnover. Low salary is only one of them, another impactful reason is negative organizational culture. When salary is given to employees accordingly base on their quality and capability, it will increase productivity and motivation, at the same time helps in decreasing the turnover rate because employees who are satisfied with their salary are usually more committed to organizational goals and willing to work harder (Ozutku, 2012).

### **Bonus (ER2)**

Manzoor et. al (2015) believe that effective organizational involvement can create greater employee satisfaction intrinsic and extrinsic rewards are provided accordingly, one of the ways is through bonuses. Varies research findings show that extrinsic rewards and job satisfaction has a more significant relationship comparing to intrinsic rewards, and bonuses are a form of reward which reinforces the idea of motivating employees with monetary rewards according to a scheme of bonuses of achievement. Employers set target goals for employees and whoever meet targets will be rewarded while those who did not will not

receive any (Abuhashesh et al., 2019). Low, Ahmad & Abdullah (2016) highlighted that bonus can possibly retain employees' commitment, however it may not be an ideal measure to be used in a long-run.

### **Fringe Benefit (ER3)**

Studies show that employee benefits package are being perceived differently across different levels of employees according to their cognitive ability respectively (Ong et al., 2012). Though there are differences in the impact of benefits on employees' work-motivation and productivity, according to a study conducted by Ju et. al (2008), results show that both compulsory benefits which required by the law and fringe benefits have significant positive

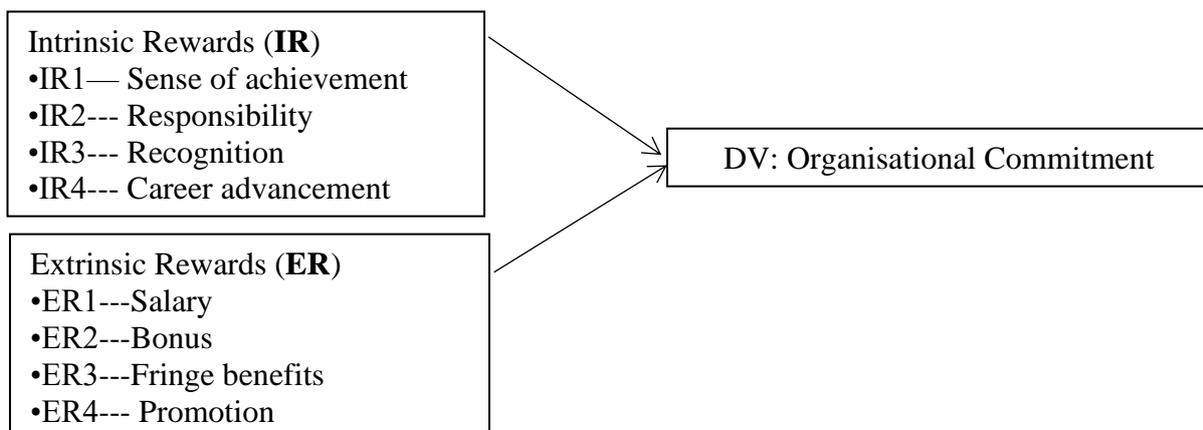
influence towards organizational commitment. More prominently, fringe benefits have higher influence in increasing organization commitment. It is advisable for employers to not only provide the minimal benefits required by the government but also provide the fringe benefits to strengthen employees' organizational commitment.

### **Promotion (ER4)**

Some people obtain job satisfactory from being promoted because a higher position gives them the feeling of superiority and power. Therefore, when this type of employees is not given the opportunity to be promoted, they will feel dissatisfied and consequently have the intension to leave the organization (Ali & Ahmad, 2017). It is usually more challenging for employees who work in smaller organizations to have career progression due to the lack of career structure or career ladder available. Hence the motivation is lower as there is no guarantee of job promotion as compared to working in bigger organizations (Omar & Arokiasamy, 2009). Research findings show that job promotion opportunity is one of the drivers which positively impacting commitment, therefore it should be considered as an important part in a holistic job reward structure (Valaei & Rezaei, 2016).

### **Conceptual Framework**

Based on reviews, the proposed conceptual framework of this research as shown in Figure 1 to examine how the independent variables (IV) are possibly related to dependent variable (DV).



(Source: Mondy & Joseph, 2016, Ozutku, 2012, Pardee, 1990, Luthans et. al, 2007)

**Figure 1: Conceptual Framework**

## **Methodology**

### **Research Approach**

Research approaches are sets of research procedures to narrow down broad assumptions to detailed methods of data collection, analysis, and interpretation. There are three research approaches: qualitative, quantitative and mixed of both methods (Creswell, 2014).

In this study, quantitative method will be used to test the objective theories by investigating the relationship among variables. Variables then will be converted into data that can be analysed using statistical procedures.

### **Population, Sample and Sampling Method**

Quantitative method will be used in this study. Data will be collected using online questionnaires which will be distributed to 400 employees of SMEs in Klang Valley, Malaysia. The respondents will be required to answer a series of questions in the questionnaires as

individuals. The variables will be measured using the Likert scales. The data collected will be analysed using SPSS (Statistical Package for the Social Sciences) software.

Figure 2 shows the employment and annual percentage change in Malaysia from year 2016 to 2019 (Department of Statistics Malaysia Official Portal, 2020). According to the graph, approximately 15 million people are employed in Malaysia in year 2019, in which a total of 7.3 million are employees in SMEs. Based on Figure 3 which shows the distribution of SMEs by state (SME Info, 2020), the percentage of SME distribution by state, Klang Valley (Selangor, Kuala Lumpur and Putrajaya) comprise of 34.6%, which indicates approximately 2.5 million people are employees in SMEs. This study uses purposive sampling method by referring to the Krejcie and Morgan's (1970) Table for Determining Sample Size for a Finite Population to determine the sampling size (S). As the population size (N) is greater than 5000, a sample size of 400 is sufficient.

### **Data Collection Procedure**

The purpose of collecting data is identified based on the research objective. From the several methods which are commonly used in a research, quantitative data for this study will be obtained using survey forms, specifically the online questionnaires. Questionnaires will be given to employees of SMEs in Klang Valley and the duration for data collection is set to 14 days. Once data is collected, it will then be input into SPSS for analysis and interpretation. The whole process should take approximately four weeks.

### **Research Measurement & Instrument**

In this study, the research instrument is online questionnaire and will be formulated using the Google form due to several advantages. Google forms are commonly used nowadays as it has a user-friendly interface for questionnaire designing. It is also a convenient way to reach out to potential respondents in wider geographical locations within a short period of time. This is because a hyperlink can be generated and sent to potential respondents via virtual channels

such as SMS, WhatsApp, WeChat and many more messaging channels, or post on social media pages such as Facebook, Instagram and Twitter. It is also eco-friendly as online questionnaire does not require printing out physical forms.

However, to avoid tedious filtering process after data collection, the link should only be sent to potential respondents who are within the areas of the research. The disadvantage of an

online questionnaire is the possibility of the hyperlink being forwarded to respondents beyond the limited survey area as it is not easy to control movement of the survey invitation across the virtual platforms.

### ***Independent Variables (IV)***

The independent variable (IV) is the experimenter changes or controls and is assumed to have a direct effect on the dependent variable (DV) (Creswell, 2014). In this case, scales of measurement are adopted and compiled for each variable from various researches conducted by past scholars which are related to employees' attitude towards the proposed independent variables. The scale is divided into two facets, which are the intrinsic satisfaction such as sense of achievement, responsibility, recognition and career advancement, and the extrinsic rewards such as salary, bonus, fringe benefits and promotion.

The first IV is Sense of Achievement (IR1). This scale consists of three items to measure employee's attitude towards sense of achievement as reward. To measure this IV, the scale of (Caught et al., 2000) and (Tan & Waheed, 2011) were adopted.

The second IV is Responsibility (IR2). This scale consists of two items to measure employee's attitude towards responsibility as rewards. The scale of (Caught et al., 2000) and (Mowday et al., 1979) were adopted.

The third IV is Recognition (IR3). This scale consists of three items to measure employee's attitude towards recognition as a reward. Scales adopted from (Ozutku, 2012) and (Tan & Waheed, 2011).

The fourth IV is Career Advancement (IR4). This scale consists of three items to measure employee's attitude towards career advancement as a reward. The measurement of this IV adopted from the scales of (Shafiq & Naseem, 2011; Tan & Waheed, 2011).

The fifth IV is Salary (ER1) and this scale consists of three items to measure employee's attitude towards salary as a reward. For this IV, the scales of (Shafiq & Naseem, 2011) and (Tan & Waheed, 2011) were adopted.

The sixth IV is Bonus (ER2). This scale has one item adopted from the scale of (Manzoor et. al, 2015) to measure the employee's attitude towards bonus as reward.

The seventh IV is Fringe Benefits (ER3). This scale consists of two items, adopted the scale of (Manzoor et. al, 2015) and (Asekun, 2015) to measure the employee's attitude towards Fringe Benefits as rewards.

The eighth IV is Promotion (ER4). This scale consists of two items, adopted from the scale of (Shafiq & Naseem, 2011) and (Manzoor et. al., 2015) to measure employee's attitude towards promotion as a reward.

### ***Dependent Variables (DV)***

The DV is Organizational Commitment. This scale consists of four items, adopted the scale of (Mowday et al., 1979) and (Caught et al., 2000) to measure organizational commitment.

### **Data Analysis Methods for Hypothesis Testing**

Data collected was processed by using SPSS to explore the facts and patterns of data for interpretation. Firstly, demographic profiles of participants were analysed using descriptive analysis method, followed by the T-Test, ANOVA Test, Tukey's HSD as the post hoc comparison evaluate the significance among demographic backgrounds group means with

organizational commitment. Secondly, descriptive analysis based on mean score value is used to identify the level of organizational commitment among SME employees.

To measure the level of mean score, Table of Mean Score Interpretation adopted from a study conducted by Pimental (2019) is used in this study. The Table is modified accordingly as shown in Table 3.1.

<b>Likert Scale</b>	<b>Interval</b>	<b>Description</b>
1	1.00 - 1.82	Very Low
2	1.83 - 2.65	Low
3	2.66 - 3.48	Moderately Low
4	3.49 - 4.31	Moderately High
5	4.32 - 5.14	High
6	5.15 - 6.00	Very High

Subsequently, the normality test and linearity test were conducted to determine Pearson's Correlations were used to identify the relationship among dependent variable and independent variables.

### **Preliminary Data Analysis**

Parametric tests assume a normal distribution of values. The normality test was conducted to determine if the data distribution is normal; followed by linearity test to find out if the independent variables are affecting the variability (Chin and Lee, 2008). Linearity describes the relationship between variables which tend to change at the same rate (Harvey, 2012).

With the results obtained, conclusion can be drawn to decide if the distribution is normal,

### **Normality Test**

Before examining the correlations between different variables, the possibility of bias needed to be analysed to ensure that the distribution of data is normal. To do that, a normality test will be conducted. According to Field (2013), if it is a normal distribution, a curve on the graph which looks like the shape of a bell will show how the majority of scores spread around the centre of the distribution. The further away from the centre the bars get smaller implying that scores start to deviate as it becomes more infrequent, showing the values of kurtosis ( $ku$ ) and skewness ( $sk$ ) on each side. The  $sk$  value can be either positive or negative or undefined. The data is considered perfectly symmetrical if  $sk$  value is 0, which is quite unlikely realistically.

According to Cooper & Scchindler (2014), as a general rule of thumb, data with  $sk$  value less than -1 is high negatively skewed while  $sk$  greater than 1 means high positively skewed. If  $sk$  value is between -0.5 and 0.5, the distribution is approximately symmetric. On the other hand,  $ku$  is a measure of a distribution's peaked-ness or flatness and the value of normal distribution should be ideally close to 0.

Besides, the Chi Square Test also can be used to quantify the various deviations expected by chance if a hypothesis is true (Griffiths et al., 2000).

**Table 3.2: Mean, Standard Deviation, Skewness and Kurtosis of Each Independent Variable and Dependent Variable**

Construct	Item	Mean	Std. Deviation	Skewness	Kurtosis
Sense of Achievement	IV1_1	4.64	1.095	-.721	.380
	IV1_2	4.61	1.077	-1.083	1.669
	IV1_3	4.57	1.091	-.876	.994
	IV1_4	4.53	1.137	-.806	.690
	IV1_5	4.46	1.105	-.726	.651
Responsibility	IV2_1	4.68	1.078	-.838	.871
	IV2_2	4.45	1.160	-.845	.826
	IV2_3	4.59	1.112	-.729	.579
	IV2_4	4.58	1.105	-.862	.919
Recognition	IV3_1	4.36	1.268	-.708	.107
	IV3_2	4.47	1.197	-.762	.507
	IV3_3R	4.07	1.452	-.449	-.781
	IV3_4	4.26	1.257	-.779	.345
	IV3_5	3.99	1.300	-.665	-.083
Career Advancement	IV4_1	4.27	1.226	-.495	-.096
	IV4_2	4.58	1.149	-.688	.174
	IV4_3	4.48	1.161	-.688	.305
	IV4_4	4.43	1.191	-.799	.457
Salary	IV5_1	4.91	1.124	-1.234	1.597
	IV5_2	4.53	1.185	-.898	.760
	IV5_3	4.45	1.252	-.708	.086
	IV5_4	3.78	1.426	-.259	-.675
	IV5_5R	3.82	1.517	-.247	-.995
Bonus	IV6_1	4.77	1.232	-1.057	.655
	IV6_2	4.20	1.310	-.672	.038
	IV6_3	5.09	.977	-1.280	2.305
	IV6_4	4.61	1.340	-1.056	.611
Fringe Benefits	IV7_1	4.52	1.135	-.958	1.018
	IV7_2	4.33	1.286	-.668	-.145
	IV7_3	4.45	1.240	-.843	.267
	IV7_4	4.26	1.283	-.753	.221
	IV7_5	4.48	1.226	-.935	.636
Promotion	IV8_1	4.13	1.273	-.517	.005
	IV8_2	4.07	1.286	-.438	-.295
	IV8_3	3.70	1.420	-.197	-.669
	IV8_4	4.49	1.183	-.831	.505
	IV8_5	4.22	1.303	-.554	-.164
Number of Job Change	IV9	2.32	.879	.310	-.371
Organizational Commitment	DV1	4.31	1.255	-.718	.281
	DV2	4.27	1.347	-.486	-.390
	DV3	3.88	1.403	-.261	-.693
	DV4	4.29	1.177	-.612	.405
	DV5	4.22	1.244	-.563	.263
	DV6	4.33	1.299	-.679	.112
	DV7	3.87	1.396	-.324	-.563
	DV8	3.72	1.446	-.081	-.922
	DV9	4.01	1.357	-.361	-.523
	DV10	3.22	1.605	.102	-1.125

### Linearity Test

When the independent variable and dependant variable have a linear relationship, diagrammatically, a graph will show the points of the dependent variable is postulated to be related to the independent variables in a straight-line relationship (Harley, 2012). Figure 4, Figure 5, Figure 6, Figure 7, Figure 8, Figure 9, Figure 10, Figure 11, Figure 12 and Figure 13 are showing that the variables are plotted against each other as closely as possible in a simple and direct proportion in a straight-line, indicating that the linear relationship between the variables.

### Pearson’s Correlations Analysis

Based on the results obtained in the normality test and linearity test conducted, it is ascertained that the data is normally distributed and there is a linear relationship between the independent variables and dependent variables. Hence, Pearson’s Correlation coefficient analysis technique was used to investigate the strength of relationship between variables (Cooper & Schindler, 2014) for this study. By using SPSS, Pearson's correlation coefficient (r) values were computed to measure the strength of the association between the two variables, which value can range from -1 to +1, referring to the table of Correlation Value Interpretation developed by Bartlett, Kontrlik, and Hingpins in 2001 (Chung, 2020) as shown in Table 3.3.

**Table 3.3: Correlation Coefficient and Correlation Strength**

Correlation Value (r)	Relationship Strength
± 0.70 – 0.99	Very Strong
± 0.50 – 0.69	Strong
± 0.30 – 0.49	Moderately strong
± 0.10 – 0.29	Weak
± 0.01 – 0.09	Very weak

The Pearson's correlation analysis will provide three possible types of value outcome. First, when there is no linear correlation between two variables, the r value will be 0. Second, a positive correlation occurs when the correlation coefficient (r) is between 0 and 1, which means when one variable increases, the other also has the tendency to increase. Third, a negative correlation is when the correlation coefficient (r) is between -1 and 0, indicates that one variable increases the other decreases. The closer the value is to 1 or -1, the stronger the linear correlation is between the variables. The r values of all variables will be presented in Chapter 4 with interpretations.

### **Linear Regression Analysis**

Regression analysis will be applied for this study to further find out the nature of relationships between independent variables and dependant variable (Cooper & Schindler, 2014). The line regression explains the variation pattern of depending variables in relation to values the independent variable (Shafiq & Naseem, 2011). Regression analysis will reveal if all types of rewards are related to organizational commitment.

### **Pilot Test**

A group of survey respondents will be invited to participate in a pilot test to check on the reliability and validity of the questionnaire (Del Greco & Walop, 1987). In this process, 30 participants from the population will be selected to run the tests.

### **Reliability Test**

Reliability refers to the consistency or dependability of a measuring instrument being used more than once and repetitively. In other words, research reliability is how the research method can produce constant and consistent results (Dudovskiy, 2011). Reliability test will be carried out to determine whether the questionnaire is valid for measuring the rewards and organizational commitment. Cronbach's Alpha is one of the most applied measures of reliability of a multiple-question Likert scale survey (Field, 2013). A score more than 0.7 is acceptable but the higher the value the more reliable the scale is. Here is the formula to calculate the score:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Where:

- N = the number of items.
- $\bar{c}$  = average covariance between item-pairs.
- $\bar{v}$  = average variance.

Using SPSS software, data obtained from respondents will be keyed-in and test will be conducted to find the coefficients for DV and IVs.

### **Validity Test**

To ensure the content and construct validity of the questionnaires, a set of the questionnaires was sent to my supervisor for his review. The feedback and recommendations for amendments given by my supervisor will be recorded.

## Conclusion

This study was directed in order to investigate the attitudes of the employees in SME Klang Valley, Malaysia towards intrinsic rewards and extrinsic rewards, which particularly affects their level of organizational commitment. Added onto the study, the correlation between number of times in job change and organizational commitment was also being examined.

The findings of this study suggest that employees in SME Klang Valley in Malaysia have moderately high level of organizational commitment. As for comparisons among each factor in demographic background, results show that regardless of which gender, employees from different ethnic background, age group, marital status, highest level of education, current position which they are holding and the years of service in their current jobs, may all have different means of commitment towards the organizations they serve. To sum it up, Chinese employees has the lowest level while Indian employees and employees from other ethnicity background other than the three main races in Malaysia have higher levels of organizational commitment. In terms of age group, the employees who are 60 years old and above have the higher level of organizational commitment as compared to employees from lower age groups. Employees who are single lower level of organizational commitment than employees who are married, divorced and widowed. As for education level, employees with higher education levels tend to have higher level of organizational commitment. Same goes to current position level, middle management and top management level employees are found to have higher level of organizational commitment. In regards to years of service, employees who worked more than 10 years have higher level of organizational commitment than employees who worked less than 10 years.

The correlations analysis revealed that both intrinsic and extrinsic rewards are significantly related to level of organizational commitment. To be specific, all Intrinsic Rewards were very strongly and positively correlated with Organizational Commitment. As for Extrinsic rewards, all were very strongly and positively correlated with Organizational Commitment except for Bonus which is strongly and positively correlated with Organizational Commitment. The findings of this study had evidently show consistency with findings by the past researchers and general predictions of the literature except there is no correlation between Times of Jobs Change and Organizational Commitment which is contradicting with the literature review.

## Recommendations

Research findings of this study have provided useful information which can be recommended to two main parties, namely the employers or management teams of SME companies in Klang Valley, Malaysia, which includes the human resource practitioners; and the future researchers. The recommendations are intended to support these two parties with new insights and ideas for further improvement in their respective areas for further contribution to the society.

### Employers or Management Teams of SME Companies

The findings of this study contribute in providing important information in creating awareness among employers or the management team of SME companies in Klang Valley in Malaysia on the importance of the relationship between rewards and organizational commitment. Generally, the findings of this study highlighted that employers should not only offering certain types of rewards, for instance the monetary form of rewards, but a variety of intrinsic extrinsic rewards are also found to be effective in enhancing organizational commitment

among employees in SMEs because employees have different needs in different stages of their career paths.

The significance relationship indicates that having a strategic and holistic reward system in an organization is not only crucial in the effort of talent retention but overall to motivate employees and increase the level of organizational commitment among the employees. Evidently, all the intrinsic rewards and extrinsic rewards which are included in this study were found out to be significantly impacting organizational commitment. As this study has identified the prominent types of rewards that can lead to the increase of organization commitment, ideally, SME companies are encouraged to strategize their reward systems that would comprise all the elements to motivate their employees, or enhance and adjust their existing reward system to be more effective and efficient in increasing the level of organizational commitment among employees. However, employers can at least consider to focus more on the rewards which have higher correlations with organizational commitment if it is too costly for a SME company to offer every types of rewards. For example, Sense of Achievement and Promotion are the two types of rewards showing the highest correlations with organizational commitment. Human resource practitioner can consider to formulate a well-structure performance appraisal system to include the two rewards to maximise the impact of staff motivation. On the other hand, Bonus is found to be having the lowest correlations with organizational commitment, which shows that bonus is of secondary importance as compared to other types of rewards.

Besides, the information from this study also potentially alerts the employers and management teams to better managing the employees in younger age group as the results show that they have lower level of commitment. Employers and the management teams can employ the

findings from this study and start paying more attention to intrinsic rewards for the younger employees. For example, employers can start giving more opportunities to them to be involved in challenging yet achievable tasks, or use a participative approach to involve them in certain decision-making process, and provide them with a clearer vision of how they can advance in the organization in their future. By combining a better employee management style with the adoption

of a well-structure reward system, it is possible for the employers to maximize the effort in increasing the level of organizational commitment among younger employees in a long-run. Lastly, results show the there is no correlations between the number of times an individual changes job and organizational commitment. This information is useful for human resource practitioners specifically to those who are involved in staff recruitment. During job interviews, candidates with employment history of switching jobs frequently are being perceived negatively as job hoppers. It is important to not take the times of jobs change as a mandatory criterion in decision-making of hiring.

### **Direction for Future Research**

The findings of this study have exploratory value worth for further studies. More researches can be done to investigate further on the impact of demographic factors towards organizational commitment. For example, one of the most significant differences were found among employees from different age group. Researchers can study further on the level of organizational commitment especially among the younger generation which will be the

majority in a workforce in the near future. Besides, results of this study also shows that Chinese employees have a significantly lower level of organizational commitment compared to other races in Malaysia. Researchers may further explore the reasons behind to have a better understanding.

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