

**THE INFLUENCE OF NON-MONETARY REWARD  
ON JOB PERFORMANCE OF EMPLOYEES IN  
THE HOTEL SECTOR**

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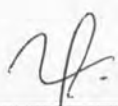
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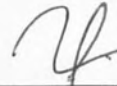


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## DECLARATION

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

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## CERTIFICATION

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*"This masterpiece is for my father, who taught me the meaning of perseverance, for my mother, who showed me the true meaning of love and for my siblings and friends, who have been there for me every step of the way"*



## **ABSTRACT**

### **THE INFLUENCE OF NON-MONETARY REWARD ON JOB PERFORMANCE OF EMPLOYEES IN THE HOTEL SECTOR**

Job performance is an outcome that can be measured in terms of quantity and quality of outcome. This study strived to examine the relationship between non-monetary rewards consisting of three independent variables and job performance. The specific objectives are to determine the relationship between recognition, promotion and training & development on job performance amongst employees of hotels located within shopping malls at 1Borneo, Kota Kinabalu. Using a quantitative method, one hundred and twenty one (121) hotel employees completed a survey questionnaire. Findings showed that recogniton and training & development has a significant relationship with job performance among hotel staff. The finding of study will not only provide a guideline and base reference to the management but to the hotel employees themselves in understanding what are the non-monetary rewards that move them to perform effciently.



## ABSTRAK

*Prestasi kerja merupakan suatu hasil yang boleh dikenalpasti dalam bentuk kuantiti mahupun kualiti. Kajian ini bertujuan mengenalpasti hubungan di antara ganjaran bukan kewangan yang terdiri daripada tiga pembolehubah bebas dan prestasi kerja. Pembolehubah bebas terdiri daripada penghargaan, kenaikan pangkat serta latihan dan pembangunan. Objektif khusus kajian ini adalah mengenalpasti hubungan antara tiga pembolehubah tersebut dgn prestasi kerja di kalangan pekerja hotel yang berlokasi di pusat membeli belah di 1Borneo, Kota Kinabalu. Dengan menggunakan pendekatan kuantitatif, seramai seratus dua puluh satu (121) pekerja hotel telah melengkapkan borang soal selidik. Keputusan kajian menunjukkan penghargaan dan latihan dan pembangunan secara signifikannya berkaitan dengan prestasi kerja. Penemuan ini memberikan panduan serta rujukan asas yang bernilai kepada pihak pengurusan mahupun pihak pekerja hotel. Panduan tersebut memberi kefahaman mengenai ganjaran bukan kewangan yang boleh memberi motivasi dalam pekerjaan.*



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## CHAPTER 1

### INTRODUCTION

#### 1.0 Overview of Hotel Industry in Sabah and HR issues in Sabah

The tourism industry in Sabah is booming with the State now having 443 hotels compared to only 279 hotels in 2005 (News Sabah Times, 2010). This shows that the growth of tourism also influences the growth of hotel in Sabah. The growth of hotels will contribute to the development of the tourism in Sabah with this increased the capacity of accommodation. Table 1 below depicts that total number of tourist arrivals continues to increase for both local and international markets.

Table 1: Tourist annual arrivals to Sabah

Nationality	2009	2010
International	562,144	795,953
Malaysian	1,683,924	1,708,716

Source: Sabah Tourism Board 2011

Over the past ten years, hotel development in Sabah receives a new trend that of building hotel within the shopping malls. Even the Assistant Minister of Tourism, Culture and Environment, Datuk Bolkiah Ismail mention that building of hotels must be within easy reach to an array of shopping precinct and eating outlets (New Sabah Times, 2010). This statement is supported by Chief Minister of Sabah, Datuk Seri Musa Aman during a talk for Kuhara Point project where he stated that hotels need to have facilities such as shopping centre to attract the tourists (New Sabah Times, 2009).

Table 2 below show this recent trend of hotels within shopping malls based on location in Kota Kinabalu.

Table 2: Hotels and number of rooms in shopping mall hotels

KK Times Square		Warisan Square		1Borneo	
Hotel	Room	Hotel	Room	Hotel	Room
Manja Hotel	34 rooms	Imperial International hotel	208 rooms	Courtyard Hotel	156 rooms
Kingston Hotel	72 rooms	Imperial Boutec Hotel Waterfront	93 rooms	Novotel Hotel	263 rooms
KK Times Square Hotel	40 rooms	Le Hotel Kota Kinabalu	40 rooms	Grand Borneo	325 rooms
		Myne Hotel	72 rooms	Tune Hotel	165 rooms
Total	146 rooms	Total	413 rooms	Total	909 rooms

Source: Sabah Tourism Board (2011)

The soon to be developed Oceanus Waterfront Mall which is still under construction also combines Grand Swiss-Bel Hotel within the shopping malls. It is expected to have 365 rooms. Based on the total number of rooms, this research will focus on 1Borneo as it is one of the largest shopping mall consist of 4 international & regional chain Hotels. The location also suitable to organize big event that eventually may attracts a lot of tourist to have short stay and spend time on shopping activities.

As a sub-sector or segment of the tourism industry, the shopping industry has a significant role to play in the economy. According to Tourism Malaysia (2009), shopping holds the second biggest share of tourist expenditures after accommodation, with its contribution of RM13,282.4 million in 2008, compared to RM12,254.6 million in 2007, signifying an increase of 8.4%. In 2000, when the first Malaysia Mega Sale Carnival was organized, shopping only constituted 23.1% of total tourist expenditures. Last year, it constituted about 26.8% of total tourist expenditures. Even the Tourism Minister Datuk Seri Dr Ng Yen Yen highlighted to get tourists to shop more and hoping to increase shopping expenditure of tourists by 10% by the year 2020 (The Star, 2011). Shopping malls in 1Borneo have elevated Kota Kinabalu's status as a premier shopping destination in the region and brings competitive advantages in the market (Borneo Post, 2008). Indeed, such a competitive advantage might well make one

destination superior to the others, thereby transforming it into the most attractive for potential travelers (Gomezelj and Mihalic, 2008). For this reason, there is this new trend of hotels built within the shopping malls in order to cater for the needs of the tourists.

As the hotel within the shopping mall will be an attractive accommodation location for tourists, hotel management should ensure that good quality service is provided by their employees. Specifically, the human resource department will need to create or enhance their strategies in terms of providing or improving non-monetary rewards to encourage employees to perform outstanding quality services. The right type of non-monetary rewards will increase employees' job satisfaction which will in turn encourage them to perform well in their job, including the provision of quality service for the guest. Hence, it is important for hotel managers to know how their employees feel at work and what they want (Lam et al., 2001), since employee attitudes towards their jobs could directly affect their performance and, indirectly, hotel productivity and returns. Hotel companies can utilize a variety of non-monetary rewards to achieve desired performance behaviors. Training and development (T&D), for example, can be used for knowledge or skill acquisition and development, teamwork, quality improvement, innovation, and productivity (Mak and Akhtar, 2003). T&D programs are often employed to develop different competencies (Agut et al., 2003), enabling employees to function more effectively, reduce costly mistakes in performing their tasks, and enhance job performance (Johnson et al., 1986).

According to Pfeffer (1998), reward is defined as something that boosts the frequency of employee achievement. In other words, when an employee is given reward, the organization in hotel industry expects that the employee will engage in new behaviors and produce better results which describe as job performance. Rewards cover two parts which are monetary and non-monetary. This research focuses on the non-monetary because previous research has found that rewards in term of financial such as good wages always ranked first (Charles and Marshall, 1992). However, Siu, Tsang



and Wong (1997) argue that opportunities for advancement and development turn out to be the first important factor in Hong Kong hotel industry. Moreover, different countries have different types of culture and rewards that influence the job performance of hotel employee.

For example, the Assistant Industrial Development of Sabah, Minister Jainab Datuk Ahmad explains that "the wages for hotel workers, especially the 'rank and file' are very low in Sabah and employee have to depend on service points" (New Sabah Times, 2008). Service point depends on rooms sold, and when guests are satisfied with good service quality, they are likely to return. In order to make employees provide high levels of service quality, hotel management need to offer numerous types of non-monetary rewards so that employees feel satisfied and subsequently perform well in their job (Jensen, McMullen and Stark, 2007). According to Jensen et al., (2007) several studies have indicated that non-monetary rewards can motivate individuals more than cash. The purpose of non-monetary rewards is to reward employees for excellent job performance. According to Chiang and Birth (2008), non-monetary rewards include recognition, promotion, power and responsibility and training and development.

### **1.1 Problem Statement**

If we consider occupancy level are high then quality service of hotel is clearly an important issue. Hotels are physical structure supported by human resources that enable the delivery of service. The importance of delivering quality service is the motivation of all individual employees whether professional, skilled or unskilled (Baum, 2006). In the hotel industry, the quality of service given is very important to the success of hotels. An important factor towards ensuring quality service is job performance amongst hotel employees.



The management of hotels develops strategies to ensure good job performance amongst staff. One of the strategies is the reward system in term of non-monetary rewards which can provide satisfaction with the job. Rewards might play a crucial role in providing satisfaction amongst staff that work in hotel sector. Dieleman, Viet Cuong, Vu Anh, Martineau (2003) describe that job satisfaction includes positive feelings that can intuitively lead to improved work performance. Satisfaction drives motivation which then influences job performance. The provision of good service quality depends on employee's job performance which is linked to their motivation levels based on Herzberg's Theory (Walker and Miller, 2010). So, job performance maybe the factor which provides competitive advantage for these hotels. Dieleman et al (2003) stated that to provide good quality service, it is important to develop strategies which influence staff motivation for better performance. The most common strategies to influence staff motivation towards performance are by rewarding them.

Non-monetary rewards vary in their roles, effectiveness, and appropriateness, depending on the type of incentive (Kohn, 1993). Various kind of non-monetary rewards can be very effective motivators if the hotel industry activate people's needs and desires or related to employees reason for working. One of the problems is that what motivates one person leaves another indifferent, yet to treat people fairly will require provision of rewards with equal value for equal performance (Walker and Miller, 2010). These methods of triggering motivation begin with carrot principle of dangling reward for good performance. It demonstrates people's needs or wants, as the reward will influence the employee to work hard in expectation of getting it. If the employees do not want the carrot, it has no effect. The employees need to have motivation which activates the desire by the expectation of reward. Motive can be known as human being needs and desires (Shahid and Chavakkad, 2009). Herzberg's theory points out motivating factors such as status, recognition, promotion, a sense of personal achievement and personal growth (Agomo, 2008). The motivation theories acknowledge the direct link between a worker's performance and motivation. These theories offer some guideline for designing rewards either financial rewards or nonfinancial rewards to motivate employees in order to increase performance.



Organization should offer different incentive to employee with the purpose of motivate them. This is because the main drawback, in the eyes of employees that work in hotel sector are long hours, tedious work and on the feet a lot (Baum, 2006). Based on the above discussion, the purpose of this study was to assess the reward factors in the non-monetary category that influence employees working in hotels within shopping malls. The next section presents the research objectives.

## **1.2 Research Objectives**

From above literature, this study is conducted to achieve few objectives from the point of view of hotel management to help to find the suitable solution in providing non-monetary rewards in order to develop better job performance among hotel employees. For the purpose of this study, it is very important to look at the relationship between job performances with non-monetary rewards.

The overall objectives of the study are to examine the relationship between non-monetary rewards consisting of three independent variables and job performance. The specific objectives are to determine:

- i. The relationship between recognition and job performance amongst employees of hotels located within shopping malls.
- ii. The relationship between promotion and job performance amongst employees of hotels located within shopping malls.
- iii. The relationship between training and development and job performance amongst employees of hotels located within shopping malls.

### **1.3 Scope of Study**

The scope of this study is limited to hotel employees employed in hotels located within shopping malls in Kota Kinabalu. Even though hotel business consists of activities like relaxing and pleasure, Eisenhardt (1989) had stated that rewards correspond to as important system by which employee behaviors can be aligned with the benefit of the company. Besides, the scope of study in the research paper covers the new trend of hotels located within shopping malls which become one of the major tourist attractions in Sabah.

### **1.4 Significance of the study**

Under theoretical part, it will contribute to literature on hotel employees and job performance. For practical purposes, it will cover new angle by focusing the non-monetary issue that influence job performance of employee that work at hotel sector. Usually, staff reward in the hotel industry is related with business model of Service Profit Chain by Heskett, *et al* (1997). Here, profit made by the hotel industry is connected with customer loyalty. Customer loyalty is based on customer satisfaction and these are influenced by the value of services provided by hotel employees. In addition, this study may help the hotel management to create more effective types of non-monetary reward which encourage them to work more efficiently and effectively in their service toward hotel guest. Therefore, if the employees are motivated by the reward given, they will in return provide good service towards the hotel guests.

Besides that, the study can help the hotel management to understand and identify what types of non-monetary rewards that really boosts up the performance of the employees. Then, the study will help the hotel management to look at whether the reward system satisfied the employees in order to maintain their job performance as well as the overall organization's performance.

Finally, the results and findings in this study can be used as a references for further investigation about the factors that influencing the job performances 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 variety of non-monetary rewards which influence employee's job performances.

### **1.5 Operational Definition of Variables**

For the purpose of clarification in this study, the following terms are defined for better understanding of the hospitality organization.

**1.5.1 Recognition** is defined as positive recognition that occurs when employees are praised or their ideas are accepted (Ruthankoon and Ogunlana, 2003).

**1.5.2 Promotion** is defined as the availability of opportunities for advancement (Ivancevich and Matteson (2002).

**1.5.3 Training and Development** is defined as opportunity to improve skills and abilities in current tasks which increase employee satisfaction with the job and workplace (Decenzo and Robbins, 1994). For this study, the working definition used is the commitment shown by the organization towards providing training and development for employees.

**1.5.4 Job Performance** can be categorized into two types which are contextual and task performance. The task performance can be defined as activities that transform raw materials into the good and services that produced by the organization meanwhile the contextual part refer as those behaviors that contribute to the organization's effectiveness by providing good environment in which task performance can happen (Aguinis, 2009).

## **1.6 Organization of the Study**

Chapter one has provided an overview of the study which includes the problem statement, research questions, the scope and objectives of the study and the significance of the topic chosen.

Chapter two covers the literature on the subject being studied. It looks into past research on the subject of reward and performance. It also covers other variables such as recognition, promotion and training and development that would influence job performance.

Chapter three outlines the theoretical framework and the research methodology that is used in the study. It includes the type of the study, research design, unit of analysis and measurement, population sample, data collection and data analysis methods.

Chapter four is concerned with the data analysis and findings of the study. This chapter presents the responders' profile; and the discussion of the findings on this study.

Chapter five is the final chapter, which recapitulate the finding, and provided the discussion and recommendations based on the findings of the study. This chapter also highlights the limitations of the study and offers some suggestions for future research.



## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter focuses on the literature review of the dependent and independent variables involve in the research which are the job performance and non-monetary rewards that include recognition, promotion and training and development. Suvorov and Ven (2009) describe rewards as tools to motivate employees. The purpose of this chapter is to review the previous literature on variables and focuses on the relationship between job performance with non-monetary rewards. It also examines the contribution of non-monetary rewards that influence on employee job performance. Furthermore, it also discusses Herzberg's Hygiene and Motivation theory which is related to performance of the employees.

#### 2.1 Job performance

Performance is determined by combination of declarative knowledge, procedural knowledge and motivation (Aguinis, 2009). Declarative knowledge is about information about fact or information regards to task and goal. According to Aguinis (2009), procedural knowledge usually involve with the combination of knowing what to do and how to do it. Both declarative and procedural knowledge are determinants of employee's performance. Finally, motivation such as willingness to perform becomes third determinant of performance. All this three determinants must always be present

in order for performance to achieve high levels. In other words, the three determinants have a multiplicative relationship, such that

$$\text{Performance} = \text{Declarative Knowledge} \times \text{Procedural Knowledge} \times \text{Motivation}$$

(Source: Aguinis, 2009)

Job performance can be categorized into two dimensions which are task and contextual performance (Aguinis, 2009). But some researcher debating that employee can be highly proficient at their task but will consider as an underperformer regarding contextual performance (Borman et al., 1997). Performance dimensions have also been said to vary according to job, position, organization and industry (Brown et al., 1993). Declarative knowledge contributes to task performance where as both declarative and procedural knowledge contribute to an employee's contextual perform.

Based on Aguinis (2009), task performance can be defined as activities that transform raw materials into the good and services that produced by the organization. Meanwhile the contextual part refer as those behaviors that contribute to the organization's effectiveness by providing good environment in which task performance can happen. The concept of task performance by Aguinis also supported by Cascio et al. (2005), where he explain that task performance also related with activities that help with the transformation process by replenishing the supply of raw materials, distributing its finished products, or providing important planning, coordination, supervising or staff functions that enable the organization to function effective and efficiently. Aguinis (2009) argues that contextual performances consist of behaviors like persisting with enthusiasm and exerting extra effort as necessary to complete one's own task activities successfully by being punctual and rarely absent during working time. Others behaviors will be following the company rules and procedures such as following proper regulations, showing respect for authority and complying with organizational values and policies. Both task and contextual performance are important dimensions to take into account in performance management systems

## 2.2 Rewards: Non-monetary

In the past, hotel employees earnings were considered part of a total rewards systems where one formula given by Mars, Bryant and Mitchell (1979) stated earnings could be considered as follows:

"Basic pay + subsidised lodging + subsidised food + tips + service charges (where applicable) + fiddles & knock offs"

Later, even lodging and food were added on to the earnings completely free of charge. But currently, hotel employee earnings are divided more clearly into monetary and non-monetary rewards. According to Lawler (2003), there are at least two factors that determine the attractiveness of a reward; one is how much of the reward is being offered and the second is how much the individual values the type of reward that is being offered. Charles and Marshall (1992) have justify that reward offer in term of financial aspect is probably the main attraction for employee to perform better. But Lawler (2003) argue that the more the individual values the type of reward, the greater the motivational potential. The value of these rewards can be perceived at non-monetary rewards based on employee achievement in job performance.

According to Mauldin (2004), managers believe that employees prefer monetary rewards system when it comes to income, but still Jensen, McMullen and Stark (2007) argue that non-monetary rewards can motivate employees more than money. The non-monetary rewards are tangible rewards provided and controlled by a firm, although they do not necessarily benefit employees in a monetary sense. These non-monetary rewards include recognition, promotion, power and responsibility, and training and development (Chiang and Birth, 2008). Unlike monetary rewards, non-monetary rewards do not usually offer employees with a direct or immediate material benefit, although in some cases, promotion or training and development may signal upcoming for financial returns such as pay rise. For this reason, it is important for hotel management to understand the values of rewards, how their employees feel at work and what they want in order to obtain successful advantage in competitive market. If



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