

THE IMPACT OF MOTIVATION ON EMPLOYEES  
PERFORMANCE: A STUDY OF PRIVATE SECTOR  
EMPLOYEES IN SMALL AND MEDIUM  
ENTERPRISES (SME) WITHIN KLANG VALLEY

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Study of Private Sector Employees in Small and Medium  
Enterprises (SME) within Klang Valley

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Study of Private Sector Employees in Small and Medium  
Enterprises (SME) within Klang Valley

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## DECLARATION


I hereby declare that:

- (1) This Research Project is the end result of my own work and that due acknowledgement has been given in the references to all sources of information be they printed, electronic, or personal.
- (2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

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## DEDICATION

This dissertation is dedicated to the following individuals, whose unwavering support and encouragement have been instrumental in the completion of this research:

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## LIST OF ABBREVIATIONS

SME	Small and Medium Enterprises
GDP	Gross Domestic Product
DOSM	Department of Statistics Malaysia
MSME	Micro, Small and Medium Enterprises
MITI	Ministry of Investment, Trade, and Industry
IV	Independent Variable
DV	Dependent Variable
LHDNM	Lembaga Hasil Dalam Negeri Malaysia
KL	Kuala Lumpur
SEM	Structural Equation Models
SPSS	Statistical Package for the Social Science
EP	Employee Performance
PS	Physiological Needs
ST	Safety Needs
LB	Love and Belongings Needs
ET	Esteem Needs
SA	Self-actualization Needs
VIF	Variance Inflation Factor
PMR	Penilaian Menengah Rendah
SPM	Sijil Pelajaran Malaysia
N	Number
df	Degree of Freedom

ANOVA	Analysis of Variance
F	F-Statistics
SSB	Sum of Squares Between Groups
SSW	Sum of Squares Within Groups
SST	Total Variation
MSB	Mean Square Between Groups
MSW	Mean Square Within Groups

## **ABSTRACT**

This study examined the impact of motivation on employee performance in the service industry of private sector SME in Klang Valley, focusing on the relationship between various motivational factors and employee performance. This study used a descriptive cross-sectional research design, data were collected from 154 employees through questionnaires that addressed Maslow's hierarchy of needs and self-rated performance. Analysis revealed that Safety Needs had the highest impact on employee performance, followed by Esteem Needs, while Physiological Needs and Self-actualization Needs had moderate impacts, and Love and Belonging Needs had the least impact. Hypothesis testing showed a significant positive relationship only between Safety Needs and employee performance. Thus, addressing Safety Needs is crucial for enhancing employee performance in this sector.

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# CHAPTER 1

## RESEARCH OVERVIEW

### 1.0 Introduction

The performance of employees plays an important role in determining the success and sustainability of organizations. In order to effectively participate in the process of globalization, every company must establish a well-defined organizational framework that encompasses both its employees and management. Strategic management can help a company accomplish its goals and objectives, ultimately achieving its mission and vision (Morris, 2019).

Small, and medium enterprises (SME) are significant contributors to Malaysia's Gross Domestic Product (GDP). They comprise a substantial portion of the economy, providing employment opportunities and contributing to economic growth and development. In 2022, the Department of Statistics Malaysia (DOSM) reported that the country's micro, small, and medium enterprises (MSME) experienced significant growth of 11.6 percent. This growth exceeded the national GDP growth rate of 8.7 percent for the same year (The Malaysian Reserve, 2023). The government has allocated a maximum of RM 44 billion to facilitate access to loans and financing guarantees to support the growth and development of MSME (Alex, 2023). This allocation underscores the government's high attention and commitment to supporting SME. Earmarking such a substantial amount shows that SME development is a priority on the national agenda. The services sector continued to drive economic growth in the last quarter of 2023, with all sectors except manufacturing experiencing growth on the supply side (DOSM, 2024).

According to Croc (2022), it was emphasized that SME, comprising 98.5% of business establishments in Malaysia, play a pivotal role in the economy by employing 48% of the workforce and contributing 18% to total exports. The latest



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BrioHR Employment Index showed a solid 5% increase in SME employment during the first quarter of 2022, outpacing the previous quarter's 4% rise and resulting in a notable 10% surge in job numbers over the past six months from October 2021 to March 2022. This is a positive indication, demonstrating the proactive recovery of the SME from the pandemic and its efforts to attract and retain talent. The rise in employment signifies economic resilience and potential job creation in SME, which is often considered a key driver of economic growth due to its significant contribution to GDP.

According to Labour Force Statistics from DOSM in February 2024, the services sector in Malaysia saw a rise in the number of employed individuals, which includes wholesale and retail trade, food and beverage services, and administrative and support services. Based on DOSM (2024), the total number of employed individuals in the service sector reached 4.4 million, marking an increase of 79.3 thousand persons or 1.8% compared to quarter four in 2023, with a quarterly comparison showing a 0.5% increase, equivalent to 23.4 thousand more persons engaged. This growth is indicative of potential expansion and activity within these industries, suggesting that businesses are hiring more workers to meet demand or expand their operations. Besides, annual salaries and wages in this sector increased by 3.8% (+RM 4.7 billion). This uptick in compensation indicates improved economic conditions and potentially higher consumer spending power, which can further drive economic activity and contribute to overall growth.

Many companies rely heavily on their employees to gain a competitive edge in the market. As a result, they are intricately linked to the effectiveness of their human resources and the management thereof (Anwar & Abdullah, 2021). Some companies claim that employees are their most valuable assets and that they may contribute to achieving their goals (Sandhu et al., 2017).

Employee motivation is one factor that should be considered while planning strategic management. Amidst fierce competition and evolving market demands, SME increasingly recognise the significance of fostering a motivated workforce to achieve their strategic objectives and gain a competitive edge. Motivation may impact a person's direction, enthusiasm, and determination to achieve voluntary

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actions (Latham & Pinder, 2005). Motivation is employed to elucidate the differentiation among employees who possess identical talents, abilities, and job opportunities within a similar organization, working under the same employment conditions and facilities, yet exhibiting varying performance levels. (Sandhu et al., 2017).

According to Westerman et al. (2020), incentives can be categorized into monetary incentives, like bonuses or allowances, and non-monetary incentives, such as commendations and public acknowledgment for efforts, often accompanied by special privileges like an additional day off. Motivated people tend to be more eager to take on additional responsibilities and invest more in their jobs and careers (Kuvaas & Dysvik, 2009). Positive inspiration can lead to more outstanding commitment (Sohail et al., 2014; Burns & Alexander, 2020) and improved performance (Joseph, 2015). Furthermore, Grant (2008) states that employees are more productive when motivated. The company can identify employee performance through work completion, employee abilities, meeting goals, and job effectiveness and efficiency. (Iqbal et al., 2015).

The significance of employees' performance has heightened due to growing concerns among human resources regarding the impact of inadequate compensation on output levels (Sandhu et al., 2017). According to Sandhu et al. (2017), employees constantly looking for more efficient ways to carry out their duties have an excellent work drive and will move forward faster. They can put in more significant effort at work and seek additional career possibilities.

## **1.1 Problem Statements**

According to TalentCorp statistics, in 2023, around 1.85 million Malaysians were working overseas, which is 5.6% of the country's total population. Minister of Human Resources Sivakumar admitted that it is a very challenging task to bring back the outflowing talents, and the government must implement more attractive measures, including salary, recognition, working culture, etc., to attract them back

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to the country (Oriental Daily News Malaysia, 2023). The outflow of Malaysian talent working overseas had been acknowledged, but its direct impact on the talent pool available to SME in Klang Valley was not well-documented. The Government can understand how brain drain affects local SME's ability to attract and retain skilled employees, which is crucial. There is a lack of study on the impacts of the brain drain phenomenon and its effect on the talent pool and operational efficiency of SME in Klang Valley. Besides, there were limited sector or industry-specific talent scarcity and retention challenges faced by SME in Klang Valley.

According to Robert Walters' annual salary survey, 60% of Malaysian employers may find it challenging to keep their most qualified employees because 48% of employees anticipate remuneration increases in response to the increasing cost of living, and this has caused 95% of companies to be concerned about the talent scarcity in their specific sectors, along with retention issues. (Digital News Asia, 2023). While many employers recognize the need for competitive remuneration, there is limited research on the effectiveness of different remuneration strategies employed by SME in Klang Valley to retain their most qualified employees. There was insufficient empirical evidence on the effectiveness of various remuneration strategies used by SME in Klang Valley to meet employee expectations and improve retention rates.

The 2023 Employer Brand Research, the 8th iteration of the report, provides a detailed analysis of the factors that can influence Malaysian workers to leave their existing jobs, which include work-life balance (50%), prospects for professional advancement (36%), concerns about pay (35%), attractive job offers (32%), and poor leadership (27%) (MIA, 2023). Since 60% of Robert Walters' annual salary survey respondents intend to change employment in 2023, employers must prioritize their employees' emotional and physical health while maintaining open and proactive communication throughout the year (Tan, 2023). Fahad Naeem, Country Director at Randstad Malaysia, highlights the rising demand for flexibility and autonomy among Malaysian workers to decide on their work-life balance and how it affects job satisfaction and performance (MIA, 2023). It is acknowledged as having strong performance on the job when an employee delivers their all in terms of possibilities, motivation, and expertise (Ali, 2014). Prioritizing employees'

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emotional and physical health was essential for retention. More studies are needed to explore comprehensive well-being programs tailored for SME and their effectiveness in enhancing job performance. There were limited studies on holistic employee well-being programs and their impact on performance in SME in Klang Valley.

## **1.2 Research Questions**

Hence, this study attempts to address the following research questions:

1. What are the impacts of motivation that affect the employee performance of the service industry in private sector SME in Klang Valley?
2. Is there any relationship between the motivation and the employee performance of the service industry in private sector SME in Klang Valley?

## **1.3 Research Objectives**

The main objective of this study is to determine the impact of motivation on employee performance in service industry of private sector SME in Klang Valley.

The specific objectives of this study are: -

1. To determine the impacts of motivation that affect the employee performance of the service industry in private sector SME in Klang Valley.
2. To determine the relationship between the motivation and the employee performance of the service industry in private sector SME in Klang Valley.

## **1.4 Significance of the Study**

This study aims to determine the impact of motivation on employee performance of service industry in private sector SME in Klang Valley. The government can use the data from this study, especially the Minister of Human Resources and Ministry of Investment, Trade, and Industry (MITI), to then create or provide better

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employee benefits or welfare to achieve more excellent performance for both employers and employees by revision on the employment act that supports employee motivation, such as fair wages, benefits, and working conditions which suit in Malaysia. By highlighting the importance of employee motivation in SME, this study can advise government strategies to promote SME growth and sustainability, which are crucial for economic development. The government can design targeted support programs for SME, including grants, training subsidies, and tax incentives that encourage practices enhancing employee motivation. By doing so, the government can retain the talent in the country, reducing brain drain. It is also beneficial for the government to gain advantages for Malaysia in the long run in terms of social and economic well-being by ensuring that strategies are aligned with the needs of the workforce and businesses. Thus, this study can assist other stakeholders, including the government, in formulating improved policies to enhance the SME's competitiveness in the country.

Besides that, this study can be instrumental in helping the employers of SME to enhance employee productivity by increasing the efficiency and effectiveness with which employees perform their tasks and contribute to the organization's overall goals. Motivation encourages employees to manage their time better, focus on high-priority tasks and minimize procrastination (Ramachandran, 2021). Employees take pride in their work and strive to deliver the best possible results when motivated. Motivation can foster a work environment where employees are more innovative and willing to contribute new ideas, giving SME a competitive edge.

Motivated employees are more likely to stay with their employer, reducing turnover rates and associated hiring costs. Employers are creating more suitable remuneration packages for their employees. Furthermore, employers can understand the motivation of employees and identifying key motivators allows for targeted interventions that address specific employee needs and preferences. This study's data can help employers improve the quality of the remuneration packages based on the motivation required by the employees. For example, employers can provide a suitable working environment for the employees to motivate them to work and create incredible success for the organization. Focusing on the service industry

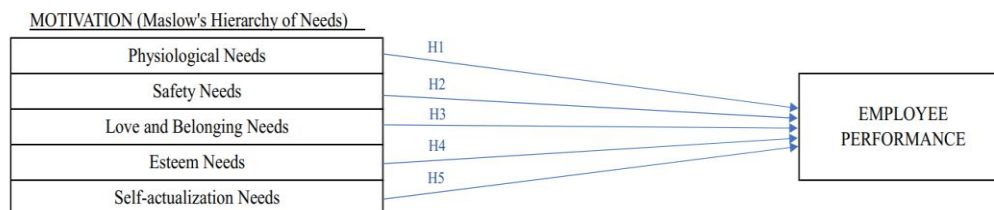
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can help employers better understand the motivation that can assist them in coming out with suitable employee welfare packages to fulfil their needs.

Furthermore, the respondents, the private employees in SME, can also understand their motivation needs in the workplace by using the data of this study. They can understand their motivation needs in the workplace and decide whether the organization is suitable for them when planning for their future. The employees can voice their needs and preferences, leading to a better understanding of what motivates them. Enhanced motivation can lead to personal achievement and fulfilment, as employees are more likely to reach their goals and targets. At least the basic requirements that motivate them to continue their journey in the company are fulfilled.

## 1.5 Conceptual Framework and Hypothesis

Figure 1: Conceptual Framework and Hypotheses of the Study



As shown above, the conceptual framework was established based on the relationship between motivation and employee performance. Maslow's hierarchy of needs inspired the conceptualization of motivation as a multidimensional construct comprising five categories: physiological, safety, love and belonging, esteem, and self-actualization (Maslow, 1943). The independent variables (IV) are the five categories of Maslow's hierarchy of needs, and the dependent variable (DV) is the employee's performance.

The conceptual framework and hypothesis are shown in Figure 1.0. Hence, the hypothesis of the study is: -

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H<sub>1</sub>: There is a significant relationship between motivation's impacts on physiological needs (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

H<sub>2</sub>: There is a significant relationship between motivation's impacts on safety needs (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

H<sub>3</sub>: There is a significant relationship between motivation's impacts on love and belonging (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

H<sub>4</sub>: There is a significant relationship between motivation's impacts on esteem needs (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

H<sub>5</sub>: There is a significant relationship between motivation's impacts on self-actualization needs (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

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## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Literature Review

#### 2.1 Maslow's Hierarchy of Needs

Abraham Maslow predicted the psychological concept of Maslow's hierarchy of needs in his 1943 book "A Theory of Human Motivation." (Jerome, 2013). Maslow established this theory that outlined five hierarchical needs that could be applied to assess an organization's and its people's effectiveness. (Gordon, 1965). According to Maslow's theory, it is required to satisfy prepotent needs until another level of need comes, and the person gets concerned with achieving it (Taormina & Gao, 2013). Maslow's hierarchy of needs has been studied in various fields, including social sciences, psychology, sociology, and education, and was used as a model for explaining individuals' needs. In contrast, it was used in business to explain employees' motivation (Benson & Dundis, 2003).

According to Maslow (1943), positive feedback (esteem needs) cannot motivate someone if their basic physiological needs are unresolved. Maslow believed everyone has an inherent desire to achieve self-actualization or reach their full potential. However, he recognized that this pursuit can only begin once other fundamental needs are satisfied (Glaser, 2022). This concept makes sense when applied to the workplace; if someone fails to make money on food for their family, an "excellent job" label will not mean something to them (Ganta, 2014). Employees who are satisfied and inspired to accomplish their duties and targets can make the organization profitable. (Sandhu et al., 2017).

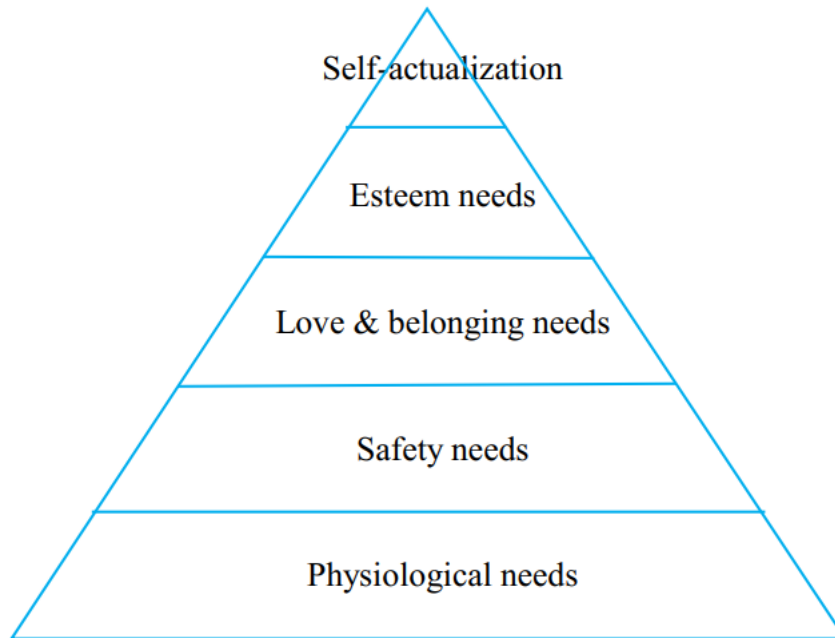
According to Abdul Wahab et al., 2023, previous studies on the motivation factors contribute to both internal and external growth of SME, facilitating the achievement



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of financial and non-financial success. Therefore, every company needs to cultivate motivation in the company's culture.

Figure 2: Maslow's Hierarchy of Needs



Note. Adapted from Maslow, A. (1943). A Theory of Human Motivation. *Physiological Review*, pp 370-396.

Each of the categories of needs in Maslow's hierarchy is discussed below (Maslow, 1943):

1. Physiological needs are biological demands that require oxygen, food, water, and a roughly steady body temperature. These are the most critical needs because they will arise in an individual's search for essential fulfilment (Jerome, 2013). According to Chua, et al. (2016), elements of the physical workplace, such as temperature, office configuration, internal and external office layout, and comfort levels, can affect employees' comfort and motivation to work within the company.
2. Once the physiological demands are met, the desire to safeguard himself motivates the following behavior: stability, fearlessness, and work security (Sudiardhita et al., 2018). Job insecurity can lead to increased distraction and anxiety among employees, whereas job security can enhance focus and

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determination. Additionally, feeling secure can motivate employees to advance in their roles or careers within the company (Herrity, 2023)

3. Love and belonging or social needs would come up when the physiological and safety needs are met, specifically, the need for affection, and organizations will attribute this to the need for a compact working group, effective leadership, team recreation, etc. (Mughtar, 2016). On the other hand, Naharuddin and Sadegi (2013) examined the factors influencing employee performance in Malaysia, where supervisor support is not a significant contributor to employee performance.
4. Esteem requires a secure, firm basis and a high level of respect and confidence in themselves from others, and the person feels more confident and recognized in the world (Jerome, 2013). Individuals with high self-esteem, along with traits such as internal sense of management, generalised self-confidence, and stable emotions, tend to experience greater enjoyment at work and in other aspects of life (Fabiola & Eloisa, 2022).
5. Self-actualization needs refer to the need for a person to prove their expertise, abilities, and potential, enhancing people's ability to actualize their behaviour (Mughtar, 2016). Self-actualized individuals are highly self-aware, prioritize personal development, and are less swayed by others' perceptions (Glaser, 2022). Therefore, they are driven to achieve their true potential.

## **2.2 Employee Performance**

Borman and Motowidlo (1993) assert that performance is industrial psychology's most critical dependent variable. Work performance is when an individual completes the duty distributed to them, subject to the standard limits of proper utilization of available resources (Dar et al., 2011). Performance is an integrated assessment of actual workplace behavior, with performance indicators including

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work quality, work volume, working time, and teamwork with colleagues (Sudiardhita et al., 2018). Employees create competitive advantages for businesses in the global market (Rahaman, et al, 2021). Employees are considered valuable assets to organizations as they contribute to achieving the firm's goals through their job performance (Asoba & Patricia, 2021).

Motivation, ability, skills, social security, salary, and potential for advancement are all aspects that impact performance (Sudiardhita et al., 2018). The physical work environment can also dictate an individual's suitability for the workplace (Pusparani et al., 2021). According to Itumbiri (2013), Employed respondents generally strongly agree that the physical work environment affects their productivity and performance within the organization.

The studies of Iqbal et al. (2015) have also supported employee performance results by determining the employees' carrying out the specified tasks, fulfilling the deadlines, cooperating, and meeting the department's goals. To successfully carry out the work, an individual must have a particular degree of motivation and a specific level of competency (Muchtar, 2016). Effectiveness can be increased, and a fair compensation plan can motivate employees' attitudes toward their work (Sandhu et al., 2017).

## **2.3 SME**

According to Lembaga Hasil Dalam Negeri Malaysia (LHDNM) (2024), small medium enterprise (SME) can be categorized into manufacturing industry and services industry. The manufacturing industry is the factory that produces goods, while the services industry includes services and other sectors other than the manufacturing industry. SME Malaysia's business entities must be incorporated in Malaysia under the Companies Act 2016 or Companies Act 1965, registered under the Business Registration Act (1956) or Limited Liability Partnership Act (2012), Authorities or District Office in Sabah and Sarawak, and Statutory Bodies for Professional Services Supply.

Figure 3 shows the categories of SME Malaysia. The SME in the manufacturing industry has yearly sales of not more than RM50 million or a total of full-time employees of not more than 200 staff; the services industry has yearly sales of not more than RM20 million or a total of full-time employees of not more than 75 staff.

In Malaysia, SME are significant contributors to the GDP. Based on Rahaman et al (2021), all industries in SME have played a significant role in obtaining this economic growth. SME play a significant role in economic development by responding quickly to market demands, leading to increased employment and growth (Abdul Wahab et al, 2023). The SME sector provides a crucial platform for jobless people by generating various work possibilities. The performance and success of individual SME impact the SME sector's expansion (Rahaman et al., 2021).

Figure 3: Categories of SME Malaysia

Categories	Micro	Small	Medium
Factory	Sales less than <b>RM300,000</b> or total full time staff not more than 5 people	Sales from <b>RM300,000 until RM15 million or</b> full time staff between <b>5 to 75 people.</b>	Sales from <b>RM15 juta until RM 50 million or</b> total of full time staff between <b>75 to 200 people.</b>
Services & Other Sector		Sales from <b>RM300,000 until RM 3 million or</b> total of full time staff between <b>5 to 30 people.</b>	Sales from <b>RM 3 million until RM 20 million or</b> total of full time staff between <b>30 to 75 people.</b>

Note. From LHDNM. (2024). *SME*. Retrieved from Lembaga Hasil Dalam Negeri Malaysia: <https://www.hasil.gov.my/en/company/sme/>

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## **CHAPTER 3**

### **METHODOLOGY**

#### **3.0 Methodology**

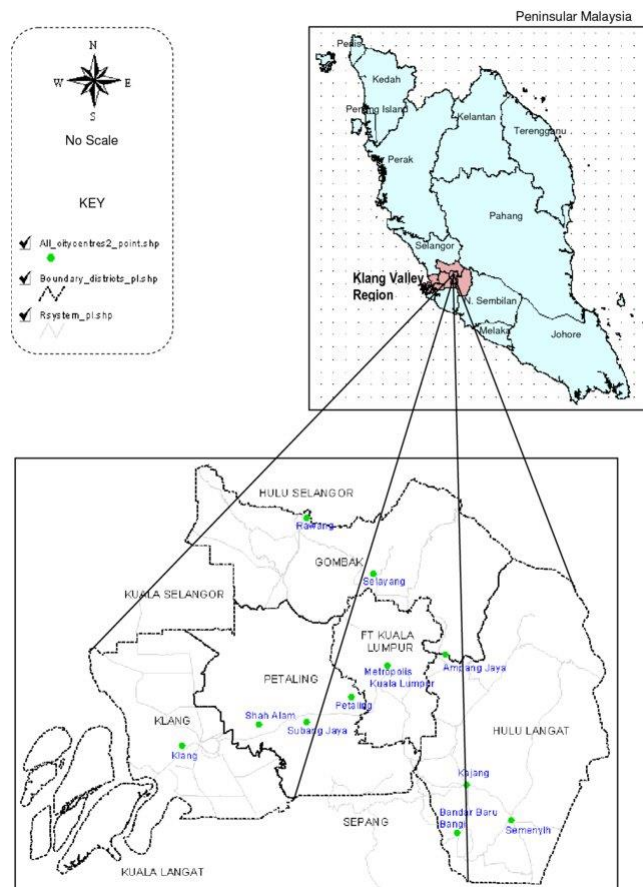
##### **3.1 Research Design**

This study undertook the descriptive research design (cross-sectional studies) to determine the impact of motivation on employee performance in the service industry of private sector SME in Klang Valley. Quantitative measurement was carried out for the questionnaires to answer the relationships among the measured variables to explain, predict, and control phenomena (Mertler, 2016). Besides that, the study used non-probability sampling due to the inability to get a list of the study's population. The study's sample size was 154 respondents, the employees in the private sector SME service industry in Klang Valley.

##### **3.2 Research Location**

This study was done in Klang Valley, Selangor, which is known as the largest industrialized region in Malaysia, running from Kuala Lumpur (KL) through Rawang (northwest), Semenyih (southeast), and Klang and Port Klang (Ooi, 2009). The Klang Valley, along with Selangor as a whole, expanded its infrastructure throughout the last quarter of the 20th century, making it the central industrialized region (Ooi, 2009). Klang Valley has been chosen as the research location because Selangor has the nation's highest concentration of SME, then Kuala Lumpur, which comprises more than one-third of the total SME in the country (HRDF, 2019).

Figure 4: The Location of the Map of Klang Valley and its Cities



Note. From Abdul Rashid, M., & Ab. Ghani, I. (2009). The Importance of Internal Migration: In The Context of Urban Planning Decision Making. *ICBEDC*, (pp. 1-20). Penang Malaysia.

### 3.3 Sampling

According to the employment statistics from the DOSM for the fourth quarter of 2022, the total number of jobs in the private sector was 8.75 million, and the number of filled jobs was 8.56 million, which was the population of this study. The study sample was the service industry employees SME in Klang Valley. SME constitute the core of the Malaysian economy, which comprises 97.2% of all business establishments, resulting in 38.2% of GDP and employing 7.3 million people (OECD, 2022). By providing a variety of job prospects, the SME provides an advantageous platform for the unemployed, so employees who perform well in the SME may effectively bring value to the development and success of SME businesses (Rahaman et al., 2021). Therefore, quota sampling was used for this study on choosing the services industry employees of SME in Klang Valley, which

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involved constructing a convenience sample of individuals who represent the characteristics of the whole target population (Simkus, 2023). The advantage of quota sampling is that it can ensure that the population of interest is accurately represented (Fleetwood, 2023). The sample size of the study was 154 respondents (n=154) by the Kline's (2005, 2016) sample size guidelines for structural equation models (SEM). Kline (2005) recommended a sample of 100 as small, 100 to 200 as medium and over 200 as significant. Therefore, a sample size of 100 to 200 is sufficient for a straightforward research model with a normal data distribution.

### **3.4 Instrumentation**

According to Sekaran & Bougie (2016), a measurement tool should be simple and effective to use and, perhaps most significantly, accurately represent its intended measure. Statistical Package for the Social Science (SPSS) was an important measurement software used to determine the study's results.

The research questionnaire designs were quantitative measurements. In accordance with Sekaran & Bougie (2016), a questionnaire was a written list of questions that respondents answered. Using the quantitative questionnaire can allow this research to address the questions concerning the correlations among the measured variables. Besides that, bias was avoided in the analysis of the results.

There were seven parts to the questionnaire. The questionnaire was designed to use English and closed-ended questions. Using a nominal scale, the first part was regarding the general demographic and general information of the respondents' current employment company. The general demographic questions were gender, age, and highest education levels. General information on current employment companies was asked in this part as the screening questions to ensure the respondents were matched with this study. The respondent's company was not under the service sector in the private sector and SME, and the survey's answers were not included in the results of this study. Parts B to F were the questions related to the five categories of Maslow's hierarchy of needs: physiological, safety, love and

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belonging, esteem, and self-actualization. The questions of these five parts were adapted and modified from the study by Joanna (2016) and Skirrow et al. (2009).

Each part of the questionnaire consisted of ten statements with an ordinal scale. The respondents were given a five-point Likert scale ranging from "Strongly Disagree (1) to Strongly Agree (5)" to choose based on the statement in each part. Part G was to determine the employee's performance by the ordinal scale with a self-rating range "does not meet standard (1), meet the standard (2) and exceed the standard (3)". The questions were adapted and modified from the study by Motowidlo and Van Scotter (1994). To measure employee performance, three items of total performance were criticized, which tend to be overstated, suffering from tolerance and bias toward social desire (Lee et al., 2009). Nevertheless, a self-evaluation method for evaluating performance had already been employed with acceptable findings by Stevens et al. (1978) and Yousef (2000) for various types of performance assessments. Therefore, the higher mean score in this part represents a higher employee performance.

Before distributing the questionnaires to the respondents, a pilot test was conducted to ensure their reliability. A total of 30 questionnaires were distributed, which was 30% of the total sample size. According to the rule of thumb by Nunnally (1978), a result gain of more than 0.6 is acceptable, while a result gain of 0.7 and above is assumed acceptable or good by Cronbach's Alpha. The result of the pilot test of this study was 0.864, which is assumed to be good.

This study used content validity and criterion-related validity to reduce the bias. Content validity ensured that the items in the motivation and performance measuring instruments appropriately addressed all essential features of the constructs under consideration. Criterion-related validity was used to determine whether other accepted measures of motivation and performance can be used as factors for evaluation. Therefore, the questionnaires were adapted and modified from previous studies.



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### 3.5 Data Collection

The survey was done by a self-administrator through an online Google form and interview. A self-administrator was undertaken when sending the survey through social media such as WhatsApp and Messenger. However, a face-to-face interview survey was also undertaken, which was able to explain more details about the questionnaires to the respondents.

Convenience sampling was used for this study to choose the respondents, the services industry in private sector employees, and SME in Klang Valley. Every employee from the service industry in private sector SME in Klang Valley had an equal probability of being chosen for the population sample. This method has advantages, as it can collect the data whenever the respondents can answer the questionnaires conveniently (Kempf-Leonard, 2005). Therefore, the study used quota sampling to choose the sample from the large population (employees in the service industry in the private sector) and used convenience sampling to collect the data.

This study collected data outside the banks and offices on weekdays from 12 p.m. to 2 p.m. in Klang Valley using Google Forms at any time and day. On weekdays, 12 p.m. to 2 p.m. are the peak hours for many working people, including the lunch hour. Therefore, it was easier to distribute the survey forms to the employees. Online Google forms are available at any time and any day, and there are no fixed hours for employees to take the survey because they can do it whenever possible.

This study collected a total of 225 respondents to answer the questionnaires. However, only 154 respondents (68.4% of the total respondents collected) were selected under the service industry and SME category.

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### 3.6 Data Analysis

Descriptive and inferential statistics were used in this study to analyze the data. The descriptive statistics determined the frequency and percentage of the demographic data. General information on the current employment company will be used to ensure the results are reliable for this study.

The pilot test was conducted to ensure reliability before distributing the questionnaire. The reliability test was used to assess the consistency of the model and was measured by Cronbach's Alpha while developing and evaluating a new survey instrument (Frost, 2023). This study used all variables to test their individual Cronbach's Alpha. If the variables have Cronbach's Alpha value of very close to 0.70 or even higher, it denotes that it is a good reliability test and that all variables are reliable. The result of the pilot test of this study was 0.864, which is assumed to be good.

The correlation test was used to determine the correlations between employee performance (EP) and the independent variables, including physiological needs (PS), safety needs (ST), love and belongings needs (LB), esteem needs (ET), and self-actualization (SA). If the p-value of the Pearson test is above 0.05, there is no significant relationship between the two variables. Thus, accept or fail to reject the null hypothesis. However, if there is a relationship between the two variables, the negative or positive sign of the R-value shows the direction of the relationship.

The normality test was used to determine whether the sample of data was taken from a population that had a constantly distributed population (Editage, 2022). The normality test in the research was between EP and demographic factors (gender, age and highest education level). The Lilliefors Significance Correction (Kolmogorov-Smirnov) and Shapiro-Wilk test are used to compare the results from the sample to a set of results that are usually distributed and have the same mean and standard deviation (Ghasemi & Zahediasi, 2012). The null hypothesis could not be rejected if the sig-value is higher at the significance level  $\alpha = 0.05$ . Thus, there is insufficient evidence to conclude that all the samples are not normally distributed. According

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to Oztuna et al. (2006), small samples frequently pass normality tests because normality tests have minimal ability to reject the null hypothesis for small sample sizes.

Multiple regression represents the linear relationship between explanatory (independent variables) and response (dependent variable) variables (Hayes, 2023). Multiple regression analysis uses existing independent variables to predict the outcome of one dependent variable, and every predictor value is weighted to indicate its correlated significance to the overall forecasts (Moore et al., 2006).  $R^2$  is a measure of how much of the dependent variable's variance is determined by the independent variables, and it can be used to estimate how accurately the dependent variable was predicted. The adjusted  $R^2$  compares the descriptive strength of regression models with different numbers of variables (Fernando, 2023).

A multiple regression equation could be formed to explain the effect of independent variables on the dependent variables, employee performances.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$$

Where,  $Y$  = Dependent variable Employee's Performances

$\beta_0$  = Y-intercept

$\beta_1$  = Coefficient of  $X_1$

$X_1$  = Independent variable Physiological Needs

$\beta_2$  = Coefficient of  $X_2$

$X_2$  = Independent variable Safety Needs

$\beta_3$  = Coefficient of  $X_3$

$X_3$  = Independent variable Love and Belonging Needs

$\beta_4$  = Coefficient of  $X_4$

$X_4$  = Independent variable Esteem Needs

$\beta_5$  = Coefficient of  $X_5$

$X_5$  = Independent variable Self-actualization Needs

Sources from: Carroll & Green, 1976

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The One-way ANOVA test was used to determine the relationship between EP and independent variables (PS, ST, LB, ET, and SA) of the services industry in private sector SME in Klang Valley. The F-ratio in the ANOVA table indicates how well the overall regression model fits the data (Lund Research Ltd, 2008). If the p-value is less than 0.05, the coefficients are significantly different from zero, and at least one of the independent variables had a significant linear relationship with the dependent variable. Suppose the value of the t-test is above 0.05. In that case, there is no significant difference between EP and independent variables (PS, ST, LB, ET, and SA) of the services industry in private sector employees SME in Klang Valley. Thus, accept or fail to reject the null hypothesis. Sig-values refer to testing the significance of all the independent variables and revealing if there is any relationship between the independent variable  $X_i$  (PS, ST, LB, ET, and SA) and dependent variable Y (EP). The multicollinearity of the model refers to high relationships between two or more independent variables in a multiple regression model by using the Tolerance and Variance Inflation Factors (VIF) values.

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## CHAPTER 4

### RESULTS

#### 4.0 Results

#### 4.1 Descriptive Analysis

##### 4.1.1 Frequency of Demographic Data

The descriptive statistic was to determine the frequency and percentage of the demographic data. General information on the current employment company will be used to ensure the results are reliable for this study. According to Table 1, this study collected 225 respondents to answer the questionnaires. However, there was only 162 service industry respondents were selected. After eliminating the number of staff employed above 75, only 154 respondents (68.4% of the total respondents collected) were selected under the service industry and SME categories.

Table 1: Frequency of Demographic Data for All Respondents (n=225).

Demographics	Frequencies (n=225)	Percentage (%)
Gender		
Male	96	42.7
Female	129	57.3
Age		
29 years old and below	27	12.0
30-44 years old	176	78.2
45-64 years old	22	9.8
65 years old and above	0	0.0
Highest Education Level		
PMR	5	2.2
SPM/O-Level	22	9.8
Diploma/STPM/A-Level	35	15.6

Bachelor's Degree	133	59.1
Master's Degree	26	11.6
Doctoral Level	4	1.8
Current Employment Company's Sector		
Public Sector	11	4.9
Services	162	72.0
Manufacturing	16	7.1
Agriculture	20	8.9
Construction	16	7.1
Mining & Quarrying	0	0.0
Number of Staffs Employed in Current Employment Company		
Less than 5	22	9.8
5 to 29	69	30.7
30 to 75	91	40.4
Above 75	43	19.1

Table 2 shows the frequency of demographic data in this study. There were 58 male respondents (37.7%) and 96 female respondents (62.3%). Most respondents were 30 to 44 years old (77.9%), and no respondents were aged 65 and above. In addition, the education background of the respondents showed that 57.1% had a bachelor's degree of their highest education level, and Diploma/STPM/A-Level holders (17.5%), followed by master's degree holders (11.7%), SPM/O-Level holders (9.7%), PMR holders (2.6%) and Doctoral Level holders (1.3%). For the number of staff employed in respondents' current employment company, there was more than half of the respondents (50.6%) were 30 to 75 staff, 5 to 29 staff (36.45%), and less than five staff (13%). More than 75 staff members were not considered SME in the service industry (LHDNM, 2024).

Table 2: Frequency of Demographic Data for Selected Respondents (n=154).

Demographics	Frequencies (n=154)	Percentage (%)
Gender		
Male	58	37.7
Female	96	62.3

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Age		
29 years old and below	17	11.0
30-44 years old	120	77.9
45-64 years old	17	11.0
65 years old and above	0	0.0
Highest Education Level		
PMR	4	2.6
SPM/O-Level	15	9.7
Diploma/STPM/A-Level	27	17.5
Bachelor's Degree	88	57.1
Master's Degree	18	11.7
Doctoral Level	2	1.3
Number of Staffs Employed in Current Employment Company		
Less than 5	20	13.0
5 to 29	56	36.4
30 to 75	78	50.6

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#### 4.1.2 Descriptive Analysis of Demographic Data

From Table 3, the mode of gender was 2.000, which shows that most of the respondents were Female. Age had a mode of 2.000, meaning that most respondents were under age 20 to 44 years old. Next, the highest education level mode was 4.000, showing that respondents with bachelor's degrees were the highest number of respondents. The greatest number of staff employed in respondents' current company was 30 to 75 staff, a mode of 3.000.

The standard deviation of gender was 0.486, and for age, it was 0.471. Next, the standard deviation of the highest education level was 0.938. Last, the standard deviation of the number of staff employed in the respondents' current employment company was 0.706.

From skewness, the gender, highest education level, and number of staff employed in respondents' current employment company was negatively skewed as its skewed

value was between -1 and -0.5; only the distribution of age was almost symmetrical as its skewness values were between -0.5 and 0.5 (Blanca et al., 2013).

The expected kurtosis value is 3. However, demographic data had a value of less than 3, indicating that they were negative kurtosis and platykurtic, which was heavy-tailed with a flatter peak normal distribution curve.

**Table 3: Descriptive Analysis of Demographic Data (n=154)**

	Gender	Age	Highest Education Level	Number of Staffs
Mode	2.000	2.000	4.000	3.000
Standard Deviation	0.486	0.471	0.938	0.706
Skewness	-0.514	0.000	-0.749	-0.684
Kurtosis	-1.759	1.620	0.893	-0.735

#### **4.1.3 Descriptive Analysis of Independent Variables**

The mean of PS was 4.071, with a standard deviation of 0.689. The mean of ST was 4.103, with a standard deviation of 0.703. The mean of LB was 3.990, with a standard deviation of 0.767. The mean of ET was 3.703, with a standard deviation of 0.731. SA had a mean of 3.678, and its standard deviation was 0.840.

Similarities that ST and LB had the same median, 4.000, and ET and SA also had the same median, 3.800. Only PS had the highest median among all the independent variables with a value of 4.200, indicating that most respondents had chosen “Agree” and “Strongly Agree” in PS.

All the independent variables were negatively skewed for skewness as their values were between -1 and -0.5. PS was -0.661, ST was -0.932, LB was -0.873, ET was -0.305, and SA was -0.344.



The expected kurtosis value is 3. However, all independent variables had values of less than 3, indicating that they were negative kurtosis and platykurtic, which was heavy-tailed with a flatter peak normal distribution curve.

Table 4: Descriptive Analysis of Independent Variables

IV	PS	ST	LB	ET	SA
Mean	4.071	4.103	3.990	3.703	3.678
Median	4.200	4.000	4.000	3.800	3.800
Standard Deviation	0.689	0.703	0.767	0.731	0.840
Skewness	-0.661	-0.932	-0.873	-0.305	-0.344
Kurtosis	0.292	2.000	1.019	0.453	0.002

#### 4.1.4 Descriptive Analysis of Dependent Variable

Table 5 shows that in the descriptive analysis of the dependent variable (EP), the mean of EP was 2.414, with a median of 2.400 and a standard deviation of 0.395. The skewness value for EP was -0.013, and its skewness values were between -0.5 and 0.5 (Blanca et al., 2013) and almost symmetrical. The kurtosis value -0.521 indicated that the EP was negative kurtosis and platykurtic.

Table 5: Descriptive Analysis of Dependent Variables

DV	EP
Mean	2.414
Median	2.400
Standard Deviation	0.395
Skewness	-0.013
Kurtosis	-0.521

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## 4.2 Pearson Correlation Coefficient Analysis

### 4.2.1 Correlation between EP and Demographics

Table 6 shows the Pearson Correlation that measured the relative strength of the linear relationship between EP and the demographics. From Table 6, all demographics were positively correlated to EP. However, all demographic data involved in this study were shown to be not correlated to EP, and the significance values were more than the significant level of  $\alpha = 0.05$ . Therefore, there was no linear relationship between the demographic and EP.

Table 6: Correlation between EP and Demographics

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		Employee Performance
Employee Performance	Pearson Correlation	1
	Sig. (2-tailed)	
	N	154
Gender	Pearson Correlation	0.083
	Sig. (2-tailed)	0.309
	N	154
Age	Pearson Correlation	0.154
	Sig. (2-tailed)	0.056
	N	154
Highest Education Level	Pearson Correlation	0.029
	Sig. (2-tailed)	0.717
	N	154
Number of Staffs Employed in Current Employment Company	Pearson Correlation	0.023
	Sig. (2-tailed)	0.779
	N	154

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#### 4.2.2 Correlation between EP and Independent Variables

Table 7 revealed the correlation between EP and independent variables (PS, ST, LB, ET, and SA). All the independent variables were shown to be positively correlated to EP, and the significance values were less than the significant level of  $\alpha = 0.05$ . There was a linear relationship between the independent variables and EP. ST had the highest positive correlation with EP ( $r = 0.516$ ) among all the independent variables. Next was ET, which came with a coefficient,  $r$  of 0.494, then continued LB with  $r = 0.450$ , and SA with  $r=0.431$ . Lastly, PS with  $r$  of 0.408 was the weakest independent variable correlating to EP.

Table 7: Correlation between EP and Independent Variables

		Employee Performance
Employee Performance	Pearson Correlation	1
	Sig. (2-tailed)	
	N	154
Physiological Needs	Pearson Correlation	0.408**
	Sig. (2-tailed)	0.000
	N	154
Safety Needs	Pearson Correlation	0.516**
	Sig. (2-tailed)	0.000
	N	154
Love & Belonging Needs	Pearson Correlation	0.450**
	Sig. (2-tailed)	0.000
	N	154
Esteem Needs	Pearson Correlation	0.494**
	Sig. (2-tailed)	0.000
	N	154
Self-actualization	Pearson Correlation	0.431**
	Sig. (2-tailed)	0.000
	N	154

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

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## 4.3 Normality Test

### 4.3.1 Normality Test on Gender

Table 8 presents the statistics from the Normality Test of EP on gender. The sig-values of the respondents' gender for both male and female were lower at the significance level  $\alpha = 0.05$  from Kolmogorov-Smirnov. Therefore, there was sufficient evidence to conclude that all the samples from gender groups were not normally distributed.

Table 8: Normality Test on Gender

Gender	Kolmogorov-Smirnov			Shapiro-Wilk			
	Statistic	df	Sig.	Statistic	df	Sig.	
E							
P	Male	0.234	58	0.000	0.824	58	0.000
	Female	0.163	96	0.000	0.882	96	0.000

a. Lilliefors Significance Correction

### 4.3.2 Normality Test on Age

Table 9 revealed the statistics from the Normality Test of EP on age. Due to the respondents whose age categories were 29 years old and below and 45 to 64 years old were less than 50, it used Shapiro-Wilk data to determine its normal distribution. In comparison, respondents under 30 to 44 years old used Kolmogorov-Smirnov. The sig-values of the respondents' age for both 30 to 44 years old and 45 to 64 years old were lower at the significance level  $\alpha = 0.05$ . Therefore, there was sufficient evidence to conclude that all the samples from age groups were not normally distributed. The sig-values of the 29 years old and below was 0.056, higher at the significance level  $\alpha = 0.05$ . Therefore, there was insufficient evidence to conclude that all the samples contributed by the age category were usually distributed.

**Table 9: Normality Test on Age**

	Age	Kolmogorov-Smirnov			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
E	29 years old						
P	and below	0.186	17	0.119	0.895	17	0.056
	30-44 years						
	old	0.200	120	0.000	0.867	120	0.000
	45-64 years						
	old	0.236	17	0.013	0.784	17	0.001

a. Lilliefors Significance Correction

### 4.3.3 Normality Test on Highest Education Level

According to Table 10, the PMR and Doctoral Level of the sample size were too small and had been omitted. SPM/O-Level, Diploma/STPM/A-Level, and Master’s Degree had sample sizes of less than 50 respondents; therefore, sig-values from Shapiro-Wilk were used for indication of normal distribution in this test while Bachelor’s Degree was used sig-value obtained from Kolmogorov-Smirnov test. The SPM/O-Level, Diploma/STPM/A-Level, and Master’s Degree sig-values were 0.001, 0.000, and 0.025, respectively, which indicated that they were lower than the significance level  $\alpha = 0.05$ . Therefore, there was sufficient evidence to conclude that all the samples from these three groups were not normally distributed. For the Bachelor's Degree, the sig-value indicated a value of 0.000, which also indicated that it was lower than the significance level  $\alpha = 0.05$ , and there was sufficient evidence to conclude that all the samples from this group were not normally distributed.

**Table 10: Normality Test on Highest Education Level**

	Highest Education Level	Kolmogorov-Smirnov			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
EP	PMR	0.441	4	.	0.630	4	0.001

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SPM/O-Level	0.282	15	0.002	0.753	15	0.001
Diploma/STPM/A-Level	0.24	27	0.000	0.819	27	0.000
Bachelor's Degree	0.169	88	0.000	0.883	88	0.000
Master's Degree	0.193	18	0.075	0.879	18	0.025
Doctoral Level	0.26	2	.			

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a. Lilliefors Significance Correction

## 4.4 Multiple Linear Regression Analysis

### 4.4.1 Interpretation of R Square

Table 11 indicates the R square value of 0.307 and the adjusted R square value of 0.283. The results meant that all independent variables accounted for around 31 percent (30.7%) of the variation in the EP model. In contrast, around 69 percent (69.3%) of other variables not considered in this study could be formed to explain the effect on the EP.

Table 11: Interpretation of R Square

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.554 <sup>a</sup>	0.307	0.283	0.33482

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a. Predictors: (Constant), SA, PS, LB, ST, ET

b. Dependent Variable: EP

#### 4.4.2 Analysis of Variance (ANOVA)

According to Table 12, the sum of square between groups (SSB) was 7.338 with a degree of freedom of 5, the sum of square within groups (SSW) was 16.591 with a degree of freedom of 148 and the total variation (SST) was 23.929. The mean square between groups (MSB) was 1.468, and the mean square within groups (MSW) was 0.112. Dividing MSB by MSW yielded the F-statistic result, which was 13.091. Besides, the sig-value was 0.000, less than  $\alpha = 0.05$ . Therefore, there is a significant difference in means among the groups, and the value indicates the overall significance of the regression model; all the independent variables (PS, ST, LB, ET, and SA) significantly explain the variance of the dependent variable, EP.

Table 12: Analysis of Variance (ANOVA)

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.338	5	1.468	13.091	0.000 <sup>b</sup>
	Residual	16.591	148	0.112		
	Total	23.929	153			

a. Dependent Variable: EP

b. Predictors: (Constant), SA, PS, LB, ST, ET

#### 4.4.3 Parameter Estimated

From Table 13, the unstandardized coefficients were translated into the multiple regression equation below:

$$Y = 1.070 + 0.027X_1 + 0.163X_2 + 0.013X_3 + 0.111X_4 + 0.027X_5$$

$$[0.486^{ns}] \quad [2.499^{**}] \quad [0.208^{ns}] \quad [1.583^{ns}] \quad [0.497^{ns}]$$

Note: ns = not significant at any  $\alpha$  level, \* Statistically significant at  $\alpha = 0.10$ , \*\* Statistically significant at  $\alpha = 0.05$ , \*\*\* Statistically significant at  $\alpha = 0.01$

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Referring to t-statistics and sig-value, all the independent variables were not statistically significant at the  $\alpha$  level, and only ST with a sig-value of 0.014 was statistically significant at the significant level of  $\alpha = 0.05$ .

$\beta_1 = 0.027$ : EP will increase, on average, by 0.027 for each 1 unit increase in PS while holding other variables constant.

$\beta_2 = 0.163$ : EP will increase, on average, by 0.163 for each 1 unit increase in ST while holding other variables constant.

$\beta_3 = 0.013$ : EP will increase, on average, by 0.013 for each 1 unit increase in LB while holding other variables constant.

$\beta_4 = 0.111$ : EP will increase, on average, by 0.111 for each 1 unit increase in ET while holding other variables constant.

$\beta_5 = 0.027$ : EP will increase, on average, by 0.027 for each 1 unit increase in SA while holding other variables constant.

Besides the standardized coefficients, the multiple linear regression equation was constructed as below:

$$\hat{Y} = 0.048X_1 + 0.290X_2 + 0.026X_3 + 0.205X_4 + 0.057X_5$$

ST had the highest unstandardized coefficient  $\beta$  value of 0.163 and standardized coefficient  $\beta$  value of 0.290. It was indicated that ST contributes the most to the variation of EP among all the independent variables. Next was ET, which affected the EP with an unstandardized coefficient  $\beta$  value of 0.111 and a standardized coefficient  $\beta$  value of 0.205. PS and SA also had the same unstandardized coefficient  $\beta$  value of 0.027 and standardized coefficient  $\beta$  value of 0.048 and 0.057, respectively. Lastly, LB had a minor effect on EP with the most negligible value in both unstandardized and standardized coefficient  $\beta$ , respectively, at 0.013 and 0.026.



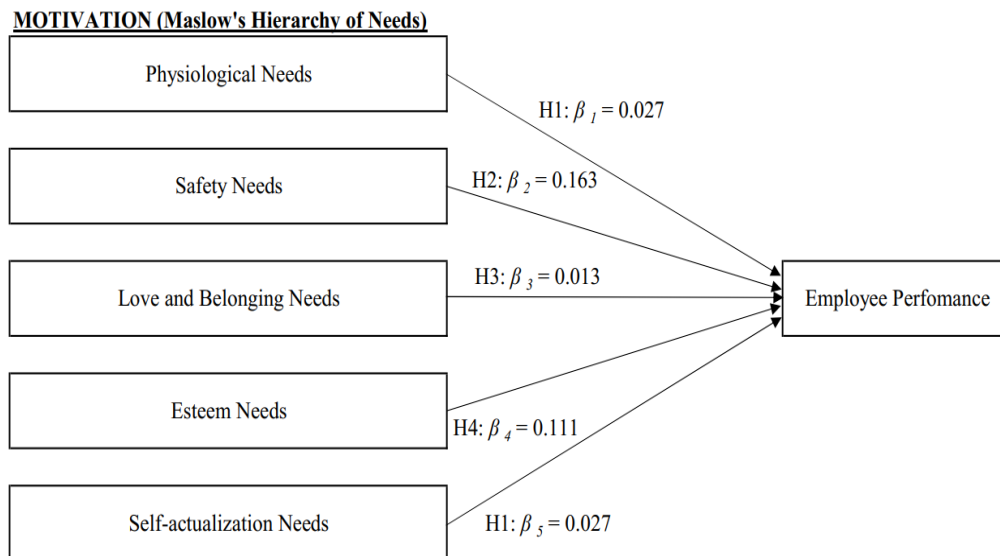
Table 13: Parameter Estimated

		Coefficients <sup>a</sup>				
Model		Unstandardized $\beta$	Coefficients Std. Error	Standardized Coefficients $\beta$	t	Sig.
1	(Constant)	1.070	0.180		5.957	0.000
	PS	0.027	0.056	0.048	0.486	0.628
	ST	0.163	0.065	0.290	2.499	0.014
	LB	0.013	0.064	0.026	0.208	0.836
	ET	0.111	0.070	0.205	1.583	0.115
	SA	0.027	0.054	0.057	0.497	0.620

a. Dependent Variable: EP

#### 4.4.4 Hypotheses Testing

Figure 5: Hypotheses Results of Conceptual Framework



H<sub>1</sub>: There is a significant relationship between motivation's impacts on physiological needs (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

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The Physiological Needs had a sig-value of 0.628 at the significance level  $\alpha = 0.05$ . The null hypothesis was accepted, and  $H_1$  was rejected. Hence, there was no linear relationship between PN and EP.

H<sub>2</sub>: There is a significant relationship between motivation's impacts on safety needs (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

The Safety Needs had a sig-value of 0.014 at the significance level  $\alpha = 0.05$ . Therefore, the null hypothesis was rejected, and  $H_2$  was accepted. There was enough evidence to support that the coefficient of independent variable  $X_2$  is not zero, and there was a linear relationship between SN and EP.

H<sub>3</sub>: There is a significant relationship between motivation's impacts on love and belonging (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

The Love and Belonging Needs had a sig-value of 0.836 at the significance level  $\alpha = 0.05$ . The null hypothesis was accepted, and  $H_3$  was rejected. Hence, there was no linear relationship between LB and EP.

H<sub>4</sub>: There is a significant relationship between motivation's impacts on esteem needs (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

The Esteem Needs had a sig-value of 0.115 at the significance level  $\alpha = 0.05$ . The null hypothesis was accepted, and  $H_4$  was rejected. Hence, there was no linear relationship between ET and EP.

H<sub>5</sub>: There is a significant relationship between motivation's impacts on self-actualization needs (Maslow's hierarchy of needs) on the employee performance of the service industry in private sector SME in Klang Valley.

The Self-actualization Needs had a sig-value of 0.620 at the significance level  $\alpha = 0.05$ . The null hypothesis was accepted, and  $H_5$  was rejected. Hence, there was no linear relationship between SA and EP.

#### 4.4.5 Collinearity Statistics

Table 14 shows that the multicollinearity of the model can be determined to explain whether the variables are highly correlated with each other by using tolerance and VIF values. Tolerance is a measure of how much of the variability of a particular independent variable is not explained by the other independent variables in the model. A low tolerance value (close to 0) indicates that the variable is highly collinear with the other variables. The tolerance values of the independent variables revealed that there was no multicollinearity between the variables with PS tolerance value of 0.485, ST tolerance value of 0.347, LB tolerance value of 0.303, ET tolerance value of 0.280, and SA tolerance value of 0.353.

Multicollinearity was detected when there are high Variance Inflation Factors (VIF), typically more than 5 (Bobbitt, 2020). All the VIF of the independent variables were between 1 and 5, which shows a moderate correlation between independent variables and EP in this study. PS VIF value was 2.064, ST VIF value was 2.880, LB VIF value was 3.296, ET VIF value was 3.569, and SA VIF was 2.836.

Table 14: Collinearity Statistics

Model		Tolerance	VIF
1	PS	0.485	2.063
	ST	0.347	2.880
	LB	0.303	3.296
	ET	0.280	3.569
	SA	0.353	2.836

a. Dependent Variable: EP

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## CHAPTER 5

### DISCUSSION AND CONCLUSION

#### 5.0 Discussion and Conclusion

#### 5.1 Summary of Hypotheses

According to Table 15, the study on the impact of different motivational factors on employee performance (EP) in the service industry of private sector SME in Klang Valley found that Safety Needs (ST) had the highest impact, followed by Esteem Needs (ET). Physiological Needs (PS) and Self-actualization Needs (SA) had moderate impacts, while Love and Belonging Needs (LB) had the least impact on EP. Hypothesis testing revealed that only ST (H<sub>2</sub>) had a significant positive relationship with EP, while PS (H<sub>1</sub>), LB (H<sub>3</sub>), ET (H<sub>4</sub>), and SA (H<sub>5</sub>) did not show significant relationships with EP. Thus, ST was the only factor significantly impacting employee performance in this context.

Table 15: Summary of Hypothesis Testing Results

<b>Hypotheses</b>	<b>Results</b>	<b>Significance</b>	<b>Conclusion</b>
H <sub>1</sub>	Sig-value=0.628	Insignificant	Rejected
H <sub>2</sub>	Sig-value=0.014	Significant	Accepted
H <sub>3</sub>	Sig-value=0.836	Insignificant	Rejected
H <sub>4</sub>	Sig-value=0.115	Insignificant	Rejected
H <sub>5</sub>	Sig-value=0.620	Insignificant	Rejected

Note. sig-value < 0.05

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## 5.2 Discussion on Hypotheses

According to human resource management theory, employee performance is accomplished through the efforts of the organization's employees (Alsafadi & Altahat, 2021). This study investigated the impact of various motivational factors on EP within the service industry of private sector SME in Klang Valley. Table 15 shows varying degrees of influence among these factors, with only ST showing a significant positive relationship with EP.

Safety needs had a significant positive relationship and had the highest impact on Employee Performance. Safety needs encompass job security, safe working conditions, and financial stability. The desire to safeguard himself motivates the following behavior, including stability, fearlessness, and work security (Sudiardhita et al., 2018). According to Sandhu et al. (2017), job security correlates positively with employee performance. Similar to the research of Aziz et al. (2022), among the public sector employees in Malaysia, job security was the most critical factor in the research and was significantly associated with employee performance. Job insecurity can lead to increased distraction and anxiety among employees, whereas job security can enhance focus and determination. Additionally, feeling secure can motivate employees to advance in their roles or careers within the company (Herrity, 2023). These factors are crucial in ensuring employees feel secure in their positions, which can lead to higher motivation and better performance.

The significant positive relationship suggested that employees are more likely to perform better when they feel safe and secure, underscoring the importance of addressing these needs in SME. Similar to the research of Gu et al. (2022), the relationship between the workplace and employee performance had a statistically positive significance. The physical conditions in the workplace can have either a positive or negative impact. In many underdeveloped countries, the working environment is often insecure and hazardous. Employees who work in an unstable and toxic workplace are more likely to develop work-related illnesses because of the negative consequences on their performance, which eventually affects the organization's overall performance (Chen, et al., 2021).

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Other than safety needs, the other variables (PS, LB, ET and SA) did not show significant relationships with EP. From the research of Simona et al. (2020), the higher-level needs in Maslow's hierarchy (ET and SA) had a positive relationship with employee performance, while lower levels (PS, ST and LB) were not associated with employee performance among the healthcare employees.

The physiological needs moderately impacted employee performance but did not exhibit a significant positive relationship. While basic needs such as food, water, and shelter are essential for survival, their direct influence on performance may be less pronounced in the workplace, especially concerning private sector SME in Klang Valley. Employees might take these needs for granted, assuming they are already met, and thus these needs do not significantly drive their performance. This aligns with research suggesting that they do not significantly drive performance once these basic needs are met. Instead, higher-order needs, such as psychological well-being and job satisfaction, often play a more critical role in enhancing employee productivity and organizational outcomes (Allas & Weddle, 2022).

Next, love and belonging needs had the least impact on employee performance and did not show a significant positive relationship. Love and belonging needs include relationships with coworkers, a sense of belonging, and social interactions. Although these are important for creating a supportive work environment, this study showed they may not be strong drivers of performance in the service industry of the private sector Klang Valley SME. Parallels, Naharuddin, and Sadegi (2013) examined the factors influencing employee performance in Malaysia, where supervisor support does not significantly contribute to employee performance. Employees might prioritize other factors over social needs regarding their job performance. However, from the research of Dasgupta (2012), interpersonal interactions are important psychological attributes in the workplace since they directly affect job performance; poor interpersonal relationships can negatively impact performance because emotional and social links among stakeholders are not effectively managed. According to the study by Abe (2016), a lack of organizational support or pleasant interactions at work has an adverse impact on employee performance.

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In addition, esteem needs had a considerable impact but did not show a significant positive relationship with employee performance. Esteem Needs include recognition, self-esteem, and respect from others. While these needs are influential in enhancing an employee's sense of worth and motivation, the lack of a significant relationship suggests that recognition and respect alone may not be sufficient to drive performance. For instance, based on the study of Dhir, et al. (2024), organizational respect and self-esteem are linked to motivation and engagement. Yet, their direct influence on job performance might not be significant in every context. Similarly, a study focusing on IT employees in Melaka found that recognition and appreciation improve job satisfaction but do not necessarily enhance performance metrics directly (Shonubi et al., 2016). In comparison to the study of Aziz et al. (2022) study, recognition of employee performance had the most minor influence among the public sector employees in Malaysia. Other factors, such as job security and safety, might take precedence. In contrast, recognition and prestige were favorably associated with employee performance in the research of Sandhu et al. (2017). Individuals with high self-esteem, along with traits such as internal sense of management, generalised self-confidence, and stable emotions, tend to experience greater enjoyment at work and in other aspects of life (Fabiola & Eloisa, 2022).

Self-actualization needs had a moderate impact on employee performance but did not show a significant positive relationship. A study from Melaka highlighted that while self-actualization contributes to job satisfaction and motivation, it does not significantly enhance performance measures (Castillo, 2021). From the study of Gu et al. (2022), achievement striving ability as a mediator for the relationship between the working environment and employee performance showed that if employees have a solid ability to aim for success, the relationship between the workplace environment and employee achievement can be enhanced. Self-actualization needs involve achieving one's potential, personal growth, and self-fulfilment. Although these needs contribute to long-term satisfaction and motivation, they may not directly translate into immediate performance improvements in the workplace. Self-actualized individuals are highly self-aware, prioritize personal development, and are less swayed by others' perceptions (Glaser, 2022). Employees may focus more on their immediate security and esteem before pursuing self-actualization.

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## **5.3 Implications of the Study**

### **5.3.1 Theoretical Implications**

This study provided empirical evidence supporting Maslow's hierarchy of needs theory in the context of SME employees. This study validated the theory's applicability in contemporary organizational settings by examining how various needs (physiological, safety, love and belonging, esteem, and self-actualization) impact employee performance. It demonstrated that while some needs, like safety, had a direct impact on performance, others may not show a significant relationship. This nuanced understanding extends the theory beyond its traditional applications and confirms its relevance in modern work environments.

The findings refined existing motivational theories by highlighting which specific needs had the most substantial impact on performance within SME. This helps differentiate the effectiveness of various motivational factors and contributes to a more granular understanding of employee motivation. For instance, the significant role of safety needs indicated that theories emphasizing workplace security and stability are crucial for improving performance. In contrast, theories focusing on other needs may require adaptation to the SME context.

Besides, this study contributed to developing a conceptual framework for understanding motivation in SME. By linking Maslow's hierarchy of needs to employee performance and identifying the specific impacts of each need, the framework provides a structured approach to analyze how different motivational factors interact and influence performance. This framework can be used as a foundation for future research, offering a transparent model upon which to test and expand.

By highlighting the varying impacts of different needs, the study can suggest that motivation theory must evolve to consider the specific context of SME and the dynamic nature of employee needs. It challenges researchers to explore why some



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needs might have a more pronounced effect in specific settings and to investigate how motivational strategies can be tailored to address these needs effectively.

In addition, this study sets the stage for further theoretical exploration by identifying gaps and suggesting areas for future investigation. Researchers can use the study's findings to investigate how motivational factors interact with other variables such as job satisfaction, organizational culture, and employee engagement. This opens avenues for exploring the complex interplay between various motivational needs and their impact on performance.

### **5.3.2 Practical Implications**

This study aims to determine the impact of motivation on employee performance within the service industry of private sector SME in Klang Valley, providing valuable insights for various stakeholders, including government bodies, employers, and employees. Firstly, the study highlighted the critical role of effective organizational policies in enhancing employee motivation. For the government, this underscores the importance of developing and promoting policies that support SME in crafting such work environments. By setting standards and providing guidance on best practices, the government can encourage SME to implement policies that foster a positive work culture, recognize employee achievements, and support work-life balance.

Government initiatives could include creating frameworks or guidelines for SME to follow in developing these motivational policies. Additionally, the government can provide incentives or support programs that help SME adopt and sustain these practices, such as grants for employee development programs, subsidies for creating flexible work arrangements, or awards for companies excelling in employee recognition and well-being.

By facilitating the adoption of effective organizational policies through these measures, the government can help SME build motivating work environments that enhance employee performance and satisfaction. This, in turn, supports the broader

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economic goals of improving productivity, reducing turnover, and promoting sustainable growth within the SME sector.

In addition, the practical implications of this study on motivation and employee performance in the service industry of private sector SME in Klang Valley were substantial for organizational management and human resource practices. This study underscored the importance of addressing employees' safety needs, which was found to have a significant positive impact on performance. This suggested that SME should prioritize creating a secure and supportive work environment. Practical measures include implementing robust health and safety protocols, ensuring job security, and providing adequate resources and facilities to promote employee well-being.

Furthermore, the findings highlighted the need for tailored HR strategies that consider the diverse motivational factors impacting performance. While safety needs were particularly emphasized, addressing other needs, such as esteem and self-actualization, can further enhance employee engagement and productivity. SME could develop comprehensive incentive programs that include both monetary rewards (e.g., bonuses) and non-monetary recognition (e.g., public acknowledgement, additional time off) to meet various motivational needs.

The study also provided insights for employees, helping them understand their own motivational needs in the workplace. By analyzing the data, employees can better assess whether their current organization aligns with their motivational needs and career goals. This self-awareness enables employees to make informed decisions about their future career paths, ensuring they seek workplaces fulfilling their motivational requirements. As employees' basic motivational needs are addressed, they are more likely to achieve personal satisfaction and professional fulfilment, contributing positively to their overall career development.

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## **5.4 Limitations of the Study**

The study on the impact of motivation on employee performance in the service industry of private sector SME in Klang Valley had several limitations. Geographically, the study was confined to Klang Valley, which means the findings may not be applicable to other parts of Malaysia or different countries with different cultural, economic, and business environments. The focus on the service industry excludes insights from other sectors, such as manufacturing, agriculture, and construction, in which different industries have unique characteristics and motivational factors, so the results may not be generalizable across all types of SME. Besides, the data collection relied on employee self-reported information, which can introduce bias. Respondents might overestimate or underestimate their motivation and performance due to personal biases, fear of judgment, or desire to present themselves favorably. The study's cross-sectional design captures data at a single point in time, limiting the ability to observe changes and trends over a longer period. Longitudinal studies would be better suited to establishing causal relationships and understanding how motivation and performance evolve over time. In addition, this study did not account for external factors such as economic fluctuations, organizational changes, or external business environment shifts. These factors could have a significant impact on both motivation and performance, potentially confounding the results. The measurement tools used might not capture all relevant dimensions of motivation and performance, leading to potentially incomplete conclusions. Finally, the temporal context of the study, conducted during a specific period, might not reflect different economic cycles or circumstances, potentially affecting the results.

## **5.5 Recommendation for Future Studies**

Based on the limitations identified, several recommendations are made to improve future research on the impact of motivation on employee performance in the service industry of private sector SME. First, expanding the geographical scope of the study to include different regions of Malaysia and other countries would enhance the

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generalizability of the findings by accounting for variations in cultural, economic, and business environments. Including multiple industries beyond the service sector, such as manufacturing, construction, agriculture and other sectors, would provide insights into whether motivational factors affecting employee performance differ across sectors.

Furthermore, adopting a longitudinal research design would allow for tracking changes in motivation and employee performance over time, helping to establish causal relationships and understand the dynamics between these factors. Considering external factors such as economic conditions, organizational changes, and market dynamics in the analysis would provide a more comprehensive understanding of the context in which SME operate. Enhancing measurement tools by developing validated scales and incorporating qualitative methods, such as interviews or focus groups, would capture all relevant dimensions of motivation and performance, offering more profound insights.

Next, temporal variations can be considered by conducting studies at different times, which would account for economic cycles or significant events like the COVID-19 pandemic, helping to determine their impact on motivation and performance. Lastly, reducing response bias by ensuring participant anonymity and using indirect questioning techniques would lead to more accurate and honest responses.

## **5.6 Conclusion**

The findings of this study underscore the significant role of motivation in influencing employee performance within the service industry of private sector SME in Klang Valley. This study revealed that safety needs had the most substantial impact, highlighting the importance of job security and a safe working environment. However, while influential, other needs, such as physiological, love and belonging, esteem, and self-actualization, did not show a significant positive relationship with performance. This nuanced understanding of motivational factors provides a

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valuable framework for both theoretical exploration and practical application in enhancing employee engagement and productivity.

Looking ahead, the dynamic nature of employee motivation suggests that future research should adopt a broader and more inclusive approach, incorporating various industries and geographical contexts. Longitudinal studies would provide deeper insights into the evolving relationship between motivation and performance over time. Additionally, integrating qualitative methods could offer a richer, more nuanced understanding of employee motivations.

As the business landscape continues to evolve, particularly with the ongoing challenges and opportunities presented by globalization and technological advancements, it is crucial for SME to develop adaptive and comprehensive motivational strategies. These strategies should address the diverse needs of employees, fostering an environment that promotes both individual well-being and organizational success.

In conclusion, while this study provides a foundational understanding of the impact of motivation on employee performance, further research is essential to explore the complex interplay of various motivational factors in different contexts. By continuously refining and expanding our understanding, organizations can better equip themselves to attract, retain, and motivate their workforce, driving sustained growth and competitiveness in an increasingly globalized economy.

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