

FACTORS OF COOPERATION BETWEEN A
CONSTITUTIONAL CASE STUDY OF
THE CONSTITUTIONAL COURT

1. Introduction
2. Methodology
3. Results
4. Discussion
5. Conclusion

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الجامعة الإسلامية العالمية ماليزيا
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

THE EFFECTS OF MONETARY INCENTIVES ON
EMPLOYEE MOTIVATION: A CASE STUDY OF
MOBIL OIL MALAYSIA SDN. BHD.

By

LIEW SZE PEI

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ABSTRACT

The present research aimed to investigate the relationship between monetary incentives and overall job performance, job satisfaction as well as organizational commitment at Mobil Oil Malaysia Sdn. Bhd. The instrument used for the research was adapted from the Minnesota Satisfaction Questionnaire (MSQ) and Buchanan's items. Data were analysed using ANOVA, the Pearson Correlation Analysis and Descriptive Analysis. The results showed that monetary incentives have no effect in increasing employees' overall job performance, job satisfaction and organizational commitment. In addition, other non-monetary factors such as the fairness in job delegation and monetary payment might affect employees' overall job satisfaction. In conclusion, Mobil Oil Malaysia Sdn. Bhd should not focus on monetary rewards alone in order to motivate its employees. Instead, other non-monetary factors must be emphasized.

APPROVAL PAGE

TITLE OF PROJECT PAPER: THE EFFECTS OF MONETARY
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SDN. BHD.

NAME OF AUTHOR : LIEW SZE PEI

The undersigned certify that the above candidate has fulfilled the condition of the project paper prepared in partial fulfilment of the degree of Master of Management.

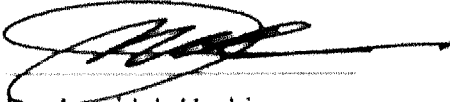
SUPERVISOR

Signature: 

Name: Dr. Junaidah Hashim

Date: 30th November 2000

ENDORSED BY:



Dr. Junaidah Hashim

Head, Master of Management

Date: 30th November 2000



Dr. Obiyathullah Ismath Bacha


Director, IIUM, Management Center

Date: 30th November 2000

DECLARATION

I hereby declare that this project paper is the result of my own investigation, except where otherwise stated. Other sources are acknowledged by footnotes as well as reference notes and a reference is appended.

Date: 30th November 2000

Signature:  _____

Name : LIEW SZE PEI

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DEDICATION

To my loving and caring parents, who have spent half a lifetime teaching me much about love, kindness and compassion...

And for being there whenever I needed them most.

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CHAPTER 1

INTRODUCTION

1.1 Background of The Study

LP-Gas, which is also known as Liquefied Petroleum Gas, is used in both the commercial and industrial fields for different purposes. LP-Gas can be used commercially as cooking gas for food preparation for families, restaurants and other relevant professions. On the other hand, it has also become a major energy source in the manufacturing industries, especially ceramics, sanitaryware, chemical industries, paper-product manufacturing and the paint industry.

The major source of LP-Gas is petroleum. In fact, it is one of the by-products of the Petroleum Purification Process. This process breaks down the components of petroleum in various stages using heat energy. In this process, petroleum's by-products such as tar, diesel, lubricant, petrol and natural gas are separated at different temperatures. The process is carried out in a stage-like container and each stage separates the polymer components of petroleum using different chemicals and stabilizers. Natural gas is the product of the highest stage, which is operated at the highest temperature while tar is the product of the lowest stage at the lowest temperature.

Liquefied Petroleum Gas (LP-Gas) is the compressed form of natural gas. At room temperature, LP-Gas exists as gas but when compressed, it becomes a liquid. LP-Gas is often used as an energy source because it can provide several times more energy than other sources such as solar, charcoal and hydroelectric energy. However, it is a non-renewable energy source and its supply depends solely on the quantity available in the earth. Therefore, this limited resource should be used wisely for the benefit of coming generations.

1.2 Problem Statement

LP-Gas is a business that needs a specialized workforce. People involved in various processes such as petrochemical, research and development; plant administration, marketing, transportation etc need special skills or techniques to handle their routine work. The majority of these experienced employees are not committed to their own company because staff turnover is high, especially in the plant administration and transportation department.

In Malaysia, the LP-Gas market is an oligopoly (McConnel and Brue, 1999). The entire market is controlled by very few firms, mostly oil companies such as Petronas, Shell, Mobil, Esso and B.P. Since commercial LP-Gas is a basic

necessity for all households, the Government has intervened in the market by legally limiting the maximum price a seller may charge for the product. As a result, sellers can only increase the sales volume to get a larger profit. This target needs a highly motivated salesforce from the marketing department as well as high performing employees from other departments. Therefore, the motivation of employees is a major concern in all oil companies, especially in the area of LP-Gas.

1.3 Objectives of the Study

The main objective of the study is to examine the effects of monetary incentives on employee motivation in Mobil Oil Malaysia Sdn. Bhd. More specifically, this study aims to:

1. Examine the relationship between monetary incentives and employee motivation.
2. Examine the extent to which monetary incentives can enhance employees' job performance.
3. Examine the extent to which monetary incentives can enhance employees' commitment.

4. Examine the extent to which monetary incentives can increase employees' job satisfaction.
5. Determine the most popular type of monetary incentives.
6. Examine the relationship between non-monetary factors and employee motivation.

1.4 Hypotheses

The following hypotheses were developed to guide the researcher:

- H1: There is difference between the level of job performance due to monetary reward and superior's recognition.
- H2: There is relationship between an attractive salary and benefit package and overall job performance.
- H3: There is relationship between an attractive salary and benefit package and overall employee commitment.
- H4: There is relationship between an attractive salary and benefit package and overall job satisfaction.

H5: There is relationship between the fairness in job delegation and overall job satisfaction.

H6: There is relationship between the fairness of monetary payment and overall job satisfaction.

1.5 Research Significance

The importance of this research can be identified in 3 areas. First, the result of the findings can be very useful to other oil companies, for the purpose of improving employee motivation using monetary incentives. Second, the results of the findings can be used as a basis for other research on monetary motivation. Third, the findings can also be used as a guideline for other researchers to study employee motivation in the LP-Gas business in the future.

1.6 Definition of Terms

Dependent variable: A dependent variable is a motion feedback caused by independent variables. In an organizational context, examples of dependent variables are productivity, efficiency in dealing with problems, employee satisfaction, etc.

Independent variable: It is an assumption or a cause of the dependent variable. For example, personality, attitude, learning, leadership, etc. Unlike dependent variables, independent variables are difficult or impossible to change.

Motivation: Motivation comes from the combination of the words *motive* and *action*. Motive means causing motion or creating a movement, while action means the process of doing things, movement or process for performing any motion. When we combine both definitions, motivation means to do something based on incentives or based on actuation from inside or outside (Irwin, 1984).

Job satisfaction: A psychological state, or to a consensus of worker feelings and attitudes involving the job. It may or may not translate into performance. In other

words, job satisfaction is an attitude a person holds toward his or her job (Hulin, 1991).

Monetary incentive: Award that relates to money or currency, which is contingent upon some measure of performance. It is not based on largess or any other nonperformance-based criteria (that would be a variable entitlement)(McAdams, 1996).

Effectiveness: The degree to which the output of the organization corresponds to the output desired by the organization and individuals in the external environment (Bateman & Snell, 1999).

1.7 Organization of the Study

This paper is organized into five chapters. Chapter 1 provides a general overview of the study. Chapter 2 covers a review of the literature on motivation, monetary incentives, job performance, employee commitment and satisfaction. Chapter 3 describes the methodology. Chapter 4 presents the data analysis and Chapter 5 reports the conclusion and implications of the study.

CHAPTER 2

REVIEW OF LITERATURE

2.1 Definition of Motivation

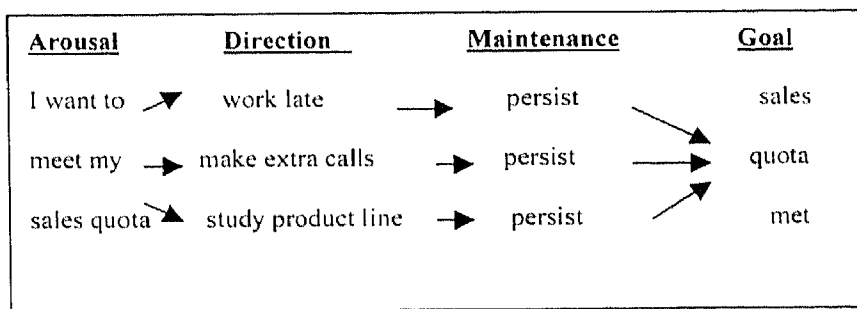
Bateman and Snell (1999) defined motivation as forces that energize, direct and sustain a person's efforts. A highly motivated person will work hard toward achieving performance goals. Such a person will be highly productive if he has adequate ability and understanding of the job. An effective motivator must know what behaviors he wants to motivate people to exhibit. Generally, a company must motivate people to (1) join the organization; (2) remain in the organization; (3) come to work regularly, (4) achieve high output (productivity) and high quality and (5) exhibit good citizenship.

Arenofsky and Janice (1999) believed motivation could act as an inner drive or incentive to accomplish things. They assume one can be motivated externally (for example, by the fear of punishment, social or economic pressures, or the desire for a reward, such as money, a gift or use of the car). On the other hand, one can be motivated internally such as by interest, natural curiosity or the desire to explore new ideas. They believed both kinds of motivators can spur

positive action but external motivation is usually a "quick fix" while internal motivation is good for the long haul.

Greenberg and Baron (2000) defined motivation as the set of processes that arouse, direct and maintain human behavior toward attaining some goal. The diagram in Figure 1 will guide the reader through the following explanation;

Figure 1: Motivation: Its Basic Components.



(Source: Adapted from Greenberg & Baron. (2000). *Behavior in organizations*, 131)

Arousal, the drive or energy behind our action, is the first component in this definition. For example, people may be interested in making a good impression on others or being successful at what they do, the force to stimulate them to engage in behaviors that are designed to fulfill these motives is known as arousal.

In order to satisfy their motives, people must have **direction** in their behavior. For example, employees who want to meet their sales quota may work extra hard, make extra calls to their customers or the product line. Each of these options may be recognized as a path toward meeting their goals.

People need to **maintain** their behavior before a goal is attained. To give up in advance of goal attainment means not to have satisfied the need that stimulates behavior in the first place. Therefore, one cannot be called highly motivated if one does not persist in meeting one's goal. For example, a salesperson who gives up before reaching his quota is not highly motivated although he has the arousal and direction toward his goal.

In general, motivation is the force that initiates, directs, masters, manipulates or organizes physical objects and ideas to satisfy some individual needs. There are two important points regarding motivation. First, motivation cannot be seen but only inferred on the basis of performance. However, motivation and job performance are not synonymous. One cannot be assumed to be a highly motivated person just because one has performed a task well. A person may actually be very skillful but not putting in much effort at all (Nord, Brief, Atieh and Doherty, 1988). Secondly, motivation is multifaceted. People may have several different motives operating at once and sometimes this causes a

conflict. This explanation shows that motivation is a complex but important concept in the field of organizational behavior.

2.2 The Importance of Motivation

According to Armstrong and Murlis (1991), motivation is about what makes people act or behave in the way they do. There are two basic concepts: the *needs* that operate within the individual and the *goal* towards which the individual moves.

In other words, the process of motivation is initiated by the conscious or unconscious recognition of a need. A goal is then established which is thought will satisfy that need. Then, a course of action is determined that will lead to the attainment of that goal. However, as goals are satisfied, new needs emerge and the cycle continues.

2.3 Theories of Motivation: An Overview

Theories of motivation to work have passed through many stages, influencing and being influenced by the prevailing management ideologies and philosophies of each era. Although we can trace a sequence in this development, it does mean that the old theories have died. There are employers and managers and employees today adhering vigorously to one or other of them, basing their belief not on research or empirical evidence but on an almost ideological framework of values and assumptions. These help them understand their own and those of others around them (Bowey, 1999). However, confusion generated by so many conflicting theories of motivation has, somehow, affected the reward systems in today's companies.

2.3.1 Maslow's Need Hierarchy Theory

The most popular theory of motivation developed by Abraham Maslow stresses five major types of human needs. According to Bateman and Snell in *Management: Building Competitive Advantage* (1999), these stages of needs consist of Physiological needs, Safety needs, Social needs, Esteem (Ego) needs and Self-actualization needs.