



Faculty of Economics and Business

**THE IDENTIFICATION OF FACTOR/FACTOR THAT INFLUENCING
THE LEVEL OF MOTIVATION AMONG EMPLOYEES IN
MANUFACTURING SECTOR OF SME IN KUCHING**

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Statement of Originality

The work described in this Final Year Project, entitled
**“The identification of factor/factors that influencing the level of motivation
among employees in manufacturing sector of SME in Kuching”**
is to the best of the author’s knowledge that of the author except
where due reference is made.

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ABSTRACT

The identification of factor/factors that influencing the level of motivation among employees in manufacturing sector of SME in Kuching

By

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The purpose of this research is to identify what factor/factors have relationship with the level of motivation among employees in manufacturing sector of SME Kuching. The factors included are salary/wage, incentive, recognition and working environment. The objectives of this research are to determine the relationship between the stated factors and the level of motivation among employees. A total number of 100 respondents from production department were being selected as sample for this research. As this is quantitative research, questionnaires were used as an instrument in this research. Demographic characteristics of respondents is analysed by descriptive statistic and reliability test and validity test will be run also. Hypotheses were measured using statistical analysis such as Pearson Correlation and Multiple Regression. The Pearson Correlation test is used to show a significant relationship between salary/wage, incentive, recognition and working environment and the level of motivation among employees. The implication of this research and limitation as well as recommendation for the future research is also discussed.

ABSTRAK

Pengenalpastian kepada Faktor-Faktor yang akan Mempegaruhi Peringkat Motivasi Pekerja dalam SME Industri Pembuatan di Kuching

Oleh

Chan Kiang Kiong

Kajian ini bertujuan untuk mengenalpasti faktor-faktor yang akan mempengaruhi motivasi pekerja dalam industri pembuatan di Kuching. Faktor-faktor tersebut ialah gaji, insentif, penghargaan dan situasi bekerja. Objektif kajian ini adalah untuk mengenalpasti hubungan antara faktor-faktor tersebut dengan motivasi pekerja. Sejumlah 100 orang responden dari bahagian pengeluaran telah dipilih sebagai sampel dalam kajian ini. Borang soal selidik telah digunakan dalam kajian ini. Ciri-ciri demografi dianalisis dengan menggunakan statistik perihalan seperti frekuensi dan peratusan manakala soalan-soalan dalam borang soal selidik diuji dengan menggunakan ujian reliability dan validity. Hipotesis-hipotesis dinilai dengan menggunakan statistik analisis iaitu Pekali Kolerasi Pearson dan regresi berganda. Pekali Kolerasi Pearson menunjukkan bahawa faktor-faktor seperti gaji, insentif, penghargaan dan situasi bekerja mempunyai hubungan dengan motivasi pekerja. Selain itu, implikasi, batasan kajian dan pertimbangan kepada kajian untuk masa depan juga dibincangkan dalam kajian ini.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter enlightens on the identification of factor/factors that influencing the level of motivation among employees in manufacturing sector of SME in Kuching. This research will start from the background of the study which explains what factors will influence the level of .motivation among employees in manufacturing sector which has effect in increasing the performance and productivity of the employees. Besides that, problem statement, research objectives, theoretical framework, research hypothesis, significance of study, scope and location of study will also be discussed in this chapter. This chapter is important because it

identifies the current problem and tries to find out what factor is the most important in motivating the employees.

1.1 Background of the Study

Since the global competition become fiercer than last century and increased in customer awareness, today's organizations are faced with vast requirements for higher productivity and stronger customer orientation. This transformation has denoted that human resources have become more and more accentuated, and a consensus has grown for the true power embraced within them. Some few prominent leaders have distinguished themselves by being highly successful in reinforcing employee motivation and their knowledge and experiences are priceless in the pursuit of utilizing the full potential of the workforce.

Employees are one of the most valuable resources for a company. It is also the most difficult to be controlled and managed. Each of them is unique and come from different background, has a variety of changing, needs and expectation, which they attempt to satisfy in a number of different ways. The manager must overcome many problems to motivate and obtain the personal and group performance from individuals in achieving the organization's objectives.

What is motivation? Generally, motivation is a desire in achieving a goal which involves hard work, determination and effort to make it becomes a reality. In others word, 'motivation' is about joining with the people who report to you (knowing them, listening or communicating with them, and valuing them for their particular contributions and potential) so that they feel moved to join with you in

meeting the challenges you are facing. A “motive” is a need or a driving force within a person. The process of motivation involves choosing between alternative forms of action in order to achieve some desired end or goal (Rosenwald, 2000).

In this century, all the economies in this world are heavily depend on the Small and medium enterprise (Mira, 2006) since SME provides job to people and thus generates income to country and enhance social economic development (Mutula&Brakel, 2006). In the budget speech of 2010, the minister announced that RM350 million will be injected into SME organization and RM538 million will be injected to assist SME organization in implementing various development program (Budget speech, 2011). From the financial support from the government, it can be conclude that the SME organization will be developed widely and thus increase the development of the country. In addition to that, the total number of employees who engage in manufacturing sector in August 2011 is 1,013,269 and the number is increasing year by year (Department of Statistics Malaysia, 2011).

There are a lot of SME organizations which involve in manufacturing sector. Manufacturing sector is important in Malaysia as it contributes 27.7% GDP to Malaysia which is second after servicing sector (MPC, productivity report, 2011). In general context, manufacturing sector is basically applied to industrial production in which a manufacturer transform raw material into finished product in large scale. According to Department of Statistics Malaysia (2011), the sales value for manufacturing sector in August 2011 is RM49.8 billion. This shows that manufacturing sector needs a lot of workers to maintain and increase the productivity (Department of Statistics Malaysia, 2011).

Employees can be motivated positively by various factors either in performance related or non-performance related. Basically, employees work for a company in order to get something in return. This return can be involved in money or other incentives and benefit. Most of the time, salary or wages is the main factor that influences an employee to work. However, some employees work in order to get incentives or bonuses. These are some factors in which employees are being motivated by the outside factors.

Employee can be motivated by other factors which are inherent and not imposed from outside. These self-generated factors include responsibility (feeling that the work is important and having control over their own resources), a good physical working environment, freedom to act, interesting and challenging work and opportunities for growth and promotion. These are the factors in which it does not involve any monetary term and it arises from the work itself.

It is time the human resource process of hiring, training, and retaining employees takes a step up to the next level. The paradigm has shifted and manufacturing sector must make the necessary accommodations to insure a high level of service to customers in order to remain competitive. There are new strategies to implement and the companies that reinvent the hiring process, providing superior customer service, are the organizations that will lead the manufacturing industry, but all of these strategies involve an increased understanding of employee behavior and their motivation.

Motivation plays an important part, both in an individual and in a company's performance. Even a very well trained and very able employee will not perform well

unless motivated. The relationship between motivation and performance can be represented by the expression:

Performance = Motivation x Ability x Training (Laird, Naquin, Holton, 2003)

In order to obtain the best performance from the employees, besides appointed ability personnel and provide training from them, the manager has to put more emphasis on the aspect of motivation.

As a conclusion, motivation improves quality, time and cost of the project. When the employees are fully motivated, they will commit themselves to produce better quality in their works. Material and time wasted will be reduced to a minimum level. In the end, the profitability from the project will be increased, completed on time and produce better quality.

1.2 Problem Statement

Most of the managers today are not aware of the effects that motivation can have on their business, therefore is vital to learn and understand the factors that determine positive motivation in the workplace. All the staff including directors, managers, and general workers needs some form of motivation as it can have a certain good effect on the employees. When an employee is being motivated, the productivity and the outcome will become better than before.

Nowadays, the key success factors of an organization may not only depend on its technology, processes, system and so on. In other words, product and process technologies, economies of scale, and access to financial resources are still important. However, these resources can relatively easily be acquired on varying terms by a wide range of competitors (Storey& Sisson, 1993).

From the past research by Schmidt, Trittell and Muller (2011), none of the factors are hundred percent guarantee will motivate the employees' behavior to perform better (Schmidt, Trittell & Muller, 2011). They stated that both positive and negative effect will occur during the motivation of employees. They think that the positive effects of material incentive often offset by negative effects on motivation that come from the employees themselves.

Kohn (1992) stated in his finding that not all factors can have an effective and good effect in motivating employees (Kohn, 1992). He added that some factor can actually bring a negative effect to the productivity of an organization.

According to Mr Lu, general manager of Unique Wood Holding SdnBhd, say that he has facing a big problem in motivating employees in the company. For example, he stated that the rate of absenteeism for manufacturing sectors is high in the company. This causes the productivity decrease and thus influences the sales revenue of the company. Although the authorities have implement all kind of steps to prevent the problem happen, but still the worker seem not to be motivated by the company.

1.3 Objective of study

The objective in this study including general objective and specific objective which are used to study which factor or factors will influence the level of employees in manufacturing sector in SME Kuching.

1.3.1 General objective

The general objective with this research is to study the relationship between four factors and the level of motivation of employees.

1.3.2 Specific objective

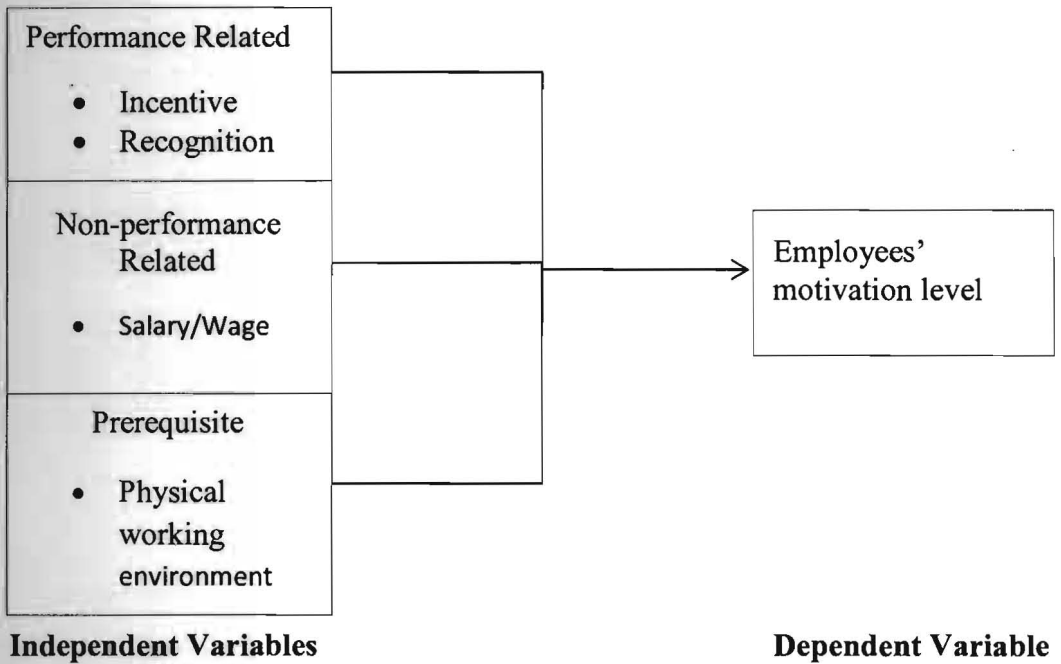
- To determine the relationship between salary/wages and the level of motivation among employees
- To determine the relationship between incentives and the level of motivation among employees
- To determine the relationship between physical working environment and the level of motivation among employees
- To determine the relationship between recognition and the level of motivation among employees.

1.4 Theoretical Framework

In this section, the researcher will include all the relevant variables and discuss them in order to conduct the research. Theoretical framework can be divided into two categories which are independent variables and dependent variables. The independent variables are those variables that researcher chooses to study in order to identify their possible effect on one or more other variables. The dependent variable is depending for the independent variables that are presumed to have an

effect on it. Therefore, the independent variables and dependent variables are interrelated with each other.

Figure 1: Theoretical framework of the relationship between four factors and employees' motivation level



Source: Adapted from U.S. Army Handbook (1973); Vischer (2007); Rafikul Islam & Ahmad ZakiHj. Ismail (2004)

Based on the figure1, the researcher is using four factors in this research to identify the level of motivation among employees. The four factors are salary/wage and incentive and physical working environment and recognition. However, the four factors are not lumped together because each of the factors is different from other. Recognition and incentive is based on the performance of an employee which means that employees are rewarded based on the performance and result they contribute to organization. Wage or salary is not related to performance as it is the base pay for an

employee based on the time-related, education and position in an organization. Although a safe physical working environment is prerequisite for an organization, it will also motivate employees where every employee has different requirement on the working place.

1.5 Factors influencing the level of motivation among employees

In 21st century, manager or higher authorities cannot avoid a concern with the way to motivate employees in order to produce a desirable outcome or productivity. Therefore, it is important to study and identify what factor/factors will influence the level of employees the most.

1.5.1 Salary/Wage

Salary or wage is also known as the base pay of an employee and is one of the factors that involved in monetary term. The base pay of an employee is normally based on the experiences, the education, time-related and the position hold in an organization. However, the base pay is not including the benefit; bonus and other remuneration systems. Increasing motivation through financial rewards is a factor that is most common used when businesses rely on the quantity and quality of the output.

1.5.2 Incentive

Incentive is a type of factor that involves either monetary or non-monetary term. From the perspective of monetary term, money is paid to employees as lump sums and not absorbed into the base pay of an employee. Such payments are made on the basis of measurable outputs or results-based on sales figures, production volume and profits. From the perspective of non-monetary term, it will not involve any money. For instance, holiday trip and free parking space are examples of non-monetary incentives.

1.5.3 Physical working environment

Physical working environment is a type of non-monetary factor which means it does not involving any money term. It is the extent to which employees perceive their workplace provides sufficient equipment and adequate resources for them to get job done and free of physical danger. The environment has directly impact on employees' performance, health, and well-being. McClelland (1985) stated that by creating the proper work environment, the manager able to increase the employee's achievement needs level (McClelland, 1985). Therefore, a corporate culture such as health and safety awareness and protective environment were built due to the employee's jobs exposed to risky workplace. Besides, the design and configuration of the office will also have an effect on the level of employees.