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**JUDUL : THE RELATIONSHIP BETWEEN SATISFACTION WITH  
PERFORMANCE MANAGEMENT, HAPPINESS AT WORK AND JOB  
PERFORMANCE IN THE HOTEL INDUSTRY, KOTA KINABALU**

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**THE RELATIONSHIP BETWEEN  
SATISFACTION WITH PERFORMANCE  
MANAGEMENT, HAPPINESS AT WORK AND  
JOB PERFORMANCE IN THE HOTEL  
INDUSTRY, KOTA KINABALU**

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## DECLARATION

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

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## ABSTRACT

### **RELATIONSHIP BETWEEN SATISFACTION WITH PERFORMANCE MANAGEMENT, HAPPINESS AT WORK AND JOB PERFORMANCE IN THE HOTEL INDUSTRY, KOTA KINABALU**

This study aims to investigate the relationship between relationship between satisfaction with performance management, happiness at work and job performance in Kota Kinabalu. The objectives of this study can be achieved by examining the relationship between the satisfaction with performance management and job performance. Second, satisfaction with performance management and happiness at work. Third, happiness at work and job performance. Forth, mediating relationship between satisfaction with performance management and job performance in the hotel industry. Data collection was conducted through questionnaire and a total of 109 questionnaires were collected out of 180 copies distributed. The results from the analysis obtained from the data collected through questionnaire and shows that happiness has a mediating relationship on satisfaction with performance management and job satisfaction.

## **ABSTRAK**

*Kajian ini bertujuan untuk mengkaji hubungan antara kepuasan pengurusan prestasi, kegembiraan di tempat kerja dan prestasi kerja di Kota Kinabalu. Objektif kajian ini boleh dicapai dengan mengkaji hubungan antara kepuasan pengurusan prestasi dan prestasi kerja. Kedua, kepuasan dengan pengurusan prestasi dengan kegembiraan di tempat kerja. Ketiga, kegembiraan ditempat kerja dengan prestasi kerja. Ke-empat, pengantara hubungan antara kepuasan dengan pengurusan prestasi dan kepuasan kerja dalam industri hotel. Pengumpulan data dijalankan melalui soal selidik dan sebanyak 109 soal selidik telah dikumpulkan daripada 180 salinan yang telah diedarkan. Keputusan daripada analisis yang diperolehi daripada data yang dikumpul melalui soal selidik menunjukkan bahawa kegembiraan mempunyai kesan perantara bagi kepuasan pengurusan prestasi dan kepuasan kerja. Penyelidikan mendapati bahawa hubungan langsung antara kepuasan pengurusan prestasi dan prestasi kerja adalah sebahagian penting dan seterusnya mempunyai kesan pengantara terhadap kegembiraan di tempat kerja.*

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

This chapter explains briefly the general essence of the current research. It highlights the rationale of the study. The reasons of the research and underlying problem of the research. The research questions and research objectives are also presented. The expected contribution of this research. Finally, the scope of the study, the operational definition of key terms and variables used in the current research and organization of the report sequent at the end of this chapter.

#### 1.2 Rationale of Study

In Malaysia, the hotel industry has been recognized as a potential prospect in the growth of the service industry. According to the Malaysia Economic Report 2011/2012, the tourism and hotel industry has accounting for 12.3% of value-added to national economy and employs recorded approximately 16% of the total workforce. (Treasury Department of Malaysia , 2011).

In Malaysia, according to the record from Malaysia Association of Hotels (MAH) (2008), even the hotel industry is recorded highly potential growth, this industry is still viewed as having minimal skill levels of employee, high turnover, and low level of loyalty to the hotel organization. This indirectly implies that the satisfaction towards works by the hotel's employee. A report from Economic Report 2011/2012 added that the service sectors such as hotel industry recorded the highest number of vacancies for about 35.7% due to the high turnover rate.

According from the statistical record of Sabah Tourism, Kota Kinabalu (2011), Kota Kinabalu is the prime area and important port for tourist and visitors. Various international flights are connection directly from Kota Kinabalu to other South-East Asia region. It saves a lot of times for passengers. Likes, Airasia Airway, Malaysia



Airline, Dragon Airline, Korean Air. Hence, with the statistical record, tourists have increased by 36% from 2,091,658 visitors in year 2006 to 2,844,597 visitors in year 2011. The increase of visitors indicated and increase demand of accommodation. Hence, according to the Tourism Malaysia Statistic record as at June 2012, it has a significant increase of number of hotel registration with Tourism Board and the total registered hotel in Sabah is 307 units and it has segregate rating into star hotel, apartment and orkid hotel. The star rating hotel in Sabah from five star hotel is 9 units, four star hotel is 15 units, three star hotel is 35 units, two star hotel is 42 units and one star hotel is 41 units. Therefore, with an important tourist region in Kota Kinabalu, it is important to setup various attraction scheme for retention employee and reduce the staff turnover rate.

Argyle (1989) has done a research that the job satisfaction is correlated to work performance, absenteeism and labour turnover. Terren R. (2001) has study that a high turnover will make an organization facing capital loss, and increase cost of recruitment and training cost. Hence, it is important to make the dissatisfaction employee to stay at job by providing new skill, job fit, and compensation scheme. Thus, the role for Human Resource practice and talent management practice are important in the organization for retention employees.

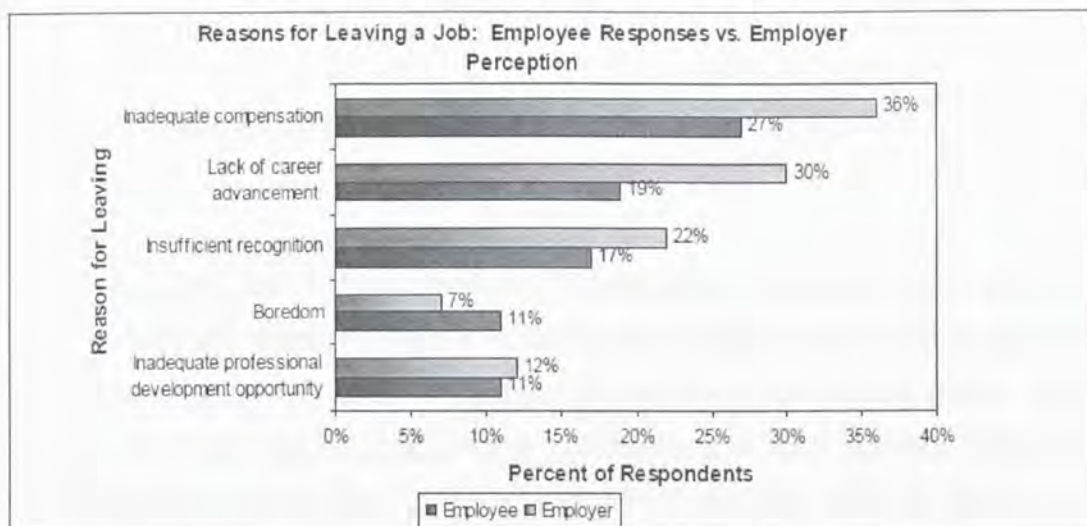
Moreover, the Consultants of Hospitality Administrators (CHA) (2009), has conducted a studied in U.S. that the hospitality industry has a higher turnover rate and it contribute 50% of non-management staffs and 25% of management staffs. The studies also concluded that the reasons for turnover also due to less remuneration, human resource management styles, leadership managerial styles lack of appreciation and teamwork. All these caused the reduction in job performance. Nevertheless, studied by SHRM (2012) that 36% of employer did not practice the recognition programme in their organization. Hence, unfair performance appraisal treated.

A survey had conducted by Wiley (1997) shows that 51.32% of employees felt being under rewarded in the company and wage payments is a motivator in the organization as a performance based reward. Only 81.77% of the employees

obtained the reward and recognition implemented by the organization and 18.23% is based on non-reward approach.

Consequently Salary.Com (2008) reported that from ( employer : employee ) prospective, the main reasons for employee leave a job due to inadequate compensation ( 36% : 27% ) , lack of career advancement ( 30% : 19% ) , insufficient recognition ( 22% : 17% ) , boredom ( 7 % : 11% ) , inadequate profession development opportunity ( 12% : 11% ). It has been illustrated in Figure 1.1 as below :

**Figure 1.1 : Top 5 Reasons Employees Leave a Job**

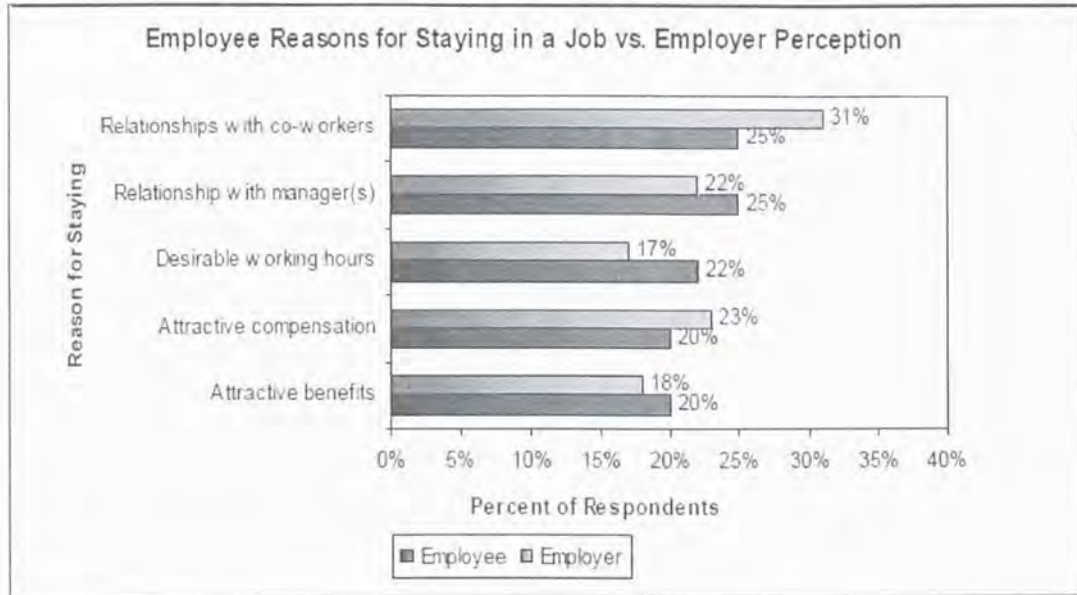


Sources : Employee Job Satisfaction & Retention Survey 2007/2008 at Salary.com ( 2008 )

The same study by Salary.Com (2008) that from ( employer : employee ) prospective the main reasons for employees stay in the job due to relationship with co-workers ( 31% : 25% ) , relationship with manager(s) ( 22% : 25% ) , desirable working hours ( 17% : 22% ) , attractive compensation ( 23% : 20% ) , attractive benefits ( 18% : 20 % ). It has been illustrated in Figure 1.2 as below :



**Figure 1.2 : Top 5 Reasons Employees Stay in a Job**



Sources : Employee Job Satisfaction & Retention Survey 2007/2008 at Salary.com (2008)

As such, the human resource manager play a major roles in the hotel industry for staff retention, various compensation rewards need to be aligned with the company goals and effort contributing by employee (Lawler and Porter, 1967). Hence, when carry out the performance management in hotel industry, satisfaction of performance management in the organization is important to hotel staffs as this will affecting the staffs' job performance.

According to the Dessler (2008), effective performance management system able to motive employees and thus creating job satisfaction and job involvement. Performance appraisal play a major role during the process of performance management. Thus, compensation will be motivate and positively affect job performance. ( Janssen, 2009 ; McCalusland, Pouliakas and Theodossiou, 2005 ).

According to the Herberg's Theory ( Ivancevich, 2008 ), motivation will be the factor to affect job performance. Kamali Sher. et.al/ (2006) do study that motivation is a behavior pattern it can improve performance and productivity.



Hence, in this study the motivation for job performance in the hotel industry can consider the items of compensation. The compensation and reward to employees can be in the form of monetary ( i.e. salary and wages, bonus ) as a performance based pay (Milkovich and Newman , 2009) as well as in non-monetary terms ( recognition, job security, promotion, , benefits, recognition, flexible working time, job designation, pay leave, retirement scheme, etc ) (Simms, 2007) vis-à-vis the employee's performance. The consideration of best tools to compensate employees in order to achieve the higher job satisfaction will be highly influence by individual's or group 'performance' in relation to their own ability, skill, knowledge, availability of resources and effort (Milkovich and Newman 2009 ) towards the work assigned and the organization's goals.

However, with this reward, employee might be happy and might not be happy. Many variables have been affecting the satisfaction criteria. For example, an employee received a sum of wages as return of his performance; does this sum of wages received sufficient commensurate with the effort employee put on job? Does this sum of reward equity with the same as per his other peers in the same industry? Hence, if the sum of money received is unable to make employee happy due to little monetary reward with a huge work load, this will be making employee unhappy at work. Therefore, they are unable to perform well in the organization thereby creating low performance (Lawler and Porter, 2000). Unhappy employees will create a low performance in the organization (Kerns, 2008).

As such, it is important to keep satisfaction to the employee in relation to the low turnover and low absenteeism (Lawler and Porter, 2000). Hence, an appropriate reward recognition system is implemented to have to motivational leverage on employees. This will keep workers focused on their job duties (Darling *et al.* 1997).

### **1.3 Research Problem**

In related to the above issue that satisfaction with performance management and job performance. Employee has contribute effort to work and return with

compensation. However, the amount received is not satisfied with input of effort. Hence, the current research is carried out aim to study the extent of relationship between satisfaction with performance management, happiness at work and job performance in the hotel industry.

#### **1.4 Research Questions**

Based on the problem statements presented above, the study attempts to answer the following research questions :

1. Does the satisfaction with performance management have positive relationship with job performance.
2. Does the satisfaction with performance management have positive relationship with happiness at work.
3. Does the happiness at work have positive relationship with job performance.
4. Does happiness at work mediating the relationship between satisfaction with performance management and job performance.

#### **1.5 Research Objectives**

The research objectives are to find out:

1. To examine the significant positive relationship of satisfaction with performance management and job performance.
2. To examine the significant positive relationship of satisfaction with performance management and happiness at work.
3. To examine the significant positive relationship of happiness at work and job performance.
4. To examine the happiness at work has a significant positive relationship mediating satisfaction with performance management and job performance.



## 1.6 Significance of Study

The current research attempts to contribute to the hotel industry from both theory and managerial point of view. The following two sub-sections present some of the possible contribution expected out of the current research.

### 1.6.1 Theoretical Contribution

In the theoretical contribution, this study attempts to find out the significant relationship of satisfaction with performance management and job performance ; satisfaction with performance management and happiness at work ; happiness at work and job performance. As such, with a great deal of regression testing of the independent variable dimensions, the results can be used by the hotel industry in their performance management. Hence, proper performance appraisal and performance management able to motivate employee, thus enhancing employee job performance.

Moreover, this study also covered the positive significant relationship of happiness at work mediating satisfaction with performance management and job performance. Hence, with the result findings, it can be identify to the management that the happiness at work has significant relationship mediating performance management and job performance and therefore, right strategy will be set up and enhancing employee job performance in order to reduce or eliminate the problem created and reducing the turnover rate in the hotel industry.

### 1.6.2 Managerial Contribution

With the current study, it attempts to find the positive significant relationship between satisfaction with performance management, happiness at work and job performance to the hotel industry. By doing so, with the result findings, the managerial will using the right factors effect performance management and take action for the necessary review during the performance management. In addition, for better performance management, perhaps motivation training, team build programme, talent management programme for the benefits of employees and to

create harmonize environment, for better relationship with their managerial level for work , thus enhancement and efficiency job performance.

### **1.7 Scope of Study**

This research study are investigate the significant relationship whether the factors induced performance management, i.e. performance pay factor ( merit pay, adequate pay, bonus pay ), and non-monetary pay factor ( promotion, recognition, flexible working time) will satisfy employee at work in order to enhancing the job performance and increase the individual and organization productivity.

The research area involved the hotel industry and will relate to the satisfaction with performance management affecting the job performance in the hotel industry in the Kota Kinabalu region. The study is conducted among staffs from front office to manager level for four stars and five star hotels.

### **1.8 Definition of Variables Used**

#### **1.8.1 Performance Management**

“It is a process that consolidates goal setting, performance appraisal, and development into a single or common system in order the employee’s performance is supporting the company’s mission and vision” (Dessler, 2008). During the process, the monitoring of employee rewards, compensation, and recognition are important in order to keep them happy at work and have a good job performance.

#### **1.8.2 Merit Pay**

Merit pay is a raise of individual employee’s salary after his or her performance has been evaluated ( Dessler, 2008 ).

#### **1.8.3 Adequate Pay**

Adequate pay is a pay which provided by an employer to its employee who work in the different job groups as a compensation to fulfill their individual’s needs. ( Milkovich and Newman, 2009).



#### **1.8.4 Bonus Pay**

Bonus is a type of incentive and reward able to increase the motivation and performance of employee.

#### **1.8.5 Promotion**

Promotion will act as a type of reward and incentive for employee who exerted a greater effort in their work.

#### **1.8.6 Recognition**

Recognition is a kind of award to employee. It is a type of non-financial reward.

#### **1.8.7 Flexible Working Hours**

Flexible time is a type of non-monetary rewards. Employees can choose when they work, subject to achieving total daily, weekly or monthly hours in the region of what the employer expects, and subject to the necessary work being done

#### **1.8.8 Happiness at work**

“Happiness” is an emotional behavior. It is the experience of frequent, mildly pleasant emotions, the relative absence of unpleasant feelings, and a general feeling of satisfaction with one’s life (Fisher, 2010). People who are happy in the work setting are generally having more positive experiences than negative ones in connection with the work place and their job. ( Biswas-Diener and Dean, 2007)

#### **1.8.9 Job Performance**

Performance is a behavior exhibit done by employee (Campell, 1990). Job performance is an individual behavior that contributes to the extent that the effectiveness of the organization (Onukwube, Iyabga and Fajana, 2010). It is an outcome either positive or negative from productivity in order to achieve the company target and goals aligned with company vision and mission. It is also an outcome to drive to achievement of key results (Kerns, 2008).



## **1.9 Summary**

Chapter 1, the Introduction, provides the background of the research. It subsequently derives the Problem Statement, Research Objectives, Significance of Study, Scope of Study, Definitions of Key Variables in the Study and Organization of Study.

Chapter 2, the Literature Review examines the Contingency Theory that potentially relates of satisfaction with performance management and job performance and their findings. Subsequently, this chapter conceptualized defined the dependent and independent variables used in this research. The relationship of satisfaction with performance management, happiness at work and job performance also been discussed in this chapter.

Chapter 3, the Research Methodology, firstly explains in detail the service sector selected. It then outlines the Research Framework, Research Hypotheses and Research Design and the Unit of Analysis. This is followed by the Instrument Design that encompasses discussion of questionnaire design, follow by, this chapter describes the Actual Data Collection Method, and the Data Analysis Method used to analyses data collected.

Chapter 4, the Results and Analysis of Finding, begin with the preview of the respondents Rate of the study and detailed examination in the Sample Profile of the hotel industry of the respondents. Following that, the Factor Analysis and Reliability Analysis were performed as method for Goodness of Measure. Next, the Descriptive Analysis was performed. Upon presenting the above mentioned, this chapter also made Modification to the initial Research Framework subsequent to results generated from Factor Analysis. With modification to research framework, it is also necessary for Restatement of Research Hypothesis. Then, findings from the Correlation Analysis were presented, and finally, the Multiple Regression Analysis was presented.

Chapter 5, Discussion and Conclusion, covers Recapitulations of the Study, Discussion of Findings, the Implications of the Research, and Suggestions for

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