

## **The Reward Strategy and Performance Measurement (Evidence from Malaysian Insurance Companies)**

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### **Abstract**

**Purpose** -- *The purpose of this paper is to contribute to the body of knowledge in the area of reward systems, particularly the total reward framework. The reward framework determined serve as the principal guideline for the small and medium enterprise in Malaysia.*

**Design/methodology/approach** -- *The paper used an intensive case study of two selected insurance companies, known as Agency A and Company B. The two companies are different in terms of their size and capital.*

**Findings** -- *The findings suggest that the use of financial and objective measures are the main concern in designing the reward systems of the organization, companies are gradually incorporated non-financial measures in their reward systems. Other remarkable findings include identical rewards are tied to different working nature which is found to be deviate from the normal norms.*

**Research limitation/implications** – *The reward framework identified can be used as guideline for the small and medium enterprises in Malaysia to further understand the function of reward system, thus design and implement their unique and attractive reward system.*

**Originality/value** – *The paper shows that rewards lead to increase in both financial and non-financial performance which will also enhance companies' reputation, as well as increase the recruitment possibility where more manpower will make a stronger team. Effective rewards mechanism will shift from fulfilling employees' basic requirement to self-actualization as they are growing with the business.*

**Article Type:** Research paper

**Keyword(s):** Reward strategy; Total Rewards Approach; Financial Performance

### **INTRODUCTION**

Rewards is one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improvise company performance both financially and non-financially. Edward and Christopher (2006) have mentioned that people do not automatically come to work, continue to work, or work hard for an organization. We see that people need motivation to share and fulfill the organization's vision. Undoubtedly, reward strategy and systems are the mechanisms that make this happen. Since 1980s, many research and studies have been done on the reward aspect in other countries especially in the United State and China (Edward and Christopher, 2006; Lee and Wong, 2006; Paul, 1981; Sarin and Mahajan, 2001 and etc). However, few researchers in Malaysia have started to focus their study in this area. Do Malaysian companies agree that a reward is able to motivate its employees and hence lead to an increase in the company's financial performance? What kind of strategy that is often being used in Malaysia's companies? Since the reward strategy applied at different countries may vary due to the informal factors such as cultural insight or employee's preference, and may pose different outcome to the organization, it is essential for us to understand the reward strategy in the Malaysia context.

The objective of exploring the reward strategy and relationship justification on reward system with financial performance will then address the contribution of reward strategy in supplementing financial performance of an organization and provide an informed view to others company executives on the reward strategy that can be implied on.

## **LITERATURE REVIEW**

### **The practicing of Reward Strategy**

According to Armstrong (2000, pg.232), reward strategy is the policy that provides specific directions for the organization to develop and design programmes which will ensure its rewards the performance outcomes supporting the achievement of its business goals. Vicki (1994) agreed that reward strategy gives specific direction to how the company will design its individual reward programs. As defined by Gomez-Mejia and Balkin (1992) in Armstrong (2000, pg.232), a reward strategy is:

*The deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various sub-units and individuals are directed toward the achievement of an organization's strategic objectives.*

Numerous studies have shown positive results on the effect of reward structures on the performance measure. Sarin and Mahajan (2001) came up with a few implications on how the rewards structure influence on the team performance. The performance dimensions which are not affected uniformly by the reward structure should encourage the practitioners to reexamine some currently accepted theories and practices. This indicates that suitable reward strategy development is indeed very important to each and every organization. Meanwhile, Lee and Wong (2006) have found that reward does have an impact on the company's innovation performance. In addition, Paul (1981) suggests that a reward strategy can point out the significant areas of an organization, and guiding its future orientation.

Nowadays, a different and more flexible approach is needed in meeting changing lifestyles as well as the needs of today's young professionals (The Star, 2010). Recent trend as reported by Woods (2010) shows that the financial sector has changed the mix of pay, switches their reward focus from short-term incentive schemes to long-term incentives scheme, according to a global survey by Mercer. They are changing to focus more on balanced, risk-adjusted performance measurement and deferral of bonus payouts over a multi-year timeframe. Also, according to a study released by Hay Group (2010), a global management consulting firm based in Philadelphia, the global recession and other macroeconomic trends in the global economy is prompting the businesses to change their reward strategies.

### **The Total reward approach**

Total reward could be used to manage and motivate people by thoroughly understanding the relative significance placed on the various aspects of the reward proposition and applied the well-designed total reward strategy effectively. According to Armstrong and Stephens, (2006, pg.7) total reward is the combination of both the financial and non-financial rewards made available to the employees. As defined by Manus and Graham in Armstrong and Stephens (2006, pg.13), total reward includes all type of rewards, direct and indirect, as well as intrinsic and extrinsic. Each aspect of rewards is being linked together as an integrated and rational whole. Meanwhile, WorldatWork (2007), a global human resources association in US with main focuses on compensation, benefits, work-life and integrated total rewards, has define total rewards as all of the tools available to the employer that may be used to attract, motivate and retain talented employees. It includes everything that the employee perceives to be of value in their employment relationship.

Designing a total reward strategy that will ensure a well-integrated and cost-effective approach to compensate employees is possible. The system built will ensure that the variable compensation costs is predictable and controllable, as well as employees have clear understanding about the connections between their efforts, productivity, and performance results, and between company results and their reward opportunities (Vicki, 1994). The theory basis of total reward includes Maslow's need hierarchy theory, Alderfer's ERG theory; two-factor theory put forward by divides job-related factors into hygiene factors and motivators, Expectancy Theory, as well as Adams' Equity Theory. The review of these related literature shows that when total reward strategy is to be adopted, it must assure that employees' diverse needs must be well considered, and all these theory will help the organization reach its performance expectation (Jiang, Xiao, Qi, Xiao, 2009).

Various subsets of total reward strategy have been suggested as to suit the growing needs of the reward pattern. Jiang et al. (2009) have reviewed on several studies regarding the principal elements of total rewards; such as outlined by Francis and Fernandes (1998) where their structure includes basic salary, variable pay, pension benefits, death-in-service benefits, long-term disability benefits, private medical insurance, vacation entitlement, company car schemes, share schemes, mortgage subsidies and others, as well as Patricia and Jay (2000 and 2003) components that include individual growth, compelling future, total pay and positive workplaces. Besides that, Lyons and Ben-Ora (2002) have define total reward strategy to include the following, that are base salary, variable pay (short-term and long-term incentives), other compensation, perquisites, benefits and performance management. Moreover, training, career development, coaching and other employee-related policies shall be included. They pointed out that total reward strategy can be the holistic framework of pay for performance as it covers all aspect of reward strategy.

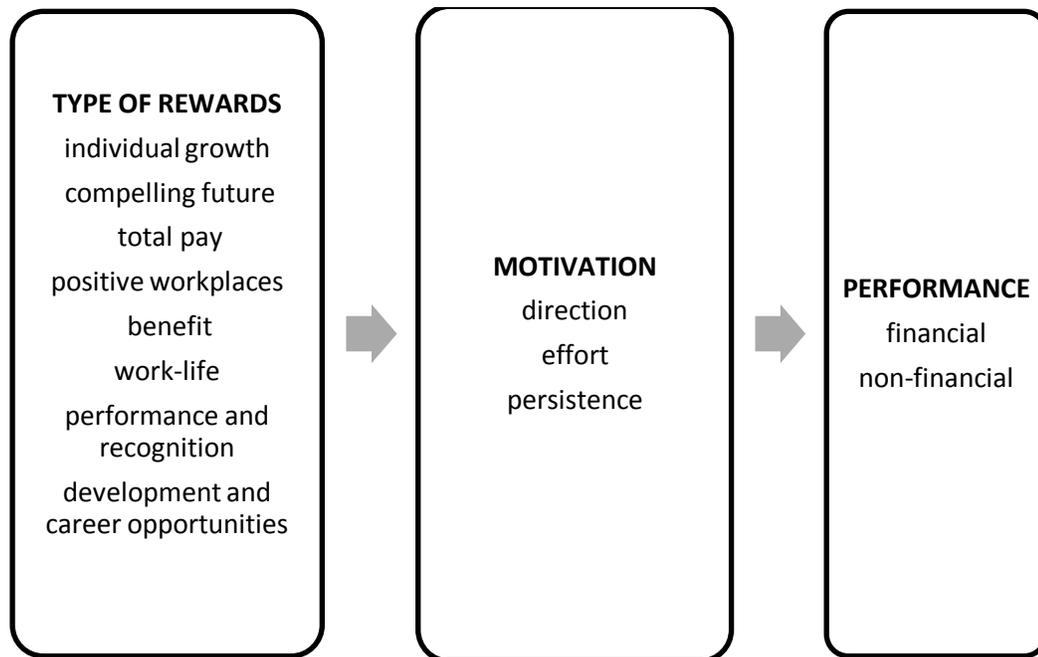
In a more recent development of total reward strategy, Chen and Hsieh (2006) have shown the trend of reward method is changing from a simplex to a multiplex context due to the rapidly changing environment. The adoption of total reward system will help to retain the best worker and ensure the organization stay in a best positioned for future success. Other than that, WorldatWork (2007), the total rewards association depicts total rewards into five elements that are compensation, benefit, work-life, performance and recognition, and development and career opportunities; they also take into concern of the external influences on a business, such as legal or regulatory issues, cultural influences and practices, and competition (see Exhibit 1). This is supported by White (2005) literature which pointed out that a global reward approach required balance degree of global consistency with the local practice and culture to ensure the success implementation of rewards programs both globally and locally. Exhibit 2 summarized on the total reward strategy and its components discussed above.

### **Reward, Motivation and Performance**

Researchers have been exploring the relationship between reward and performance (Sarin and Mahajan 2001; Lee and Wong, 2006; Paul, 1981). They are questioning whether the reward strategy applied has positive or negative effects on an organizational performance either financially or non-financially. Performance measurement is one of the strategic management components which evaluate the results of resources utilization, as well as improvement in the organization performance. Non-financial measures on key business process such as product quality (Lakhal and Pasin, 2008), customer relationship management (Roger, 1996) and employee-oriented measures (Christina and Gursoy, 2009) are indirect leading factors of financial performance. The working paper by Hughes, Simpson, and Padmore (2007) shows there are inherent limitations in using only financial ratio analysis to assess small and medium sized company performance.

Yet, Hashim (2000) make known that many literatures are suggesting financial profitability and growth is the most common measures of organizational performance; it is such as profit margin, return on assets, return on equity and return on sales (Robinson, 1982; Galbarith and Schendel, 1983), as well as the financial measures preferred by Malaysian manufacturing firms were sales, sales growth, net profit and gross profit (Kassim, 1989). Despite the extensive literature favoring the use of non-financial measures such as Total Quality Management (TQM), Business Process Reengineering (BPR) and the Balanced Scorecard (BSC), Ruzita (2007) has indicate that financial measures such as sales revenue, operating income, sales growth, manufacturing costs, and cash flows are still important and receive more weight in the performance measurement systems in Malaysia context.

Armstrong (2006) further mentioned that reward practice will enhance motivation, commitment, increase job engagement and develop discretionary behavior. He further define motivation process as course of action that encourage the employees to establish goal, take action, and attain goal – a valued reward that satisfies their particular needs. The goal, in organization aspect, can be defined as desirable performance both financially and non-financially such as increase in profit and increase in product quality. Exhibit 3 summarized a few studies on how the reward system can motivate performance. Consequently, a research framework as follow (figure 1) is being developed to assess in depth the reward strategy applied by the selected companies of the practical industry in relation to performance.



**Figure 1: Research Framework**

### **METHODOLOGY**

A case study approach had been selected to assess in depth the reward strategy applied in relation to the performance of the organization. Two organizations are selected are in the insurance business which placed great emphasize in sales and customer relationship management activities, serving the major roles in the service industry in Malaysia. This sector has been identified as an engine of growth for Malaysia economic in the future trend. National Product and Expenditure Accounts Second Quarter (2010) has revealed that the Services Sector in Malaysia had accounted for 56.9 per cent to GDP, and expanded by 7.3 per cent in the second quarter of 2010. Indeed, the finance and insurance sub-sector bolsters further by 8.4 per cent showing a higher demand for bank lending and life insurance in the country. Hence, foreseeing the insurance business is growing fast and become more competitive in the trade environment, this study can give a better view on the influence of reward system towards motivation and organization performance.

### **RESEARCH FINDINGS AND ANALYSIS**

The respondents identity will remain confidential as per request due to reason that reveal of identity may cause any unfavorable consequences. The smaller size company with limited capital entity will be make known as Agency A while the bigger size company with larger capital amount will be disclosed as Company B.

**Agency A** is a private limited company specializing in financial planning and consultation established in Malaysia in year 2004. They had agglomerated the world of banking, law, taxation, and investment, partnering with Great Eastern Life Assurance (Malaysia) Berhad. On the other hand, **Company B** is Hong Leong Assurance (HLA) Berhad, one of the Malaysia's leading domestic brands for financial planning and protection solutions, specializing in Life Insurance products and services. HLA provide their services through a large network of branches, agents and brokers throughout the country.

### **Reward Strategy**

There are similarities in the reward strategy and type of rewards being offered by both Agency A and Company B. As in Morris and Maloney study (2005), best practice policies applied to reward system are universal. Since the core policy does not change despite of different organization's strategic forces, this proposes that similar reward systems will exist across organizations and industries. From the data collected, summarization on the different strategy implemented by both of the respondent is being compared as follow:

**Table 1: Comparison of strategy implemented by respondents**

Reward Strategy	Agency A	Company B
Long-term Incentives	Performance-based deferred benefit	Performance-based retirement benefits
Total Pay	Performance-based pay Production bonus Persistency bonus	Performance-based pay Persistency bonus Group sales bonus Recruitment bonus
Employee Training and Development	Routine training class Open discussion on career path	Routine training class Special training programme Motivation seminar
Individual growth	Self-development courses	None
Benefits	Festive incentives Vacation incentives Sport day and movie day	Festive incentives Vacation incentives Non-monetary incentive
Performance and Recognition	Company's award Industry's award	Company's award Industry's award
Development and career opportunities	Opportunity to hold management position Two to three years to be promoted to manager level	HLA 1-3-5 Model -1 <sup>st</sup> year: Agent -3 <sup>rd</sup> year: Unit Manager -5 <sup>th</sup> year: Agency Manager
Positive Workplace	Spatial office with sense of relaxation at home	Comfortable workplace Casual dress code
Work-life	Self-employed Flexible working hours Regular meeting	Self-employed Discipline working hours Regular meeting and case study training

The implementation of reward system is essential for achieving company's goals regardless of the organization size or their role and position in the industry. From an agency unit to the company level, reward strategy should be the core policy to motivate the agents to achieve better performance and to accomplish business objective. Nevertheless, the choice of reward strategy will then depend on the type of the organization, its size, the extent of the individual role in selling process and the product and services its offer to the customer. (Paul and Peter, 2006) Also, in Paul and Peter's (2006, pg24) conclusion, the nature of sales is one of the main reasons why rewards have to be used to ensure sales staff to act in the best interest of the business.

#### **Effect of Reward Strategy on Recruitment and Financial Performance**

Agency A's respondent pointed out that rewards will positively affect the agency performance both financially and non-financially. Financially, an employee achieves better sales volume in order to receive the rewards offered. The following (Table 2) shows the comparison of sales volume of the month with reward strategy and the month without for a particular employee on different position level. Non-financially, enjoyable and energize team-spirit in a positive workplace will result in outstanding performance. The agency is able to achieve their desired target and experience faster growing prospect. Other than that, rewards lead to increase in both financial and non-financial performance which will also enhance their agency's reputation, as well as increase the recruitment possibility where more manpower will make a stronger team.

**Table 2: Comparison of sales volume of the month with reward strategy and the month without**

Position/Level (Experience)	Name	Sales Volume in October 2010 (RM)	Sales Volume in November 2010 (RM)
Rookie Agent (<12 months)	Ng	3,165.00	59,769.60
Agent (1-2 years)	Lim	7,676.70	28,816.00
Carrier Agent (>3 years)	Wong	8,130.90	33,681.55
Unit Sales Manager	Yee	22,732.80	61,778.45
By Group (Team members)	Tan	20,826.40	97,364.90
By Agency	A	678,345.10	894,811.00

Meanwhile, Company B's respondent also pointed out that rewards will give positive impact towards their organization performance. Non-financially, the rewarding career path is able to attract young talents to join the company. This is important as the company is in the progress of developing and expanding its market. Young talents who always aim for fruitful rewards will give in their best effort to perform for the pays, incentives, benefits and bonuses. They believe that an energize team well supported by positive workplace environment will be able to generate outstanding performance in accordance to the company's mission and vision. Hence, the company will then achieve their desired growing prospect. Rewards not only can enhance their agent's confidence toward the company's future development, also can increase the recruitment rate. Financially, stronger and bigger agency forces ensure that the company to continue achieves increasing sales volume. This evidence can be shown in Table 3.

**Table 3: Reports on Agency Force and Profit for the financial period 2007-2009**

Year	New Business (RM million)	Total Agency Force	HLA Profit (RM million)
2007 / 08	179	3047	75
2008 / 09	210	3947	84
2009 / 10	226	5406	166

The following Table 4 summarizes the effect of reward strategy for both organizations from the data collected.

**Table 4: Effect of Reward Strategy**

	Agency A	Company B
Financial	Boosts up sales and achieve year end targets	Growing in overall new business – new sales increase
	Sales increase 38% for the rewarding month	Sales increase almost 100% in the financial year 09/10 compared to the previous year
Non-financial	Outstanding team	Attract young talent
	Working culture and employers branding increase the possibility of people recruitment	Enhance agent's confidence in respect of future development
	Recruitment rate on new team members maintain at 20% each year	Recruitment rate (total new agency force) gradually increase from 30% and 37% respectively for the recent years

Both managers shared similar points of view on what the reward strategy can contribute and give impact on; which is financially the sales performance and non-financially the manpower development. This is aligned with the research result showing that many prior studies reported on reward or incentive systems are positively related to firm performance though most of them are only using non-financial measurement or did not examine the actual firm profitability (Chang, Ou and Wu, 2004).

The obvious difference in the finding here is that smaller agency tend to focus on their own group performance while larger company will focus on the overall company's development direction. In a survey finding by the Economist Intelligence Unit (2009), it is understood that the major business priorities for the small and medium-sized company are focusing on the core business and finding new customers. Whereas mobilizing and retaining talent is one of the highest priorities of the large corporations. For example, Melanie, the global head of environment of Wallenius Wilhelmsen Logistics stated in their Environmental and Social Responsibility Report (2007) that responsible management of both natural and human resources are essential to sustainable business. Hence, we can see that in this case, Company B is most likely having a perspective of surviving in the industry while Agency A is most likely concentrating on pursuing interest in revenue earnings.

There are two categories of agents in the organizations, which are part-time and full-time. A full time agent as per defined by the managers are those agents without any other working commitment except for delivering insurance services. Ferguson (2010) mentioned that the part-time worker usually does not qualify for all available benefits days such as holiday or vacation as the full-time worker did.

But in this case, both the Agency A and Company B offers the same reward for their part-time as well as full-time agents. The reward to be received is merely based on the matter of contribution, rather than it is associated with the level of position. Unless they are the leader of a group of agents, then they are rewarded extra bonus such as recruitment bonus. Though, Barry (2000) had concluded that the real wage gap between similarly skilled part-time and full-time workers is either nonexistent or quite small, once he accounts for all relevant factors. This is supported by the sales and earnings statistics which show that some of the part-time agents do perform better than the full-time agents for both the companies.

Is one for all rewards work? As per Gevity Institute (2011) stated in their business guide, there is no one-size-fits-all approach to employee motivation due to the unique characteristic of each company. It is also true for this particular industry as the company and its agency are considered as separate entity. Company B focus on “best-fit” perspective that is reward to be align with the business strategy in order to achieve competitive advantage and sustainability in the industry; while Agency A applied “best practice” by emphasizing more on the key components of an organization competitive advantage, that is a well implemented reward system that can lead to highly motivated and committed employees in order to earn more profit sharing and being the outstanding agency among the others derived from the same parent company. Though their ultimate goal is slightly different, we can see that the performance-based reward strategy basically work well for both of them and reach towards a similar direction that is growing in sales and manpower. Their strategy differs mainly in term of the benefits offering, as well as corporate culture development.

The main elements of sales rewards are basic salary, commission, bonus and non cash incentives; thus it is fairly typical to have a combination of salary, bonus and incentives (Paul and Peter, 2006). Differ from this western study, the two selected companies reward only based on variable pay focusing on commission and bonus. As Paul and Peter (2006) pointed out, straight commission is effective in enhancing sales forces productivity which encourages them to sell the easiest item rather than the company’s best interest. It also encourages unethical behavior such as pursuing high-pressure selling tactics that can damage the company reputations. This raises a point whether the local companies should further re-examine their reward strategy regarding the need and advantages of basic salary despite fully dependent on variable pay. John (2001) suggested some new approaches such as broad-banding, variable merit or split-increase method to overcome the problem of different pay approaches that bind with its own advantages and limitations.

*Full-time Agent C (Agency A): When we are getting awards recognition from time to time, it becomes a must desired to continue achieve the outstanding performance... if not the feeling will be very weird if we are off-tracking...*

*Part-time agent D (Agency A): I am very proud to be given the national award which is similar to the famous Oscar award given to the best actor or actress. I am very happy and I want to have more awards. It pushed me to work harder...*

*Full-time manager E (Company B): At my current level, reward is just a small part of my career perspective. I am now more looking towards the individual growth, together sharing and achieving success with my team members. Well, of course reward is very important for the fresh agent as that is what we are looking for when we are young too.*

From the agent’s point of view, reward is important to enhance their persistent performance by encouraging better effort to achieve their goal. This provides a direction for the agents to work hard. The push factor is clearly associated with the famous Maslow’s (1943) concept that had developed the hierarchy of needs. “*If one need is satisfied, then another emerges*”. Normally, people are partially satisfied in all their basic needs, at the same time partially unsatisfied in all their basic needs. When their position is getting higher and for those years of experience in the industry is longer, their needs gradually decrease for lower hierarchy needs like safety while increasing for higher hierarchy needs such as self esteem. For example, gratified needs are no longer the active motivators for Manager E but his self esteem has in turn dominate the conscious life and to serve as the center of organization of behavior.

Similarly, extrinsic factors, for instance job security and work conditions can be likened to a foundation and intrinsic factors such as recognition and personal growth is comparable to a building. The foundation must be secure and complete before the building of employee motivation (Gevity institute, 2011).

People with zero working experience begins from the foundation level, and at this point of time basic rewards like pay and bonuses most motivating them; when later on they move to a higher position, status symbol and satisfying supervision become more important.

The existence of industry awards recognizes and celebrates the greatest achievements of professionals and organizations in the industry. It helps to enhance the credibility of the profession; acknowledge excellence, and provides public recognition for their outstanding abilities. After all, Malaysian various ethnic groups share common beliefs and values such as deference to authority and importance of "face". The culture where status differences between individuals are clearly recognized and acknowledged, emphasis is placed on the titles, or ranking structures such as connected to awards for service (Norma and Jeffrey, 2000). Customer will most likely close a deal or continue purchase with those agents who have more years of experience, with higher position and received recognition such as the industry award as perceived that they are more professional. Hence, this indirectly motivates the agents to continue striving for his or her best performance to be qualified for the award.

### **Total Reward Framework of Service Industry in Malaysia**

*Manager A: This is the first time I saw this framework. We have been applying rewards strategy based on the suitability and what we think is important to motivate the employees. It is good to learn that we can categorize the rewards into such a way.*

*Manager B: We are not aware of this research framework practically. But after going through the details in the framework, I believe that our reward strategy and system complied with most of the criteria stated.*

Essentially, neither Agency A nor Company B do research on reward strategy and reward management, as well as having a clear and guided reward strategy development procedure or rewards listing in the organization. We can see that practitioners in the insurance sector in Malaysia are less exposed to the international studies in this issue, yet they are offering much of the reward type as stated in the Total Reward Framework.

They believe that reward strategy and reward system play its role for maximum return through a good understanding of employees' needs. The needs are all about the elements mentioned in the Total Reward Framework and there is still room for improvement for their organization's reward system. There are certain type of rewards do not applied by both of the selected companies, these elements includes compelling future and individual growth. For Malaysia context, the motivational system or the reward strategy has yet to take care of the employees' anticipation on their future needs. Performance-based pay guarantees their hard work with good reward, but do not assure their future survival; if they cannot perform then they will not be rewarded. Only Agency A promotes individual growth as one of the benefit to their outstanding agents. This is due to the leader's inspiration to enhance the society's growth and development, as well as for his agent. The reward is most likely to boost the effort and consistency in an agent's performance, but not the direction as this typically guided by the superior or the ultimate company or the decision maker.

### **SUMMARY AND CONCLUSION**

Since the year of 2000s, many studies showed that the old pay reward system has been slowly shifted towards total compensation scheme. This is mainly due to the emergence of new mind set of a new class of worker known as the "Generation Y" born between 1978 and 1988, who focused on their own wants and needs (Bowen, 2000). Correspondingly, John (2001) who called this the new "new pay" pointed out his concern of continues having a "span of control" mindset in today's flatter and more self-directed environment where it will hold back changes and diminished the organization's productivity. These new challenges in workforce critically affect the rewards and compensation composition and expenses, as well as aligning of human resource management with the organization performance. To maintain strong competitiveness in this new era, every organization especially the small and medium business need to fully understand the power of reward strategy and thus execute effective reward system.

The findings indicate that similar reward systems exist across organizations in the industries, but the process of development the reward strategy is different depending on the role and size of the organization. Furthermore, this similar reward system contributes to a same definitive goal even though the size of the businesses is varying in the industry. Meanwhile, the responsible personnel play a crucial role as they are the master-minds in managing an effective reward for achieving their company's ultimate mission and vision (Rock, 2009).

Similarly, Stacey (2007) stressed that commitment from the leaders and their team, as well as proper education and communication are all needed to align the business strategy, people strategy with the total rewards.

One of the interesting findings is on the matter of agents' working nature. Whether an agent is a part-time or a full-time, all the rewards tied to the performance are identical. This is so much differing with the normal norms where the employees are being paid in a combination of based-pay and variable pay according to their job nature, responsibility, position and also their performance. Though the rewards are almost equivalent for either part-time or full-time, the full-time whom work more and get more reward enhance the reward system attractiveness and the customer expectation on the agents' professionalism will encourage the switch of the job nature.

By all means, rewards are part of the business plan to attract, retain and motivate the agents to achieve success in their life, as well as contributing in meeting the company's objective. Though reward for the management level agents and ordinary agents do not vary greatly, the challenging working environment and leadership responsibility serve as the satisfying criteria in order to fulfill the agent's gradually changing needs from the basic requirement towards self-actualization. Overall, it is found that the reward strategy and reward system implemented do have positive impact towards the organizational performance. In respect of financial performance, it increases the sales results and generates higher revenue for the organization. Non-financially, it helps to meet the strategic objectives of the organization especially on the recruitment perspective and organizational growth prospect. This is to link back with the framework that put forward rewards do motivate the agents' effort and persistency in achieving desired performance. Nevertheless, there is still room for more thorough planning on the issue of reward such as to achieve total reward management.

Readers also should take into account of some unavoidable limitation when interpreting the results of this study. Firstly, the study was conducted on the specified service industries in Malaysia, and therefore the results may not be generalized to all services in other contexts and countries as mentioned by Zainal (2007). Secondly, this case study focuses only on two selected organization. This lacking of representativeness may not give the broad view of the reward practices in the whole industry. Another possible limitation is that not all members and details in the organization selected are being involved and observed. There is time and personnel availability limitation exists. Hence, the methodology approach and measurement criteria used here may be further refined in the future using another research method such as a quantitative survey or trend analysis in measuring the effectiveness of the reward strategy. Besides, similar future study is suggested to be carried out for other services in the industry. This will helps to create a better understanding and generalization about the reward strategy framework in the service industry in Malaysia. Extensions of this study might also examine the effect of other reward mechanisms such as formal versus informal rewards, and corrective rewards.

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**Table 1: Summary of various studies on rewards and its practical applications**

<b>Rewards</b>	<b>Researchers</b>	<b>Summary of the study</b>	<b>Practical implications</b>
Individual growth	Park, Jack Bauer, and Arbuckle (2009)	Growth motivation attenuates the self-serving attribution in people with high self-esteem. People with high self-esteem and high growth motivation made more internal attributions for failure/negative outcomes as long as they are oriented toward personal growth and self-improvement than those with high self-esteem but low growth motivation.	Growth motivation was found to play a key role in moderating the effect of self-esteem on causal attributions for failure. Higher quality of work will be produce in the future.
Compelling future	Thomas Suddendorfan d, and Janie Busby (2005)	An individual based its actions on the consideration of a future benefit as well. Hence, employees anticipate their future needs and hence act now to secure not just the present, but also future survival.	To confer behavioral flexibility that can generate future-oriented behavior, it requires complex changes in the motivational system that enable an individual to act now to secure diverse individually anticipated future needs.
Total pay	Chiu, Luk and Tang (2002)	They found that both employees in Hong Kong and China are cash-minded. Cash based components such as base salary, as well as merit pay and year-end bonus were the most important reward components in retaining and motivating employees.	To some extent, money motivates people to work harder. The management has to focus on strategic pay policies in order to retain and motivate key employees as to stay competitive in the global market.
<b>Rewards</b>	<b>Researcher</b>	<b>Summary of the study</b>	<b>Practical implications</b>
Positive workplaces	Paswan, Pelton, and Sheb L. True (2005)	Employees who recognize higher levels of managerial sincerity have a higher feedback-seeking orientation which reinforces the organizational characteristics for achieving better effectiveness and efficiencies, especially in the service organizations. The hypothesized relationship between perceived managerial sincerity and feeling of motivation is positive.	Employees with higher trust in their organizational climate are more enthused about their job. The management must continue to engage in activities that create a feeling of trust and openness in the organizational climate in order to keep the employees happy and productive.
Benefits	Hong et al. (1995)	The results of this study are 1) Implementation of employee benefit programmes affects employees' performance 2) Employee benefit programmes have greater impact on work-motivation than on productivity 3) Employees with different education levels and positions perceive different employee benefit impact	Employees considered that employee benefit programmes most affect their work-motivation and productivity. By comparing different groups, one can see the cognitive difference between management and labour, and the difference between labour expectations and corporate offers.
Work-life	Alexandra Beauregardan d Henry (2009)	Offering work-life balance attracts individuals to an organization, and result in increase positive job-related attitudes, work effort and behaviours within the organization. Regardless of effects on work-life conflict, work-life balance practices are also often associated with improved organizational performance.	Organizations providing work-life balance practices may be able to generate cost savings by offering lower salaries and attracting greater investment.
<b>Rewards</b>	<b>Researcher</b>	<b>Summary of the study</b>	<b>Practical implications</b>
Performance and recognition	Moser and Morrissey (1984)	Achievement recognition is a way for management to utilize the values of the employee for the good of the company. A feeling of having control and a sense of personal worth make employees feel motivated to achieve any and all goals, his and the company's.	Management approach and style is the basis for the reward and recognition systems. They are part of the organizational scheme to keep valuable employees with the organization.
Development and career opportunities	Alan Fish and Jack Wood (1997)  Massimiliano Bratti, and Stefano Staffolani. (2007)	Employees are placing on personal long term benefits to be derived from international career advancement and its associated professional development before they give an ongoing commitment to the business enterprise.  Strong positive correlation exists between working hours and workers' expected probability of promotion in the current job. Increment of employees' working hours depends positively on the size of the "skill-premium", such as the sensitivity of the promotion probability to working time.	Probability of career advancement and opportunities based on working time might raise working hours, production, profits and per-capita GDP at the cost of a reduction in workers' utility.  Organization can provide effort-based career opportunities as an incentive for employees to work longer hours.
Effort	Jane E.J. Ebert. (2010)	Effort is important in many present behaviors that are motivated by future concerns. In this study, participants were motivated by the future rewards offered, and effort was used as a marker of motivation.	Real behaviors that involve future motivation are commonly complex, determined by future and present concerns, and any connections between them. Hence, an organization has to take into account many aspects to motivate behavior that can enhance effort of employees.

# WorldatWork Total Rewards Model

## Strategies to Attract, Motivate and Retain Employees



### EXHIBIT 1

Adopted from WorldatWork. (2006), from [http://www.worldatwork.org/pub/total\\_rewards\\_model.pdf](http://www.worldatwork.org/pub/total_rewards_model.pdf)

**Exhibit 2: Summary of Total Reward Strategy and its Components**

<i>Researcher</i>	<i>Summary of study</i>	<i>Components of Total Reward</i>
Lyons and Ben-Ora (2002)	A holistic framework of pay for performance as it covers all aspect of reward strategy. The process of drafting the reward plan is necessary to guide the company to achieve their ideal result.	Base salary, variable pay (short-term and long-term incentives), other compensation, perquisites, benefits and performance management, training, career development, coaching and other employee-related policies.
WorldatWork Model (2005)	They recognized the company's critical components of the total employment value scheme both internally and externally.	Compensation, benefit, work-life, performance and recognition, and development and career opportunities; legal or regulatory issues, cultural influences and practices, and competition.
White (2005)	A global rewards philosophy and total rewards program are essential to provide the executives and management need to drive broad-based and local business goals.	Base pay, benefits, annual incentives and cash recognition, long term incentives, growth and career development, communication and non-monetary recognition, performance management, and work environment.
Patricia and Jay (2007)	Total pay is an important component of total rewards.	Total pay, compelling future, individual growth, and positive workplace.
Jiang et al. (2009)	Principal elements of total rewards from several studies had been reviewed. It is still a trend moving along and used by more and more managers and scholars.	Encompasses everything that employees will value in their employment relationship like compensation, benefits, development and the work environment (Kaplan, 2007).

**Exhibit 3: Reward System that Motivate Performance**

<i>Reward System</i>	<i>Motivate Performance</i>	<i>Implication on performance</i>	<i>Authors</i>
Process- and outcome-based	Influence on the external dimensions of team performance	Effect on product Quality	Sarin and Mahajan (2001)
Employee salary level	More high skilled workers	Increase in profitability measures	Chang, Ou and Wu (2004)
Extrinsic rewards	Encourage positive attitude towards work	Generate more creative output/innovation performance	Lee and Wong (2006)
Team-based incentives	Positively affect motivation	Encourage and support a range of positive outcomes	Milne (2007)
CEO's Pay-performance relation (Nonmonetary rewards such as power, prestige, and honor)	Attract properly qualified people to the firm as well as motivate managers to act in shareholders' interest	Weak relation between pay and Performance. The relation between CEO wealth and shareholder wealth is small	Jensen and Murphy (1990)
CEO Compensation	Pay-performance link increases the higher one moves up the corporate ladder	Compensation is more closely linked to performance in good years	Wallsten (2000)