

# **THE IMPACT OF EXTRINSIC AND INTRINSIC WORK MOTIVATION ON JOB SATISFACTION AMONG EMPLOYEES IN MALAYSIAN SERVICE INDUSTRY**

## **CHAPTER 1 INTRODUCTION**

### **1.0 Introduction:**

This study focuses on the impact of extrinsic/intrinsic work motivation on job satisfaction among employees in the service industry of Malaysia. In the current chapter, an overview of the service industry and the research background are highlighted. In addition, the significance of the study is addressed. The result of the discussion is to determine the focus of the research that leads to the questions and objectives of the research. Accordingly, a conceptual framework is also reviewed.

### **1.1 Overview of the Service Industry**

In referring to Poole and Wood's (2003) study entitled "Research Issues for the Service Sector, Particularly for Community Service Professions and Export Services", Industries can be grouped into three sectors, the primary sector (agriculture, forestry, fishing and mining), the secondary sector (manufacturing) and a tertiary sector (services industry).

Until recently, the service sector is viewed as the 'soft' part of the economy and do not produce the 'real' goods and services and therefore is not considered as important

as the other sectors. In fact, the service sector appears to have been initially defined as anything that was not a product of farming, mining and manufacturing (Poole & Wood, 2003).

So what are services? Services are distinguished from goods in that services are generally personalized and may be provided by an individual or an economic unit and which add to or improve another person's economic wellbeing. Miles (2003) defined services into three ways

- Physical services that maintain or transport facilities, goods or people, ie transportation and storage, wholesale and retail trade.
- Human or person-centered services covering social and community and private consumer services, ie. Personal services, hotels, restaurants.
- Information services, which cover the mass media, organizations distributing non-standard information (telecommunications, financial services etc.) and knowledge based services that produce and trade in more specialized knowledge.

Savona and Evangelista (1999) distinguished between four categories of services on the basis of their innovative intensity and the degree of interaction with producers and consumers. These sectors are:

- Science and technology based activities such as R&D services, engineering and computing.
- Technology users which includes activities such as land and sea transport, legal,

travel, and retail services, as well as certain business services including security and cleaning.

- Interactive activities including banks, insurance, trade and repair of motor vehicles, and hotels.
- Consultant services which are a highly innovative activity with strong links to service suppliers.

Williamson and Lindert (1980) defined service more specifically to be the sector of production outside of agriculture and industry, and includes construction, trade, finance, real estate, private services, government, and sometimes transportation.

The tertiary sector of the economy is the service industry. This sector provides services to the general population and to businesses. Activities associated with this sector include retail and wholesale sales, transportation and distribution, entertainment (movies, television, radio, music, theater, etc.), restaurants, clerical services, media, tourism, insurance, banking, healthcare, and law (Matt Rosenberg 2011). In most developed and developing countries, a growing proportion of workers are devoted to the tertiary sector. In the U.S., more than 80% of the labour forces are tertiary workers. (Matt Rosenberg, 2001)

Service sectors are supported by human resources that enable the delivery of service. The most important thing in the delivery of quality service is the individual motivation of all employees. With the growth of the service industry the service sector now competes for quality service employees (Khan, 2001). Khan finds that it is a

challenge for management today to motivate employees to provide quality services as it has been observed that there is a tough competition among service sectors to provide the best services to satisfy their customers. Khan (2001) also mentioned that the service industry is a significant part of the worldwide economy and employees in the service industry play a key role in delivering the services to their customers. Excellent services provided by employees can create positive and everlasting image in the eyes of customers.

Carnige (1985) focused on the human aspect of management as the author believes that it is the people who make an organization succeed or fail, so it should be the main responsibility of the chief executive of the organization to motivate their company employees so that they feel satisfied and thus assure the organization's success. The author's main topic is that human capital play a very important role in an organization's effectiveness as compared to financial capital. People are now seen as the primary source of a company's competitive advantage. As Lawler (2003) also reported that the treatment of employees basically determines whether or not an organization will prosper. Rutherford (1990) reported that motivation makes an organization more effective because motivated employees are always looking for better ways to do a job, especially in the service sector Therefore, it is important for the management to understand how the motivation of their employees can influence the organizations.

## **1.2 Research Background:**

Managers have the responsibility to create a proper and active atmosphere for employees, in order to avoid the employee's lower job satisfaction or even withdrawal from the organization,

In today's highly competitive labour market, there is extensive evidence which suggests that organizations regardless of the size, technological advances, market focus, are facing retention challenges (Ramlall, 2004). Fitz-enz (1997) stated that the average company loses approximately \$1 million with every ten managerial and professional employees who leave the organization combined with the direct and indirect costs; the total cost of an exempt employee's turnover is a minimum of one year's pay and benefits. Ahmad and Bakar (2003) mentioned that voluntary turnover is a major problem because of the employee's job dissatisfaction for companies in some Asian countries such as Malaysia, Thailand, Taiwan, etc. Job-hopping has become so rampant in these Asian countries that it has, in part, become a culture.

Motivation constitutes a central element when going through the process of human learning. If the organization does not possess the ability to motivate its employees, the knowledge within the organization is not practically used to the maximum. Therefore, it becomes the aim of every learning organization to find the factors that enable it to motivate its employees to continue learning and to take advantage of this knowledge to ensure its living (Osteraker, 1999). In today's business environment, the future belongs to those managers who can best manage change. To manage change,

organizations must have employees who are motivated and committed to the demands of rapid change and as such motivated and committed employees are the source of competitive advantage (Dessler, 1993).

It is unlikely that employees will be committed if they are not sufficiently motivated. During the last 70 years, many psychologists and management gurus have conducted extensive research on various aspects of employees' motivation. For a completeness of the paper, here is a brief account of the pioneering works.

Motivated and satisfied employees are critical to the success of organizations, especially in the service industries (Walkup 2002). Heatley (2004) mentioned that optimal staffing has been shown to impact directly on staff morale and job satisfaction, which in turn is transferred to the customers' experience and that's the bottom line.

People also get dissatisfied with their jobs simply because their jobs do not have meaning anymore. Therefore, giving work that is meaningful seems the only way out for managers to make their employees happy (Hoar, et al., 2004).

Managers, in their leadership capacity, play an important part in shaping motivation, commitment and predisposition's of the workforce in an organization. They provide direction, focus, meaning and inspiration to those who work for them. As architects of an organization, managers need to project themselves as role model that embody and convey in actions and words, desirable attitudes, values and beliefs of their workforce.

Leadership and motivation are related closely to each other. Related to leadership is

motivation which is the willingness to achieve the goals of the organization. Leaders can motivate their employees by nurturing an environment where work is seen as enriching and fulfilling, thus encouraging employees to contribute and brainstorm ideas and put in their best efforts to enhance productivity.

### **1.3 Problem Statement**

The beauty of any organisation no matter how well structured is the employee's effort and commitment towards the performance of such organisation. Thus, a service organisation with the mission of gaining a better competitive advantage over her competitors with the best service needs to be concerned about their employees and should pay more attention to employee satisfaction which is the front-end of service value chain (Lam,2001).

Currently, there are quite a number of problems in Malaysia's management of human resource in the service industries such as high employee turnover, strong occupation instability, high labour cost and so on in the service field. These problems are directly or indirectly related with level of employees satisfaction in the service industry. Therefore, in order to solve these problems, there is a need to determine what can be done to improve the satisfaction of employees in the service industry which serves as the main motivation for this study to determine the factors (extrinsic and intrinsic motivation) that influence the employees job satisfaction in the service industry of Malaysia. Based on the need to improve the job satisfaction of the employees, there is a need to analyze the elements (extrinsic and intrinsic motivational factors)

influencing an employee's job satisfaction in terms of their level of morale while discharging their duties. This will in turn achieve customer's satisfaction and loyalty.

Many studies focusing on the organizational behavior have given extensive consideration to motivation and employee job satisfaction. All these variables are interdependent on each other. Many authors have written about the link between job satisfaction and motivation (g. Drake and Mitchell, 1977, Philips & Freedman, 1984, Kinicki et al., Timmreck, 2001, 2002, and Kavanaugh et al., 2006).

The association between motivation and job satisfaction can be viewed simply as: Motivation can be elaborated as what individuals strive to achieve better. However, not everyone gets motivated by the identical factors. Someone may get motivated or satisfied by achieving higher authority and responsibility whereas some other person merely needs flexibility in the work schedule, or someone may be motivated by a sense of accomplishment.

When we talk about motivation this only affects people when they are ready for it and when it is applied in the best way suitable for them. That is, when it feeds the needs of the person to be motivated. Still the motivation will not have any effect on individuals if they are unable to perform a task or if they are not ready to perform certain tasks. Here comes the role of leadership as leaders have to decide what basic requirements are required to apply motivation and what sort of motivation is needed. Motivation is going to work if the right person with suitable skills is made responsible for the job otherwise it will be a wastage of resources and time, this may lead to an adverse side



which creates an incapable and an unwilling job performer

Therefore, this paper is aimed to study all those employees who are involved in service industry where research defines extrinsic and intrinsic work motivation factors and how these motivation factors affect the job satisfaction among employees in the Malaysian service industry.

Previous research (e.g. Klimoski & Hayes, 1980; Podsakoff, Todor, & Skov, 1982, Podsakoff & Schriesheim, 1985) have also addressed the effect of leadership on job satisfaction. Furthermore, Yammarino & Bass (1990) and Morrison, et al. (1997) found that passive leadership by exception has a negative impact on the employee's job satisfaction; a transactional leadership has a positive effect on job satisfaction Bass (1998). However, there are a few studies on the moderating impact of leadership between motivation factors and job satisfaction, especially in the service industry of Malaysia. Does leadership have any relationship between extrinsic/intrinsic motivation and job satisfaction? This paper is aimed to study how leadership affects extrinsic/intrinsic motivation and job satisfaction as a moderating role in the Malaysian service industry.

#### **1.4 Purpose of the Study**

The purpose of the study is to identify the relationship between extrinsic and intrinsic motivation on job satisfaction in the Malaysia context. More specifically, the study aims to explore and investigate the extrinsic and intrinsic factors which play an

important role that impact job satisfaction among the employees in the Malaysian service industry. As a result, this study provides an insight into the motivation of employees in the organizational context. In addition, the moderating effect of leadership is examined.

### **1.5 Significance of the Study**

This study could be of importance to decision makers to explore the extrinsic and intrinsic motivation that have an impact on job satisfaction among its employees within the service environment. It will be beneficial to understand and to distinguish between intrinsic and extrinsic motives as each has a role in determining the levels of motivation in different work environment. In particular, managers could be better motivators of their staff if they are able to distinguish between individuals who are more implicitly motivated (using emotion activated processes like providing a challenge or encouraging achievement, such as responsibility or celebratory lunches) and those who are more explicitly motivated (establishing specific rewards linked to performance outcomes, such as promotion, bonuses or given praise).

### **1.6 Research Questions**

- 1) How do extrinsic and intrinsic motivations relate to job satisfaction?
- 2) How do leadership moderate the relationship between extrinsic motivation, intrinsic motivation and job satisfaction?

## **1.7 Research Objectives**

Achieving a higher employee's job satisfaction has always been one of the main objectives of every organization, because the level of job satisfaction is associated with the productivity of an organization. However, what are the factors which have an impact on job satisfaction? This study is planned to address the following research objectives:

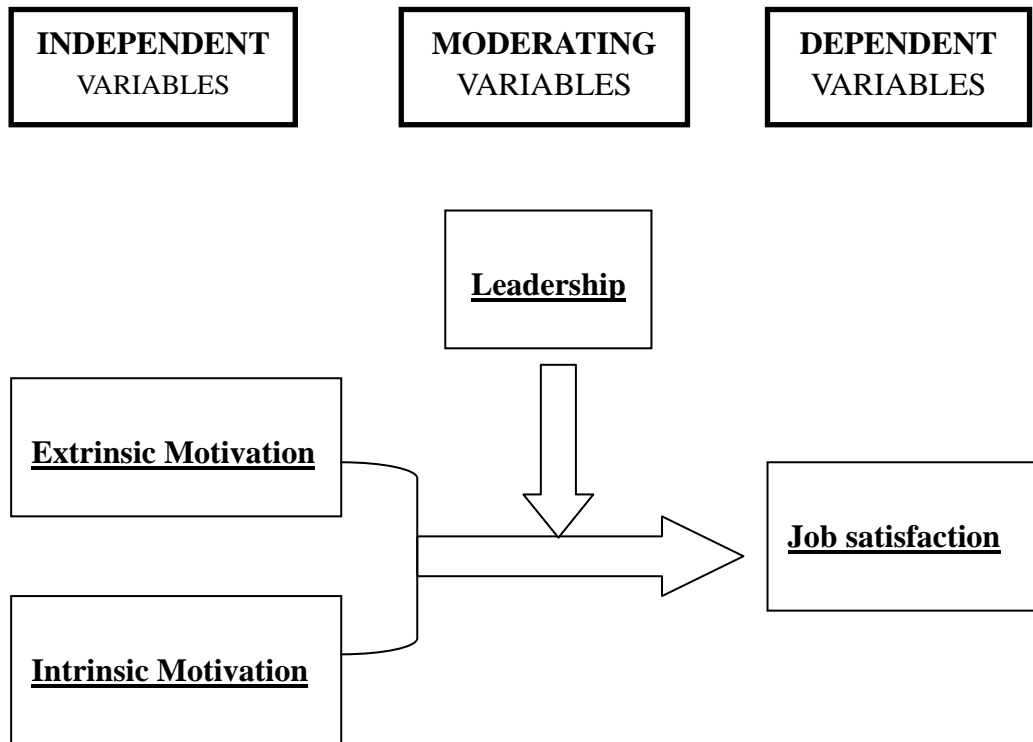
- 1) To investigate the influence of extrinsic motivation on job satisfaction.
- 2) To investigate the influence of intrinsic motivation on job satisfaction.
- 3) To examine the moderating effect of leadership on the relationship between extrinsic and intrinsic motivation and job satisfaction..

## **1.8 Conceptual Framework**

This study is conducted with the aim of exploring the antecedent factors that influence job satisfaction among the employees of the Malaysian service industry. Thus, by synthesizing the previous studies, such as, Herzberg (1968) who suggested that those employees who are more implicitly motivated should be inspired/rewarded with things such as new challenges, given additional responsibility or given praise, while those who are more explicitly motivated should be inspired/rewarded with things such as promotions, bonuses or work interaction; Lock (2003) said that the leader plays an important role in motivating the performance of employees, effective leadership produces a highly motivated employees' job satisfaction in the organization. This

study proposes to investigate the effect of extrinsic and intrinsic motivation and leadership in job satisfaction. To provide a clearer picture, Figure 1.1 is presented to propose the conceptual framework for the current study.

*Figure 1.1: Research framework of the study*



### 1.9. Operational Definition of Items:

Referring to previous research, operational definitions of the variables in this study are provided:

- 1) **Extrinsic Motivation:** is the motivation to do something to make sure that some external goal is attained or that some external imposed constraint is met. (Lindenbery, 2001; Hennessey and Amabile, 2005; Sansone and

Harackiewicz,2000; Ryan and Deci,2000)

- 2) **Intrinsic Motivation:** is the motivation to do or act in one's own interests or simply for the enjoyment of the activity itself.(Herzberg,1966;Deci and Ryan,1985)
- 3) **Leadership:** is a process of establishing direction and influencing and motivates others to follow that direction.(Lock,2003;Bass,1996)
- 4) **Job satisfaction:** is simply how people feel about their jobs and different aspects of their jobs.(Spector,1997;Kinicki and Kreitner,2003;Sharma and Jyoti,2006)

### **1.10 Summary**

This study will concentrate on which is the main positive relationship that job satisfaction should be influenced by either extrinsic or intrinsic motivation. Furthermore, the study will pay more attention to examine how leadership plays a moderating role among extrinsic or intrinsic motivation and job satisfaction .In the following chapters, the study will collate further information on the literature review from other studies, and try to use it for my research.