

MOTIVATIONAL FACTORS THAT INFLUENCE THE LOYALTY OF EMPLOYEES IN THE HOTEL INDUSTRY IN KOTA KINABALU

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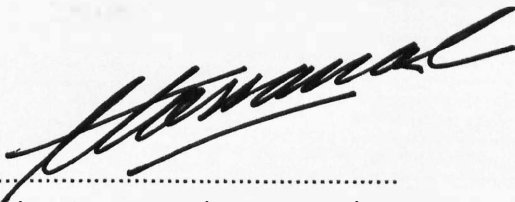
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I hereby declare that the material in this thesis is my own except for quotations, excerpt, equations, summaries and references, which have been duly acknowledged.

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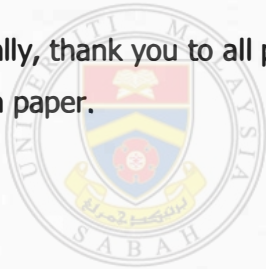
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ABSTRACT

MOTIVATIONAL FACTORS THAT INFLUENCE THE LOYALTY OF EMPLOYEES IN THE HOTEL INDUSTRY IN KOTA KINABALU

The tourism industry has gained prominence in Malaysia and with the global nature of the industry, transformation in issues including human resource constantly evolving for the better. This study analyzes the employment loyalty by examining intrinsic motivation factors in the star rated hotel industry in Kota Kinabalu. Issues such as high labor turnover and hard to retain the hotel employees due to the nature of work in the hotel industry give added insights to this issue. Loyalty is regarded as attitudinal that employees who are satisfied with their job are more likely to engage in a relationship with their employer. Thus, employees who are satisfied with their job are being motivated by intrinsic motivation such as advancement, recognition, responsibility, career growth, and the work itself. In addition, gender has no moderating effect on the relationship between loyalty and intrinsic motivation. The methodology for this study is using quantitative approach. The findings of this study which responsibility and work itself are identified as the two most important factors to motivate hotel employees. The study recommends that the hotel management should understand their employees' needs in order to motivate employees to ensure a higher degree of commitment.



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ABSTRAK

Industri pelancongan telah menjadi terkenal di Malaysia dan isu - isu transformasi termasuk sumber manusia telah berkembang menjadi lebih baik dengan sifat global industry ini. Kajian ini adalah untuk menganalisis kesetiaan terhadap pekerjaan dengan mengukur faktor motivasi intrinsik di industri hotel bertaraf bintang di Kota Kinabalu. Isu – isu seperti kos tenaga buruh yang tinggi dan sifat pekerjaan hotel industry ini yang menyebabkan kesukaran untuk mempertahankan pekerja hotel telah menambahkan lagi persepsi terhadap isu. Kesetiaan dikenalpasti sebagai sikap pekerja yang berpuas hati dengan pekerjaan mereka di mana lebih cenderung untuk terlibat dalam hubungan dengan majikan mereka. Oleh itu, pekerja yang sentiasa berpuas hati dengan pekerjaan mereka kerana dimotivasikan dengan kemajuan, pengiktirafan, tanggungjawab, pertumbuhan kerjaya dan pekerjaan itu sendiri. Selain itu, jantina tidak mempengaruhi ke atas hubungan antara kesetiaan dan motivasi intrinsik. Metodologi kajian ini adalah menggunakan pendekatan kuantitatif. Tanggungjawab dan pekerjaan itu sendiri telah dikenalpasti dalam hasil kajian ini sebagai dua faktor yang paling penting untuk memotivasi pekerja hotel. Kajian ini memberi cadangan bahawa pengurusan hotel harus memahami keperluan pekerja mereka bagi memotivasi pekerja supaya untuk memastikan tahap komitmen yang lebih tinggi.



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TABLE OF CONTENTS

	PAGE
TITLE	
DECLARATION	ii
CERTIFICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
ABSTRAK	vi
TABLE OF CONTENTS	vii-x
LIST OF TABLES	xi
LIST OF FIGURES	xii
LIST OF APPENDIX	xiii
CHAPTER 1: INTRODUCTION	
1.1 Overview	1-3
1.2 Problem Statement	4-5
1.3 Research Question	6
1.4 Objectives	6
1.5 Scope of Study	6
1.6 Significance of the Study	7
1.7 Definition of Terms Used	8
1.7.1 Loyalty	8
1.7.2 Motivation	8
1.7.3 Advancement	8
1.7.4 Recognition	8
1.7.5 Responsibility	8
1.7.6 Career Growth	8
1.7.7 Work Itself	9
1.7.8 Demographic	9
1.8 Organization of Dissertation	9
1.9 Summary	10

CHAPTER 2: LITERATURE REVIEWS

2.1	Introduction	11
2.2	Loyalty	11-14
2.3	Motivation	14-15
2.3.1	Herzberg's Motivation – Hygiene Theory	16-18
2.3.2	Advancement	19
2.3.3	Recognition	19-21
2.3.4	Responsibility	21-22
2.3.5	Career Growth	22
2.3.6	Work Itself	22-23
2.4	The Relationship between Loyalty and Motivation	24-25
2.5	Demographic	26
2.5.1	Gender	26
2.6	Summary of the Main Literature Reviews	27-30
2.7	Summary	31

CHAPTER 3: METHODOLOGY

3.1	Introduction	32-33
3.2	Research Framework	34
3.2.1	Dependent Variable: Loyalty	35
3.2.2	Independent Variable: Intrinsic Motivation	35-36
3.2.3	Moderating Variable	36
3.3	Hypotheses	37-38
3.4	Research Design	38-40
3.5	Sampling Design	40
3.5.1	Sampling Size	41-42
3.6	Instrument and Measurement	43-44
3.7	Data Collection Method	44
3.8	Data Analysis	45
3.8.1	Hypotheses Analysis Method	45
3.9	Summary	46

CHAPTER 4: RESULTS

4.1	Introduction	47
4.2	Respondents Profile	47-48
4.3	Reliability Analysis	49
4.4	Descriptive Data	50-51
4.5	Hypotheses Testing	52-57
4.6	Summary of Findings	57-58

CHAPTER 5: DISCUSSION AND CONCLUSION

5.1	Introduction	59
5.2	Recapitulation of Study	59
5.3	Discussion and Implications	60
5.3.1	Advancement and Loyalty	60-61
5.3.2	Recognition and Loyalty	61
5.3.3	Responsibility and Loyalty	62-63
5.3.4	Career Growth and Loyalty	63
5.3.5	Work Itself and Loyalty	64
5.3.6	Gender on the relationship between Intrinsic Motivators and Loyalty	65
5.4	Limitation of the Study	65
5.5	Suggestion for the Future Research	66
5.6	Conclusion	67-68

BIBLIOGRAPHY

Appendix A	77
Appendix B	78-83
Appendix C	84-85
Appendix D	86-87
Appendix E	88-89
Appendix F	90-91
Appendix G	92-93

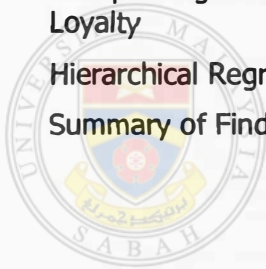
Appendix H	94-95
Appendix I	96-97
Appendix J	98
Appendix K	99
Appendix L	100-105
Appendix M	106-110



UMS
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LIST OF TABLES

	PAGE
Table 2.1: Summary of Literature Reviews	27-30
Table 3.1: Sample Size for a Given Population Size	39
Table 3.2: The Total Population of Operational Employees in Star Rated Hotel Industry, Kota Kinabalu	41
Table 3.3: Total Number of Hotel Participants	42
Table 3.4: A Likert 5 Scale Response	43
Table 3.5: Statistical Analysis Method	45
Table 4.1: Profile of Respondents	48
Table 4.2: Reliability Analysis for Loyalty and Advancement, Recognition, Responsibility, Career Growth and Work Itself	49
Table 4.3: Descriptive for Independent and Dependent Variables	50
Table 4.4: Multiple Regression Analysis of Intrinsic Motivator and Loyalty	52
Table 4.5: Hierarchical Regression Analysis on Gender	56
Table 4.6: Summary of Findings	57



UMS
UNIVERSITI MALAYSIA SABAH

LIST OF FIGURES

	PAGE
Figure 3.1: The Framework of the Motivation Factors that Influence the Loyalty of Employees in Hotel Industry in Kota Kinabalu	34
Figure 4.1: The Percentage of Respondent Rate for Gender	48



LIST OF APPENDIX

	PAGE
APPENDIX A Cover Letter	77
APPENDIX B Survey Questionnaire	78-83
APPENDIX C Frequencies – Profile of Respondents	84-85
APPENDIX D Reliability - Loyalty	86-87
APPENDIX E Reliability - Advancement	88-89
APPENDIX F Reliability - Recognition	90-91
APPENDIX G Reliability - Responsibility	92-93
APPENDIX H Reliability – Career Growth	94-95
APPENDIX I Reliability – Work Itself	96-97
APPENDIX J Correlations	98
APPENDIX K Descriptive Analysis	99
APPENDIX L Multiple Regression – Intrinsic Motivators (Advancement, Recognition, Responsibility, Career Growth and Work Itself) and Loyalty	100-105
APPENDIX M Hierarchical Regression	106-110



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CHAPTER 1

INTRODUCTION

1.1 Overview

Tourism is defined as activities of person travelling to and staying in places that outside from their location for business, vacation and other purposes not related to an activity from and within the place visited which not more than one year consecutive year (Page, 2009). In addition, tourism is also an industry providing services to travelers, from transportation to accommodation to entertainment and additional services such as currency exchange (Lomine and Edmunds, 2007). Therefore, it is one of the most dynamic sectors of the world economy.

According to World Travel and Tourism Council, 2000; cited by ILO, 2001 which stated that worldwide employment in tourism is estimated at 192.2 million jobs that will grow to 251.6 million jobs in 2010. In other words, tourism is offering new employment opportunities that focused on service industries which include transportation services, hospitality services such as accommodations including hotels and resorts, and entertainment such as amusement parks, shopping malls and others which may assist in developing and modernizing the economy.

Hotel regarded as travel related organization which serves as interrelationship in accommodation sectors that has become a dominant industry within the travel industry. On the other hand, the travel industry defined as the combination of organizations in both public and private which involved in the development, production, and marketing of products and services in order to serve the needs of travelers (Choy, Gee, & Makens, 1997). Besides that, direct providers, support services or developmental organizations are the businesses and organization that categorized as components of the travel industry. In other words, hotel would be direct provider of services to travelers, support services for the operations of the hotel that may include local suppliers of basic products and developmental organizations which include government agencies that have approval power over whether a hotel will be built (Choy, Gee, & Makens, 1997).

The industry employs a large quantity of young and female employees and has a large number of part time and seasonal workers. This is supported by Evans, Campbell, & Stonehouse, (2003) which characterize the industry as a large quantity of female employees, a large quantity of young employees, a large number of part time and seasonal workers, increasing of labour turnover rates, difficulty in recruiting workers, low intensity of training and less paid. In other words, these are the characteristic of hotel industry which contribute to the problems and resulting in different perceptions for individual employees.

Furthermore, the hotel industry has been known as a potential prospect for the growth of the service industry in Malaysia. However, the growth is slow down by the high labor turnover rates in the hotel industry. According to Simms et al., 1988; Riley et al., 2000; cited by Riley, Ladkin, & Szivas, 2002, there is strong proof that hotels tend to operate weak internal labor markets. Many organizations in the hotel industry face the problems in retaining employees since they are unable to identify the factors which contribute to employee loyalty. In addition, employee turnover is high and it is more focus on people oriented which requires large amounts of human effort to produce the services. Therefore, the hotel industry is characterized by poor job security, poor salary, over time and less opportunities for promotion (Byrne, 1986; Knight, 1971; cited by Siu, Tsang & Wong, 1999) due the nature of work in the hotel industry.

In addition, according to Sarabakhsh *et al.*, 1989; Hsieh *et al.*, 2004; cited by Simon & Annie, 2009 which addressed that long working hour, shift duties and serving demand from customers in hotels has become a phenomenon in the hospitality industry. It shows that hotel employees have less flexibility to have power over their time and duty roster. It is understandable that a hotel job is operated 24 hour day and is highly labor intensive. Everyone is assigned to come for a duty at a certain time slot per day. Employees are allocated into the roster for maintaining the service although they are in holiday. According to Simon and Annie, (2009), hotel employees have limited flexibility on setting their own working schedule.

As mentioned in literature, hospitality services can be concluded that it share a number of common characteristics which are labor intensive nature, high labor turnover, low job security, low pay, shift duties, and low flexibility working hours. In line with aforementioned, it had shows the nature of the hotel industry of being people-oriented and often deal with high labor turnover which need the cooperation of all parties involved to reduce the problems. The nature of the hotel industry as mentioned above become the barriers of attracting potential employees to work longer within the industry. Due to this reason, it is important to understand what will motivate employees to remain for loyal within the hotel industry. Human motivation is a very complex subject and many theories such as Maslow's (1954) needs hierarchy, Douglas McGregor's (1960) theory x and theory y and Frederick Herzberg's (1959) motivation and hygiene theory have been developed with respect to its use in the work environment.

In this research, it is interesting to study about the motivation factors that influence the loyalty of employees in the hotel industry. It is because there are issues arise that labor turnover is high in the hotel industry. Besides that, it is hard to retain employees due to the nature of work in the hotel industry. Apart from that, it is important to do the research which attempted to fill the gap by researching to understand and examine the motivational factors which would actually make hotel employees engage with their employer.

1.2 Problem Statement

The problem statement in this study is "What are the motivation factors that influence hotel employees to be loyalty?" The research issues which mentioned in below have creates the statement of problems in this study.

Employees are an important asset as being utilized in workplace in order to achieve organizational goals. Most managers consider employees to be costs and treat them as liability despite the frequently statement is that "employees are our greatest assets" (Bassi and McMurray, 2004). That is, treating employees as assets can produce positive returns in the long term. However, the critical issue in hotel industry is concerning with the hoteliers' ability to retain employees (Susskind *et al.*, 2000, Hinkin and Tracey, 2000). Retaining employees can reduce the cost of hiring and training for new employees (Bedeian *et al.*, 1992). Thus, it is fact that the issue of loyalty has increased attention in tourism and hospitality research in recent years (Shoemaker and Lewis, 1999; Oppermann, 1999; Shoemaker and Bowen, 1998; cited by Weber, 2001). Therefore, loyalty of employee plays an important role in providing the successful business in the hotel industry. In addition, highly motivated staff and loyalty of employees are contributing to the success of the hotel which not only due to its unique location according to speech by Y.A.B. Chief Minister, Datuk Seri Musa Haji Aman at 25th anniversary celebrations of Hyatt Regency Kinabalu. Apart from this, there is a need for further study to find out the factors which would actually make employees stay in Hotel.

On the other hand, labor turnover rate is estimated between 60% and 300% annually in the hotel industry of worldwide (Foley, 1996; cited by Ady Milman, 2003). Turnover can decrease customer service levels and lower company profits (Hom *et al.*, 1988; Reichheld, 1993; cited by Valentine, 2000) and linked to rising employee recruitment and training costs, job satisfaction, low levels of employee morale and customers' perceptions of service quality (Gray *et al.*, 2000).

Furthermore, there has been little research on understanding the loyalty of employee related to motivation factors. There are researchers have attempted to uncover key reasons why those in the hospitality industry leave their works and have offered suggestion to combat such turnover-related issues (Hogan, 1992; Woods and Macaulay, 1989; Dermody *et al.*, 2004; Pearson & Stalcup, 2001; cited by Seonghee, Johanson & Guchait, 2009). However, there are lacks of research to focus on motivation factors that influence the loyalty of employees in the hospitality industry such as hotel.

Lastly, the demographic differences may determine employees' perceptions of the motivational factors to stay loyalty in organization. It is because how employees feel about their work environments may vary due to employee characteristics, and these differences may determine their perceptions of the motivational factors to commit with their employer (Vecera and Franek, 2008; cited by Chang & Kelly, 2009). Other researchers also found out the differences according to demographic characteristic towards the loyalty of employees (Chang & Kelly, 2009). That is, different background of demographic can influence employees' perceptions of the motivational factors to stay loyalty in hotel.

1.3 Research Question

The research question is important to be used as a framework of study or guideline in order to accomplish the task significantly and adequately. To complete the task, there are few questions used to identify and examine. The following questions should be answered in this research study.

- a. What are the significant relationship between intrinsic motivation and loyalty?
- b. What are the moderating effect of demographic gender on the relationship between intrinsic motivation and loyalty?

1.4 Objectives

The aim of this study is to study employment loyalty by examining motivation factors in hotel industry. The specific objectives of this study are as follows:

- a. To identify the significant relationship between intrinsic motivation and loyalty.
- b. To understand the moderating effect of gender on the relationship between intrinsic motivation and loyalty.

1.5 Scope of Study

The scope of study in this research paper was carried out among operational employees that consist of Housekeeping servers, Food & Beverage Services servers, and Front Office servers in star rated hotel Kota Kinabalu, Sabah. The research site that has been chosen is in Kota Kinabalu area. It is because it is a centre of major tourist destination and a popular international gateway to East Malaysia (Angie, 2007). In this research, simple random sampling will be used as sampling technique approach to gather the data information. Apart from this, employees have an equal and known chance of being selected (Sekaran, 2003). The total population of operational employees in star rated hotel industry, Kota Kinabalu is 1,671. The sample size of this study is 310 operational employees (Sekaran, 2003). The questionnaires will be distributed to the respondents in order to accomplish the task significantly.

1.6 Significance of the Study

This study helped the management would find that monetary rewards not only can make the employees to work loyalty within hotel industry because it is only temporary rewards that considered by employees as entitlements and it does not motivate employees to achieve or feel a sense of loyalty to the organization within industry. In fact, extrinsic motivators such as monetary rewards do not create commitment to a set of values or to learning. There are others factors that can motivate employees in order to retain and attract them to work loyalty within the industry which is intrinsic motivators that identified by Herzberg's view.

Besides that, this study may help the management in hotel industry, Kota Kinabalu to understand the environments of employees needs. It is important to understanding of employees' expectations of their work environments in order to retain employees as human capital. Employees are an important asset as being utilized in workplace in order to achieve organizational goals. Therefore, a better understanding of employees needs can improve their human capital management practices to be more effective and efficient.

Furthermore, this study also may helped the management to develop their training programmes, benefit packages, performance appraisal and work system more effective and efficiency. They can aim at developing loyal employees because this leads to a more lengthy tenure. Loyalty of employees plays important roles in providing successful business within hotel industry which can reduce the turnover of labor and can produce positive returns in long term periods.

Finally, the results and findings in the study can be used as a reference for further investigation about the factors that influencing the loyalty of employees in the hospitality industry. Therefore, researcher can do an extensive review based this results and findings for the future research. It is because this study suggests the significance factors that highly motivate them which influence employees to be loyalty.

1.7 Definition of Terms Used

Key terms used in this study have specific definition in general context for better understanding as mentioned below:

1.7.1 Loyalty

Loyalty is defined by an attitudinal measurement of feelings in engagement with their employer and willing to put higher efforts.

1.7.2 Motivation

Motivation is defined by individual's preferences which associate with intrinsic motivator such as advancement, recognition, responsibility, career growth and work itself.

1.7.3 Advancement

Advancement can be defined as self advancement and positive advancement with expected or unexpected that provided by employer in the organization.

1.7.4 Recognition

Recognition can be defined as positive appreciation from employers, supervisors, peers, and subordinates.

1.7.5 Responsibility

Responsibility can be defined as opportunities of freedom to make decisions that acknowledged by employer.

1.7.6 Career Growth

Career growth can be defined as opportunities to learn new skills and knowledge that provided by employer in the organization.

1.7.7 Work itself

Work itself can be defined as the degree of tasks and assignments which is interesting and sense of self accomplishment.

1.7.8 Demographic

Demographic is referring to individual characteristic of employees which determine employees' perception of motivational factors to stay loyalty in hotel.

1.8 Organization of Dissertation

These sections organized into five [5] chapters. Chapter 1 discussed the overview of the study, problem statement, objectives of the study, research question, scope of the study, significance of the study, definition of terms used and organization of the dissertation.

Chapter 2 which is literature reviews consists of introduction, loyalty of employee, motivation theory about Herzberg's Theory and followed by motivational factors such as advancement, recognition, responsibility, career growth and work itself. Next is the relationship between loyalty and motivation. Then, it is followed by demographic and lastly is summary.

Chapter 3 outlines the research methodology and framework that used in collecting and analyzing the data. It is divided into few sections which consists of introduction, research framework, hypotheses, research design, sampling design, instrument, data collection method, data analysis method and lastly is summary.

Chapter 4 focused on analyses the results of the study. It is consists of introduction, profile of respondents, reliability analysis, descriptive data, testing of hypotheses and lastly is summary of the findings.

Chapter 5 is mainly on discussion and conclusion based on the finding of this study. A brief introduction followed by recapitulation of study, contribution of study, limitation of the study, suggestion for future research and a final conclusion.

1.9 Summary

In summary, chapter one is discussing about overview of the study which related to the tourism and hotel industry. It is followed by the problem statement which the issues arise in the hotel industry. Then, it is comes out with objectives of the study which is based the problem statement. Next, research question also have been outlined to guide the study. Scope of the study and significance of the study also have been discussed in this chapter. Furthermore, definition of terms used is also discussed which about the key terms of the study and organization of the dissertation is discussed which about outline of the chapter and lastly, summary of the chapter also been discussed.



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