Organizational Rewards System and Employees' Satisfaction at Telekom Malaysia Berhad

Rudzi Munap
Muhammad Izwan Mohd Badrillah
Baharom Abdul Rahman
Universiti Teknologi MARA, Bandar Puncak Alam, Selangor
badrillahizwan@salam.uitm.edu.my

Doi:10.5901/jesr.2013.v4n3p281

Abstract
This study was conducted to identify the dimensions of organizational rewards system that may contribute to employees' satisfaction at Telekom Malaysia Berhad in Selangor. A total of 327 self-administered questionnaires were distributed to the respondents. The response rate return is 89 percent. Analysis using the regression and Pearson Correlation indicated that all the predictors had significant contribution to employees' satisfaction at Telekom Malaysia Berhad. Salary was found to be the most important factor that contributes to employees' satisfaction while incentives were found to be the least important factor. From the findings, it can be concluded that organizational rewards system has positive influences on the employees' satisfaction at the organization they worked for.

Keywords: organizational rewards system; employees' satisfaction; fringe benefits; promotion; salary

1. Introduction
Employees' satisfaction has remained a remarkable area of discussion in the field of management, psychology and especially in organizational behavior and human resource management. It is extremely necessary for the management to look into the welfare and well-being of their employees such as looking into the monetary and non-monetary rewards. Organizational rewards system and employees' satisfaction is seen as an interrelated component in an organization. Organizational rewards are known to help an organization boost the employees' motivation thus leading to employees' satisfaction. Danish and Usman (2010) stated that rewards system serve as the most contingent factor in keeping employees' self-esteem high and passionate.

Consequently, Bowen and Ostroff (2004) said happy employees can create happy customers. Thus, an organization must seriously look at the contribution of rewards itself in order to control the level of employee satisfaction in maintaining the performance. The implication of rewards towards employees' satisfaction has been defined in many organizations. For instance, as found by Ali and Ahmed (2009) in a survey at UNILEVER companies, reward has positive relationship to employee's motivation and satisfaction.

Fringe benefits such as work life balance, bonus, and healthcare are normally used to provide to the employees in order to reward them. These benefits play a very important role in encouraging employees to work harder and contribute to the organizational objectives. The implementation of incentives system is also seen as the effort done by the organization to satisfy the employees. It is equally as important as promotion in which employee need to be promoted to a higher position. Salary is given to employees in exchange for work performed; usually include a range of values, and focuses on the position and duties performed rather than an individual contribution (Milcovich and Newman, 2002). Rewards in term of salary would absolutely influence the employees' satisfaction or dissatisfaction.

Iqbal, Imran and Zahid (2011) in a study on employees job satisfaction in telecommunication companies located in Pakistan found that employees' motivation and satisfaction have significant impact to promotion. Rao (2005) stated that satisfaction at the work place is achievable when a person is motivated to work. Thus, keeping employees motivated serves as a pre-condition for employees to remain loyal to the organization. As found from the Telekom Malaysia (TM) Berhad official website (2011), the organization has demonstrated increasing employee satisfaction, from 7.7% in 2007 to 8.6% in 2008, and this is due to the interest of its corporate responsibility to the employees.
1.1 Problem Statement

Only recently, organizational rewards system is becoming an important management system in an organization, boosts employee satisfaction generally and employee expectations have been high. A study by Snyder, Osland, and Hunter (1996), found that respondents from the private sectors are more satisfied than the respondents from the public sectors to indicate performance-based rewards as a reason to stay in the sector. Following to the study, public sectors should provide proper rewards system as well as private sectors indicating retention of employees. The findings indicated that in order for employers in the public sector to retain their employees, proper rewards system which is equally attractive as that offered in the private sectors has to be introduced. Subsequently, poor organizational rewards cause dissatisfaction and finally lead to turnover. This issue will lead to organizational problem and reduces organizational efficiency in the long term and impact on low revenue and lost. On the other hand, however, lack or unattractive organizational reward may cause dissatisfaction which will eventually lead to employee turnover.

According to Shafiq and Naseem (2011), poorly designed compensation package provided by the organization may result to employee job dissatisfaction and low motivation. Thus, the unsatisfactory environment frequently results in decreased which will then disrupt the level of performance and employee morale (Quible, 2005). In relation, inferior quality of psychological factor of people may affect lower productivity in completing task. Comparably, unsettled state of employee psychological readiness may result in lower productivity, higher absenteeism, and tardiness. Hence, no matter how good is the physical environment of the workstation provided by an organization, employees still cannot deliver the best effort if there exist feeling of unhappiness? In a write-up from an official website related to a study carried out by Telekom Malaysia in professional comment box, it was mentioned that employees usually walk out of the company because of their dissatisfaction with the payment given, and argued for their inequity with others.

However, the implementation of good rewards system in telecommunication companies is still yet to be clarified. Besides, the acceptance of employees towards certain rewards also yet has to be examined.

2. Literature Review

2.1 The Importance of Fringe Benefits to Employees’ Satisfaction

Conversely, Baughman (2003) has found that employers tend to decrease wages once several benefits such as medicare, bonus, and annual leave, had been offered to employees after a few years. Woodbury (1983) in his study has found that workers view benefits and wages as substitutes, willing to give up wages for more benefits. As founded by Uppal (2005) in his study, fringe benefits were positively related to employees’ satisfaction. The findings were supported by Benz (2005) which he found that only two out of nine fringe benefits examined were positively related to satisfaction.


2.2 The Impact of Promotion on Employees’ Satisfaction

A large salary increment and a timely promotion also led that an employee may be better suited to the current organization with organization-specific skills and training than to other employers (Lazear, 1999). Based on the discussion, an organization normally offers timely promotion to the employees and at the same time observes the employees’ improvement. March and Simon (1958) stated that, where at some point in a promotional ladder, there is a substantial decrease in either the percentage or absolute increment, we would predict that discontent, voluntary withdrawal, or both would be produced. The employees perhaps will be offered for the promotion but at the same time the increment will not be given to them.

According to Zhao and Zhou (2008), organizations can manipulate the promotion, send signals of stagnant career advancement at the ceiling position, and push less qualified employees out. The organization may use this type of rewards to motivate the employees to move forward and at the same time plays a communication medium in informing the employees who do not perform well to move out from the organization.

A better understanding of the role of Individual Career Management (ICM) process is important in an environment...
where opportunities for vertical promotion are becoming scarce and organizations are seeking for alternative ways to rewards their employees' perspectives for career increment (Vos, Dewettinck, & Buyens, 2008).

2.3 The Relationship of Salary to Employees' Satisfaction

Gould and Penley (1984) said that employee who develops career strategies appropriate to his or her occupation and organization is likely to increase his or her probability for obtaining evaluations from superiors and a larger share of the organization’s salary distributions. Consequently, though salary is not enough on its own to ensure that a person will remain loyal and satisfy to the organization, it is most often identified as the single most important factor in a person’s decision to join, stay or leave (Pollitt, 2007).

Salary and promotion are important factors for both the private and public sectors in forming decisions about staying or leaving (Snyder, Osland & Hunter, 1996). It indicates that salary is one very important factor that may influence the employees’ walk-in behavior and in which the employees’ satisfaction and retention are measured by the salary.

2.4 The Importance of Incentives to Employees' Satisfaction

Incentives are one added payment to employees' salary who have completed certain job requirements and have been used by the organization as communication tools. Snyder, Osland and Hunter (1996), said, forty–four specific reward tools are described which can be used for individual or team incentives. Understanding their reward preferences and the implications of these differences are essential in designing incentives to attract and retain managers after their advanced training is completed. Types of incentives do not convey same tax advantages to the individual but can be used to lock individuals into companies and it is also easier to bind bonuses to actual actions of individuals and remove short-term transitory stock market effects (Keasey, 2006).

Subsequent to the above discussion, the contrasting profit-sharing, gain sharing systems distribute incentives as a function of non-financial organizational outcomes, such as improvements in quality, productivity, and satisfaction (Miller & Schuster, 1993).

As supported by Milne (2007), which stated that incentives rationale is based on the assumption that long-term and short-term incentives will encourage employees’ loyalty, foster teamwork and ultimately facilitates the development of the desired culture that encourages and supports knowledge sharing.

Reward and recognition systems come within the discussion on extrinsically motivated behavior that occurs when an activity is rewarded by incentives not inherent in the task (Deci, 1971). Iyer and Ravindran (2009) said, it might be important for practitioners to assess the employees' characteristics before determining whether incentives would work in their organization. However, when inter-team cooperation is necessary, incentives may create conflict and resentment, decreasing a team’s motivation to perform well (Hoffmann & Rogelberg, 1998).

2.5 The Significance of Employees’ Satisfaction to Organization

Barnard (1998) offers a strategy that includes employees' feedback on the system as a means of dealing with the issue. This includes measuring employees' satisfaction with the system, gaining team members' input into its design, and ensuring that there is a method to document performance and reward both individuals and the team.

Jenkins and Lawler (1981) have found that the feeling of influence can explain the positive effect in which the representation within executive committees produces on employees’ satisfaction with regard to the administration of the compensation system. It is easier for the employees to accept recommendations for performance improvement if they know management is interested in what they do (Harter, Schmidt & Hayes 2002).

Specific employees attitude that have been studied extensively are organizational commitment and employees' job satisfaction. These are posited as reasons that contribute to turnover as dissatisfied individuals are more likely to leave their respective jobs (Smith, 1996).

2.6 The Link between Organizational Rewards and Employees' Satisfaction

pensions negatively impact employees’ job satisfaction while Luchak and Gellatly (2002), in a particular study found that the impact of fringe benefits accrual on employees’ job satisfaction. Marchetti (1998) indicated that salespeople, despite their market specialization, want money or cash as an incentive and acquire satisfaction. In another research, Marchetti (1998) further pointed out that commission encourages salespeople to pursue new business aggressively. By giving compensation based on customer satisfaction, it shows encouragement of the salespeople to treat the customer right and encourage them to say with the dealers (Joetan & Kleiner 2004). Most empirical studies examined the relationships between an employee’s self-reported satisfaction with pay and promotion and voluntary turnover (Aquino, 1997) and evidence on these linkages is not always conclusive (Mobley, 1979).

Additionally, Evans (1998) found that factors such as low salaries and low status, growing class sizes and changes in the education system have all contributed as causes of what has been interpreted as endemic of dissatisfaction within the profession. Bender and Heywood (2006) has said that level of pay had little relation to either job or pay satisfaction. Employees switched a lot of jobs because of better prospects, higher salary and compensation (Kamal, Yasir & Hanif, 2009).

Okpara (2002) found that factors such as pay, the work itself, supervision, relationships with co-workers and opportunities for promotions have been found to contribute to employees’ job satisfaction. Employees’ satisfaction involved several different spheres such as satisfaction with pay, promotion opportunities, fringe benefits, job security and the importance or challenge of the job (Nguyen, Taylor & Bradley, 2003). Thus, different people respond to different incentives depending upon the salience of individual needs to being satisfied with their job lies in attractive remuneration (Chiang & Birtch, 2005).

2.7 Conceptual Framework

This study attempted to explore the relationship between organizational rewards system and employees’ satisfaction as well as to find the predictors that contribute to dependent variable. Organizational rewards system is the independent variable and employees’ satisfaction is categorized as the dependent variable. As shown in the conceptual framework, organizational rewards system consists of fringe benefit (work life balance, healthcare, and bonus), promotion, salary and incentives (long term and short term). In order to investigate the relationship, the independent variables were tested with the dependent variable in a direct correlation analysis to find the significant value of the relationship.

![Conceptual Framework](image_url)

**Figure 1:** A Conceptual Framework Depicting the Organizational Rewards System towards Employees’ Satisfaction at Telekom Malaysia Berhad.

2.8 Hypotheses

Based on the discussion, this study has formulated several hypotheses as follows:

H1. There is a positive relationship between work life balance and employees’ satisfaction.

H2. There is a positive relationship between healthcare and employees’ satisfaction.

H3. There is a positive relationship between bonus and employees’ satisfaction.

H4. There is a positive relationship between promotion and employees’ satisfaction.
H5 There is a positive relationship between long term incentive and employees' satisfaction.
H6 There is a positive relationship between short term incentive and employees' satisfaction.
H7 There is a positive relationship between salary and employees' satisfaction.
H8 There is a positive relationship between organizational rewards system and employees' satisfaction.

3. Methodology

This study is correlational in nature. According to Sekaran (2009), correlation research is used to see the relationship that exists among the variables investigated. Therefore, this study was conducted to investigate the relationship between organizational rewards and employees' satisfaction. In this context, the sampling frame for this study was obtained from the administrative department of Telekom Malaysia Berhad, and a total population of 2256 employees was identified. The sampling technique applied was stratified sampling which involves a process of stratification or segregation, followed by random selection of subjects from each stratum. The sample size for this study was extracted from Krejcie and Morgan (1970). Krejcie and Morgan (1970) suggested that if the total number of population is around 2200, the sample size would be around 327. Therefore, the sample size for this study is 327 employees employed by Telekom Malaysia Berhad. Data were collected by using questionnaires, which had earlier been developed and validated by a group of experts from the Faculty of Business Management, UiTM, Puncak Alam. All items were answered by the respondents using five point Likert scale. A total of 327 questionnaires were personally distributed to the employees at Telekom Malaysia Berhad, Selangor. The process of questionnaires distribution and collection took approximately seven days. However, only 292 questionnaires were returned and yield a survey return rate of 89 percent.

4. Findings

4.1 Demographic Profile of the Respondents

The majority of the respondents were female which represent 60 percent of the respondents. Majority of the respondents are Malays, which account to 75% and 55% of the respondents are already married and 30% of the respondents are within the age group of 25 years and below. It was found that 57% of them hold a Bachelor's Degree.

4.2 Reliability Analysis

Table 1.0 below shows the result of the reliability test for each factor involved in the study. The reliability value for each dimension is close to 1 and more than 0.6. According to Sekaran and Bougie (2010), the closer the result to 1, the more reliable would be the test. The reliability values less than 0.60 are considered as poor, those around 0.70 are acceptable and those over 0.80 are good. Therefore, it can be concluded that the instrument is reliable.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Reliability Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe Benefits</td>
<td>0.865</td>
</tr>
<tr>
<td>Promotion</td>
<td>0.834</td>
</tr>
<tr>
<td>Incentives</td>
<td>0.838</td>
</tr>
<tr>
<td>Salary</td>
<td>0.896</td>
</tr>
<tr>
<td>Employee Satisfaction</td>
<td>0.901</td>
</tr>
</tbody>
</table>

4.2.1 Assumptions for Bivariate Correlation

The assumptions of variable used in the analysis through the statistical test are needed in ensuring that the analysis gathered is trusted. According to Myers and Well (2002), when the assumptions do not meet the results, the results may not be trusted, resulting in overestimation, or underestimation of significance. Bowerman, O’Conne, and Koehler (2005) said the knowledge and understanding of the situation when the violations of the assumption are present, it will lead to serious biases and little consequences.

Therefore, it is really important to run the preliminary data analysis on each variable to examine the assumptions of normality and homogeneity of variance, linearity, and also identify the outliers and extreme values involved in the data gathered. The discussion about the assumptions required has been discussed below. All the analysis completed before it was tested for correlation analysis.
4.2.2 Normality

Coakes and Steed (2007) stated, data screening and transformation techniques are useful in ensuring the data have been correctly entered and the distribution of variables that are to be used in the analysis are normal. Hair et al. (2006), described normality as a symmetrical bell-shaped curve where the greatest frequency of the scores is in the middle with the smaller frequencies toward the extremes. According to Bryman and Cramer (1999), in a normal distribution the median value will be identical or close to the mean. Subsequently, Kline (2005) said, the range of skewness should be between -2 to 2 and kurtosis range should be -3 to 3. Table – indicates the range of the skewness and kurtosis for this study. Since the skewness and kurtosis are in the range suggested by Kline (2005), the data is normal.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe Benefits</td>
<td>-.310</td>
<td>.375</td>
</tr>
<tr>
<td>Promotion</td>
<td>-.051</td>
<td>-.639</td>
</tr>
<tr>
<td>Incentives</td>
<td>.270</td>
<td>-.583</td>
</tr>
<tr>
<td>Salary</td>
<td>-.288</td>
<td>-.576</td>
</tr>
<tr>
<td>Employee Satisfaction</td>
<td>-.091</td>
<td>-.777</td>
</tr>
</tbody>
</table>

4.3 Research Question 1

Which dimension of organizational rewards system contributes the most to employees’ satisfaction at Telekom Malaysia Berhad, Selangor?

H1 There is a positive relationship between work life balance and employees’ satisfaction
H2 There is a positive relationship between healthcare and employees’ satisfaction.
H3 There is a positive relationship between bonus and employees’ satisfaction.
H4 There is a positive relationship between promotion and employees’ satisfaction.
H5 There is a positive relationship between long term incentive and employees’ satisfaction.
H6 There is a positive relationship between short term incentive and employees’ satisfaction.
H7 There is a positive relationship between salary and employees’ satisfaction.

Table 2.0: Regression Analysis of Organizational Rewards System on Employees’ Satisfaction.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variable</td>
<td>β</td>
</tr>
<tr>
<td>Work life balance</td>
<td>.205**</td>
</tr>
<tr>
<td>Healthcare</td>
<td>.286**</td>
</tr>
<tr>
<td>Bonus</td>
<td>.242**</td>
</tr>
<tr>
<td>Promotion</td>
<td>.304 **</td>
</tr>
<tr>
<td>Long term incentive</td>
<td>.109**</td>
</tr>
<tr>
<td>Short term incentive</td>
<td>.122**</td>
</tr>
<tr>
<td>Salary</td>
<td>.340**</td>
</tr>
</tbody>
</table>

| R2                     | .708    |
| F Value                | 64.83   |
| Sig. F Value           | .000    |
| Durbin Watson          | 1.968   |

*significant at 0.05
**significant at 0.01

Table 2.0 shows the findings gathered from the analysis. The dimension consists of work life balance, healthcare, bonus, promotion, long term incentive, short term incentive, and salary. The values tested on it are significant to employees’ satisfaction at Telekom Malaysia Berhad, and 70.8% of the variance in the model had been explained by the independent variables. Generally, work life balance, healthcare, bonus, promotion, long term incentive, short term incentive and salary are significant to employees’ satisfaction with overall value F=64.83 and Durbin Watson equal to 1.968. The results showed that work life balance (β=.205, p<0.01), healthcare (β=.286, p<0.01),...
5. Conclusion

This study was conducted to find out the dimension of organizational rewards system that contributes to employees' satisfaction at Telekom Malaysia Berhad, Selangor. It was also conducted to investigate the relationship between both variables.

Based on the findings gathered, it was found that all of the organizational rewards examined have contributed to employees' satisfaction. However, salary is the predictor that significantly contribute to employees' satisfaction. The findings showed that the mean for salary is 4.01 whereas 13=.340, and p<0.01 and strong relationship gathered. From the findings, it indicated that most of the employees at Telekorn Malaysia Berhad are satisfied with the salary system provided by the organization. This is because, employees feel the salary given is able to satisfy their lives especially when it is related to their lifestyle and living cost. Money has been seen as an important factor to live a life. Therefore, Telekom Malaysia Berhad has practiced good implementation by providing good salary to the employees. Besides that, promotion becomes second highest predictor that contribute to employees’ satisfaction in the organization with significant value 13=.304, and p<0.01. The employees want to be given opportunity to grow and develop their own career path.

Subsequently, certain employees especially the X and Y generations like to explore and refuse to be in the same position for a long term period. Promotion opportunity is very essential in satisfying the employees, eventually increases the employees’ job performance. Fringe benefits also have significant contribution to employees' satisfaction with the value for work life balance is 6=.205, and p<0.01, healthcare (6=.286, p<0.01), and bonus (6=.242, p<0.01). However, the fringe benefits offered by the organization are still not able to fully satisfy the employees. This happened because the organization practiced imbalance fringe benefits that lead to dissatisfaction. That means, organization probably provide an inequity implementation of work life balance, healthcare, and bonus plan to the employees. As founded by Benz (2005), only two out of nine fringe benefits offered in organizations are able to satisfy the employees Therefore, the failure factors in practicing fringe benefits in an organization may influence the employees' satisfaction level and may result to dissatisfaction. In contrast, the least significant predictor to employees' satisfaction is long term incentive. Based on the findings, long term incentive results to lowest significant value in which 6=.109, and p =.006. However, the dimension is still in the positive range of relationship with p<0.01. Based on the findings, it was found that incentives produced average employees' satisfaction at the organization. Additionally, the data gathered showed certain employees are satisfied with the long term and short term incentives given, meanwhile others expressed dissatisfaction.

In conclusion, it was found that the relationship between organizational rewards system and employees' satisfaction are positive with significant value r=.708, and Pearson Coefficient value = .839 results to strong linear relationship. According to Mowday et al. (1979), employees believe that their attachment to the organization will provide access to meaningful rewards that satisfy their needs. Therefore, most of the employees trust that each of their job accomplishment will be rewarded and effort will be kept continued for better rewards.

5.1 Limitation and Suggestion for Future Research

This study had itself imposed some limitations in the area of its investigation. The sample selected are from all departments in the organization occupying positions such as the managers, executives and support staff. This study also focused on only four organization rewards system, that is fringe benefits, promotion, salary, short term and long term incentives. It is supported that in order to penalize the findings, future researchers should take similar effort but with a larger scope, covering other telecommunication industries, enable comparisons to be made and thus produce more relevant results.

Additionally, other rewards such as income protection, employment security, and recognition and status also can be examined for future research in order to gather better understanding about the organizational rewards system in the future.

References


