

# **Employees Perceptions on Reward Practice at Toyota 3S Centre:**

## **A Case Study in Malaysia**

### **PERCEPTIONS DES EMPLOYÉS SUR LA PRATIQUE DE RÉCOMPENSE AU CENTRE DE 3S TOYOTA:**

#### **UNE ÉTUDE DE CAS EN MALAISIE**

**Zaherawati Zakaria<sup>1</sup>**

**Zaliha Hj Hussin<sup>2</sup>**

**Nazni Noordin<sup>3</sup>**

**Mohd Zool Hilmie Mohamed Sawal<sup>4</sup>**

**Zuriawati Zakaria<sup>5</sup>**

**Mohammad Faiz Mohammad Noor<sup>6</sup>**

**Priscilla Maras<sup>7</sup>**

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<sup>1</sup> (Corresponding author) Faculty of Administrative Science & Policy Studies, Universiti Teknologi MARA, P. O Box 187, 08400 Merbok, Kedah Malaysia

Email: zaherawati@kedah.uitm.edu.my

<sup>2</sup> Faculty of Administrative Science & Policy Studies, Universiti Teknologi MARA, P. O Box 187, 08400 Merbok, Kedah, Malaysia

Email: drzaliha@kedah.uitm.edu.my

<sup>3</sup> Faculty of Administrative Science & Policy Studies, Universiti Teknologi MARA, P. O Box 187, 08400 Merbok, Kedah, Malaysia

Email: nazni@kedah.uitm.edu.my

<sup>4</sup> Faculty of Information Management, Universiti Teknologi MARA, P. O Box 187, 08400 Merbok, Kedah Malaysia

Email: zoolhilmie@kedah.uitm.edu.my

<sup>5</sup> Faculty of Business & Finance, Department of Finance, Universiti Tunku Abdul Rahman, KamparJalan Universiti, Bandar Barat, 31900 Kampar, Perak, Malaysia

Email: zuriawatiz@utar.edu.my

<sup>6</sup> Faculty of Administrative Science & Policy Studies, Universiti Teknologi MARA, P. O Box 187, 08400 Merbok, Kedah, Malaysia

Email: nazni@kedah.uitm.edu.my

<sup>7</sup> Faculty of Administrative Science & Policy Studies, Universiti Teknologi MARA, P. O Box 187, 08400 Merbok, Kedah, Malaysia

Email: zaherawati@kedah.uitm.edu.my

\*Received 20 December 2010; accepted 9 February 2011

**Abstract:** Reward practice is the term which referring to the rewarding approaches which includes several rewarding programs as applied in many organizations today in both public and private sectors. Employees today are more concerning on the rewarding approaches in which they seek for the ground elements that should be demonstrated in accordance to ensure that one's organizational reward practice will be effective as possible. Thus, the study is to investigate the relationship between employees' perception on transparency, fairness, controllability and the reward values of reward practice and employees' performances at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah in 2009. By using the convenience sampling technique, the employees were given questionnaires regarding the reward practice in the organization to be answered. Due to the small populations in the company are 82 persons comprises of the employer and the employees. As a result of findings, the study shows that all factors were not significant to contribute employees' performances. Moreover, even the transparency factor which gives the highest degree of contribution still not significant. As recommendation, the study suggest that organization should be aware on the rights of the other potential employees to be listed in the reward programme. Thus, the top management need to assign the specific resource person to run the performance appraisals because the level of commitment to work were not only on the basis of how many cars were repaired; or how many car being sold; but it also involves with the quality of work, the punctuality of finishing job, the discipline and ethics manner and also the employee efforts towards knowledge sharing. In future research, the organization should have to encounter this problem by allocating the most valued reward only for the high achievers in the organization. The reward values may not only necessary to be in the monetary form, but should also alternatively being provided in other form such as the employer's appraise in the employee recognition.

**Key Words:** Reward; Practice; Employees; Employer; Performances; Compensation; Recognition

**Résumé:** La pratique de récompense est le terme qui réfère à l'approche de la récompense qui comprend plusieurs programmes de récompense tel qu'il est appliqué dans des nombreuses organisations aujourd'hui dans les deux secteurs public et privé. Les employés d'aujourd'hui sont plus concernes sur les récompense qui abordent dans lequel ils cherchent pour des éléments de base qui devraient être démontrée conformément de telle sorte que la pratique de recompense de l'organisation sera la plus efficace que possible. Ainsi, l'étude est d'étudier la relation entre la perception des salariés sur la transparence, l'équité, la contrôlabilité et la valeur de récompense de la pratique et les performances des employés au centre de 3S SP Selatan Otomobil Sdn, Kedah a TOYOTA en 2009. En utilisant la technique d'échantillonnage de commodité, les questionnaires concernant la pratique de récompense de l'organisation ont été données aux employés afin de collecter leur réponse. En raison de la faible population dans cette entreprise de 82 personnes composée de l'employeur et les employés. À la suite de ces recherches, l'étude montre que tous les facteurs n'étaient pas significatifs pour contribuer la performances des employés. En outre, même le facteur de transparence qui donne le plus haut degré de la contribution reste pas significative. Comme dans la recommandation, l'étude suggère que l'organisation doit être conscient sur les droits des autres employés potentiels pour figurer dans le programme de récompenses. Ainsi, les cadres supérieurs ont besoin d'affecter la personne de ressource spécifique pour exécuter les évaluations de performance parce que le niveau d'engagement au travail ont été non

seulement sur la base de combien de voitures ont été réparées, ou combien de voitures ont été vendues, mais il implique également la qualité du travail, la ponctualité de finition du travail, la discipline et de façon éthique, ainsi que les efforts des employés vers le partage des connaissances. Dans des recherches de futures, l'organisation devrait avoir à rencontrer ce problème en attribuant la récompense la plus précieuse seulement pour les très performants dans l'organisation. Les valeurs de récompense peut non seulement nécessaire d'être sous la forme monétaire, mais aussi être fourni de manière alternativement sous forme de l'évaluation des employeurs dans la reconnaissance des employés.

**Mots clés:** Récompense; Pratique; Les salaires; Employeurs; Performances; La remuneration; La reconnaissance

## **1. INTRODUCTION**

Reward practice is essential as to be reinforced and as an incentive motivator towards achieving the organizational overall performance. Those employees with the astonishing performance will expect that their exceptional contributions will be recognized and also to be appreciated by the top management. At present, reward practice have been adopted by numerous organizations either both organizations in public or private sector. As stated by Bowen (2000), in a world of downsizing, doing more with less, reward/recognition are vitally important to boost morale and creating goodwill between employees and managers. At the same time, lack of reward and recognition is cited as one of the main reasons behind employee turnover (Urichuk, 1999). But, on top of it, there should be in concern that a poorly designed reward practice may only turns out as a de-motivator to the employees instead of motivating them.

The ability to achieve the company's critical business goals is the preferred criteria imposed by majority of organizations today to reward their employees. According to Mayo (1998), not many companies could significantly instil the joy of working in performing duties and responsibilities if there are inadequate rewards being promised. Moreover, reward provides a visible means of promoting quality efforts and telling employees that the organization values their efforts (Evans and Lindsay, 2003). Darling (1997) claims that employers had waste thousands of dollars on many incentive programs that employees do not want. Goetsch and Davis (2003) states that before investing in reward and recognition system, organizations should survey their employees' preferences because different people respond to different incentives. Darling et al. (1997) states that reward programs are pivotal in developing a unified, strategic approach to organizational motivation. She adds; when reward being handled poorly, reward programs frustrate employees and drain organizational resources. When employees feel they are not being rewarded as they deserve, motivation may suffer, leading to resentment and low morale. As published in the TOYOTA's official website and its journals, TOYOTA claims that they had already providing the proper dissemination and do highly concerns on the results of the reward and recognition programmes as to keep their employees bend with the organization to work with. The researchers were intended to discover the employees' perception on the probable reward that they should gain accordingly with their service quality and determination of work towards the customers, the reward values, and also the ethical concern of a proper dissemination of rewards among employees regardless of position status and gender difference in the organization.

## **2. STATEMENT OF THE PROBLEM**

According to Brian (2005), the unreliable reward system brings the 'compensatory damage' that has hugely detrimental effects to the financial performance of the organization. It results in significantly reduced human productivity, increased human conflict within the organization, and perceptions of internal unfairness. The reward program still can be doubted and questioned on its value and the fairness or equity level in its dissemination among employees.

The organization conducts a daily report on the computerized employees work evaluation as a basis to reward their employees. Incentives are given based on the units of cars being sold or car service done and also the employees' motivation to work by referring to the hours work done in a month. In the respective organization Administrative Manager; Mr Khoo Choon Hwa point of view, the heavily dependents on the computerized performance appraisal was doubted to be reliable in evaluating all employees' performance as there are lacks of personal consideration in judging the employees work quality. Thus, this research was conducted to address the investigation on the implementation of the reward practice as this research seek for the ground truth of the TOYOTA's statement on its concern on the implementation of reward practice. This research were also studying on two contradictions; if successful, how effective were the elements and approaches of reward being utilized and if poorly conducted, what contributes to the undesired results of such reward programmes.

### **3. LITERATURE REVIEW**

According to Thierry (1987), the relationship and reliability of a reward practice to ensure its effectiveness are influenced and depends on the perceived characteristics which acts as the determinants, namely (1) *transparency*, (2) *fairness*, (3) *controllability*, (4) *reward value*. These characteristics reflect to the above independent variables (IV) towards the influence on the dependent variable (DV) which is the relationship between reward practice and employees' performances. The employees' perception towards the transparency of a reward practice depends on two characteristics which refer to the communication and complexity. The need for a transparent system involves the preferences towards having a clear communication of how the reward are distributed and offered and also the concerns on the understanding of the methodologies, measures and targets used while introducing any rewards. The employees need to understand the connection between the company's business objectives, how they contribute, and how they are rewarded. Perceived uncertainty decreases the effectiveness of incentive compensation (Gibbons, 1998).

Ivana, Lovorka, and Nevenka (2009) founds that reward practice must satisfied a full and open transparency regarding awards, the communication of the availability of the rewards, the criteria to be satisfied, and the identification of the award recipients. Porter, Lawler, and Hackman (1975) states that the reward process as being transparent should be demonstrated by the clarity of the link between the extra effort and the reward being given. He was also concerns with the way rewards are administered within the reward system by suggesting that, in order to acquire positive motivational properties, the distributed incentive scheme rewards made by organizations have to be performance-dependant based. Any deviation in this ratio causes a state of inequity (Locke and Henne, 1986). According to Janssen (2001), empirically those managers who perceived the effort-reward fairness perform better than managers who perceive they are unfairly rewarded. In other words, those who perceived themselves are equally rewarded based on their achievement compared to others, they will turns to be satisfied and also will insists to performs better for the future to grab the other promised rewards by the employer. Even though the need for having fairness in rewarding others in one organization seems to be clearly understood theoretically, biased, inaccurate and inflated, the performance evaluations have often been reported in economic studies (Prendergast, 1999).

The new-introduced reward offers should be salient, non-discriminatory and noticeable so then employees are eligible to performing the required tasks. Such actions of one particular employee to inform the other employees that was appraised as being in a state of below their average performance would make the respective employees being unhappy in the short run, such as the title of 'The Employee Of the Month' and even more, the existence of the inaccurate or untrue and undifferentiated evaluations can reduce the effectiveness of rewarding in organizations (Prendergast, 1999). Hence, the perceived fairness is expected to have a positive relationship with the reward effectiveness in one respective organization.

According to Baker (2002), the definition of controllability is the extent to which the employees are able to control or influence the outcome. The effect regarding a certain amount or degree of effort on the employees performance measurement should vary as minimum as possible in order to have such control over one's reward. Therefore, it can be claims that the stronger the degree of the perceived controllability

over the reward practice is, the higher will be the level of effectiveness of the reward towards achieving the employees' performance.

According to Brian (1991), the employees must believe that the rewards are contingent upon the performance. In other explanation, the rewards are directly linked to performance where a given level of performance is an absolute precondition for receiving the reward. The employees are also must believes that they have the necessary skills or abilities to perform at the required level in the organization. If the employees believes in otherwise, then consequently there will be no reward would help. Instead of it, an appropriate form of orientation and training may be the alternative answer.

Galbraith (1973) claims that the reward system should be aligned to motivate employees' performance that is consistent with the firm's strategy, attract and retain people with the knowledge, skills, and abilities required to realize the firm's strategic goals, and create a supportive culture and structure. As discussed by Bretz, Milkovich and Read (1992), the current performance of the employees can be uplift by having a well developed performance appraisal, reward and the bonus system. So, the rewarding programs itself should have to influence the employees' performance in the positive way as expected by the employer. They also adds that the performance ratings can theoretically be used to identify further training needs, management problems, and candidates for promotions, job rotation, and dismissals or layoffs.

## **4. METHODOLOGY**

This research was using the non-probability convenience sampling and provides a set of 82 questionnaires comprises of several questions upon the employees' perception of the reward practice which related to the organizational performance were all formulated as statements. The collected data is using the SPSS Version 16.0 through Descriptive data and Correlation.

## **5. FINDINGS**

### **5.1 Profile of the Respondents**

The researchers discussed about the profile of respondents comprises of age, gender, marital status, race, years of services, monthly nett salary, level of education, reward experienced and types of rewards.

As indicated in Table 1, it shows that the age between 20-25 years old was the highest number of respondents that have experienced the reward given by the organization which were 29 (45.3%) respondents followed by age of 26-30 years old which were 17 (26.6%) respondents, 31-35 years old which were 12 (18.8%) respondents, 36-40 years old which were 4 (6.2%) respondents, and lastly 41-45 years old which were 2 (3.1%) respondents.

**Table 1: Age of Respondents**

Age	Frequency	Percent
20-25	29	45.3
26-30	17	26.6
31-35	12	18.8
36-40	4	6.2
41-45	2	3.1
Total	64	100.0

Based on Table 2, it shows that male was the highest gender of respondents that have experienced the reward given by the organization which were 36 (56.2%) respondents and followed by female which were 28 (43.8%) respondents.

**Table 2: Gender of Respondents**

Gender	Frequency	Percent
Male	36	56.2
Female	28	43.8
Total	64	100.0

Based on the Table 3, the study found that the highest marital status of respondents in TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah were married which was 33 (51.6%) respondents followed by single which were 31 (48.4%) respondents.

**Table 3: Marital Status of Respondents**

Status	Frequency	Percent
Single	31	48.4
Married	33	51.6
Total	64	100.0

Based on the Table 4, the researchers found that the highest type of race of respondents in TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah were Malay which was the highest one by 35 (54.7%) respondents, followed by Chinese which were 21 (32.8%) respondents, and lastly Indian were 8 (12.5%) respondents.

**Table 4: Race of Respondents**

Race	Frequency	Percent
Malay	35	54.7
Chinese	21	32.8
Indian	8	12.5
Total	64	100.0

As shown on the Table 5, the study found that the longest years of services respondents in TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah were 2-5 years which were 33 (51.6%) respondents followed by less than one year which were 25 (39.1%) respondents, 6-10 years which were 4 (6.2%) respondents and the least; 11-15 years and above which were 2 (3.1%) respondents.

**Table 5: Years of Services of Respondents**

Years	Frequency	Percent
<1	25	39.1
2-5	33	51.6
6-10	4	6.2
11-15>	2	3.1
Total	64	100.0

Based on the Table 6, it shows that the most of the respondents receives the monthly nett salary of below RM 1000 which were 26 (40.6%) respondents, followed by RM 1501-2000 which were 15 (23.4%) respondents, then RM 1001-1500 which were 14 (21.9%) respondents, next RM 3001 and above which were 4 (6.2%) respondents, RM 2001-2500 which were 3 (4.7%) respondents, and lastly RM 2501-3000 which were 2 (3.1%) respondents.

**Table 6: Monthly Nett Salary (in RM) of Respondents**

Monthly Nett Salary (RM)	Frequency	Percent
<1000	26	40.6
1001-1500	14	21.9
1501-2000	15	23.4
2001-2500	3	4.7
2501-3000	2	3.1
>RM 3001	4	6.2
Total	64	100.0

Based on the Table 7 above shows that most of the respondent in TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah was the STPM/ Diploma holder which were 29 (45.3%) respondents and followed by SPM holder which were about 24 (37.5%) respondents, Degree holder about 8 (12.5%) respondents, and the least was the Certificate Based on the Table 8 above, the researchers found that all employees of TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd had received the reward in which all 64 (100%) respondents answers Yes and no one answers No (0%). Skills/ Vocational holder which were 3 (4.7%) respondents.

**Table 7: Level of Education of Respondents**

Level of Education	Frequency	Percent
SPM	24	37.5
Certificate Skills/ Vocational	3	4.7
STPM/ Diploma	29	45.3
Degree	8	12.5
Total	64	100.0

**Table 8: Reward Experienced by Respondents**

Reward Experienced	Frequency	Percent
Yes	64	100.0
No	0	0.0
Total	64	100.0

Based on the Table 9, the researchers found that the most types of reward received by respondents in TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah was the Monthly Monetary Reward which were 49 (76.6%) respondents, followed by Employee Recognition Award which were 9 (14.1%) respondents, then Travel Incentive which were 4 (6.2%) respondents, next was Promotion and Gift or Merchandized which were both equals to 1 (1.6%) respondents and there was no respondent answers for the Health Care Benefits (0%).

**Table 9: Types of Reward of Respondents**

Types	Frequency	Percent
Monthly Monetary Incentives	49	76.6
Travel Incentive	4	6.2
Promotion	1	1.6
Employee Recognition Award	9	14.1
Health Care Benefits	0	0.0
Gift or Merchandized	1	1.6
Total	64	100.0

## 5.2 Result of Findings (Pearson Correlation)

### Hypotheses 1 The Relationship Between Employees' Perception On Transparency of Reward Practice and Employees' Performances

H1 There is a significant relationship between employees' perception on transparency of reward practice and employees' performances at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah.

Table 10 shows there was no significant relationship between employees' perception on transparency of reward practice and employees' performances where  $p > 0.05$  ( $p = 0.366$ ) and  $r = 0.115$ . So, the researchers rejected the H1.

**Table 10: The Relationship Between Employees' Perception On Transparency of Reward Practice and Employees' Performances**

	Transparency
Pearson Correlation	0.115
Sig. (2-tailed)	0.366
N	64

### **Hypotheses 2 The Relationship Between Employees' Perception On Fairness of Reward Practice and Employees' Performance**

H2 There is a significant relationship between employees' perception on fairness of reward practice and employees' performances at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah.

Table 11 shows there was no significant relationship between employees' perception on fairness of reward practice and employees' performances where  $p > 0.05$  ( $p = 0.872$ ) and  $r = 0.021$ . So, the researchers rejected the H2.

**Table 11: The Relationship Between Employees' Perception On Fairness of Reward Practice and Employees' Performances**

	Fairness
Pearson Correlation	0.021
Sig. (2-tailed)	0.872
N	64

### **Hypotheses 3 The Relationship Between Employees' Perception On Controllability of Reward Practice and Employees' Performance**

H3 There is a significant relationship between employees' perception on controllability of reward practice and employees' performances at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah.

Table 12 shows there was no significant relationship between employees' perception on controllability of reward practice and employees' performances where  $p > 0.05$  ( $p = 0.514$ ) and  $r = -0.083$ . So, the researchers rejected the H3.

**Table 12: The Relationship Between Employees' Perception On Controllability of Reward Practice and Employees' Performances**

	Controllability
Pearson Correlation	-0.083
Sig. (2-tailed)	0.514
N	64

### **Hypotheses 4 Relationship Between Employees' Perception On Reward Values of Reward Practice and Employees' Performances**

H4 There is a significant relationship between employees' perception on reward values of reward practice and employees' performances at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah.

Table 13 shows there was no significant relationship between employees' perception on reward values of reward practice and employees' performances where  $p > 0.05$  ( $p = 0.535$ ) and  $r = 0.079$ . So, the researchers rejected the H4.



**Table 13: The Relationship Between Employees' Perception On Reward Values of Reward Practice and Employees' Performances**

	Reward Values
Pearson Correlation	0.079
Sig. (2-tailed)	0.535
N	64

## 6. CONCLUSION

In the overall view, all of the four objectives were achieved in which were to investigate the relationship between transparency, fairness, controllability and reward values towards the employees' performance, and also to investigate the most employees' perception on reward practice assumed to contribute towards employees' performance at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah.

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