THE IMPACTS OF PERFORMANCE RELATED PAY (PRP) TOWARDS THE PERFORMANCE OF SMEs WORKERS IN ALOR SETAR, KEDAH

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Report submitted in partial fulfillment of the requirement for the award of the degree of Bachelor of Project Management (Hons)

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I hereby declare that the work in this thesis is my own except for quotations and summaries which have been acknowledged. The thesis has not been accepted for any degree and is not concurrently submitted for award of other degree.

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ABSTRACT

The aim of this research is to study the impacts of performance related pay (PRP) towards the performance of SMEs workers in Alor Setar, Kedah. The objective of this research is to identify the types of performance related pay used in SME industry and to study the relationship between performance related pay and the performance of SMEs workers. The performance related pay (PRP) will set as the independent variable. Then, the performance of SMEs workers is the dependent variable. 140 respondents from the small and medium enterprise (SMEs) industry in Alor Setar, Kedah were surveyed by questionnaire. The collected data were analyzed by using Cronbach's Alpha (reliability analysis), descriptive statistics and by using a computer program called Statistical Package for Social Sciences (SPSS). The significant of this study is to show the impacts of performance related pay (PRP) towards the performance of SMEs workers that has been proven to be helpful in improving the overall performance of workers and the results show that there is a significant positive relationship between the performance related pay (PRP) and the performance of SMEs workers and the finding are in accordance with previous researches.

Keywords: Performance Related Pay (PRP), Performance of SMEs Worker

ABSTRAK

Tujuan kajian ini adalah untuk mengkaji kesan ganjaran berkaitan prestasi terhadap prestasi pekerja perusahaan kecil dan sederhana (PKS) di Alor Setar, Kedah. Objektif kajian ini adalah untuk mengenalpasti jenis ganjaran yang digunakan oleh industri perusahaan kecil dan sederhana dan untuk mengkaji hubungan diantara ganjaran berkaitan prestasi dan prestasi pekerja perusahaan kecil dan sederhana (PKS). Ganjaran berkaitan prestasi telah ditetapkan sebagai pembolehubah bebas. Manakala, prestasi pekerja perusahaan kecil dan sederhana (PKS) sebagai pembolehubah bersandar. 140 responden daripada industri perusahaan kecil dan sederhana di Alor Setar, Kedah telah dikaji selidik dengan borang soal selidik. Data yang diperolehi dianalisis dengan menggunakan Cronbach Alpha (analisis kebolehpercayaan), statistik deskriptif dan dengan menggunakan program komputer yang dikenali sebagai Pakej Statistik untuk Sains Sosial (SPSS). Kepentingan kajian ini adalah untuk menunjukkan kesan ganjaran berkaitan prestasi terhadap prestasi pekerja perusahaan kecil dan sederhana yang telah terbukti membantu dalam meningkatkan prestasi keseluruhan pekerja dan hasil kajian menunjukkan bahawa terdapat hubungan positif yang signifikan antara ganjaran berkaitan prestasi dan prestasi pekerja perusahaan kecil dan sederhana dan dapatan itu adalah selaras dengan kajian terdahulu.

Kata Kunci: Ganjaran berkaitan prestasi, Prestasi pekerja perusahaan kecil dan sederhana (PKS)

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Every worker has different job performance and their performance is basically based on the rewards that were given to them. This study will investigate and study on how performance related pay (PRP) effect on the performance of SMEs workers in Alor Setar, Kedah in order to know whether the performance related pay (PRP) will give big impact to the job performance of the worker. Performance related pay (PRP) is means by a reward system that are given by an organization to a worker on account of their astounding performance in the organization which is including having come to a standard needed by the organization. The performance related pay or the transient of it is PRP is assigned to motivated all the employers in the organization to demonstrate a good effort by demonstrating a fantastic performance keeping in mind the end goal to attain to the objectives of the organization or the employer's personal goal.

Employee performance is means the ability of the workers to perform their attempts to make progress. The accomplishment of the workers will further the achievement of the organization that will prompt a great performance of the organization that brought on by a magnificent performance of the workers. Employee performance will likewise be a vital variable to be surveyed keeping in mind the end goal to recognize which area should carry an improvement

Further, this research provides a useful framework for identifying an independent variable and dependent variable which is will be helpful to conduct the research. The

target of this research that will be an objective is to identify the types of performance related pay used in SMEs industry and to study the relationship between performance related pay and the performance of SMEs workers.

1.2 RESEARCH BACKGROUND

This study is fundamentally had a tendency to know the effects of performance related pay towards the performance of SMEs workers and to study what is the relationship between performances related pay and performances of SMEs workers. Performances related pay (PRP) had been executed in any association as performances related pay gives people financial remunerates as increment to premise salary or money rewards that will contribute to an evaluation of performances, more often than not in connection to agreed objectives. PRP showed up in the industrial of the 1980's as the answer to engaging people & building up performance-oriented society. It was seen as a most critical power for change, and the business of the today acknowledged it through much energy with the exception of slight insightful seeing that an assets of changing open division bodies into industry, Armstrong (2005).

Performance related pay is a system of paying workers base on their performance. Upgraded performance outcomes in higher phases of pay intended for the persons, denied performance may effected in no conformity to pay. Surely as among any paying system have points of advantages and disadvantages to such a structure likewise these will be examined too, Lawler (1993). The performance of workers can be impacted from numerous points of view and one of this routes is by rewards the workers with performance related pay as the rewards and acknowledgment programmes create situations particularly where employments give characteristic compensates nice sentiments that individuals get from doing the work itself. Yet in numerous associations, acknowledgment is held for a world class few and rewards are characterized singularly regarding wages and salaries. Effective recognition upgrades representative inspiration and increases employee productivity all of which add to enhanced hierarchical performance, Deeprose (1994).

1.3 RESEARCH PROBLEM

The researcher said that the performance related pay (PRP) can enhance the performance of workers in any industry as Sara Rynes of the University of Iowa and her colleagues conclude, overall, individual budgetary incentives build employee performance and efficiency by 42% to 49% and as indicated by Brian (2005), the untrustworthy reward framework brings the 'compensatory harm' that has greatly blocking effects to the financial performance of the association. It brings about essentially decreased human efficiency, increased human clash inside the association, and view of inner bad form. The reward framework still can be questioned and addressed on its reasonableness and the fairness or equity level in its dissemination among workers.

There seems some issue that how much the performance related pay (PRP) will affects the performance of workers and what the relationship is between the performance related pay and the performance of workers. Performance related pay option regularly enhance the performance. In any case, in light of Wharton management professor Adam Grant and Jitendra Singh (2011), they can likewise prompt some dishonest conduct, turnover and jealousy from others workers. It’s will be the time to decrease on cash as a chief motivational force in business. Rather, employers ought to give careful consideration to intrinsic motivation. That implies outlining employments that give chances to settle on decisions, create abilities, do work that important and have meaningful interpersonal connections.

The overall objective of PRP is to improve an individual performance and association by providing a reward to them. However, as stated in Randle (1997), Kohn argues and rejects the conclusion about how reward system will improve the performance of individual and association. Kohn, however, concludes that rewards will be only secured temporary compliance from individual. Moreover, according to Baker (1992), PRP will reduce job satisfaction. Specifically, PRP will fails to increase job satisfaction when performance measures are excessively subjective and when assessments are ineffectively attached to actual performance. PRP will also reduce job satisfaction when PRP is used to reward the menial worker and low skilled worker.