

**THE RELATIONSHIP BETWEEN REWARDS
AND ORGANIZATIONAL COMMITMENT
AMONG WORKERS IN KOTA KINABALU
HYPERMARKETS**

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**DISSERTATION SUBMITTED IN PARTIAL
FULFILLMENT FOR DEGREE OF MASTER OF
HUMAN CAPITAL MANAGEMENT (MHCM)**

**SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH
2011**



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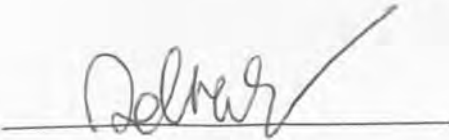
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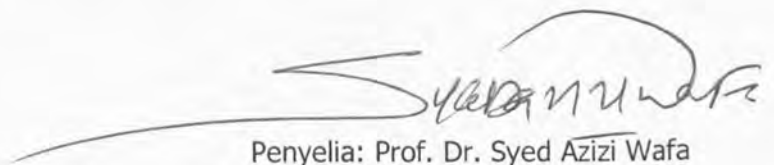
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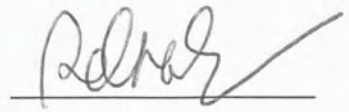


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All materials in this research are original except for quotations, excerpts and references, which have been duly acknowledged.

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ACKNOWLEDGEMENTS

In the name of Allah SWT, the Most Gracious and the Most Merciful, I thank You for giving me the strength to complete my Master Degree and especially in conducting this research. This research would not have been completed without the support and assistance of many people.

A dissertation would never be finished without support. I would like to express my sincere millions of thanks to my supervisor, Prof. Dr. Syed Azizi Wafa Syed Khalid Wafa for his constructive ideas, criticisms, guidance and patience throughout the duration of preparing this research. A special thank is extended to all lecturers for their knowledge, inspirations, commitments, and patient guidance throughout the process. I am also greatly indebted to Dr. Amran Harun for his valuable insights, comments, ideas and suggestions in the course of improving and completing the research.

My deepest gratitude goes to my family, especially my parent Tuan Hj Abdulllah Hj Ibrahim and Hajjah Sariah Laut; My husband Mr Ridwan Tenriranran and my lovely kids; Nur Aiman Syahmie, Nisha Khairina and Nur Aidil Syukri also to all my sibling, who has given me their prayers, encouragement, strength, support, motivation and unfailing support for me to walk through this journey. Their strong belief in my abilities pushed me to work harder and smarter to face those challenges.

Finally, I would like to express my thanks to all friends, office mates and classmates, especially in MCHM Course for their support, encouragement, patience of listening to my challenges and sharing all the difficulties, as well as for inspiring me with many ideas for this thesis. Not forgetting, I also want to express my appreciation to all workers in Giant and Servay Hypermarket for giving me a great cooperation and support during completion of the survey.

Thank You Very Much

Nekmah Hj Abdullah
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ABSTRACT

THE RELATIONSHIP BETWEEN REWARDS AND ORGANIZATIONAL COMMITMENT AMONG WORKERS IN KOTA KINABALU HYPERMARKETS

Rewards is an important component of exchange theory and it is generally accepted that rewards plays an important role to attract, motivate, retain and maintain commitment among workers in any organization with the purpose to ensure high standard of performances and workforce stability. Therefore, this study aims to examine the relationship between rewards and organizational commitment among workers in Kota Kinabalu hypermarkets. Specifically, this study examines three dimensions of organizational commitment; namely affective, continuance and normative commitments as dependent variables in relationship with extrinsic and intrinsic rewards as independent variables. A sample size of 243 respondents from hypermarkets; Giant Hypermarket and Servay Hypermarket participated in the survey. Self-administered questionnaire was used to collect data from participants, while multiple and linear regression statistics was used to test the relationship between the variables as well as hierarchical regression analysis was used for to test the moderator between the two variables. Findings showed significant relationships between extrinsic and intrinsic rewards with affective, continuance and normative commitments. Promotional opportunities, satisfaction with fringe benefits and work condition are extrinsic rewards while feedback and training as an intrinsic reward was found as a predictors of affective, continuance and normative commitments, whereas pay satisfaction and supervision was not. Gender on the other hand was found to be significant moderator of the relationship. Further research to study the reward system and approaches in hypermarket is recommended to ensure greater organizational commitment.

ABSTRAK

Ganjaran merupakan komponen penting dalam teori pertukaran dan secara amnya dianggap bahawa ganjaran memainkan peranan penting untuk menarik, memotivasi, mengekal dan menetapkan komitmen dalam kalangan pekerja sesebuah organisasi dengan tujuan untuk memastikan taraf pencapaian yang tinggi dan kestabilan guna tenaga. Maka itu, kajian ini bertujuan untuk mengkaji hubungan di antara ganjaran dan komitmen organisasi dalam kalangan pekerja di hypermarket-hypermarket di Kota Kinabalu. Khusus sekali, kajian ini meninjau tiga dimensi komitmen organisasi iaitu afektif, kontinuans dan normative sebagai variabel bersandar dalam hubungan dengan ganjaran ekstrinsik dan intrinsik sebagai variabel tidak bersandar. Sampel saiz sebanyak 243 responden daripada hypermarket: Giant Hypermarket dan Servay Hypermarket telah terlibat dalam kajian. Soal selidik yang ditadbir sendiri telah digunakan untuk memungut data daripada peserta, manakala statistik regresi digunakan untuk menguji hubungan antara variabel. Dapatan menunjukkan hubungan yang signifikan antara ganjaran ekstrinsik dan intrinsik dengan komitmen afektif, kontinuans dan normatif. Peluang kenaikan pangkat, kepuasan dengan faedah tambahan dan keadaan kerja merupakan ganjaran ekstrinsik manakala maklumbalas dan latihan sebagai ganjaran intrinsik didapati sebagai predictor kepada komitmen afektif, kontinuans dan normative, tetapi tidak untuk kepuasan bayaran dan penyeliaan. Jantina merupakan moderator yang signifikan dalam hubungan ini. Kajian lanjut untuk mengkaji sistem dan pendekatan ganjaran di hypermarket dicadangkan untuk menentukan komitmen organisasi yang lebih baik.



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LIST OF ABBREVIATIONS

FB	Feedback
OC	Organizational Commitment
PO	Promotional Activity
PS	Pay Satisfaction
SF	Satisfaction with Fringe Benefits
SPSS	Statistical Package for Social Science
SV	Supervision
TR	Training
WC	Work Condition

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CHAPTER 1

INTRODUCTION

1.0 Overview

In any organization, employee's rewards are usually given to attract, motivate and retain the employees to stay longer and contribute good quality services as assurance of organizational success; in other words, rewards play an important role in creating, building and maintaining the commitment among employees with the purpose to ensure high standard of performances and workforce stability. According to the individual-organizational exchange theme, individuals enter the organization with special qualification and skill, desire and goals, and expect in return a work setting where they can use their skill, satisfy their desire, and achieve their goals (Mottaz, 1988). At the minimum, employees expect their organization to provide fair pay, safe working condition, and fair treatment (Beer, Spector, Lawrence, Mills, & Walton, 1984). It simply implies that employees offer or increase their commitment when organization meets employees' expectation regarding fulfillment of their important needs. Thus, the exchange perspective explains organizational commitment as a function of work rewards and work values (Lambert, 2000; Mottazz, 1988), and suggests the importance of work rewards for continuously encouraging employees. According to exchange theory and reciprocity norm, employees repay the rewards received from organization through increased commitment to the organization, which re-enforce the exchange prevalent in the employee – employer relationship in a mutually beneficial manner (Blau, 1964; Haar and Spell, 2004).

In addition, Vroom (1964) maintained in his expectation theory that everyone works in expectation of some rewards in both spiritual and material. In other words, the level of rewards influences the quality and the quantity of work and will correspond with their commitment of doing job in the workplace.



Therefore, this paper studies the relationship between various types of rewards (extrinsic/intrinsic) received by the employees and the component of organizational commitment (affective, continuance and normative), focusing on hypermarket (retail industry) in Kota Kinabalu.

1.1 Research Problem

Over the last two decades, much research has explored issues related to effects of employee benefits or rewards at individual levels. On the whole, most studies explored the impact of employees benefits or reward on turnover intention, satisfaction, productivity, mobility, attraction, retention also motivation. Little is known about whether rewards or benefits have impact on organizational commitment, especially in hypermarket (retail industry) in the Malaysian context.

Meyer and Smith (2000) had found out that despite the vast literature on job attitude, the issue of commitment still remain ill-defined and ill-conceptualized. Reseachers argue these dissappointing reseach outcomes are due to a 'lop-sided' approach towards the study of commitment, which is conceptualized as a uni-dimensional construct (Mowday *et al.*, 1982) whereas commitment is actually found to be multidimensional construct comprising of three components (Allen and Meyer, 1990). Thus, the relationship between rewards and commitment also required further attention because majority of studies have based their approach solely on the affective component of commitment, neglecting the other two; continuance and normative (Dunham *et al.*, 1994; Meyer and Smith, 2000). It is argued that reseach is required to explore further the antecedents, especially, with regard to normative and continuance commitment (Allen and Meyer, 1990; Dunham *et al.*, 1994). Previous study by Neeru Molhotra *at el* (2007) tends to fill the gaps in the existing literature by doing the comparative effect of extrinsic and intrinsic rewards on the three components of commitment. However, as mentioned by reseachers, the possible differential antecedent of the three component models of commitment should continue to develop (Culpepper *et al.*, 2004, Hacket *et al.*, 1994; Meyer and Smith, 2000; Neeru Molhotra, Pawan Budhwar and Peter Prowse, 2007).

Furthermore, it is essential for top management to understand which rewards mean the most to which employees, given that the bases of their commitment are distinct. Nevertheless, the rate of greater understanding of this organizational phenomenon increases daily. The major driving force behind this is the continued recognition of commitment in the management literature as for more than three decades, it is often seen as the key of 'business success' (Benkhoff, 1997).

The retail industry has always suffered from high employee turnover rates. High employee turnover is costly to retailers not only because it increases administrative costs in recruiting and training employees but it also reduces the operational capability of the retailer. Good *et al.* (1988) had noted that the retail industry has one of the highest turnover rates at 30 percent. Turnover rate among retail management trainees, the entry position for retailing graduates, had been especially high with one study reporting the employee turnover rate as high as 49 percent. Yet, as Akehurst *et al.* (1995) had noted, despite the importance of personnel issues in the retail industry, retail employment is a comparatively under-researched area.

It had been suggested that high employee turnover in the retail industry is the result of the unique human resource environment in the retail industry. A career in the retail industry is not appealing to many workers. Coupled with the need to employ large numbers of workers in the industry, the retail industry is forced to employ large number of workers who are not motivated or interested to remain in the industry. This has resulted in high employee turnover rates in the industry. This statement was admitted by HR Manager of Giant and Servay Hypermarket, who stated that turnover rate in their hypermarkets is quite high where employees reported in and out monthly.

Meanwhile in these days, one of the major problems faced by all companies is the lack of the total commitment from their employees. In Malaysia for example, it is a common complaint that employees are no more loyal as they used to be in the past. As a result of lower commitment, employees leave their companies for slightly higher pay. And to cope with this problem, they have to adopt many

programmes and strategies in the effort to restore employee's commitment. Higher salaries can increase the attractiveness of a job, including in the retailing job (Swinyard *et al.* 1991). To motivate employees, retailers should review their reward policies and ensure that they are still competitive (Levy *et al.* 2001).

Based on above analysis, this study tends to examine the relationship between various intrinsic and extrinsic rewards and three components of organization commitment, taking the multidimensional perspective of commitment in retail industry, that is the hypermarket in Kota Kinabalu area.

1.2 Research Question

The study aims to understand the relationship between rewards and organizational commitment among workers in Kota Kinabalu hypermarkets. Accordingly, a few main research questions are examined in the research;

- (a) Is there a significant relationship between rewards and organizational commitment among workers in hypermarket (Kota Kinabalu)?
- (b) Is there a significant relationship between rewards and the affective, continuance and normative aspects of organizational commitment among workers in hypermarket (Kota Kinabalu)?
- (c) Is there a significant relationship between extrinsic rewards (working condition, pay satisfaction, satisfaction with fringe benefits and promotional opportunities) and organizational commitment (affective, continuance and normative) among workers in hypermarket (Kota Kinabalu)?
- (d) Is there a significant relationship between intrinsic rewards (training, supervision and feedback) and the organizational commitment (affective, continuance and normative) among workers in hypermarket (Kota Kinabalu)?

- (e) Does demographic factor such as gender has any moderating effect on the relationship between rewards and organizational commitment?

1.3 Research Objectives

Based on the assumption that employees rewards tend to attract, retain, and motivate employee, which eventually increase employee commitment, the purpose of this study are;

- (a) To determine the relationship between rewards and organizational commitment among workers in hypermarket (Kota Kinabalu);
- (b) To determine the relationship between rewards and the affective, continuance and normative aspects of organizational commitment among workers in hypermarket (Kota Kinabalu);
- (c) To determine the relationship between extrinsic rewards (working condition, pay satisfaction, satisfaction with fringe benefits and promotional opportunities) and organizational commitment (affective, continuance and normative) among workers in hypermarket (Kota Kinabalu);
- (d) To determine the relationship between intrinsic rewards (training, supervision and feedback) and organizational commitment (affective, continuance and normative) among workers in hypermarket (Kota Kinabalu); and
- (e) To determine the moderating effect of demographic factor such as gender on the relationship between rewards and organizational commitment.

1.4 Scope of the Study

The retail industry is used in this study to measure the relationship between rewards and organizational commitment in the industry. This is because; retail industry is the most important sector in terms of volume and value. Retail has been one of the most active sub-sectors in the Malaysian economy, also the second biggest contributor to the national GDP, contributing RM31,081 million (AUD14,603 million) in 2000 (Eighth Malaysia Plan, 2001). Based on Euromonitor's Retailing Report in Malaysia (2008), four main retail formats are hypermarket, supermarket, convenience store, and traditional grocery store. However, this study will only focus on one of retail format which is Hypermarket.

The study was conducted in the Kota Kinabalu area using non probability and convenience sampling. Kota Kinabalu was chosen due to the number and large variety of choice of formats available and also its highly dense population in Sabah.

1.4.1 Retail Industry in Malaysia

The rapid expansion of the Malaysian economy over the last few decades, combined with external and social influences has led to a boom in the retail industry. Consequently, the retail industry in Malaysia is highly fragmented, as there are a lot of retailers entering the competitive market each year.

Retail in Malaysia is wide-ranging; from department stores, hypermarket, supermarkets and mini markets, specialty shops, convenience stores, provision stores, pharmacies, medical halls, direct sale, wet market stalls to pavement shops and petrol kiosks (Seventh Malaysia Plan, 1996). Such variety reflects the changing demands and expectations among consumers for better quality products and services.

The retail environment in Malaysia has undergone a continuous and marked change over the decades. New facilities ranging from supermarkets and

superstores to retail warehouses and convenience stores have been added to the retail landscape, much at the expense of the traditional shop houses. The retail sector has been very active in the last few years due to the strong economic growth which had led to an increase in income levels and spending power. Furthermore, Malaysia has become a prime target for foreign investors like the Japanese, Americans and Europeans. Participation by foreign investors will support the industry by introducing future products for the higher quality of life as well as environmentally-friendly products.

1.4.2 Definition of Retail

Retailing refers to all activities directly related to the selling of small quantities of goods and services, at a profit, to the ultimate customers for personal consumption and non-business use (Mohd-Said, 1990). Guy (1980) for instance has categorized retail trade into three groups: (a) convenience goods which include groceries and daily provisions; (b) shopping or comparison goods which refer to relatively more expensive items bought at less regular intervals; and (c) specialty goods which are unique items that appeal to customers of the higher income level. Nevertheless, according to Miller and Layton (2000), many stores can still be grouped into the following retail types;

A *department store* carries a wide variety of shopping and specialty goods, including apparel, cosmetics, house wares, and electronics products. Some departmental stores are even attached a supermarket.

A *superstore or hypermarket* is a very large store that aims at meeting consumers' total needs for routinely purchased food and non-food items. It carries personal care products, alcoholic beverages and tobacco products, stationary and sewing supplies, hardware items, garden products, some clothing some leisure-time products and offers household services such as dry cleaning, laundry and shoe repairs.

A **discount store** is a retailer that competes on the basis of low price, high turnover and high volume.

Supermarkets are large, low cost, low margin, high volume, self-service stores that cater to serve the consumer's total needs for food and household products.

In Malaysia, the supervision of the wholesale and retail sector falls under the supervision of the **Ministry of Domestic Trade and Consumer Affairs** (MDTCA) through the Committee on Wholesale and Retail Trade. The Committee was set up in 1995 to regulate and supervise the industry, including foreign participation in the sector.

1.4.3 Hypermarkets

In Malaysia, the hypermarket has grown rapidly since the 1990s. The emergence of hypermarkets has altered the structure of the distributive trade in Malaysia to some extent. The existence of hypermarkets has allowed the consumers to do their shopping easily with less hassle as they can purchase the grocery products and mass merchandise under one-roof. A research carried out by Euromonitor (2008) revealed that hypermarkets recorded sales of RM6,217 million in 2007, which represents a 263.2 percent increase since 2002. Euromonitor has forecasted that the sales in hypermarkets will reach RM11,199.5 million by 2012. The success of the hypermarket chains is largely due to their low price, wide range of offerings, customer service and strategic location (Seiders and Tigert, 2000)

In the hypermarket segment, the main players are foreign owned retailers such as Carrefour (France), Makro (Holland), Jaya Jusco (Japan), Tesco (United Kingdom) and Giant (Hong Kong) which account for 46 per cent of the hypermarket sector (Economic Report, 2005/2006). By 2005 there were around 400 foreign supermarkets and hypermarkets spread around the country including the sub-urban areas in Kuala Lumpur and Selangor, and other states such as Perak, Johor, Negeri

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