

THE CORRELATION  
BETWEEN INTRINSIC  
AND EXTRINSIC  
MOTIVATION AND THE  
EMPLOYEE'S  
PERFORMANCE IN SME  
MALAYSIA

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The Correlation Between Intrinsic and Extrinsic Motivation and The Employee's  
Performance in SME Malaysia

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## DECLARATION

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- (3) Equal contribution has been made by each group member in completing the FYP.
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This research project is dedicated to:

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### **LIST OF ABBREVIATIONS**

<b>Abbreviations</b>	<b>Full Description</b>
ANOVA	Analysis of Variance
COVID	Coronavirus Disease
GDP	Gross Domestic Product
HRM	Human Resource Management
IT	Information Technology
RM	Ringgit Malaysia
SM	Statistics Malaysia
SME	Small and medium-sized Enterprises
SPSS	Statistical Package for Social Sciences
UTAR	Universiti Tunku Abdul Rahman

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## **PREFACE**

The current final year project aims to fulfill the criteria for the Bachelor of Business Administration (Hons). This research, focused on research methodology, has been completed and enriched by incorporating insights from various cited studies.

The current research project is titled "Intrinsic and Extrinsic Motivation Affects Employee Performance in Malaysian SMEs". In the past, there have been many empirical studies on the impact of employees' intrinsic motivation and extrinsic motivation on employee performance. However, there is a lack of research on the impact of intrinsic and extrinsic motivation on employee performance in Malaysian SMEs. Therefore, we were inspired to conduct this research. This study sheds light on the factors affecting employee performance in the context of intrinsic and extrinsic motivation of employees in small and medium enterprises (SMEs) in Malaysia.

## ABSTRACT

Enhancing employee performance within Malaysian small and medium-sized enterprises (SMEs) can be achieved by harnessing the versatility of both extrinsic and intrinsic motivation as effective tools. In the aftermath of the Covid-19 pandemic, there has been a surge in the requirement for heightened employee performance across diverse global industries. The profound ramifications of the Covid-19 outbreak have been unmistakable. In this context, both extrinsic and intrinsic motivation have demonstrated their potential in elevating employee performance. Evidently, the adept management of employee motivation significantly contributes to the success of SMEs in Malaysia. The significance of both extrinsic and intrinsic motivation in shaping the performance of SMEs employees has been duly acknowledged and established as the primary objective of the present research. The main aim of this research is to investigate the potential correlation among the four variables which include Recognition (Recog), Autonomy (Auto), Compensation (Compen), and Company Policy (Compoli) will have the correlation with the performance of employees in Malaysian SMEs. The research was carried out, involving the distribution of questionnaires to 268 respondents across four chosen states include Selangor, Kuala Lumpur, Johor, and Perak. A total of 268 responses were successfully collected. The research model underwent testing through Reliability and Multiple Linear Regression analyses. The result reveal that Recog, Auto, Compen, and Compoli exhibit a notable and significant impact on employee performance within SMEs. Furthermore, this research offers valuable insights for SMEs and future research endeavours seeking to comprehend the correlation between extrinsic and intrinsic motivation and the performance of employees in Malaysian SMEs. Additionally, a set of recommendations is outlined to guide upcoming research efforts, thereby reinforcing the rationale for further exploration in areas of potential enhancement.

**Keywords:** Performance of employees in Malaysian SMEs, Recognition, Autonomy, Compensation, Company Policy

## **CHAPTER 1: RESEARCH OVERVIEW**

### **1.0 Introduction**

This research paper aims to investigate how the connection between intrinsic and extrinsic motivation influences employee performance, particularly in the context of Malaysian SMEs. Chapter 1 serves as the introduction to the study, offering a comprehensive insight into the research's foundational background, including a detailed exposition of the problem statement. Additionally, the chapter delineates the research inquiries, aims, hypotheses, the study's significance, and the organizational framework of the ensuing sections. Within this chapter, readers can acquire a holistic perspective of the research endeavor.

### **1.1 Research Background**

Small and medium-sized enterprises (SMEs) have long played a crucial role in Malaysia's economy, constituting a significant majority of establishments in 2021, totaling 1,226,494 SMEs, as per the Department of Statistics Malaysia (DoSM) (2021). However, the emergence of new COVID-19 variants has posed challenges to the growth of these SMEs. While 2021 saw some signs of recovery in SME performance, such as a 1% increase in GDP growth from the previous year and a 0.9% rise in SME employment, it also witnessed a modest 0.1% increase in SME productivity, indicating that recovery has been slow in some areas ("SME economic performance and outlook," n.d.). This slowdown is notable because traditionally, SMEs in Malaysia have outperformed the country's overall GDP growth rate, a trend that has shifted since 2020 (Malay Mail, 2022).

In 2021, SMEs employed a substantial workforce of 7.32 million individuals, contributing nearly half of Malaysia's total employment. However, despite a slight improvement of 0.9% in labor productivity in 2021, it remained relatively low compared to pre-2020 growth rates. The manufacturing sector saw a commendable 6.3% increase in productivity, but this was offset by declining productivity in the construction, mining & quarrying, and services sectors, resulting in nearly stagnant overall SME productivity growth in 2021. Furthermore, labor productivity growth was notably lower than rates observed prior to 2019 ("SME economic performance and outlook," n.d.).

Turning to the realm of motivation, a long-standing concept dating back to 1918 (Rheinberg & Engeser, 2018) posits that there are two fundamental types of motivation: intrinsic and extrinsic. Intrinsic motivation relates to engaging in activities inherently satisfying or enjoyable, while extrinsic motivation involves performing tasks primarily driven by outcomes separate from the activity itself (Legault, 2020).

Given the evolving knowledge-driven landscape, assessing employee performance has gained increased significance globally, especially in the wake of the profound impact of COVID-19 (Wolor et al., 2022). High employee performance is now recognized as a critical reflection of an organization's ability to thrive and sustain itself, with potential benefits extending beyond individual contributions to overall organizational growth and sustainability (Liang Hong & Zainal, 2022). Numerous studies emphasize the strategic advantages gained by organizations that achieve high levels of employee performance, contributing to a competitive edge (Diamantidis & Chatzoglou, 2019). Employees who consistently perform at a high level tend to exhibit greater accountability in fulfilling their duties, impacting both individual and organizational performance (Rizky & Ardian, 2019). Consequently, performance becomes a tangible manifestation of an employee's contributions to the organization, as articulated by Huragu and Chuma (2019). Moorthy et al. (2012) further highlight the critical link between employee performance, organizational performance, and SMEs' overall performance.

Within this research, recognition, autonomy, compensation, and company policy have emerged as variables warranting investigation into their influence on the relationship between

motivation and employee performance. Recognition, involving a formal acknowledgment that provides positive information about self-competence, embodies an intrinsic motivational factor (Rai et al., 2018; Hansen et al., 2002). Autonomy, another intrinsic motivator, refers to the degree of freedom employees have in determining various aspects of their work (Diamantidis & Chatzoglou, 2018). Compensation, categorized as an extrinsic motivator, encompasses rewarding employees through both monetary and non-monetary means (Reddy, 2020). Company policy, functioning as both a hygiene factor and an extrinsic element, establishes organizational standards by defining expected behaviors and responsibilities for both employees and employers (Scott, 2019; Herzberg et al., 1959).

While Malaysia has seen a recovery in overall labor productivity, it still lags behind desired benchmark countries. This calls for improvements in labor productivity despite it surpassing regional comparators and showing convergence with transitional comparators (World Bank, 2023). Motivation plays a central role in influencing individual behavior and outcomes, such as productivity and performance (Paais & Pattiruhu, 2020; Kuswati, 2020). From a narrow perspective, it is essential for SMEs to gain a deeper understanding of the relationship between intrinsic and extrinsic motivation and employee performance to ensure business sustainability and enhance overall company performance. From a broader perspective, a comprehensive understanding of the factors enhancing employee performance can have direct and indirect impacts on Malaysia's global performance. Therefore, the primary objective of this study is to analyze the interaction between intrinsic and extrinsic motivation and its effects on employee performance within the specific context of Malaysian SMEs.

## **1.2 Research Problem**

The Malaysian government highly prioritizes SMEs' contributions to GDP, export figures, and labor productivity. In the context of our research problem, the central concern revolves around the declining trends in SME GDP, employee productivity, and export performance, with the performance of SME employees at its core.

Export performance is fundamentally tied to competitive advantage. The international market, given its larger customer base, offers opportunities for increased sales and profits, especially for companies from smaller emerging markets like Malaysia. Consequently, managers and employees in SMEs are predominantly focused on enhancing their competitive abilities to achieve superior performance in foreign markets (Ismail, 2018). However, in 2020, Malaysia faced significant export challenges, with a 23.8% year-on-year decline in April, amounting to RM 64.9 billion (Esther, 2020). Additionally, SMEs' contribution to Malaysia's total exports exhibited a downward trend, declining by 17.3% in 2019, followed by 13.5% in 2020, and 11.7% in 2021 (DoSM, 2019; 2020; 2021). Consequently, Malaysia slipped five spots in the global competitive ranking in 2020 (NST Business, 2020).

Safari & Saleh (2020) highlight that one of the key determinants of SME export performance is related to the performance of SME employees. The news from The Star (2022) indicates that companies are currently grappling with lower operational capacity due to an ongoing labor shortage and low productivity of employee performance. This issue has led to lower profit margins for these companies as they are compelled to decline orders. Furthermore, according to Sunbiz (2022), the ongoing labor shortage in SMEs is attributed to inadequate compensation and compensation policies.

In the 21st century, business success is not solely defined by profitability but also by enhancing human well-being (Matlon, 2019). The challenges arising from low employee performance manifest in both financial and non-financial aspects. In the financial aspect, employee productivity is a pivotal factor affecting SMEs' GDP growth rates (Lim & Teoh, 2021). The COVID-19 pandemic in 2020 significantly impacted SMEs, leading to a decline in the performance of all sectors of the economy due to low employee productivity and measures like the Movement Control Order. Notably, SMEs experienced a 7.3% reduction in GDP in 2020 (Ramdan et al, 2022). In non-financial terms, FMT Reporters (2022) reported that half of Malaysian workers feel burnt out, leading to reduced work performance due to a lack of motivation. Additionally, Selvanathan et al. (2020) observed that Malaysians work longer hours than their counterparts in many standard countries but are less productive. In comparison to countries like Singapore, Hong Kong, Taiwan, Japan, and others, Malaysia's employee performance lags behind.

Hence, the purpose of this study is to gain a profound understanding of employee performance through the lens of intrinsic and extrinsic motivation factors: compensation, company policy, recognition, and autonomy within Malaysian SMEs. Currently, SMEs constitute a significant 97.4% of total business establishments in Malaysia, totaling 1,226,494 SMEs, making them a substantial portion of businesses across various sectors (DoSM, 2021). Moreover, SMEs contribute significantly to employment in the country, providing jobs for a total of 7.32 million people (DoSM, 2021). However, there is a noticeable dearth of current research focusing specifically on motivation within the SME workforce, particularly within Malaysia's developmental context (SMEinfo, 2022). This study aims to bridge this existing gap and offer an in-depth understanding of employee performance and motivational factors within Malaysian SMEs.

### **1.3 Research Objectives**

Crafting both general and specific objectives aim to solidify the research's purpose and offer a well-defined trajectory for the study.

#### **1.3.1 General Objective**

To study the correlation of intrinsic and extrinsic motivation between employee performance in SME in Malaysia.



### 1.3.2 Specific Objective

1. To examine the relationship between **recognition** and SME employee's performance in Malaysia.
2. To examine the relationship between **autonomy** and SME employee's performance in Malaysia.
3. To examine the relationship between **compensation** SME employee's performance in Malaysia.
4. To examine the relationship between **company policy** SME employee's performance in Malaysia.

## 1.4 Research Questions

The researchers have formulated a series of both general and specific research questions, which will act as a roadmap for the investigation into the identified problem statements. By utilizing these questions, the researchers aim to gain a more comprehensive understanding of the research problem and identify potential solutions or areas for future research.

### 1.4.1 General Research Questions

How does the interplay between intrinsic and extrinsic motivation impact the performance of employees in Malaysian SMEs?

### 1.4.2 Specific Research Questions

**Q1:** Does **recognition** have a positive relationship on SME employees' performance in Malaysia?

**Q2:** Does **autonomy** have a positive relationship on SME employees' performance in Malaysia?

**Q3:** Does **compensation** have a positive relationship on SME employees' performance in Malaysia?

**Q4:** Does **company policy** have a positive relationship on SME employees' performance in Malaysia?

### 1.5 Hypothesis of the Study

The study aims to develop four hypotheses that will be used to guide the research and provide a framework for the analysis.

**H1:** There is a significant relationship between **recognition** and SME employees' performance in Malaysia.

**H2:** There is a significant relationship between **autonomy** and SME employees' performance in Malaysia.

**H3:** There is a significant relationship between **compensation** and SME employees' performance in Malaysia.

**H4:** There is a significant relationship between **company policy** and SME employees' performance in Malaysia.

## 1.6 Significance of the Study

Possessing a comprehensive comprehension of the aims and importance of a study is crucial, which is why it is important to outline the significance of the study in research. In the context of the topic " The correlation between intrinsic and extrinsic motivation and the performance of employees in Malaysian SMEs ", practitioners refer to individuals or organizations involved in the SME in Malaysia, such as business owners, managers, and employees. Academics, on the other hand, refer to researchers, scholars, and educators who study and teach in fields related to business, management, and psychology, among others.

For academics, this study can contribute to the existing literature on motivation theory and its application in the context of SMEs in Malaysia. Examining the relationship of both intrinsic and extrinsic motivation on SME employees' performance can provide a more comprehensive understanding of the complex relationship between motivation and success in this specific sector, filling a gap in the current literature and laying the foundation for future research.

In the current global pandemic situation of COVID-19, optimizing SME performance has become more challenging, making this study more relevant than ever before. This research can offer valuable insights and recommendations for small and medium enterprises (SMEs) employees' performance in Malaysia on how to effectively motivate their employees to improve company success. By understanding the relationship of intrinsic and extrinsic motivation on employee performance, SMEs can develop better strategies for employee retention, recruitment, and performance management. In Malaysia, SMEs play a significant role in the economy and face challenges such as intense competition and a shortage of skilled labour, making this study particularly pertinent.

In addition, policymakers can use this study as a resource or guide. The findings can help them develop policies and programs to support SMEs by providing a comprehensive understanding of the importance of intrinsic and extrinsic motivation factors in SME

employees' performance. For example, if the study finds that intrinsic motivation has a stronger impact on business performance than extrinsic motivation, policymakers could focus on initiatives that encourage the development of a positive work environment and culture, such as providing training and resources for leadership development and employee well-being. Alternatively, if the study finds that extrinsic motivation is more important, policymakers could focus on incentives such as tax breaks or subsidies to encourage SMEs to invest in employee rewards and recognition programs. This can lead to a more motivated workforce, increased SME performance, and overall economic growth in the country.

## **1.7 Chapter Layout**

There is total 5 chapter include in this research which is introduction, literature review, methodology, research result, discussion and conclusion.

### **Chapter 1: Introduction**

The first part in this research paper functions as an introductory segment, offering a comprehensive overview of the study's contextual background. Within this chapter, the problem statement articulates the pivotal challenges and research voids that propel the study's trajectory, while the study objectives and hypotheses establish a structured framework for our inquiry. Furthermore, this chapter delves into the importance and potential contributions of the research within the broader academic and practical realms.

## **Chapter 2: Literature Review**

Within second part of the study, the literature review segment engages with theoretical insights, models, and conceptual frameworks that underpin the research's thematic essence. The central objective of this part is to underscore the research topic's pertinence in the academic domain, accomplished through an exhaustive review and analysis of prior scholarly and authorial investigations. Moreover, it accentuates lacunae and constraints present in earlier research endeavors while contextualizing our study vis-à-vis preceding and ongoing scholarly endeavors in the field. This chapter also encompasses the formulation and ultimate conclusion of hypotheses.

## **Chapter 3: Methodology**

In Chapter 3 of this research paper, the research methodology is delineated, outlining the procedures that will be employed to carry out the study. This encompasses a thorough elucidation of the data collection methodology and sampling framework. Furthermore, the chapter introduces the research tool and deliberates on the techniques employed to quantify constructs. The segment concerning data analysis and processing delivers a comprehensive outline of how the gathered data will be examined and treated.

## **Chapter 4: Research Result**

Chapter 4 of this research paper offers an intricate examination of the study's discoveries, closely tied to the research objectives and hypotheses. The data collected through the research instrument are analyzed using various statistical techniques, including scale measurement, descriptive, and inferential analyses. The analysis is conducted using the Statistical Package for the Social Science (SPSS) software, ensuring the accuracy and reliability of the results.

## **Chapter 5: Analysis and Conclusion**

In this part of research paper, an all-encompassing scrutiny of the study's discoveries is presented, encompassing both a succinct summation of the statistical exploration and an elaborate discourse on pivotal revelations. This chapter further contemplates the theoretical and pragmatic ramifications of the research, along with an assessment of potential constraints that could influence the study's credibility and dependability. Additionally, it proffers suggestions for prospective research avenues and a conclusive summative synthesis of the research's findings.

### **1.8 Chapter Summary**

Chapter 1 of this study outlines the composition of the summary, including a detailed discussion of the background and problem statement. Moreover, hypothesis, the significant of study, question, research objectives and the structure of the subsequent chapters has built an outline on the research topic.

## CHAPTER 2: LITERATURE REVIEW

### 2.0 Introduction

In this chapter was conducted examine preceding findings on the relationship between employee motivation and performance, and various variables were defined to aid readers' understanding. The chapter also discussed theoretical models related to the research topic and developed a theoretical framework to establish connections between variables. Also, the hypotheses for the research were formulated.

### 2.1 Underlying Theory

#### 2.1.1 Maslow's Hierarchy of Needs Theory



Maslow's hierarchy of needs

Figure 2.1. Maslow's Hierarchy of Needs Theory. Adapted from Mcleod (2020).

The hierarchy of needs theory was introduced by Abraham Maslow in his 1943 paper "A Theory of Human Motivation". Each of these hierarchies indicates that people have basic

motivations to satisfy basic needs and then pursue higher needs (Kendra, 2022). Maslow argued that “the fundamental desires of human beings are similar despite the multitude of conscious desires” (Nicole, 2017). The author divides the level of needs into five different levels, as shown in Figure 2.1 starting from the lowest level of physiological needs and will pursue higher needs after satisfying the lower-level needs. From the bottom up, the needs are broken down into five categories: physiological, security and safety, love and belonging, and esteem and self-actualization.

Starting from the lowest needs are the physiological needs, and the physiological need is at the base of the pyramid, which are the most basic and fundamental needs for all human beings to survive. These include food, water, breathing, shelter, warmth, and sleep to name a few to sustain human existence (Kendra, 2022). The first level of requirements is the most crucial and will dominate awareness until it is met (Nicole, 2017).

Located at the second level of the pyramid are security needs, once a person's physiological needs they start thinking about their security needs. Security requirements include the need for personal safety and protection from harm, as well as the need for environmental stability and predictability (Mcleod, 2020). A person is less likely to direct their attention towards attempting to satisfy higher-order demands if they don't feel safe in their surroundings (Nicole, 2017). This is because when individuals feel insecure or uncertain, anxiety and stress can arise that inhibit their ability to focus on higher-order needs.

Love and belonging needs are one of the five levels in Maslow's Hierarchy of Needs, located at the third level of the pyramid, these needs are part of the psychological or social needs that an individual needs to feel fulfilled and fulfilled. Love and belonging needs refer to the desire for close relationships with others, such as friends, family and partners (Mcleod, 2020). Because humans are social animals, the need for love and belonging is a fundamental aspect of life. If individuals fail to meet their needs for love and belonging, they experience loneliness, social isolation, and depression (Mathew, 2021).



Esteem needs are one of the five levels in Maslow's hierarchy of needs theory, located at the fourth level of the pyramid, this level is part of the psychological or self-actualization needs that an individual needs to feel fulfilled and fulfilled. The need for esteem refers to the desire for self-esteem and respect from others. It includes needs for self-esteem, self-confidence, achievement, and recognition (Mcleod, 2020).

Maslow's hierarchy of needs places self-actualization demands at the summit of the pyramid as the most important need. The urge for personal development, fulfilment, and the realization of one's full potential is referred to as a self-actualization need. (Mathew, 2021). It includes the need for creativity, problem-solving, and the pursuit of meaningful goals. They may feel unfulfilled or directionless in life, leading to feelings of frustration or disappointment (Kendra, 2022).

The utilization of Maslow's hierarchy of needs theory enables the analysis of intrinsic and extrinsic motivations among SME employees. As a result, the researchers view this theory as a suitable framework for examining the relationship between intrinsic and extrinsic motivation and employee performance within Malaysian SMEs.

First, autonomy is an intrinsic motivation, and the last level in line with Maslow's hierarchy of needs is self-actualization. In terms of employee performance, autonomy is about maximizing one's potential at work (Nidhi, 2021). Employees are interested in personal growth and development through self-actualization and become proficient at their jobs. While pursuing challenging work or being less supervised, employees feel they can contribute to the larger cause of the organization and feel empowered to envision and drive change (Robert, 2023). Therefore, autonomy can help employees maintain confidence and continue to learn from their efforts, thereby increasing productivity and performance. Managers can channel the potential, experience, and learning of their employees to create a positive impact on businesses and organizations.

Second, recognition is an intrinsic motivation that conforms to the respect needs of Maslow's hierarchy of needs. Respect is related to the employee's self-image and his desire for respect and approval from others (Robert, 2023). Employees are proud of the company they work for and the part they perform. Their achievements should be commended, appreciated, and recognized, making employees feel valued and helping them find meaning in their work. Managers can give their staff members the impression that they are developing, getting better, attaining results, and receiving praise for doing so. Provide employees with opportunities to contribute commensurate with their abilities and demonstrate their talents. When employees feel part of the team and think they are a good fit for the role, employees are often inspired to work hard and achieve results (Karin & Psyd, 2022).

Next compensation is an extrinsic motive that satisfies the physiological and safety of Maslow's hierarchy of needs. People starting their careers will be extremely worried about physiological needs, such as the need for fair pay and a steady income, as well as the desire for benefits and a secure workplace (Robert, 2023). Every employee hopes to have a solid job that pays well and provides for their family. This stage is crucial to move on to the next stage and should not be neglected, if the company only provides satisfactory salaries while ignoring the development of employees, employees are likely to feel stagnant and lack motivation (Tera & Brooke, 2022).

Finally, company policy is an extrinsic motivation that meets the safety needs of Maslow's hierarchy of needs. Creating job security and establishing a safe and healthy work environment are both safety requirements. Provide safety protection for employees and property through a sound occupational health and safety management system and a vigilant safety system (Chron, 2022). Reduced employee motivation and productivity levels due to constant changes in job descriptions and lack of visibility into internal opportunities for advancement. Therefore, create a fair and just company policy to ensure that all employees should be treated fairly and have a non-threatening working environment so that employees can work for the company with peace of mind and improve work efficiency (Jennifer, 2022).

The researchers find that Maslow's hierarchy of needs theory can effectively assess the intrinsic and extrinsic motivations of SME employees. Consequently, they deem this theory as a fitting instrument to examine the connection between intrinsic and extrinsic motivation and employee performance within Malaysian SMEs.

## **2.2 Review of Literature**

### **2.2.1 Employee Performance (Dependent Variable)**

Employee performance is a measurement of how an employee carries out their responsibilities and conducts themselves in the workplace. Worker productivity at work has long been regarded as the benchmark for determining the effectiveness of an organization and its overall productivity (Rahaman, Ali, Taru & Gupta, 2021). For businesses to compete in the business world, employees create competitive advantages. Organizations consider employees as an asset since they play a significant role in achieving the organization's objectives by performing their job responsibilities effectively. Employee performance is considered one of the criteria to evaluate business outcomes and efficiency because it fundamentally contributes to the commercial development and further commercial success of any organization. Because of this, businesses must invest in improving employee job performance to achieve better business results (Almaamari & Alaswad, 2021). Since employee performance has an impact on organizational success, it is crucial for business firms to identify the factors that affect employee performance. All business sectors of the economy, especially SME companies have been instrumental in bringing about this development (Rahaman et al, 2021). The SME sector contributes to reducing unemployment by offering a diverse range of employment opportunities. The success and growth of SME enterprises are influenced by their performance, which can be enhanced by the improved performance of employees in the sector.

According to Department of Statistics Malaysia (2021), SME contribute 38.2% of GDP in 2020 in Malaysia. SME has been the subject of research on factors that will help them find

the best technique, strategy, and method for enhancing performance for a few years now. Human Resources Management (HRM) is a component that SMEs frequently overlook. According to Shamsudin, Ghapar, Ngah & Adenan (2023), HRM is a crucial component of SME. The manager of a business, no matter how small or big, needs to have sound human resource management techniques. In addition, managing the assets for the performance of the organization still involves motivating the workforce. Employers will be motivated by specific human resource management techniques, which will support continued firm performance. The SME must adapt to market changes and learn new lessons in order to survive. The company's ability to adjust to technological advancements will help it stay competitive in a changing market. Managers and employees must arm themselves with related skills and knowledge in order to possess these technological skills (Shamsudin et al, 2023).

### **2.2.2 Recognition (1<sup>st</sup> Independent Variable)**

Recognition is the act of offering a reward in relation to a performance such as the accomplishment of a task or project, or the achievement of a goal (Lartey, 2021). Companies give their staff members recognition in order to encourage positive actions that have a beneficial impact on the company's operations. Recognition is a crucial intrinsic reward that significantly motivates and enhances the performance of employees (Manzoor et al., 2021). These rewards are interconnected with spirituality, positively influencing psychological and physical well-being as well as effective job performance (Božek et al., 2020). Thus, recognition and appreciation hold fundamental importance for the success of any organization. To empower an organization, recognition is a valuable response to a employee's contribution and an effective method to boost morale. (Abu Hassan Asaari et al., 2019). Recognition must be given personally and in person to be successful. As a result, it may be anticipated that individuals who demonstrate high levels of performance would receive recognition and appreciation from the management of the organization (Chaudhary, 2019). Ultimately, recognition has a resolute and positive influence on employee performance.

According to Chung & Al-Khaled (2022), practices of employee recognition can foster loyalty in any workforce. Employee commitment is more likely to increase for employers who are willing to acknowledge employees who perform well. Employees with a greater self-worth and sense of control are motivated to work towards both personal and organizational goals. In order to retain valuable employees, employers should recognize and acknowledge employees' contributions to the company. This is because motivated employees are more committed to their work commitments. Lawal & Ojokuku (2022) also claimed that effective recognition can boost worker engagement and productivity which improves organizational performance.

Another than that, recognition serves as a display of confidence in employees, and when employees feel confident, their productivity tends to increase (Solberg et al., 2020). It is critical to effectively communicate trust in employees' abilities and skills and publicly acknowledge the value placed on them. When employees feel appreciated and valued for their contributions, positive outcomes ensue, including enhanced employee commitment, reduced staff turnover, higher customer loyalty ratings, and overall organizational growth (Degbey et al., 2020). Interestingly, despite the widespread implementation of employee recognition programs in the workplace, with over 80 percent of organizations adopting some form of recognition, there has been a decline in job satisfaction (Chaudhary, 2019). Additionally, there are only 30% of the workforce is actively involved, which further indicates the low level of employee engagement (Hisel, 2019). But the study emphasizes how important it is to support employees' true feelings of value and appreciation within their own organizations.

### **2.2.3 Autonomy (2<sup>nd</sup> Independent Variable)**

According to Slemp, Kern, Patrick, & Ryan (2018), intrinsic motivation serves as the archetype of autonomous motivation and entails participating in an activity due to its inherent appeal or enjoyment factor. Autonomy in a corporation or business is the freedom given to employees by their managers to make decisions and achieve specific goals. The idea of autonomy is understood as the level of independence granted to employees to utilise methods that are advantageous to them in carrying out their daily job tasks and activities, as well as the

degree of freedom provided to them to organise their work without any limitations. Employees with a high level of autonomy are more inclined to engage in job crafting compared to those with limited freedom. Research conducted by Ghani, Kaliappen, & Jermsittiparsert (2019) on how employees at different levels engage in job crafting and found that those with limited autonomy believed that their formal job designs considered both the outcomes and the methods of achieving performance at work. These precise job designs limit the employees' chances to participate in job-crafting activities by clearly defining how employees must invest their time and energy.

As noted by Ghani, Kaliappen, & Jermsittiparsert (2019), employees with a significant level of interdependence may encounter obstacles in modifying their job tasks and work relationships due to the need to consider their colleagues' actions and work. Higher levels of task independence encourage employees to pay less attention to other employees, which helps them in their efforts to change their jobs while also having little impact on the work of their co-workers. Besides, greater autonomy allows workers to learn new skills that encourage them to take charge and enhance their knowledge when resolving issues at work. According to Xiang, Zhang, Ning, Wu, & Chen (2021), employees with a high degree of autonomy are known to possess a variety of knowledge and skills that are crucial for their job roles, and as a result, those employees will engage in meaningful activities.

According to Sørli, Hetland, Bakker, Espevik & Olsen (2022), completing one's own tasks will not be satisfying enough for researchers if their co-workers are not performing well since the greater perceived responsibility for the organization's production output that stems from autonomy. This realization should serve as a motivator for researchers to aid and support their colleagues, as they understand that their co-workers' goals are interconnected with their own. Moreover, the increased role flexibility associated with autonomy allows researchers the opportunity to act in contextual manner, whereas limited autonomy would restrict them to behaviors strictly defined by their job descriptions. According to Manzoor, Asif & Wei (2021) and Siddiqui & Rida (2019), stated how intrinsic motivation has a favorable and significant impact on an employee's performance within an organization. Additionally, autonomy is an

intrinsic motivation that encourages employees to perform better at work (Othman, Abdullah, Aziz & Tobi, 2022; Bergström & Garcia Martinez, 2016).

#### **2.2.4 Compensation (3<sup>rd</sup> Independent Variable)**

In today's business world, compensation represents a significant cost for companies. It refers to the rewards and benefits that employees receive in exchange for their work and services provided to the organization, often measured in monetary terms (Siddiqi & Tangem, 2018). These rewards can be financial or non-financial, and they serve to acknowledge and compensate employees for their contributions to the company (Widagdo, Widodo, & Samosir, 2018). Compensation can be categorized into two primary groups: direct compensation, which includes regular wages, incentives, promotions, overtime pay, allowances, and bonuses, and non-direct compensation, which encompasses benefits such as leave, training, pensions, insurance coverage, and childcare plans that are part of the overall compensation package offered to employees (Zaeni et al., 2022).

Rewards such as compensation, and benefits are a type of extrinsic motivation that are controlled by external sources rather than naturally occurring rewards that depend on the work itself (Reddy, 2020). Compensation is an extrinsic motivation intended to encourage employees to do their job better and to be more responsible for each assigned task and will have the effect of improving the overall performance of the employee (Sudiardhita et al., 2018). At the same time, salary also plays an important role. One of the main reasons for employees to work is to meet the needs of themselves or their families. Employees can increase and improve their living benefits through the rewards they get from work (Agusra et al., 2021). Employee compensation must be appropriate and fair since it may increase their capacity to increase productivity and because it can make them feel satisfied while working (Saman, 2020).

The greatest talent will be attracted and retained by organizations with the most competitive. A well-designed compensation system can fulfill employees' basic needs. Industry norms should be followed by a compensation system. To encourage employees to enhance performance and boost organizational efficiency, a good remuneration scheme is crucial (Reddy, 2020). Such a system can bring many benefits, including improved employee job satisfaction, motivated employees, low absenteeism and turnover, aid in talent retention and recruitment, and improves overall productivity. Increase the transparency of the compensation plan and increase employee confidence and performance, top management should regularly review the company's compensation plan and post the compensation plan manual so that all employees can read it (Abebe, 2018).

#### **2.2.5 Company Policy (4<sup>th</sup> Independent Variable)**

Company policies and procedures establish the norms of conduct within an organization, outlining the responsibilities of both employees and employers. As per Herzberg et al.'s (1959) research, policies categorized as hygiene factors are also recognized as extrinsic motivational factors capable of influencing employee motivation. Policy establishes a framework that guides employee behavior and operational procedures. This framework encapsulates guidelines, principles, objectives, and regulations designed to steer employee actions within their roles. The primary aim of these policies is to align a company's activities and conduct with its objectives and values, while also ensuring adherence to legal and regulatory standards (Scott, 2019). These policies span a wide spectrum, encompassing facets such as employee behavior, benefits, compensation, performance management, data security, privacy, and environmental stewardship (Hermawan, 2021).

In the quest to devise policies that mutually benefit both the company and its workforce, Forbes (2021) underscores the importance of assessing the utility of existing policies. Meanwhile, John Morgan (2021) advocates for cultivating a collaborative atmosphere that engages employees and fosters a bottom-up communication approach. Furthermore, Nakisha



Griffin (2021) suggests that exploring competitors' policies is instrumental in ensuring the company's policies remain competitive within the industry. John Feldmann (2021) accentuates the necessity of providing employees with a platform to voice their values and contribute to policy formation, thereby ensuring inclusive representation.

Regarding specific policies, common ones like compensation and promotion policies are prevalent across most companies. Each of these policies holds a significant sway within an organization, offering both financial and non-financial incentives to motivate enhanced employee performance (Krekel, 2019).

Well-crafted company policies wield the capacity to amplify employee value and elevate organizational efficacy (Shaikh et al, 2019). However, policies that are unequal or unjust can adversely impact employees' financial and emotional well-being, culminating in subpar performance for both individuals and the organization (Arslan & Roudaki, 2019). The attitudes and actions of management, leaders, and all parties involved in policy implementation constitute the linchpin that ensures the effective execution of best practice policies (O'riordan, 2022).

## 2.3 Proposed Conceptual Framework

Based upon theoretical discussion and literature review, Figure 2.2 illustrates the conceptual framework of the study. This research examines this independent variable (recognition, autonomy, compensation, and company policy) has a crucial influence on dependent variable SME employees' performance in Malaysia.

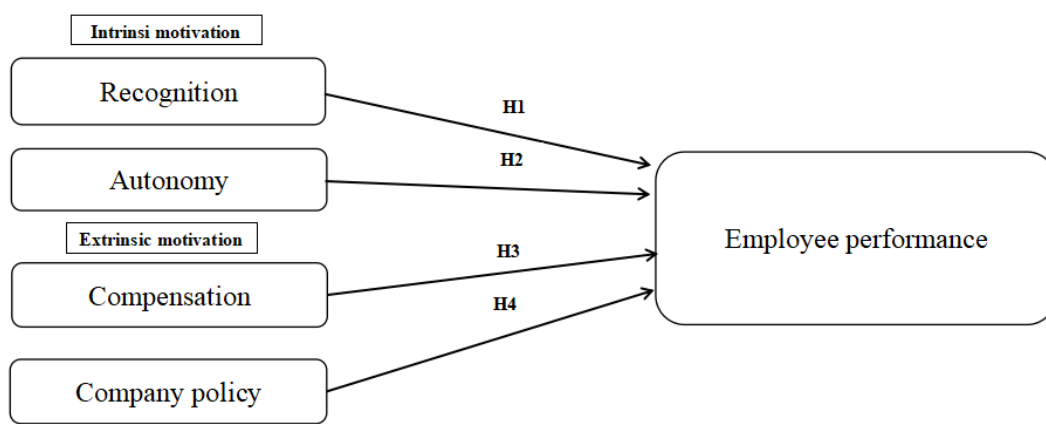


Figure 2.2. Proposed Conceptual Framework. Crafted for research purposes.

## 2.4 Hypotheses Development

### 2.4.1 Relationship between Recognition and Employees' Performance

Recognition stands as a pivotal outcome driving organizational interventions, fueling increased efforts when employees appreciate their contributions (Vance, 2018). Employee appreciation serves as a potent indicator of their significance within the organization, aligning with Maslow's emphasis on peer respect (1943). Leaders and organizations valuing employees fulfill a psychological need, fostering an environment conducive to productivity (O'Flaherty et al., 2021). Research in the last three decades has underscored the impact of employees' psychological needs on workplace performance, prompting a shift from material to intrinsic motivators (Kumari et al., 2021). From an employee's perspective, personal recognition holds exceptional value. Treating each worker as a unique individual worthy of consideration is paramount (Vo et al., 2022). Fostering a sense of importance while acknowledging diverse aptitudes and needs is essential. Employee value is cultivated through recognition, transparent communication, and roles aligned with competencies and personal growth (Wickham, 2021). Considerate gestures, like accommodating dietary restrictions or understanding personal commitments, deepen employee connection (Wickham, 2021). Fair treatment and respect spur actions benefiting the organization (Deer, 2020).

Employee appreciation is the most popular. It acknowledges an employee's outputs (Ali & Anwar, 2021). Supervisors may publicly praise employees who meet or surpass output goals. Recognition shows employees that their work is valued. Like other acknowledgment elements, this helps employees assess their contributions to the firm. Workers who think their work is worthless may stop trying. Appreciation motivates success behaviorally. Without this reward, the outcomes-producing acts may die out. Recognizing employees' achievements is important, but doing so alone may cause jealousy and unhealthy competition (Ali & Anwar, 2021). Thus, rewarding employees should be part of a bigger recognition strategy. It rewards people more for process than output. Recognizing employees' professional qualifications—education, experience, expertise, and training is crucial (Masri & Suliman, 2019). A worker with

substantial IT education should be respected for their knowledge and expertise and apply it. If they must exchange login credentials all day, this employee may feel unappreciated. In a thorough appreciation strategy, workers must feel their contributions are valued. Although bottom-line results are important, success requires a complete understanding of what motivates everyone, not only what helps them reach goals (Kuswati, 2020).

A leader's perception and their reputation for fairness are likely intertwined. After all, giving recognition where recognition is due is fundamental to a reasonable distribution of resources. As a result, the following hypotheses were advanced in this study:

***H1:*** The recognition significantly influences the SME employees' performance in Malaysia.

#### **2.4.2 Relationship between Autonomy and Employees' Performance**

As stated by Majcher (2021), autonomy can be defined as the characteristic of self-governance, where individuals act of their own accord, have the freedom to choose, and bear responsibility for their choices. More and more people consider autonomy as one of the factors that determine whether to join or remain with a company as a result of organizations moving towards remote or hybrid working and increased flexibility. According to "The Peak Performance Center" (2019) study suggests that providing employees with autonomy and the resulting freedom can enhance their motivation and productivity. Employees who feel empowered to make decisions regarding how to perform their job responsibilities tend to be more content and efficient. Another benefit of autonomy is that employees take more ownership and responsibility for their work, which boosts engagement and may spur them to put in more effort and become more invested in the results.

In addition to fostering a solid corporate culture and boosting morale, autonomy can also help reduce turnover. In a study of 320 small businesses conducted by Cornell University researchers and found that companies with high levels of autonomy experienced growth four times faster than their traditionally managed counterparts (“The Peak Performance Center,” 2019). Additionally, they discovered that turnover was reduced by a third in autonomous businesses. More creative solutions that can boost the organization’s competitiveness are also more likely to be developed by employees who have more freedom over their work. The ability to spend time on their own projects gave rise to a lot more creative solutions and ideas. Alavi & Khosnaw (2020) note that job autonomy can manifest in different aspects of work, including work schedule, method, pace, procedures, evaluation, workplace, working hours, type and amount of work, goals, priorities, and criteria.

According to Alavi & Khosnaw (2020), job autonomy is defined as giving employees the ability to control their behaviour and meet goals in accordance with their own desirability and understanding. It is important to note that senior management in organizations actively contributes to the integration of job autonomy into the work environment. As a result, the following hypotheses were advanced in this study:

**H2:** The autonomy significantly influences the SME employees’ performance in Malaysia.

### **2.4.3 Relationship between Compensation and Employees’ Performance**

Compensation is an extrinsic motivator for employees. The company pays each employee when they perform their job duties. When faced with the possibility of a pay increase or increase, employees are encouraged and more motivated to come to work. Take on more responsibility or do very high-quality work (“Indeed Editorial Team,” 2023).

Compensation refers to the financial or non-financial rewards provided to employees in exchange for the services they render to the company (Reddy, 2020). While financial compensation can be remuneration given to employees in the form of bonuses, wages, or commissions, non-financial rewards are given in other than money compensation in the form of employee service benefits, counselling, subsidized childcare, paid time off, insurance, paid time off during pregnancy, free transport, and retirement perks, etc. in non- financial ways (Abebe, 2018).

Apart from that, the compensation will bring many benefits to the company and the employees themselves, firstly the low absenteeism rate, when the workers' compensation is adequately managed, the employees will have enthusiasm to work normally, but when they are treated well, they will work hard to enhance company value, followed by low turnover rate, so long as they are treated fairly and paid according to the appropriate standards (Reddy, 2020)

The benefit to employees is that they can work for the company with peace of mind. When companies provide employees with adequate compensation, it can allay their fears about the future. Therefore, employees can work easily and improve work performance (Abebe, 2018). Second, it can enhance the self-confidence of employees. If employees are paid fairly, they will have growing confidence in themselves and their abilities. At the same time, because every employee hopes to be recognized for his efforts, the increase in compensation is an affirmation of his efforts (Garba, 2022).

Therefore, the extrinsic motivating factor of compensation is the main factor affecting employee performance. Therefore, exposing employees to various compensation strategies will motivate them, thereby enhancing job performance. Therefore, the following assumptions are made:

**H3:** The compensation significantly influences the SME employees' performance in Malaysia.

#### **2.4.4 Relationship between Company Policy and Employees' Performance**

According to Herzberg's theory (1964), company policies and procedures are essential hygiene factors that contribute to employees' understanding of their job responsibilities and provide a sense of security and equity in the workplace. If company policies are unclear, inconsistent, or unfair, employees may become dissatisfied and less motivated to perform at their best (Sanjeev, 2016). Therefore, companies must ensure that their policies are transparent, consistent, and aligned with their values and goals, to promote a positive work environment and maximize employee motivation and performance (Tesavrita, & Suryadi, 2012).

Moreover, according to Meswantri & Ilyas (2018), these policies can cover a range of areas such as fair recruitment and selection, flexible working hours, support for work-life balance, and equitable promotion policies. Emphasizing good policies can enhance employees' engagement and performance in the workplace. For instance, the promotion policy exercises influence over various organizational facets, including morale and motivation (Mahapatro, 2022).

As per the findings of Pancasila and their research colleagues (2020), it was determined that policy implications aimed at enhancing job performance exhibit the capacity to elevate work motivation. Research by Kovačević et al (2020) substantiates the significant correlation between company policy and employee motivation, with motivational factors constituting the bedrock of an effective employee motivation policy. Notably, company policy directly reverberates through employee motivation and performance.

Conversely, a dearth of fairness and equity in company policies such as performance appraisal and compensation can manifest in unethical practices such as favoritism, bribery, and undue influences (Trevino & Nelson, 2021). This erosion of fairness may engender frustration and demotivation, particularly among lower-tier employees, culminating in diminished

performance. In this context, the role of managers becomes pivotal in safeguarding equity in training, evaluation, retention, and advancement of employees (Arslan & Roudaki, 2019).

The findings of the study indicate that company policy is a crucial factor in improving the performance of both organizations and their employees, regardless of the industry. As a result, the hypothesis proposed by the research is as follows:

**H4:** The company policy significantly influences the SME employees' performance in Malaysia.

## **2.5 Chapter Summary**

To summarize, Chapter 2 delves into the literature on the relationship between employee motivation and performance, along with relevant independent factors, dependent variables, and related theories. This provides valuable insight into the researchers' study focus on the connection between motivation and SME employees in Malaysia. The chapter constructs a framework to guide researchers in their study, and hypotheses are formulated to inform the methodology discussed in subsequent part.



## **CHAPTER 3: METHODOLOGY**

### **3.0 Introduction**

Dissertation research methods is the key component as they encompass the methods used to gather research data. Chapter 3 provides a comprehensive coverage the research methodology, outlining the sampling design, research design, datasheet compilation techniques, construction measurement, instrumentation, data analysis and processing (inferential and descriptive analysis).

### **3.1 Research Design**

In this study, qualitative research and quantitative research can be carried out. When conducting qualitative research, participants are observed and interviewed. According to Sirisilla (2023), it is more suitable for exploratory research because it relies on asking open-ended questions to fully understand the subject under study and because the interpretation is more individualized. Quantitative research, in contrast, prioritizes statistical analysis by employing fixed alternative questions to a greater extent. This approach enables structured data collection and facilitates rigorous quantitative analysis.

In this study, researchers have chosen the quantitative research method by creating and distributing questionnaires to the respondents. This method enables researchers to develop related theories and hypotheses, and the interpretation is more objective, resulting in numerically represented outcomes. Quantitative research involves collecting data to analyses, evaluate information use statistical methods to assist different hypotheses (Sirisilla, 2023). The study utilized quantitative methods, such as surveys and reviews, to gather numerical data and statistically analyze it in order to evaluate the research hypotheses. This approach was chosen

because the study aimed to collect numerical data and statistically analyze it to support or refute alternative claims.

Additionally, the basis of this research is causal research. The researchers have opted for causal research as it aims to explore the causal relationship between intrinsic and extrinsic motivation and SME employees' performance in Malaysia. Causal research enables researchers to establish a cause-and-effect association between dependent and independent variables ("Causal Research (Explanatory research)," n.d.). The aim of this study is to ascertain the causal connection between motivation factors such as recognition, autonomy, compensation, and company policy, and their impact on the performance of employees in Malaysia's SMEs.

### **3.2 Data Collection Method**

To get a thorough and exact understanding of a particular area of interest, data collection is an organized strategy to obtaining and determining information from diverse sources (Stedman, 2022). It is a vital aspect of the research process that aids researchers in finding and gathering information that will aid them in advancing and completing their investigations (Bhandari, 2020a). Various fields of research will require different types of data, necessitating unique methods of data gathering (Stedman, 2022). Primary and secondary data of the information collected for this study. Primary data are information gathered by the researchers themselves from first-hand sources, while secondary data are obtained from previous studies. However, researchers must adhere to ethical rules while gathering data, such as obtaining informed consent from research participants while collecting data from minors (Siegle, 2015). Finally, evaluating the reliability of research resources is essential, and strategies such as identifying appropriate criteria for evaluating research resources and locating relevant print and electronic resources efficiently should be employed (University of Minnesota, 2015).

### **3.2.1 Primary Data**

Throughout this investigation, the questionnaires were drafted using Google Forms and sent out to the participants through a variety of channels, including E-mail, WhatsApp, Instagram, Facebook, and others. The questionnaire pertaining to this topic was divided into three sections, namely Section A, Section B, and Section C. Questions on the respondents' demographic information can be found in Section A, whereas questions regarding the relationship between employee performance and the four independent variables of recognition, autonomy, compensation, and company policy can be found in Section B. While the questions in section C were connected to the independent variable that is the performance of SME employees.

### **3.2.2 Secondary Data**

The literature metrics were generated by reviewing articles, and many more journals were used as supporting resources for these investigations. The journals were gathered from several sources, including UTAR database, ResearchGate, Academia, and Google Scholar, amongst others. To acquire a better knowledge of the employees' performance and to provide support for this study, the researchers also made use of online news and articles relating to productivity.

### **3.3 Sampling Design**

#### **3.3.1 Target Population**

Population is the totality of all individuals, no matter that group is a country or collection of people with certain characteristics. After careful selection from the general population, the target population has constant or relevant interest for researchers to examine the characteristics of a certain community (Osikhotsali, 2022). In this study, employees of the SME service industry in Malaysia will be the target population. According to the data from the National Entrepreneur and SMEs Development Council, Malaysia in Table 3.1, the share of services industry in Malaysia SMEs reached 89.2% in 2021. The data prove that the service industry of SMEs in Malaysia has the highest proportion and is the most representative of SMEs in Malaysia. Service industries mainly produce intangible goods, that is provide customer services. The service industry includes warehousing, transportation services, communications, entertainment, media, health and education, and other service industries. At the same time, the service industry, also known as the tertiary industry, accounts for the largest share of global economic and commercial activities. Given that the final outcome is an intangible output, the service sector is a sort of act-oriented activity. It does not produce products, but provides services such as maintenance and repair, training, or consulting services to customers so that customers can use the products smoothly and conveniently (Kamaruddin & Shamsudin,2021). In this study target population will be the employees of the SME service industry in Malaysia.

**Table 3.1: Number of Establishments by sector and size**

**Table 1:** Number of Establishments by Sector and Size

Sector	Number of SME Establishments				Share of SMEs (%)	Large Firms	Overall Establishments
	Micro	Small	Medium	Total SMEs			
Services	649,186	148,078	11,862	809,126	89.2	9,185	818,311
Manufacturing	22,083	23,096	2,519	47,698	5.3	1,403	49,101
Construction	17,321	17,008	4,829	39,158	4.3	1,400	40,558
Agriculture	4,863	4,143	1,212	10,218	1.1	1,410	11,628
Mining & Quarrying	217	458	190	865	0.1	161	1,026
<b>Total</b>	<b>693,670</b>	<b>192,783</b>	<b>20,612</b>	<b>907,065</b>	<b>100.0</b>	<b>13,559</b>	<b>920,624</b>

Source: Economic Census 2016: Profile of Small and Medium Enterprises (reference year 2015), Department of Statistics, Malaysia

*Note.* Adopted from National Entrepreneur and SME Development Council (2021).

### 3.3.2 Sampling Frame and Sampling Location

Every individual who makes up the population under research are listed in the sampling frame, specifically listing all members of the population and how to contact them (Jim, 2023). Researchers lack access to employee lists of Malaysian SMEs, which prevents researchers from having a sampling frame. A sample location is a place where environmental samples are collected, the destination or location where research is conducted (Studysmarter, 2023). The subjects of this study are the employees of SMEs in Malaysia. According to Table 3.2, the vast majority of SMEs in Malaysia are in Selangor, followed by Kuala Lumpur, Johor, and Perak. Therefore, this study will select these four states to represent the overall SMEs in Malaysia as these four states have more SMEs than other states. This study is not geographically limited because the questionnaire is online disseminated.

**Table 3.2: Number of SME Establishments by State**

**Table 2:** Number of SME Establishments by State

State	Total SMEs	%
Selangor	179,271	19.8
WP Kuala Lumpur	133,703	14.7
Johor	98,190	10.8
Perak	75,140	8.3
Pulau Pinang	66,921	7.4
Sarawak	61,036	6.7
Sabah	55,702	6.2
Kedah	48,894	5.4
Kelantan	46,618	5.1
Pahang	37,573	4.1

(...continuation)

State	Total SMEs	%
Negeri Sembilan	32,721	3.6
Melaka	31,361	3.5
Terengganu	29,324	3.2
Perlis	6,808	0.8
WP Labuan	2,567	0.3
WP Putrajaya	1,236	0.1
<b>Total SMEs</b>	<b>907,065</b>	<b>100.0</b>

Source: Economic Census 2016: Profile of Small and Medium Enterprises (reference year 2015).  
Department of Statistics, Malaysia

*Note.* Adopted from National Entrepreneur and SME Development Council (2021).

### 3.3.3 Sampling Elements

The targets that could act as responders for this study were identified using sampling factors. All SME employees in service industry in Malaysia are eligible to take part in this study by completing the questionnaire. As a result, employees working for the service sector in SMEs in Malaysia will participate in completing the survey. By responding to the questionnaire questions, they can provide researchers with insight into the intrinsic and extrinsic motivations that affect their job performance.

### 3.3.4 Sampling Technique

Selecting participants for using a non-probability sample includes considering factors like convenience, while probability sampling involves randomly selecting participants to draw statistically sound conclusions about the population (Shona, 2019). Due to the large and

dispersed population, the study used convenience sampling, which is non-probability sampling. Before participating, respondents had to be confirmed as employees of Malaysian SMEs, and since there was a lack of population lists, probability sampling was not feasible.

### **3.3.5 Sampling Size**

In research, sample size refers to the number of participants. (Jon, 2018). Setting the sample size is the most economical and expedient method of conducting the study because it would be too expensive and huge to conduct a full population study. For calculating sample size, Roscoe's set of guidelines has been a popular option. According to Roscoe's guidelines, sample sizes more than 30 and less than 500 are the opposite for most behavioral investigations. For multivariate data analyses (like regression analysis), the sample size should be ten times greater than the number of variables. (Memon et al., 2020). Based on the guidelines, our study consists of five variables. The recommended sample size for our research would be a minimum of 50 participants. However, due to the large target population of the study, the sample size was set at 250 participants to ensure the reliability of the research. The study's chosen sample size was determined considering both the expenses associated with data collection and the requirement for an adequate level of statistical power. (Mary,2019). Due to the limitations of transportation, location, time and cost of this study, using the Roscoe Guidelines to set the sample size is simpler and clearer than other methods (Aziz et al., 2022). At the same time, it is allowing the sample size to be kept in a reasonable state and able to minimize cost and time considering the wide range of target employee employees of Malaysian SMEs. Hence, the researchers set the sample size for this study at 250 people.

### **3.4 Research Instrument**

The research objective of the study will be accomplished by using a questionnaire as the primary research instrument to gather and analyze data. Questionnaires are considered the most efficient means of data collection from a large pool of respondents. Thus, a carefully designed questionnaire will be used to ensure clarity and accuracy of data.

#### **3.4.1 Questionnaire Design**

A questionnaire, which serves as the primary research instrument, is divided into three sections. Section A pertains to the respondent's demographics and includes nine questions covering gender, age, ethnicity, religion, education, marital status, job position, income level, and length of service. Sections B and C relate to the dependent variable (SME employees' performance) and independent variables (recognition, autonomy, compensation, and company policy) of the study, respectively. To facilitate swift decision-making, the questionnaire will be presented in a fixed alternative format, providing multiple-choice answers to respondents. The questionnaire for this study will consist of 34 questions, including sections B and C that will use a five-point Likert scale. Respondents will have the option to select from "Strongly Agree," "Agree," "Neutral," "Disagree," and "Strongly Disagree" for the purpose of expressing respondents' level of agreement or disagreement with the given statements. The decision to use this specific scale was made intentionally, as it has been found to be less burdensome for participants, which can lead to better response rates and improved questionnaire quality.



### 3.4.2 Pilot Test

Prior to conducting research on a larger scale, it is important to conduct a preliminary test called a pilot study. The objective of a pilot study is to establish a foundation for research, evaluate research instruments, identify potential issues that may adversely affect the research, and identify any possible research deficiencies ("Pilot test," 2018). According to Sekaran & Bougie and Perneger (2016), a minimum of 30 respondents is necessary for a pilot test to achieve adequate statistical power for detecting a moderately prevalent problem. In this study, the pilot test was directed by randomly distributing 30 sets of questionnaires to employees of Malaysian SMEs. The collected data was then subjected to reliability tests using SPSS.

**Table 3.3: Pilot Test**

<b>Reliability Test (Pilot Test)</b>			
<b>Variables</b>	<b>No. of Items</b>	<b>No. of Item Deleted</b>	<b>Cronbach's Alpha</b>
Recognition	5	-	0.671
Autonomy	5	-	0.713
Compensation	5	-	0.701
Company Policy	5	-	0.766
SME Employee's Performance	5	-	0.789

### 3.5 Constructs Measurement

#### 3.5.1 Origins of Construct

The constructs employed in this study have been drawn from earlier studies, and their origin is displayed in Table 3.4.

**Table 3.4: Origin of Constructs**

Variable	Questions	Source
Recognition	1. My personal well-being is important to my supervisor.	Adopted from Cannon, M. (2015).
	2. My supervisor makes me feel that I matter.	
	3. I receive congratulations from my supervisor when I reach specific goals.	
	4. My supervisor thanks me when I successfully reach performance goals or other targets.	
	5. My hard-work and dedication are noticed by my supervisor.	

Variable	Questions	Sources
Autonomy	1. I am motivated in this job because I enjoy this work every much.	Adopted from Siddiqui, D. A. (2019).
	2. I managed my time well.	Adopted from Othman, A. K., Abdullah, M. Z., Aziz, N. F., & Tobi, S. N. M. (2022).
	3. I feel a sense of personal satisfaction when I do my work well.	Adopted from Manzoor, F., Wei, L., & Asif, M. (2021).
	4. I try to think if ways of doing my work efficiently and effectively.	
	5. I want my work to provide me with opportunities for increasing my knowledge and skills.	Adopted from Bergström, E., & Garcia Martinez, M. (2016).

The Correlation Between Intrinsic and Extrinsic Motivation and The Employee's Performance in SME Malaysia

Variable	Questions	Sources
Compensation	1. My basic pay is reviewed periodically.	Abebe, H. (2018).
	2. The non-financial compensation package is attractive and boosts my productivity.	
	3. An increase in my basic pay will motivate me to improve my productivity.	
	4. There are enough promotion possibilities to stimulate me to work hard.	Van Herpen, M., Van Praag, M., & Cools, K. (2005).
	5. The manner in which I am compensated ensures that I am motivated to give the fullest effort possible.	

Variable	Questions	Sources
Company Policy	1. The company policies towards employees are fair.	Sanjeev, M. A., & Surya, A. V. (2016).
	2. Company policies towards employees are comparable to a similar organization.	
	3. I am proud to work for this company because the company policy is favourable for its workers.	Tan, T. H., & Waheed, A. (2011).
	4. There is a well-defined and transparency performance appraisal policy.	Tesavrita, C., & Suryadi, D. (2012).
	5. Rewards and punishments are dispensed fairly in my organization.	Sanjeev, M. A., & Surya, A. V. (2016).

Variable	Questions	Source
SME Employee's Performance	1. I first look towards the extrinsic rewards the intrinsic rewards while selecting a job.	Javed, L., & Javed, N. (2013).
	2. Attractive benefit packages boost my motivation to work hard.	
	3. My financial needs are the main motivating factor for good performance in a job.	
	4. My financial appraisal is an important way to help me to continuously improve.	
	5. My motivation directly effects my performance level.	

*Note.* Crafted for research purpose.

### 3.5.2 Research Questionnaire Sections Management

For the convenience of respondents in completing the questionnaires, the questionnaires was structured into three distinct sections, namely Section A, B, and C. These sections are clearly delineated and described in detail in Table 3.5, providing a visual representation of the survey's organization.

**Table 3.5: Illustrative Application of an Ordinal Scale in a Questionnaire**

Section	Contents	Items
A	Respondents Demographic Profile	9
B	Independent Variables: Recognition, Autonomy, Compensation, and Company Policy	20
C	Dependent Variable: SME Employee's Performance	5

*Note.* Crafted for research purpose.

### 3.5.3 Scale of Measurement

#### 3.5.3.1 Nominal Scale

According to Admin (2020), the first level of measurement scales is called nominal scales, utilize numbers as labels to classify or recognize different objects. Nominal scales are commonly used to handle non-numeric variables or assign meaningless numbers to different categories. As a result, a nominal scale has been used to measured responses to questions in researcher's study regarding gender, ethnicity, religion, and marital status. In this investigation, Figure 3.1 depicts an illustration of the nominal scale employed.

1. Gender
- Male
  - Female

*Figure 3.1.* Illustration of Nominal Scale Usage in Research Questionnaire. *Note.* Crafted for research purposes.

### 3.5.3.2 Ordinal Scale

Ordinal scale is the second level of measurement that ranks and orders data without accounting for the level of variance among them (Admin, 2020). Ordinal scales are usually employed to depict non-mathematical concepts similar pain threshold, happiness, frequency, and satisfaction. Researchers have used an ordinal scale to measure age, educational qualification, job position, and income level in this study. Figure 3.2 in this study provides an example demonstrating the use of an ordinal scale.

2. Age
- 18 – 25 years old
  - 26 – 35 years old
  - 36 – 45 years old
  - 46 – 55 years old
  - 56 years old and above

*Figure 3.2.* Illustrative Application of Ordinal Scale in Research Questionnaire. *Note.* Crafted for research purposes.

### 3.5.3.3 Interval Scale

As stated by Admin (2020), the interval scale is regarded as the third level of dimension, signifying a quantitative scale that assesses significant differences between two variables. Unlike ordinal scales, the measurements are precise rather than relative, and the presence of zero is arbitrary. To determine how much respondents agree with a statement, questionnaires frequently use the Likert Scale. “Strongly Disagree,” “Disagree,” “Neutral,” “Agree,” and “Strongly Agree” are the five fundamental responses on the Likert Scale. The interval scales in Sections B and C of the questionnaire in this study were assessed using a 5-point Likert scale. This scale was used to determine respondents' level of agreement or disagreement with various items included. Table 3.6 presents an example of the 5-point Likert scale utilized in the research.

**Table 3.6**

*Demonstration of Interval Scale Application in Research Questionnaire*

No.	Questions	(1)	(2)	(3)	(4)	(5)
1.	The company policies towards employees are fair					
2.	Company policies towards employees are comparable to a similar organization					
3.	The company policy is favourable for its workers					
4.	There is a well-defined and transparency performance appraisal policy					
5.	Rewards and punishments are dispensed fairly in my organization					

*Note.* Crafted for research purposes.

### 3.5.3.4 Ratio Scale

Admin (2020) defines the fourth level of measurement scale as the ratio scale, a quantitative variable measurement scale that allows researchers to compare intervals or differences. Bhandari (2022) states that the ratio scale requires a zero option, equal differences between variables, and a specific order of options in order to be calculated. In this study, the duration of service variable was assessed using a ratio scale, as demonstrated in Figure 3.3.

#### 9. Duration of Service (Years of Experience)

- 1 – 3 years
- 4 – 6 years
- 7 – 9 years
- 10 years and above

*Figure 3.3.* Illustration of Ratio Scale in Research Questionnaire. *Note.* Crafted for research purposes.

### 3.5.4 Distribution and Collection of Questionnaires

In this study, the main way of contacting employees in the SME service industry in Malaysia is the use of social media, including the use of WhatsApp, Facebook, and Instagram. As for the use of e-mail, there is not much use, because SMEs do not have much use and demand for e-mail. First, the researchers began by distributing questionnaires to SMEs they knew, and then to SMEs in similar locations. Then use social media's referral and search systems to find SMEs in other service industries and connect with them via WhatsApp, Facebook, or Instagram. After obtaining the consent of the employees, the questionnaires were distributed to the employees.

The first round of distribution of 100 questionnaires to the study's target population began on June 15 and end on June 22. This time, 90 surveys in total were gathered. A total of 75 questionnaires were distributed on June 23 to the target population of this study for the second time and ended on June 30. A total of 63 questionnaires were collected this time. For the third time distribution, the target population of this study received 75 questionnaires, which were distributed on July 1 and finished on July 8. This time, a total of 70 surveys were gathered. A total of 50 questionnaires were distributed on July 9 to the target population of this study for the last time and ended on July 16. A total of 45 questionnaires were collected this time.

**Table 3.7**

*Number and Time of Questionnaire Distribution and Collection*

Time of Distributed (Year 2023)	Amount of the questionnaires distributed	Time of Collected (Year 2023)	Amount of the questionnaires collected
15/6	100	22/6	90
23/6	75	30/6	63
1/7	75	8/7	70
9/7	50	16/7	45
Total	300	-	268

*Note.* Crafted for research purpose.

### 3.6 Data Processing

Once the researcher has gathered data from the respondents, the subsequent step involves data processing before conducting any reliability tests (Rashid et al.,2019). Data processing involves a detailed explanation of the data preparation procedures, which include checking, editing, coding, and transcribing. These measures are necessary to confirm data collected is accurate, consistent, and trustworthy. Therefore, data processing is a crucial stage in the research process that enables the researcher to effectively analyze and draw valid conclusions from the data collected.



### **3.6.1 Data Checking**

In order to guarantee the reliability of test results, it was necessary to perform thorough data checking. Prior to the distribution of the questionnaire to the targeted respondents, a meticulous examination was conducted to ensure the accuracy, completeness, absence of missing data, grammatical errors, and complexity of the questionnaire. Equally important was the validation of question consistency with variables and the administration of reliability tests for both independent and dependent variables within the research domain.

Upon completion of questionnaire by the respondents, a comprehensive review was conducted to ensure its completeness, absence of omissions, invalid codes, incorrect answers, or inconsistent responses (Muhammad,2023). This step was undertaken to enhance the overall quality and reliability of the collected data.

### **3.6.2 Data Editing**

Editing of data involves identifying, correcting erroneous or inconsistent data, as well as addressing any missing or incomplete information submitted by respondents (Saira, 2019). This process ensures the validity and reliability of the data. Any data that is deemed unreasonable or incomplete will be omitted from the analysis. Once the data has been edited, it can be encoded and prepared for further analysis by the researchers.

### 3.6.3 Data Coding

In order to facilitate categorization and labelling, collected responses are converted into numerical values or codes, which is known as data coding (Ravi, 2021). This simplifies data input and reduces the likelihood of errors. In this study, Table 3.6 documents the coded responses to demographic questions in Section A of the questionnaire. Similarly, Table 3.8 presents the coded responses for each question in Sections B and C.

**Table 3.8**

*Data Coding for Questions in Section A*

Question	Options	Coding
1. Gender	Male	1
	Female	2
2. Age	18 – 25 years old	1
	26 – 35 years old	2
	36 – 45 years old	3
	46 – 55 years old	4
	56 years old and above	5
3. Ethnicity	Malay	1
	Chinese	2
	Indian	3
	Others	4
4. Religion	Islam	1
	Buddha	2
	Hinduism	3
	Christian	4
	Others	5
5. Educational Qualification	Diploma	1
	Bachelor's Degree	2
	Master's Degree	3
	Doctoral Degree	4
	Others	5
6. Marital Status	Single	1
	Married	2
7. Job Position	Department Head	1
	Senior Manager	2
	Mid-level Manager	3
	Assistant Manager	4
8. Income Level	Below RM2000	1
	RM2000 – RM3999	2
	RM4000 – RM5999	3
	RM6000 – RM7999	4
	RM8000 – RM9999	5
	Above RM10000	6
9. Duration of Service (Years of Experience)	1 – 3 years	1
	4 – 6 years	2
	7 – 9 years	3
	10 years and above	4

*Note:* Crafted for research purpose.

**Table 3.9**

*Data Coding for Interval Scale Questions*

<b>Likert Scale</b>	<b>Coding</b>
Strongly Disagree (SD)	1
Disagree (D)	2
Neutral (N)	3
Agree (A)	4
Strongly Agree (SA)	5

*Note:* Crafted for research purpose.

### **3.6.4 Data Transcribing**

After data coding is completed, the next step is data transcribing, which involves entering all coded data into the SPSS software and checking for any negatively worded questions that may require reverse coding. This process ensures the accuracy of the data entered the software, which is crucial for subsequent data analysis (Verbit,2023).

## **3.7 Data Analysis**

### **3.7.1 Descriptive Analysis**

Analysis of data is crucial component of research as it transforms primary data into structured information that can be utilized to address research inquiries or test hypotheses. In the context mentioned, the collected data from questionnaires was analyzed using SPSS software. SPSS is a widely utilized tool for statistical analysis across various domains, including the social sciences, business, and healthcare. Using SPSS, the researchers were able to look for relationships, patterns, and trends in the data and come to useful conclusions. SPSS's

output can be used to make graphs, tables, and charts that show how the data looks. This makes it easier to understand and share the results with others. Overall, data analysis is a very important part of research. It helps researchers to find ideas and knowledge that can help researchers make decisions and learn more about the world around the people.

### **3.7.2 Inferential Analysis**

Inferential analysis, also known as inferential statistics, is a statistical method used to draw conclusions about a larger population based on the analysis of a sample of data. It involves using sample data to generalize and predictions about the entire population (Glen, n.d.). Inferential analysis plays a crucial role in testing hypotheses and making population-level estimates based on data collected from a representative sample (Bhandari, 2020b). By employing probability theory, this analysis involves examining the relationships and differences between variables and determining their significance (Lab, 2021).

#### **3.7.2.1 Reliability Test**

Validating any measure or instrument used in research requires reliability testing. It evaluates a measure's consistency and stability over time, across several ratters, or across other items that measure the same construct. One of the most used reliability metrics is Cronbach's alpha, which assesses the internal consistency of a collection of scale or test items (Goforth, 2015).

To calculate Cronbach's alpha, researchers can use a statistical software program such as SPSS. The process involves setting up a Reliability Analysis and transferring the items to be analyzed into the Items section. The default setting for the model should be "Alpha," which will generate the Cronbach's alpha value as part of the statistical output. To ensure an adequate

level of internal consistency for the items within a scale or test, researchers should strive for a minimum Cronbach's alpha score of 0.7 (Glen, 2023).

**Table 3.10**

*Range of Reliability and its Coefficient of Cronbach's Alpha.*

<b>Cronbach's Alpha</b>	<b>Internal Consistency</b>
$\alpha \geq 0.9$	<b>Excellent</b>
$0.9 > \alpha \geq 0.8$	<b>Good</b>
$0.8 > \alpha \geq 0.7$	<b>Acceptable</b>
$0.7 > \alpha \geq 0.6$	<b>Questionable</b>
$0.6 > \alpha \geq 0.5$	<b>Poor</b>
$0.5 > \alpha$	<b>Unacceptable</b>

*Notes.* Adopted from George & Mallery (2003)

### **3.7.2.2 Normality Test**

When determining if the data in a research project have a normal distribution, a normality test is used to assess whether a sample of data follows a normal or bell-shaped distribution. A dataset's suitability for representation by a normal distribution and the likelihood that a random variable underlying the dataset is normally distributed can both be determined by performing normality tests. According to the user's demands, normality tests, a type of model selection, can be interpreted in several ways.

### **3.7.2.3 Linearity Test**

The question relates to a statistical method called linearity testing, which is used to establish whether a linear relationship exists between two variables. This method is frequently used in linear regression analysis to determine whether the correlation between the dependent variables and independent variables is linear. There are many methods for evaluating linearity, such as scatter plots and correlation coefficients.

### **3.7.2.4 Multiple Linear Regression Analysis**

Multiple linear regression is a highly effective statistical approach to unveil the connection between a dependent variable and several independent variables. However, before conducting the analysis, it is crucial to check the assumptions and evaluate the model's fit using various methods. Multiple linear regression has broad applications in different fields and can provide valuable insights into complex relationships between variables. The formula for a multiple linear regression model is  $y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \dots + \beta_nx_n + \varepsilon$ , where  $y$  is the dependent variable,  $x_1, x_2, \dots, x_n$  are independent variables,  $\beta_0$  is the intercept,  $\beta_1, \beta_2, \dots, \beta_n$  are the coefficients of the independent variables, and  $\varepsilon$  is the error term accounting for the random variation in the model.

## **3.8 Chapter Summary**

Chapter 3 of the research discussed the planning of research methods, which included conducting a pilot study to assess the reliability and validity of the questionnaire. Additionally, multiple linear regression analysis was employed to investigate each hypothesis. The outcomes of questionnaire and details of data collection formed the basis for the research results. In Chapter 4, these findings will be examined in greater detail.

## CHAPTER 4: DATA ANALYSIS

### 4.0 Introduction

This part aims to scrutinize the findings and conclusions linked to the research questions and hypotheses discussed in Chapter 3. For the purpose of analyzing, interpreting, and summarizing the survey data, the SPSS software will be employed as the primary analytical tool. This chapter centers on the performance and discourse of outcomes extracted from the questionnaire data, which were analyzed through descriptive analysis, scale measurement, and inferential analysis.

### 4.1 Descriptive Analysis

This part will provide an exposition of the demographic information gathered from the respondents. It encompasses individual particulars such as ethnicity, age, gender, religion, job position, income level, educational qualification, marital status, and duration of service.

#### 4.1.1 Respondent Demographic Profile

##### 4.1.1.1 Respondents' Gender

Table 4.1: Statistics of Respondents' Gender

Ethnicity			
		Frequency	Percent (%)
Valid	Male	165	61.6%
	Female	103	38.4%
	Total	268	100%

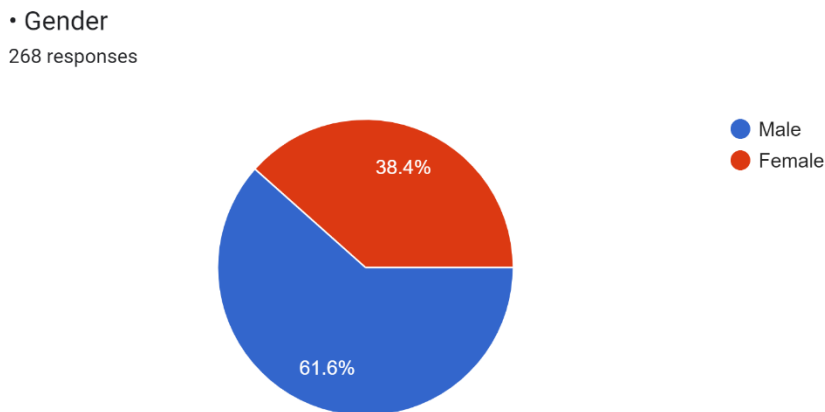


Figure 4.1. Gender of Respondents.

Table 4.1 and Figure 4.1 illustrate the breakdown of survey participants by gender. A higher proportion of respondents, totaling 165 individuals (61.6%), are male, while 103 individuals (38.4%) are female.

#### 4.1.1.2 Age of Respondents

Table 4.2: Statistics of Respondents' Age

Age			
		Frequency	Percent (%)
Valid	18-25	74	27.6%
	26-35	98	36.6%
	36-45	63	23.5%
	46-55	25	9.3%
	> 56	8	3.0%
	Total	268	100%



• Age

268 responses

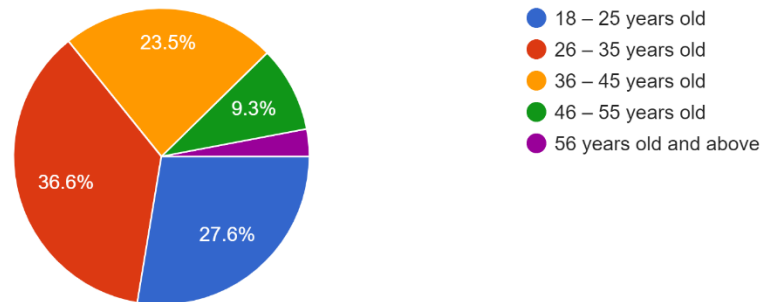


Figure 4.2: Age of Respondents

Table 4.2 and Figure 4.2 depict the distribution of participants' age, categorized into five groups. Among the respondents, the largest percentage is from the age group of 26-35 years old, comprising 98 individuals (36.6%) in the questionnaire. The second largest group is 18-25 years old, with 74 participants (27.6%). Additionally, 23.5% of the respondents fall into the 36-45 years old category. The 46-55 years old group accounts for 25 respondents (9.3%). Lastly, there are 8 respondents (3%) aged 56 years old and above.

#### 4.1.1.3 Ethnic Background of Participants

Table 4.3: Statistics of Respondents' Ethnic Background

Ethnicity			
		Frequency	Percent (%)
Valid	Malay	56	20.9%
	Chinese	147	54.9%
	Indian	54	20.1%
	Others	11	4.1%
	Total	268	100%

• Ethnicity  
268 responses

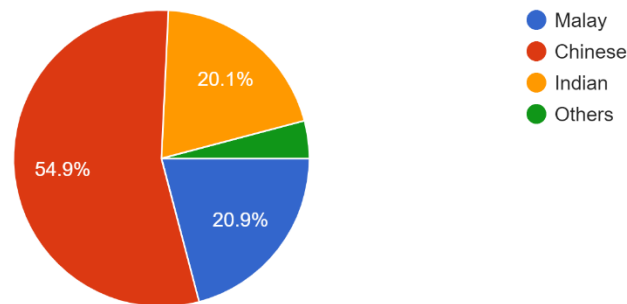


Figure 4.3: Ethic Background of Respondents

The respondents' ethnic groups were categorized into four groups: Chinese, Malay, Indian, and others. Corresponding to the data presented in Table and Figure 4.3, most participants belong to the Chinese ethnic group, with 147 individuals (54.9%). Malays accounted for 56 participants (20.9%), followed by Indian participants with 54 individuals (20.1%). The remaining 11 respondents (4.1%) represent other ethnic groups.

#### 4.1.1.4 Religious Affiliation of Participants

Table 4.4: Statistics of Respondents' Religion

Religion			
		Frequency	Percent (%)
Valid	Islam	59	22.0%
	Buddha	91	34.0%
	Hinduism	54	20.1%
	Christian	64	23.9%
	Total	268	100%

• Religion  
268 responses

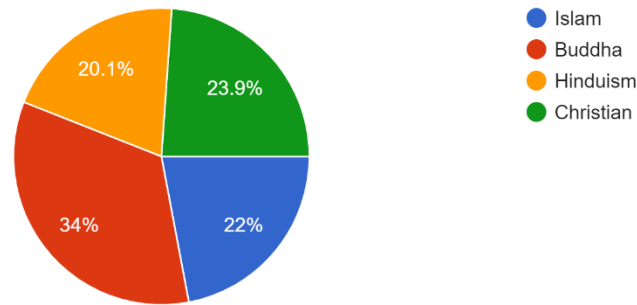


Figure 4.4: Religion of Respondents

The respondents' religious beliefs are categorized into four groups: Islam, Hinduism, Buddhism, and Christianity. Among these groups, most of the participants belong to the Buddhist group, comprising 91 individuals (34%). The Christian group follows closely, with 64 participants (23.9%). Islam represents the third-largest group, consisting of 59 respondents (22%), while Hinduism represents the smallest religious group with 54 respondents (20.1%).

#### 4.1.1.5 Education Qualification of Respondents

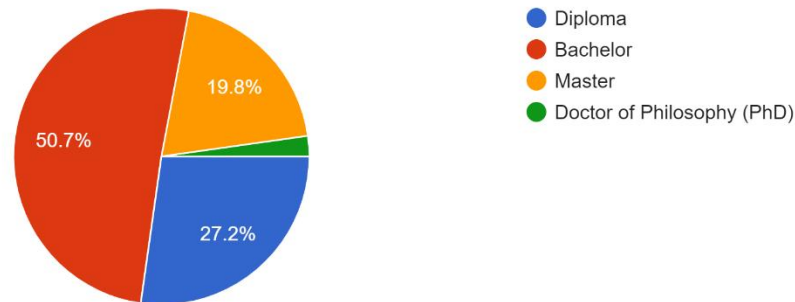
Table 4.5: Statistics of Respondents' Education Qualification

Educational Qualification			
		Frequency	Percent (%)
Valid	Diploma	73	27.2%
	Bachelor	136	50.7%
	Master	53	19.8%
	Doctor of Philosophy (PhD)	6	2.2%
	Total	268	99.9%

## The Correlation Between Intrinsic and Extrinsic Motivation and The Employee's Performance in SME Malaysia

### • Educational Qualification

268 responses



*Figure 4.5: Education Qualification of Respondents*

Figure 4.5 provides an illustration of the distribution of respondents across four educational qualification groups: Diploma, Bachelor's degree, Master's degree, and Doctor of Philosophy (PhD). The largest group of respondents, constituting 50.7%, holds a Bachelor's degree, with 136 individuals. The Diploma group represents 27.2% of respondents, comprising 73 individuals. Additionally, 19.8% of respondents hold a Master's degree, while only a small proportion, 2.2% (6 people), possess a PhD qualification.

#### 4.1.1.6 Marital Status of Respondents

**Table 4.6: Statistics of Respondents' Marital Status**

Marital Status			
		Frequency	Percent (%)
Valid	Single	134	50%
	Married	131	48.9%
	Others	3	1.1%
	Total	268	100%

• Marital Status

268 responses

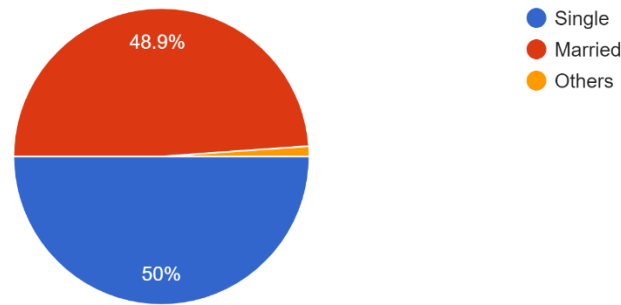


Figure 4.6: Marital Status of Respondents

In Figure 4.6, the distribution of participants is depicted across three marital status categories: single, married, and other. The majority of respondents fall into the single and married groups. Specifically, 134 individuals (50%) are single, while 131 respondents (48.9%) are married. The remaining category, "other," comprises a minority with only 3 respondents (1.1%).

4.1.1.7 Job Position of Respondents

Table 4.7: Statistics of Respondents' Job Position

Job Position			
		Frequency	Percent (%)
Valid	Department Head	37	13.8%
	Senior Manager	73	27.2%
	Mid-level Manager	94	35.1%
	Assistant Manager	64	23.9%
	Total	268	100%

## The Correlation Between Intrinsic and Extrinsic Motivation and The Employee's Performance in SME Malaysia

• Job Position  
268 responses

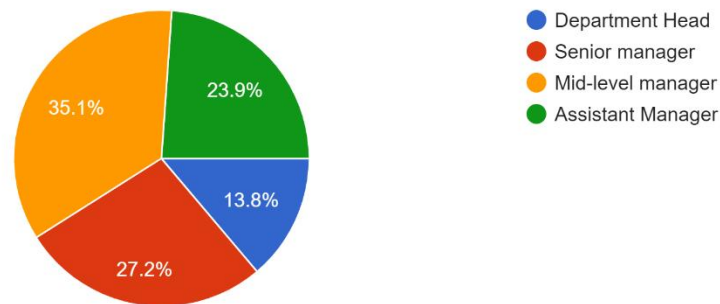


Figure 4.7: Job Position of Respondents

Based on Figure 4.7, the job positions of the respondents are divided into four categories: department head, senior manager, mid-level manager, and assistant manager. The majority of respondents fall into the mid-level manager group, accounting for 35.1% with 94 individuals. The senior manager group follows with 27.2%, comprising 73 people, while the assistant manager group represents 23.9% with 63 respondents. Lastly, the department head category consists of 13.8%, encompassing 37 participants.

### 4.1.1.8 Level of income of Respondents

Table 4.8: Statistics of Respondents' Income Level

Income Level			
		Frequency	Percent (%)
Valid	< RM 2000	22	8.2%
	RM 2000 ~ RM 3999	69	25.7%
	RM 4000 ~ RM 5999	102	38.1%
	RM 6000 ~ RM 7000	52	19.4%
	RM 8000 ~ RM 9999	17	6.3%
	> RM 10000	6	2.2%
	Total	268	100%

# The Correlation Between Intrinsic and Extrinsic Motivation and The Employee's Performance in SME Malaysia

## Income Level

268 responses

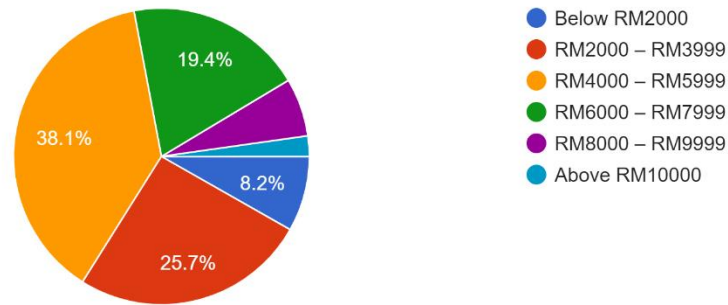


Figure 4.8: Income Level of Respondents

Based on Figure 4.8, the income levels of the participants are distributed into six categories: below RM2000, RM2000-RM3999, RM4000-RM5999, RM6000-RM7999, RM8000-RM9999, and above RM10000. Most respondents fall into the RM2000-RM3999, RM4000-RM5999, and RM6000-RM7999 income groups. Specifically, 102 respondents (38.1%) reported their income to be in the range of RM4000-RM5999. The RM2000-RM3999 group follows with 25.7%, comprising 69 individuals, while the RM6000-RM7999 group represents 19.4% with 52 respondents.

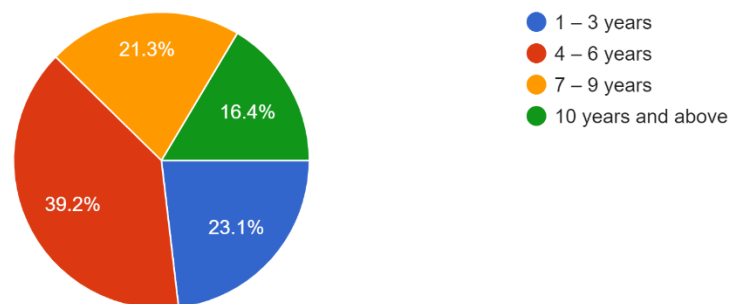
On the other hand, the minority of respondents belong to the below RM2000, RM8000-RM9999, and above RM10000 income groups. The group above RM10000 has the lowest percentage of people, accounting for 2.2% with 6 respondents. Additionally, 6.3% of respondents fall into the RM8000-RM9999 group, totaling 17 individuals. Furthermore, the below RM2000 group consists of 22 individuals, making up 8.2% of the respondents.

#### 4.1.1.9 Respondents' Duration of Service

**Table 4.9: Statistics of Respondents' Duration of Service**

Duration of Service			
		Frequency	Percent
Valid	1 ~ 3 years	62	23.1%
	4 ~ 6 years	105	39.2%
	7 ~ 9 years	57	21.3%
	10 years and above	44	16.4%
	Total	268	100%

• Duration of Service (Years of Experience)  
268 responses



*Figure 4.9: Respondents' Duration of Service*

Figure 4.9 presents an illustration of distribution of respondents across four duration of service groups: 1-3 years, 4-6 years, 7-9 years, and 10 years and above. The largest group of respondents falls into the 4-6 years category, comprising 39.2% with 105 individuals. Following that, the 1-3 years group accounts for 23.1%, with 62 people. The 7-9 years group represents 21.3% with 57 respondents. Lastly, the 10 years and above category consists of 16.4%, encompassing 44 respondents.



## 4.1.2 Central Tendencies Measurement of Constructs

### 4.1.2.1 Recognition

Table 4.10 Descriptive Analysis of Recognition

<b>Descriptive Analysis of Recognition</b>					
	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Q1. My personal well-being is important to my supervisor.</b>	268	1.00	5.00	3.7724	1.0760
<b>Q2. My supervisor makes me feel that I matter.</b>	268	1.00	5.00	4.0410	0.8223
<b>Q3. My supervisor thanks me when I successfully reach performance goals or other targets</b>	268	1.00	5.00	3.9590	1.0432
<b>Q4. I receive congratulations from my supervisor when I reach specific goals.</b>	268	1.00	5.00	3.9254	1.0286
<b>Q5. My hard-work and dedication are noticed by my supervisor.</b>	268	1.00	5.00	4.0037	0.8676
<b>Valid N (listwise)</b>	268				

Based on the data presented in Table 4.10, Question 2 (Q2) obtained the greatest mean value of 4.0410 and the lowest standard deviation of 0.8223 compared to all the other questions. Conversely, Question 1 (Q1) received the lowest mean value of 3.7724 and the greatest standard deviation of 1.0760 among all the questions. The mean values for the remaining questions varied between 4.0037 to 3.9254.

4.1.2.2 Autonomy

Table 4.11 Descriptive Analysis of Autonomy

<b>Descriptive Analysis of Autonomy</b>					
	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Q1. I am motivated in this job because I enjoy this work every much.</b>	268	1.00	5.00	3.6604	1.1018
<b>Q2. I managed my time well.</b>	268	1.00	5.00	4.1157	0.8685
<b>Q3. I feel a sense of personal satisfaction when I do my work well.</b>	268	1.00	5.00	4.1269	0.8339
<b>Q4. I try to think of ways of doing my work efficiently and effectively.</b>	268	1.00	5.00	3.9963	1.0618
<b>Q5. I want my work to provide me with opportunities for increasing my knowledge and skills.</b>	268	1.00	5.00	4.0448	0.9230
<b>Valid N (listwise)</b>	268				

According to the data in Table 4.11, Question 3 (Q3) shows the greatest mean value of 4.1269 with a standard deviation of 0.8339, surpassing all other questions. In contrast, Question 1 (Q1) has the lowest mean value of 3.6604 and the highest standard deviation of 1.1018 among all the questions. For the remaining questions, the mean values range from 4.1157 to 3.9963.

#### 4.1.2.3 Compensation

Table 4.12 Descriptive Analysis of Compensation

<b>Descriptive Analysis of Compensation</b>					
	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Q1. My basic pay is reviewed periodically.</b>	268	1.00	5.00	3.8545	1.1106
<b>Q2. The non-financial compensation package is attractive and boosts my productivity.</b>	268	1.00	5.00	4.1642	0.8885
<b>Q3. An increase in my basic pay will motivate me to improve my productivity.</b>	268	1.00	5.00	4.2052	0.9554
<b>Q4. There are enough promotion possibilities to stimulate me to work hard.</b>	268	1.00	5.00	3.9216	1.1039
<b>Q5. The manner in which I am compensated ensures that I am motivated to give the fullest effort possible.</b>	268	1.00	5.00	3.9925	1.0018
	268				

The data presented in Table 4.12 reveals that Question 3 (Q3) obtained the greatest mean value of 4.2052, with a standard deviation of 0.9554. On the other hand, Question 1 (Q1) received the lowest mean value of 3.8545 and the greatest standard deviation of 1.1106 among all the questions. For the remaining questions, the mean values range from 4.1642 to 3.9216.

**4.1.2.4 Company Policy**

**Table 4.13 Descriptive Analysis of Company Policy**

<b>Descriptive Analysis of Company Policy</b>					
	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Q1. The company policies towards employees are fair.</b>	268	1.00	5.00	3.8806	1.1354
<b>Q2. Company policies towards employees are comparable to a similar organization.</b>	268	2.00	5.00	4.1791	0.8728
<b>Q3. The company policy is favourable for its workers.</b>	268	1.00	5.00	4.1343	1.0040
<b>Q4. There is a well-defined and transparency performance appraisal policy.</b>	268	1.00	5.00	4.0261	1.0544
<b>Q5. Rewards and punishments are dispensed fairly in my organization.</b>	268	1.00	5.00	4.0784	0.9586
	268				

The data in Table 4.13 highlights that Question 2 (Q2) obtained the greatest mean value of 4.1791, with a standard deviation of 0.8728. Conversely, Question 1 (Q1) received the lowest mean value of 3.8806 and the greatest standard deviation of 1.1354 among all the questions. For the remaining questions, the mean values range from 4.1343 to 4.0261.

#### 4.1.2.5 SME Employee's Performance

Table 4.14 Descriptive Analysis of SME Employee's Performance

<b>Descriptive Analysis of SME Employee's Performance</b>					
	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Q1. I first look towards the extrinsic rewards rather than the intrinsic rewards while selecting a job.</b>	268	1.00	5.00	3.8881	1.1128
<b>Q2. My financial needs are the main motivating factor for good performance of job.</b>	268	1.00	5.00	4.2575	0.8463
<b>Q3. My motivation directly effects my performance level.</b>	268	1.00	5.00	4.1530	0.9844
<b>Q4. Attractive benefit packages boost my motivation to work hard.</b>	268	1.00	5.00	4.0299	1.0875
<b>Q5. My financial appraisal is an important way to help me to continuously improve.</b>	268	1.00	5.00	4.1119	1.0068
	268				

The data in Table 4.13 highlights that Question 2 (Q2) obtained the greatest mean value of 4.2575, with a standard deviation of 0.8463. Conversely, Question 1 (Q1) received the lowest mean value of 3.8881 and the greatest standard deviation of 1.1128 among all the questions. For the remaining questions, the mean values range from 4.1530 to 4.0299.

## 4.2 Scale Measurement

In this section, the researcher will present the results of the reliability and normality tests that were performed using SPSS, based on the data collected from 268 respondents who participated in our questionnaire.

### 4.2.1 Reliability Analysis

**Table 4.15: Reliability Test for Independent Variables and Dependent Variable**

<b>Reliability Test</b>				
<b>Variables</b>	<b>No. of Items</b>	<b>No. of Item Deleted</b>	<b>Cronbach's Alpha</b>	<b>Level of Reliability</b>
Recognition	5	-	0.776	Acceptable
Autonomy	5	-	0.784	Acceptable
Compensation	5	-	0.779	Acceptable
Company Policy	5	-	0.790	Acceptable
SME Employee's Performance	5	-	0.814	Good

Based on Table 4.15, the reliability assessment indicates that all the results are consistently reliable. All of the Cronbach value is higher than 0.776. The highest value is come from the dependent variable SMEe employee's performance which is 0.814, followed by the company policy variable (0.79), the autonomy variable (0.784), the compensation variable (0.779), and the recognition variable (0.776).

#### 4.2.2 Normality Analysis

**Table 4.16: Normality Test for Independent Variables and Dependent Variable**

Normality Test					
Variables	Items	Mean	Standard Deviation	Skewness	Kurtosis
<b>Recognition (Recog)</b>	Recog1	3.7724	1.0756	-0.808	-0.132
	Recog2	4.0410	0.8223	-1.094	2.006
	Recog3	3.9590	1.0432	-0.715	-0.509
	Recog4	3.9254	1.0286	-0.744	-0.302
	Recog5	4.0037	0.8676	-0.701	0.283
<b>Autonomy (Auto)</b>	Auto1	3.6604	1.1018	-0.447	-0.829
	Auto2	4.1157	0.8685	-1.056	0.908
	Auto3	4.1269	0.8339	-0.789	0.336
	Auto4	3.9963	1.0618	-0.806	-0.511
	Auto5	4.0448	0.9230	-0.982	0.565
<b>Compensation (Compen)</b>	Compen1	3.8545	1.1106	-0.668	-0.778
	Compen2	4.1642	0.8885	-1.200	1.429
	Compen3	4.2052	0.9554	-1.096	0.575
	Compen4	3.9216	1.1039	-0.871	-0.089
	Compen5	3.9925	1.0018	-1.043	0.645
<b>Company Policy (ComPo)</b>	ComPo1	3.8806	1.1354	-0.846	-0.393
	ComPo2	4.1791	0.8728	-0.969	0.338
	ComPo3	4.1343	1.0040	-1.234	1.047
	ComPo4	4.0261	1.0544	-1.037	0.405
	ComPo5	4.0784	0.9586	-1.109	0.863
<b>SME Employee's Performance (SME)</b>	SME1	3.8881	1.1128	-0.779	-0.512
	SME2	4.2575	0.8463	-1.228	1.528
	SME3	4.1530	0.9844	-1.071	0.434
	SME4	4.0299	1.0875	-1.081	0.314
	SME5	4.1119	1.0068	-1.114	0.651

The outcomes of the normality test, as depicted in Table 4.16, indicate that the skewness values range from -1.234 to -0.447, while the kurtosis values range from -0.512 to 2.006. Furthermore, the mean values for all constructs vary between 3.6604 and 4.2575. The mean

value illustrates that most of the respondent agree with the questionnaire. Moreover, the result of skewness and kurtosis indicates that the data follow a normal distribution.

### 4.3 Inferential Analysis

In this section, the aim is to determine whether there exist causal relationships between four variables that are independent and the one that depends. To test this causality, multiple regression analysis and linearity test will be conducted. The results are presented in Tables 4.17 and Table 4.18, showcasing the model summary and Pearson coefficient correlation.

#### 4.3.1 Multiple Linear Regression Analysis

**Table 4.17: Model Summary of Multi Linear Regression Analysis**

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.895	0.801	0.798	0.3441	0.801	265.439	4	263	0.000

Predictors: (Constant), AveComPoli, AveRecog, AveAuto, AveCompen

The correlation coefficient (R) is a statistical measure that indicates the strength and direction of the linear relationship between two variables. It ranges from -1 to 1, where -1 represents a perfect negative correlation, 1 represents a perfect positive correlation, and 0 represents no correlation at all. In this context, the R value is 0.895. This specifies a strong positive correlation between SME employees' performance (independent variable) and the combined dependent variables (company policy, recognition, autonomy, and compensation). A positive correlation suggests that as SME employees' performance increases, there is a



tendency for the dependent variables (company policy, recognition, autonomy, and compensation) to increase as well.

The coefficient of determination (R-square) is a derived metric calculated from the correlation coefficient (R). It represents the proportion of the variance in the dependent variable that is explained by the independent variables. R-square ranges from 0 to 1, where 0 indicates that the independent variables have no explanatory power, and 1 indicates a perfect fit, where all the variability in the dependent variable is accounted for by the independent variables. In this model, the R-square value is 0.801. This means that approximately 80.1% of the variation in SME employees' performance can be explained by the combined influence of the dependent variables (company policy, recognition, autonomy, and compensation). This indicates that these four factors (company policy, recognition, autonomy, and compensation) have a significant impact on SME employees' performance.

### 4.3.2 Linearity Test

**Table 4.18: Pearson Correlation Coefficient Analysis**

Pearson Coefficient Correlation						
		Employees' Performance	Recognition	Autonomy	Compensation	Company Policy
Employees' Performance	Pearson Correlation	1	0.762**	0.825**	0.836**	0.842**
	Sig. (2-tailed)	-	< 0.001	< 0.001	< 0.001	< 0.001
	N	268	268	268	268	268

\*\* . Correlation is significant at the 0.01 level (2-tailed).

### **Employees' Performance and Recognition**

- **Direction**

From the results, since the correlation coefficient is a positive value, therefore, there is a positive correlation between employees' performance and recognition which is 0.762 of correlation value. Thus, when recognition is high, the employees' performance is high.

- **Strength**

The value of this correlation coefficient of 0.762 falls under the coefficient range from  $\pm 0.71$  to  $\pm 0.90$ . Therefore, the relationship between employees' performance and recognition is high.

- **Significance**

The relationship between employees' performance and recognition is significant. It is because the p-value of  $<0.001$  is less than the alpha value of 0.05.

### **Employees' Performance and Autonomy**

- **Direction**

From the results, since the correlation coefficient is a positive value, therefore, there is a positive correlation between employees' performance and autonomy which is 0.825 of correlation value. Thus, when autonomy is high, the employees' performance is high.

- **Strength**

The value of this correlation coefficient of 0.825 falls under the coefficient range from  $\pm 0.71$  to  $\pm 0.90$ . Therefore, the relationship between employees' performance and autonomy is high.

- **Significance**

The relationship between employees' performance and autonomy is significant. It is because the p-value of  $<0.001$  is less than the alpha value of 0.05.

### **Employees' Performance and Compensation**

- **Direction**

From the results, since the correlation coefficient is a positive value, therefore, there is a positive correlation between employees' performance and compensation which is 0.836 of correlation value. Thus, when compensation is high, the employees' performance is high.

- **Strength**

The value of this correlation coefficient of 0.836 falls under the coefficient range from  $\pm 0.71$  to  $\pm 0.90$ . Therefore, the relationship between employees' performance and compensation is high.

- **Significance**

The relationship between employees' performance and compensation is significant. It is because the p-value of  $<0.001$  is less than the alpha value of 0.05.

### **Employees' Performance and Company Policy**

- **Direction**

From the results, since the correlation coefficient is a positive value, therefore, there is a positive correlation between employees' performance and company policy which is 0.842 of correlation value. Thus, when company policy is high, the employees' performance is high.

- **Strength**

The value of this correlation coefficient of 0.842 falls under the coefficient range from  $\pm 0.71$  to  $\pm 0.90$ . Therefore, the relationship between employees' performance and company policy is high.

- **Significance**

The relationship between employees' performance and company policy is significant. It is because the p-value of  $<0.001$  is less than the alpha value of 0.05.

## **4.4 Chapter Summary**

In conclusion, this chapter presents a comprehensive overview of the analysis results. The questionnaire data has been thoroughly analyzed using SPSS. Moving forward, Chapter 5 will delve into a detailed discussion of the findings and outcomes.

## **CHAPTER 5: DISCUSSION AND CONCLUSION**

### **5.0 Introduction**

This part will provide an in-depth examination of the statistical analysis, encompassing the interpretation of research findings through both inferential and descriptive analysis. This chapter will also explore the practical and theoretical ramifications of the researcher's discoveries. Additionally, the chapter delved into the main discoveries of the study, explored the ramifications and constraints of the research, proposed directions for future investigations, and provided a conclusive summary.

### **5.1 Summary of Statistical Analysis**

Earlier section, inferential and descriptive analysis are the two main types of analyses were discussed. The descriptive analysis involves presenting data in a clear and straightforward manner. In this context, pie chart is employed to illustrate the distribution of respondent individual particular, such as gender, age, ethnic background, religion, education qualification, marital status, job position, income level and the respondents' duration of service. These details are captured in question 1 to 9 of the questionnaires. In the realm of inferential analysis, utilizing Multiple Regression Analysis assesses the potency, orientation, and statistical importance of the correlation existing between the dependent and independent variables.

### 5.1.1 Descriptive Analysis

Table 5.1 presents the demographic characteristics of the participants in this research. Male participants constitute a higher percentage in comparison to female respondents, accounting for 61.6% and 38.4% of the total, respectively. The highest percentage, amounting to 36.6%, falls within the age range of 26 to 35 years. Among our respondents, approximately 20.9% identify as Malay, 54.9% as Chinese, 20.1% as Indian, and the remaining 4.1% belong to other ethnicities. Regarding the religion of respondents, approximately 22% identify as Islam, 34% as Buddha, 20.1% as Hinduism, and 23.9% as Christian. Most of the participants hold a Bachelor's degree as their educational qualification, comprising approximately 50.7% of the total. Approximately % of the respondents are single, 48.9% are married, and 1.1% are others. Among our respondents, approximately 13.8% hold the position of Department Head, 27.2% are Senior Manager, 35.1% are Mid-level manager, and 23.9% are Assistant Manager. The income level range most commonly reported by the respondents is from RM4,000 to RM5,999, comprising 38.1% of the participants. The next most prevalent income range is from RM2,000 to RM3,999, accounting for 25.7% of the respondents. Lastly, the group with an income range of RM6,000 to RM7,999 represents 19.4% of the respondents. Among our respondents, approximately 23.1% have a duration of service ranging from 1 to 3 years, while 39.2% have been serving for 4 to 6 years. Additionally, 21.3% have a duration of service 7 to 9 years, and 16.4% have served for 10 years and above.

**Table 5.1: Summary of Descriptive Analysis**

<b>Variables</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Gender</b>		
Male	165	61.6
Female	103	38.4
<b>Age</b>		
18 to 25 years old	74	27.6
26 to 35 years old	98	36.6
36 to 45 years old	63	23.5
46 to 55 years old	25	9.3
56 years old and above	8	3
<b>Ethnicity</b>		
Malay	56	20.9
Chinese	147	54.9
Indian	54	20.1
Others	11	4.1
<b>Religion</b>		
Islam	59	22
Buddha	91	34
Hinduism	54	20.1
Christian	64	23.9
<b>Educational Qualification</b>		
Diploma	73	27.2
Bachelor	136	50.7
Master	53	19.8
Doctor of Philosophy (PhD)	6	2.2
<b>Marital Status</b>		
Single	134	50
Married	131	48.9
Others	3	1.1
<b>Job Position</b>		
Department Head	37	13.8
Senior Manager	73	27.2
Mid-level Manager	94	35.1
Assistant Manager	64	23.9
<b>Income Level</b>		
Below RM2,000	22	8.2
RM2,000 to RM3,999	69	25.7
RM4,000 to RM5,999	102	38.1
RM6,000 to RM7,999	52	19.4
RM8,000 to RM9,999	17	6.3
Above RM10,000	6	2.2
<b>Duration of Service</b>		
1 to 3 years	62	23.1
4 to 6 years	105	39.2
7 to 9 years	57	21.3
10 years and above	44	16.4

### 5.1.2 Central Tendency

Table 5.2 presents the mean score and standard deviation of the independent and dependent variables. The highest mean score is SME Employee's Performance, with an average of 4.08808 and a standard deviation of 1.00756. The second-highest mean belongs to Company Policy at 4.0597, with a standard deviation of 1.00504. Following closely, Compensation obtains a mean of 4.0276 and a standard deviation of 1.01204. Additionally, Autonomy and Recognition attain the fourth and fifth-highest means with scores of 3.98882 and 3.9403, correspondingly, along with standard deviation 0.9578 and 0.96754.

**Table 5.2: Summary of Central Tendency Measurement**

Variable	N	Mean	Standard Deviation
Recognition	268	3.9403	0.96754
Autonomy	268	3.98882	0.9578
Compensation	268	4.0276	1.01204
Company Policy	268	4.0597	1.00504
SME Employee's Performance	268	4.08808	1.00756

### 5.1.3 Reliability Test

In the reliability test, the current study employed 268 sets of questionnaires. As demonstrated in Table 5.3, all independent variable exhibit good reliability, with Cronbach's Alpha values ranging from 0.70 to 0.80, and dependent variable exhibit strong reliability, indicated by Cronbach's values ranging from 0.80 to 0.95. Among the four independent variables, Company Policy exhibited the most elevated Cronbach's Alpha coefficient at 0.790, followed closely by Autonomy with a value of 0.784. Compensation achieved a Cronbach's Alpha of 0.779, while Recognition scored 0.776. Additionally, the dependent variable, SME Employee's Performance demonstrated a Cronbach's Alpha value of 0.814.



**Table 5.3: Overview Result of Reliability Test**

<b>Reliability Test</b>				
<b>Variables</b>	<b>No. of Items</b>	<b>No. of Item Deleted</b>	<b>Cronbach's Alpha</b>	<b>Level of Reliability</b>
Recognition	5	-	0.776	Acceptable
Autonomy	5	-	0.784	Acceptable
Compensation	5	-	0.779	Acceptable
Company Policy	5	-	0.790	Acceptable
SME Employee's Performance	5	-	0.814	Good

#### **5.1.4 Normality Test**

Table 5.4 provides an overview of the empirical outcomes derived from the normality test. The results indicate that the skewness values encompassed a range of -1.234 to -0.447, while the kurtosis values spanned from -0.829 to +2.006. These values fall within the acceptable range of  $\pm 2$  for kurtosis and  $\pm 1$  for skewness, indicating that the data is normally distributed. The constructs' mean values in the study span from 3.7724 to 4.2575. The majority of respondents choose responses such as "neutral", "agree", or "strongly agree" across each component, as indicated by the results. Furthermore, the factors' standard deviation ranges from 0.8223 to 1.1354.

**Table 5.4: Summary Result of Normality Test (Actual Test)**

Normality Test					
Variables	Items	Mean	Standard Deviation	Skewness	Kurtosis
<b>Recognition (Recog)</b>	Recog1	3.7724	1.0756	-0.808	-0.132
	Recog2	4.0410	0.8223	-1.094	2.006
	Recog3	3.9590	1.0432	-0.715	-0.509
	Recog4	3.9254	1.0286	-0.744	-0.302
	Recog5	4.0037	0.8676	-0.701	0.283
<b>Autonomy (Auto)</b>	Auto1	3.6604	1.1018	-0.447	-0.829
	Auto2	4.1157	0.8685	-1.056	0.908
	Auto3	4.1269	0.8339	-0.789	0.336
	Auto4	3.9963	1.0618	-0.806	-0.511
	Auto5	4.0448	0.9230	-0.982	0.565
<b>Compensation (Compen)</b>	Compen1	3.8545	1.1106	-0.668	-0.778
	Compen2	4.1642	0.8885	-1.200	1.429
	Compen3	4.2052	0.9554	-1.096	0.575
	Compen4	3.9216	1.1039	-0.871	-0.089
	Compen5	3.9925	1.0018	-1.043	0.645
<b>Company Policy (ComPo)</b>	ComPo1	3.8806	1.1354	-0.846	-0.393
	ComPo2	4.1791	0.8728	-0.969	0.338
	ComPo3	4.1343	1.0040	-1.234	1.047
	ComPo4	4.0261	1.0544	-1.037	0.405
	ComPo5	4.0784	0.9586	-1.109	0.863
<b>SME Employee's Performance (SME)</b>	SME1	3.8881	1.1128	-0.779	-0.512
	SME2	4.2575	0.8463	-1.228	1.528
	SME3	4.1530	0.9844	-1.071	0.434
	SME4	4.0299	1.0875	-1.081	0.314
	SME5	4.1119	1.0068	-1.114	0.651

## 5.1.5 Inferential Analysis

### 5.1.5.1 Multiple Linear Regression Analysis

The coefficient of determination, denoted by the R-square value of 0.801, signifies 80.1%, signifying that the collective influence of the four independent variables explains 80.1%

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of the variability detected in the dependent variable, which is SME Employee's Performance. Based on Table 5.5, alternative potential factors accounted for 19.9% (100% - 80.1%) of the dependent variable of SME Employee's Performance. The adjusted R square is 0.798 with the substantial impact of the four independent variables on the dependent variable contributing significantly to 79.8%. The significance level of 0.05 surpassed the p-value of 0.000. Moreover, the considerable F-statistic value of 265.439 signifies the appropriateness and strong fit of the model utilized in this study to the dataset.

In conclusion, the study reveals that recognition, autonomy, compensation, and company policy significantly influence the SMEs employee's performance in Malaysia. Given the significant and substantive contributions of SME employees, institutions should focus on improving aspects such as recognition, autonomy, compensation, and company policy to enhance their performance.

**Table 5.5: Summary Result of Multiple Linear Regression**

<b>Model Summary</b>									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.895	0.801	0.798	0.3441	0.801	265.439	4	263	0.000

Predictors: (Constant), AveComPoli, AveRecog, AveAuto, AveCompen

### 5.1.5.2 Linearity Test

The Pearson Coefficient Correlation is a method used to assess the relationship between two variables, revealing whether the two variables exhibit a positive or negative connection (Pearson Product – Moment Correlation, n.d.). When a modification in one variable results in a corresponding alteration in another, the researchers consider the two variables to be correlated. Therefore, to access the connection between these two variables, the researchers employ the Pearson Coefficient Correlation analysis. To put it differently, Pearson Coefficient Correlation gauges the degree of association or connection (both in terms of direction and strength) between two variables (Obilor & Amadi, 2018).

According to Table 5.6, the Pearson Coefficient Correlation analysis has a positive correlation between employees' performance and recognition, which is 0.762 correlation value and falls between the coefficient ranges from  $\pm 0.71$  to  $\pm 0.90$ . Besides, there was a positive correlation between employees' performance and autonomy, which is 0.825 correlation value and falls between the coefficient ranges from  $\pm 0.71$  to  $\pm 0.90$ . Moreover, there was a positive correlation between employees' performance and compensation, which is 0.836 correlation value and falls between the coefficient ranges from  $\pm 0.71$  to  $\pm 0.90$ . Lastly, there was a positive correlation between employees' performance and company policy, which is 0.842 correlation value and falls between the coefficient ranges from  $\pm 0.71$  to  $\pm 0.90$ . For instance, the researchers justify four hypotheses as outlined below:

**H1:** The recognition significantly influences the SME employees' performance in Malaysia.

**H2:** The autonomy significantly influences the SME employees' performance in Malaysia.

**H3:** The compensation significantly influences the SME employees' performance in Malaysia.

**H4:** The company policy significantly influences the SME employees' performance in Malaysia.

**Table 5.6 Summary Result of Linearity Test**

Pearson Coefficient Correlation						
		Employees' Performance	Recognition	Autonomy	Compensation	Company Policy
Employees' Performance	Pearson Correlation	1	0.762**	0.825**	0.836**	0.842**
	Sig. (2-tailed)	-	< 0.001	< 0.001	< 0.001	< 0.001
	N	268	268	268	268	268

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## 5.2 Discussion on Major Findings

### 5.2.1 The Correlation between Recognition and SME Employee's Performance

The first hypothesis, denoted as H1, postulates a significant association between recognition and the performance of employees within SMEs. To explore this connection between recognition and SME employee performance, this study utilized a correlation analysis. The findings divulged a noteworthy correlation between the two variables, with a p-value of 0.01. This p-value is situated below the predetermined significance threshold of 0.05, underscoring that recognition, as an independent variable, exhibits a constructive correlation with SME employee performance, the dependent variable. These results emphasize that

acknowledging and valuing the contributions and accomplishments of employees can distinctly enhance their overall performance and efficacy. Therefore, it is imperative for managers to enhance employee recognition, as recognition rewards are an essential motivational tool, highlighting goal accomplishments and demonstrating genuine appreciation for employees' devoted efforts (Rampen et al., 2023). Evidently, such endeavors hold the potential to elevate employee performance, consequently contributing to the overarching prosperity of the organization.

The practice of recognition comes out as a technique that is both easy on budget and effective in elevating often essential duties and locating a sizeable reservoir of exceptional achievers (Varghese et al., 2023). Commending employees can prove immensely effective in boosting morale, all the while imposing minimal financial burden on the company. Employee acknowledgment intersects with the organizational principle of fairness, where the organization is accountable for treating its employees equitably, without bias, and emphasizing parity among individuals employed within the same company (Masri & Suliman, 2019). Moreover, a large portion of the participants concurred with statement Recog2, which affirms: "My supervisor makes me feel that I matter." Among the five elements assessed in the survey, the statement Recog2 achieved the highest average score of 4.0410. This result indicates that acknowledgment notably impacts the effectiveness of small and medium-sized enterprise (SME) employees in Malaysia, establishing it as a prevailing determinant in their overall performance.

### **5.2.2 The Correlation between Autonomy and SME Employee's Performance**

The second hypothesis, H2 proposes the autonomy has a significant impact on the SME employee's performance. To investigate the causal relationship between autonomy and SME employee's performance, this study utilized Pearson Coefficient Correlation analysis. According to Table 5.6, the analysis revealed a p-value of <0.001 for autonomy, which falls below the predetermined alpha threshold of 0.05. This result demonstrates that autonomy, as

a predictor variable, is indeed a significant factor in predicting SME employee's performance, the dependent variable. Indeed, it implies that SME business managers should provide a certain level of work autonomy to their employees, allowing them to make certain work decisions (Rahaman, Ali, Taru, & Gupta, 2021). By doing so, the performance of the employees can be enhanced.

In order to achieve individual and organizational goals, employees need to possess intrinsic motivation, which empowers them to perform well. According to Siddiqui & Rida (2019), managers can benefit significantly from Maslow's hierarchy of needs theory. Employees tend to perceive managers who implement strategies based on the pyramid of needs as more supportive and considerate, fostering a positive working environment. Furthermore, most of the respondents expressed agreement with item Auto3, which states: "I feel a sense of personal satisfaction when I do my work well." Among the five items in the questionnaire, Auto3 obtained the highest mean score of 4.1269. This finding demonstrates that autonomy significantly influences the performance of SME employees in Malaysia, making it a predominant factor in their overall performance.

### **5.2.3 The Correlation between Compensation and SME Employee's Performance**

The third hypothesis, H3 proposes compensation has a major impact on the SME employee's performance. To investigate the causal relationship between compensation and SME employee performance, this study utilized Pearson Coefficient Correlation analysis. According to Table 5.6, the analysis indicated that the p-value for compensation is  $<0.001$ , which is below the alpha value of 0.05. This result demonstrates that compensation, as a predictor variable, is indeed a major factor in forecasting SME employee performance, the dependent variable. The highest competitive compensation can satisfy employees' needs while also assisting the company in luring and keeping top personnel. To encourage employees to

perform better and increase organizational efficiency, a strong compensation plan is crucial (Naidu & Satyanarayana, 2018).

SMEs should motivate their employees through incentives and compensation to improve employee and overall organizational performance (Abdullah & Othman, 2019). Most of the respondents expressed agreement with item Compen3, which states: "An increase in my basic pay will motivate me to improve my productivity." Among the five items in the questionnaire, Compen3 obtained the highest mean score of 4.2052. This finding suggests that compensation significantly affects the performance of employees in Malaysian SMEs, making it a major factor in their overall performance.

#### **5.2.4 The Correlation between Company Policy and SME Employee's Performance**

Hypothesis four, designated as H4, posits a substantial link between company policies and the performance of employees within Small and Medium Enterprises (SMEs). In this investigation, the Pearson Coefficient Correlation analysis was employed to delve into the connection between company policies and the performance of employees in SMEs. The results unveiled a significant correlation between the aforementioned variables, with a  $p\text{-value} < 0.001$  that is below the alpha value of 0.05. Therefore, policies play a crucial role in incentivizing the workforce to deliver elevated levels of performance, discretionary effort, and valuable contributions (Ali & Anwar, 2021).

According to Pancasila et al. (2020), a comprehensive and well-structured policy framework has the potential to significantly enhance employee performance by effectively evaluating their contributions and fostering a fair and equitable work environment. Additionally, a substantial proportion of the survey participants expressed concurrence with item ComPo2, which asserts: "Company policies towards employees are comparable to a similar organization." Among the questionnaire's five items, ComPo2 garnered the highest



mean score of 4.1791. This outcome underscores the substantial impact of company policy on the performance of SME employees in Malaysia, establishing it as a predominant factor shaping their overall effectiveness.

## **5.3 Implication of the research**

### **5.3.1 Theoretical Implication**

According to the present research scholar results, Maslow's Hierarchy of Needs Theory is relevant for the current study. The R-square value is 0.801 which means that approximately 80.1% of the variation in SME employees' performance can be described by the combined influence of dependent variables (company policy, recognition, autonomy, and compensation). This indicates that these four factors have a significant impact on SME employees' performance.

Researchers gained fresh insights into how the component might be coupled with Maslow's Hierarchy of Needs Theory to explain intrinsic and extrinsic motivation effect on SME employees' performance thanks to the novel conceptual framework in the occurring research, which comprises of company policy, recognition, autonomy, and compensation. The truth is that the model's compensation, autonomy, recognition, and business policy were significant in this research and serve as proof.

The impact of intrinsic and extrinsic motivation on the performance of SME employees was also enhanced by this research. A few theory-based studies look at the impact of intrinsic and extrinsic motivation on the performance of SME employees using Maslow's Hierarchy of Needs Theory. Maslow's Hierarchy of Needs Theory was a model employed in most empirical studies for the relevant research. Hence, this study may be used as a source for analysts in the future.

### **5.3.2 Practical Implications**

According to the standardized beta coefficient, company policy is the key factor affecting the performance of employees of small and medium-sized enterprises. Therefore, small and medium-sized enterprises should formulate policies that are beneficial to both the company and employees, so as to ensure the smooth operation of the company and protect the welfare of employees, including employee fringe benefits, compensation, performance management, privacy, data security, and the environment must also give employees a voice in their own values and policies to ensure that every employee feels equally included. Such effective company policies can maximize employee performance and thus organizational performance.

Moreover, autonomy is the second most key factor affecting employee performance in SMEs. Therefore, SME companies must give a certain degree of work autonomy, and employees take more responsibility for their own work, thereby improving engagement and stimulating employees to make more efforts. At the same time, employees can learn new skills independently, helping employees solve problems at work while enhancing knowledge and accumulating work experience. Autonomy can also allow employees to cooperate with other employees to increase communication skills and opportunities because employees return to understanding their colleagues' work and goals autonomously in order to better accomplish their goals. This action can help employees when they encounter difficulties. Asking for help can also help other employees when they encounter difficulties. By helping and learning from each other, the overall work efficiency of the company can be improved, making it easier for the company to achieve its goals.

In addition, compensation is another key factor affecting the performance of employees in SMEs. SMEs should develop a well-designed compensation system, which must consider the basic needs of employees, compensation fairness, transparency, and incentives. When employees get satisfactory direct and indirect compensation, they can improve their job performance. The reason is that employees do not have to worry about other living expenses. At the same time, a fair and transparent salary system can improve employees' income. A

salary system that motivates confidence and performance can help companies retain outstanding talents and allow companies to maintain competitiveness and efficiency in the market.

Finally, although recognition has less impact on SME employee performance than the other three factors, it is also important for SMEs to improve employee performance. SMEs should motivate employees through recognition. Recognition is a basic human need. Everyone craves and gets a response from the company. There are many ways to show recognition, such as giving an employee recognition by expressing appreciation or being promoted in a position. In addition, giving employee recognition can also increase employee loyalty, award employees a sense of belongingness to the company, retain valuable employees, and help the company improve overall work performance and efficiency. All in all, recognition is very important to improve employee performance, because employees work hard to be recognized, and at the same time, they will have a certain sense of accomplishment after being recognized, which makes employees feel confident. When employees feel confident, their productivity tends to enhance.

## **5.4 Limitations of the Study**

First, the number of target participants in the research was limited. This study mainly focuses on the perceptions of employees of SMEs in Malaysia, while ignoring the perceptions of employees of large enterprises. Also, this study was only conducted on SME employees in Kuala Lumpur, Johor, Perak, and Selangor. This limited focus may limit the representativeness of the collected data. Because a wider sample size also facilitates in-depth analysis and exploration of potential factors in the population, leading to more robust and meaningful conclusions.

Additionally, the majority of the experiment's participants were contacted by email and social media platforms, and data were gathered using Google Forms. Employees of SMEs who did not use social media were not included in the survey because it was only open to social media users. This factor restricted the pool of respondents, which had an impact on the data collection's representativeness. Additionally, it restricts the information's scope, quality, and accuracy. Additionally, there is a lack of diversity as various media appeal to various demographics. Reliance on a single media runs the risk of leaving out crucial viewpoints and ideas from underrepresented groups or demographics that do not actively engage in that medium.

Moreover, contemporary investigations solely employ quantitative data collection techniques, omitting the utilization of qualitative methodologies, which can oversimplify the research questions or topics that can be understood through complex and multifaceted phenomena through qualitative exploration. In addition, there are potential measurement errors in the accuracy and reliability of quantitative data. Using quantitative methods alone to collect data may lead to biased or inaccurate results and data if the measurement instruments and data collection are flawed.

## **5.5 Recommendation for Future Research**

Primarily, it is advisable to incorporate qualitative and quantitative approaches in future research. For instance, the researchers may conduct the meetings with the respondents, this would allow researchers to gain a deeper understanding of the respondent's opinions, which in turn would lead to improved interpretation of the survey data. Additionally, engaging in such meetings would enable researchers to gather more accurate information as respondents can seek clarifications and ask questions about the survey, resulting in more precise and reliable data. Moreover, interviews serve as valuable tools for gathering information that might be challenging to convey or express effectively through survey questions. Through interviews,

researchers can obtain more in-depth and specific information, making the collected data richer and more detailed.

Besides that, it is recommended to diversify the data collection approach from respondents instead of solely relying on social media platforms. One valuable recommendation is to establish physical connections with the respondents. By engaging in face-to-face communication or other varied data collection, researchers can gain deeper insights and potentially reach SME employees who are not active on social media platforms. Exploring additional methods can provide a more comprehensive understanding of the research topic and ensure a more representative and well-rounded sample. Thus, enhancing the inclusiveness and comprehensiveness of the researcher's research.

Furthermore, it is advisable the size of the sample. Enlarging the pool of respondents in the study can significantly enhance the statistical power, thereby increasing the ability to detect smaller effects with greater accuracy. In addition, a larger and diverse sample size improves the generalizability of the findings to a broader population, enhancing the reliability of the research outcomes. A more extensive sample size also facilitates in-depth analysis and exploration of potential subgroups within the population, yielding more robust and meaningful conclusions. By adopting a larger sample size in future research, researchers can strengthen the validity of the findings, making valuable contributions to both the scientific community and real-world applications.

Lastly, it is recommended to explore cultural and contextual factors in future research endeavors. Incorporating a focus on these factors allows researchers to gain a deep understanding of how cultural norms, beliefs, and contextual environments influence the research topic. By investigating cultural and contextual aspects, researchers can identify unique patterns, differences, or similarities in different cultural settings, enabling more comprehensive and nuanced conclusions. Exploring cultural and contextual factors in future research enhances the broader applicability and impact of the findings, fostering a deeper appreciation for the diversity of human experiences and practices. It also enriches the field and knowledge and contributes to a more inclusive and holistic understanding of the research area.

## **5.6 Chapter Summary**

To conclude, this study employed a research model with four independent variables (recognition, autonomy, compensation, and company policy) to investigate the correlation between intrinsic and extrinsic motivation and the performance of employees in Malaysian SMEs. Furthermore, the researchers have identified and addressed the limitations of this study and provided valuable recommendations for future research. By doing so, researchers aim to prevent potential constraints that could impact the reliability of the results, ultimately aiding future academics conducting research on the correlation between intrinsic and extrinsic motivation and the performance of employees in Malaysian SMEs. In conclusion, this research has made a significant contribution to the field by establishing the considerable influence of the independent variables on the dependent variable (SME employee's performance). The insight gained from this study have the potential to inform and guide future research endeavours in this area.

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## Appendix

### Appendix 3.1 Questionnaire



UNIVERSITI TUNKU ABDUL RAHMAN  
FACULTY OF BUSINESS AND FINANCE  
UNDERGRADUATE FINAL YEAR PROJECT [FYP]

#### Survey Questionnaire

**Topic: Impact of Intrinsic and Extrinsic Motivation on SME Employee's Performance in Service Industry**

Dear respondents,

We are Year 3 Semester 1 students of Faculty of Business and Finance who are currently pursuing Bachelor of Business Administration (Honours) at Universiti Tunku Abdul Rahman (UTAR), Kampar Campus. We are conducting a research study of UBMZ3016 Research Project to understand the impact of intrinsic and extrinsic motivation on SME employee's performance in service industry. The main objective aims to evaluate the impact of intrinsic and extrinsic motivation (e.g., autonomy, compensation, recognition, company policy) on SME employee's performance in the service industry.

There are **THREE** (3) sections in this questionnaire. Section A is on demographic profile. Section B and C cover all the variables in this study. Please read carefully before answering the questions. Please answer **ALL** questions in **ALL** section. Completion of this questionnaire will take you approximately 5 to 10 minutes.

Your participation in this study is entirely voluntary. There will be no disadvantage if you decide not to complete the attached anonymous questionnaire. All the information provided will be treated as confidential and private. This information is solely for academic purposes.

Thank you for your participation. Your assistance in completing this questionnaire is very much appreciated. If you have any questions regarding the questionnaire, you may contact us at our email address as stated below:

Best Regards,

1. Ivus Chan Jiong (Student ID No. 2000639), Email: ([ivuscj0623@lutar.my](mailto:ivuscj0623@lutar.my))
2. Loh Wen Feng (Student ID No. 2100121), Email: ([fengwloh@lutar.my](mailto:fengwloh@lutar.my))
3. Wong Sze Xian (Student ID No. 2000346), Email: ([szewong0902@lutar.my](mailto:szewong0902@lutar.my))
4. Yap Pei Chin (Student ID No. 2100100), Email: ([yap0294@lutar.my](mailto:yap0294@lutar.my))

**PERSONAL DATA PROTECTION STATEMENT**

Please be informed that in accordance with Personal Data Protection Act 2010 ("PDPA") which came into force on 15 November 2013, Universiti Tunku Abdul Rahman ("UTAR") is hereby bound to make notice and require consent in relation to collection, recording, storage, usage, and retention of personal information.

**Notice:**

1. The purposes for which your personal data may be used are inclusive but not limited to:

- 
- For assessment of any application to UTAR
- For processing any benefits and services
- For communication purposes
- For advertorial and news
- For general administration and record purposes
- For enhancing the value of education
- For educational and related purposes consequential to UTAR
- For the purpose of our corporate governance
- For consideration as a guarantor for UTAR staff/ student applying for his/her scholarship/ study loan

2. Your personal data may be transferred and/or disclosed to third party and/or UTAR collaborative partners including but not limited to the respective and appointed outsourcing agents for purpose of fulfilling our obligations to you in respect of the purposes and all such other purposes that are related to the purposes and in providing integrated services, maintaining, and storing records. Your data may be shared when required by laws and when disclosure is necessary to comply with applicable laws.

3. Any personal information retained by UTAR shall be destroyed and/or deleted in accordance with our retention policy applicable for us in the event such information is no longer required.

4. UTAR is committed in ensuring the confidentiality, protection, security, and accuracy of your personal information made available to us and it has been our ongoing strict policy to ensure that your personal information is accurate, complete, not misleading and updated. UTAR would also ensure that your personal data shall not be used for political and commercial purposes.

**Consent:**

1. By submitting this form, you hereby authorize and consent to us processing (including disclosing) your personal data and any updates of your information, for the purposes and/or for any other purposes related to the purpose.

2. If you do not consent or subsequently withdraw your consent to the processing and disclosure of your personal data, UTAR will not be able to fulfill our obligations or to contact you or to assist you in respect of the purposes and/or for any other purposes related to the purpose.

3. You may access and update your personal data by writing to us at [ivusej0623@lutar.my](mailto:ivusej0623@lutar.my), [fengwloh@lutar.my](mailto:fengwloh@lutar.my), [szewong0902@lutar.my](mailto:szewong0902@lutar.my) and [yap0294@lutar.my](mailto:yap0294@lutar.my).

**Acknowledgment of Notice**

I have been notified by you and that I hereby understood, consented, and agreed per UTAR above notice.

I disagree, my personal data will not be processed.

.....

Name:

Date:

**Section A: Demographic Profile**

Please choose the appropriate response by place a tick "✓" for each of the items given below.

1. Gender

- Male
- Female

2. Age

- 18 – 25 years old
- 26 – 35 years old
- 36 – 45 years old
- 46 – 55 years old
- 56 years old and above

3. Ethnicity

- Malay
- Chinese
- Indian
- Others

4. Religion

- Islam
- Buddha
- Hinduism
- Christian
- Others

5. Educational Qualification

- Diploma
- Bachelor's Degree
- Master's Degree
- Doctoral Degree
- Others

6. Marital Status

- Single
- Married

7. Job Position

- Junior employee (less than 3 years)
- Senior employee (more than 3 years)
- Manager
- CEO



Others

8. Income Level

- Below RM2000
- RM2000 – RM3999
- RM4000 – RM5999
- RM6000 – RM7999
- RM8000 – RM9999
- Above RM10000

9. Duration of Service (Years of Experience)

- 1 – 3 years
- 4 – 6 years
- 7 – 9 years
- 10 years and above

**Section B**

**Independent Variable: Recognition**

Instruction: This section consists of the constructs (e.g., recognition, autonomy, compensation, and company policy) on SME employee's performance in the service industry. Please select the most appropriate option that best indicates your agreement level about the following statements.

**Level of agreement:**

1 – Strongly Disagree (SD); 2 – Disagree (D); 3 – Neutral (N); 4 – Agree (A), 5 – Strongly Agree (SA)

No.	Questions	(1)	(2)	(3)	(4)	(5)
1.	My personal well-being is important to my supervisor.					
2.	My supervisor makes me feel that I matter.					
3.	I receive congratulations from my supervisor when I reach specific goals.					
4.	My supervisor thanks me when I successfully reach performance goals or other targets.					
5.	My hard-work and dedication are noticed by my supervisor.					

**Independent Variable: Autonomy**

Instruction: Please select the most appropriate option that best indicates your agreement level about the following statements.

**Level of agreement:**

The Correlation Between Intrinsic and Extrinsic Motivation and The Employee's Performance in SME Malaysia

1 – Strongly Disagree (SD); 2 – Disagree (D); 3 – Neutral (N); 4 – Agree (A), 5 – Strongly Agree (SA)

No.	Questions	(1)	(2)	(3)	(4)	(5)
1.	I am motivated in this job because I enjoy this work every much.					
2.	I managed my time well.					
3.	I feel a sense of personal satisfaction when I do my work well.					
4.	I try to think if ways of doing my work efficiently and effectively.					
5.	I want my work to provide me with opportunities for increasing my knowledge and skills.					

**Independent Variable: Compensation**

Instruction: Please select the most appropriate option that best indicates your agreement level about the following statements.

**Level of agreement:**

1 – Strongly Disagree (SD); 2 – Disagree (D); 3 – Neutral (N); 4 – Agree (A), 5 – Strongly Agree (SA)

No.	Questions	(1)	(2)	(3)	(4)	(5)
1.	My basic pay is reviewed periodically					
2.	The non-financial compensation package is attractive and boosts my productivity					
3.	An increase in my basic pay will motivate me to improve my productivity.					
4.	There are enough promotion possibilities to stimulate me to work hard.					
5.	The manner in which I am compensated ensures that I am motivated to give the fullest effort possible					

**Independent Variable: Company Policy**

Instruction: Please select the most appropriate option that best indicates your agreement level about the following statements.

**Level of agreement:**

1 – Strongly Disagree (SD); 2 – Disagree (D); 3 – Neutral (N); 4 – Agree (A), 5 – Strongly Agree (SA)

No.	Questions	(1)	(2)	(3)	(4)	(5)
1.	The company policies towards employees are fair					
2.	Company policies towards employees are comparable to a similar organization					
3.	The company policy is favourable for its workers					
4.	There is a well-defined and transparency performance appraisal policy					
5.	Rewards and punishments are dispensed fairly in my organization					

### Section C

#### Dependent Variable: SME Employee's Performance

Instruction: Please select the most appropriate option that best indicates your agreement level about the following statements.

#### Level of agreement:

1 – Strongly Disagree (SD); 2 – Disagree (D); 3 – Neutral (N); 4 – Agree (A), 5 – Strongly Agree (SA)

No.	Questions	(1)	(2)	(3)	(4)	(5)
1.	I first look towards the extrinsic rewards the intrinsic rewards while selecting a job.					
2.	My financial needs are the main motivating factor for good performance in a job.					
3.	My motivation directly effects my performance level.					
4.	Attractive benefit packages boost my motivation to work hard.					
5.	My financial appraisal is an important way to help me to continuously improve.					

**Appendix 3.2: Reliability Analysis – Recognition (Pilot Test)**

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.671	5

**Appendix 3.3: Reliability Analysis – Autonomy (Pilot Test)**

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.713	5

**Appendix 3.4: Reliability Analysis – Compensation (Pilot Test)**

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.701	5

**Appendix 3.5: Reliability Analysis - Company Policy (Pilot Test)**

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.766	5

**Appendix 3.6: Reliability Analysis - SME Employee's Performance (Pilot Test)**

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.689	5

**Appendix 4.1: Descriptive Analysis - Recognition**

<b>Descriptive Statistics</b>						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Personal well-being is important	268	1.00	5.00	3.7724	1.07598	1.158
Makes me feel that I matter	268	1.00	5.00	4.0410	.82232	.676
Thanks me when I succeed	268	1.00	5.00	3.9590	1.04317	1.088
Receive congratulations	268	1.00	5.00	3.9254	1.02863	1.058
Hard-work are noticed	268	1.00	5.00	4.0037	.86764	.753
Valid N (listwise)	268					

**Appendix 4.2: Descriptive Analysis - Autonomy**

<b>Descriptive Statistics</b>						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Motivated because of enjoyment	268	1.00	5.00	3.6604	1.10175	1.214
Manage time well	268	1.00	5.00	4.1157	.86854	.754
Feel a sense of personal satisfaction	268	1.00	5.00	4.1269	.83394	.695
Think of ways to do work efficiently	268	1.00	5.00	3.9963	1.06176	1.127
Want works to provide opportunities	268	1.00	5.00	4.0448	.92300	.852
Valid N (listwise)	268					

**Appendix 4.3: Descriptive Analysis - Compensation**

<b>Descriptive Statistics</b>						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Pay is reviewed periodically	268	1.00	5.00	3.8545	1.11060	1.233
Non-financial compensation package is attractive	268	1.00	5.00	4.1642	.88850	.789
Increase of basic pay	268	1.00	5.00	4.2052	.95540	.913
Enough promotion possibilities	268	1.00	5.00	3.9216	1.10388	1.219
Manner ensures that is motivated	268	1.00	5.00	3.9925	1.00184	1.004
Valid N (listwise)	268					

**Appendix 4.4: Descriptive Analysis - Company Policy**

<b>Descriptive Statistics</b>						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
CP are fair	268	1.00	5.00	3.8806	1.13537	1.289
CP are comparable	268	2.00	5.00	4.1791	.87282	.762
CP are favourable	268	1.00	5.00	4.1343	1.00404	1.008
CP are well-defined and transparent	268	1.00	5.00	4.0261	1.05436	1.112
Fair of rewards and punishments	268	1.00	5.00	4.0784	.95861	.919
Valid N (listwise)	268					

**Appendix 4.5: Descriptive Analysis - SME Employee's Performance**

<b>Descriptive Statistics</b>						
	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Extrinsic > intrinsic	268	1.00	5.00	3.8881	1.11282	1.238
Financial need are the factor	268	1.00	5.00	4.2575	.84631	.716
Motivation directly effects performance	268	1.00	5.00	4.1530	.98439	.969
Attractive benefit packages	268	1.00	5.00	4.0299	1.08749	1.183
Financial appraisal	268	1.00	5.00	4.1119	1.00680	1.014
Valid N (listwise)	268					

**Appendix 4.6: Reliability Analysis - Recognition**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.776	.777	5

**Appendix 4.7: Reliability Analysis - Autonomy**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.784	.786	5

**Appendix 4.8: Reliability Analysis - Compensation**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.779	.778	5

**Appendix 4.9: Reliability Analysis - Company Policy**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.790	.787	5

**Appendix 4.10: Reliability Analysis - SME Employee's Performance**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.814	.810	5

The Correlation Between Intrinsic and Extrinsic Motivation and The Employee's Performance in SME Malaysia

**Appendix 4.11: Normality Analysis - Recognition**

Descriptive Statistics									
	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Personal well-being is important	268	1.00	5.00	3.7724	1.07598	-.808	.149	-.132	.297
Makes me feel that I matter	268	1.00	5.00	4.0410	.82232	-1.094	.149	2.006	.297
Thanks me when I succeed	268	1.00	5.00	3.9590	1.04317	-.715	.149	-5.09	.297
Receive congratulations	268	1.00	5.00	3.9254	1.02863	-.744	.149	-.302	.297
Hard-work are noticed	268	1.00	5.00	4.0037	.86764	-.701	.149	.283	.297
Valid N (listwise)	268								

**Appendix 4.12: Normality Analysis - Autonomy**

Descriptive Statistics									
	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Motivated because of enjoyment	268	1.00	5.00	3.6604	1.10175	-.447	.149	-.829	.297
Manage time well	268	1.00	5.00	4.1157	.86854	-1.056	.149	.908	.297
Feel a sense of personal satisfaction	268	1.00	5.00	4.1269	.83394	-.789	.149	.336	.297
Think of ways to do work efficiently	268	1.00	5.00	3.9963	1.06176	-.806	.149	-5.11	.297
Want works to provide opportunities	268	1.00	5.00	4.0448	.92300	-.982	.149	.565	.297
Valid N (listwise)	268								

**Appendix 4.13: Normality Analysis - Compensation**

Descriptive Statistics									
	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Pay is reviewed periodically	268	1.00	5.00	3.8545	1.11060	-.668	.149	-.778	.297
Non-financial compensation package is attractive	268	1.00	5.00	4.1642	.88850	-1.200	.149	1.429	.297
Increase of basic pay	268	1.00	5.00	4.2052	.95540	-1.096	.149	.575	.297
Enough promotion possibilities	268	1.00	5.00	3.9216	1.10388	-.871	.149	-.089	.297
Manner ensures that is motivated	268	1.00	5.00	3.9925	1.00184	-1.043	.149	.645	.297
Valid N (listwise)	268								



The Correlation Between Intrinsic and Extrinsic Motivation and The Employee's Performance in SME Malaysia

**Appendix 4.14: Normality Analysis - Company Policy**

Descriptive Statistics									
	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
CP are fair	268	1.00	5.00	3.8806	1.13537	-.846	.149	-.393	.297
CP are comparable	268	2.00	5.00	4.1791	.87282	-.969	.149	.338	.297
CP are favourable	268	1.00	5.00	4.1343	1.00404	-1.234	.149	1.047	.297
CP are well-defined and transparent	268	1.00	5.00	4.0261	1.05436	-1.037	.149	.405	.297
Fair of rewards and pubishments	268	1.00	5.00	4.0784	.95861	-1.109	.149	.863	.297
Valid N (listwise)	268								

**Appendix 4.15: Normality Analysis - SME Employee's Performance**

Descriptive Statistics									
	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Extrinsic > intrinsic	268	1.00	5.00	3.8881	1.11282	-.779	.149	-.512	.297
Financial need are the factor	268	1.00	5.00	4.2575	.84631	-1.228	.149	1.528	.297
Motivation directly effects performance	268	1.00	5.00	4.1530	.98439	-1.071	.149	.434	.297
Attractive beenfit packages	268	1.00	5.00	4.0299	1.08749	-1.081	.149	.314	.297
Financial appraisal	268	1.00	5.00	4.1119	1.00680	-1.114	.149	.651	.297
Valid N (listwise)	268								

**Appendix 4.16: Inferential Analysis - Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.895 <sup>a</sup>	.801	.798	.34413

a. Predictors: (Constant), AverageComPoli, AveRecog, AverageAuto, AverageCompen

**Appendix 4.17: Linearity Test**

Correlations						
		AverageSME	AveRecog	AverageAuto	AverageCompen	AverageComPoli
AverageSME	Pearson Correlation	1	.762**	.825**	.836**	.842**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	268	268	268	268	268
AveRecog	Pearson Correlation	.762**	1	.758**	.740**	.738**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	268	268	268	268	268
AverageAuto	Pearson Correlation	.825**	.758**	1	.816**	.800**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	268	268	268	268	268
AverageCompen	Pearson Correlation	.836**	.740**	.816**	1	.836**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	268	268	268	268	268
AverageComPoli	Pearson Correlation	.842**	.738**	.800**	.836**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	268	268	268	268	268

\*\* . Correlation is significant at the 0.01 level (2-tailed).