

The Moderating Role of Organizational Size between the Malaysian Cultural Orientation, Islam Hadhari's Principles and Reward Management Practices: A study in Malaysian private organizations

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ABSTRACT

Many best practice models exist that describe successful approaches to reward management which influence by the cultural, legal, organizational and administrative challenges in Islamic world. Thus, the decision in setting and designing reward programs in raising productivity through human effort has always been controversial. Studies that were undertaken in numerous countries have shown varying degrees of success of such practices. Even though there is a substantial amount of foreign literature on this subject, there is a paucity of information concerning the extent of such application in Malaysia. As Malaysia is a predominantly Muslim country, Islam, through national culture influences organizations. This research is an attempt to provide further insights into the theory and practice of reward management in the local context as Malaysia is implementing Islam Hadhari's principles in the country. This study also further investigates the relationship between the Malaysian cultural orientation, Islam Hadhari's principles, environmental factors and perceptions of non-monetary and monetary rewards toward the reward program influences. The other important aim of the study is to identify the moderating role of organizational size between cultural orientations, Islam Hadhari's principles, environmental factors (internal and external) and perceptions of non-monetary and monetary rewards. The study adopts a quantitative approach using Partial Least Square (PLS) based Structural Equation Modeling (SEM) approach. The study will benefit the human resource practitioners theoretically and practically by providing direction and suggestions in designing and implementing the non-monetary and monetary rewards for Malaysian private organizations from Islamic perspectives.

Keywords: Reward management, Islam Hadhari, cultural orientation, environmental factors

INTRODUCTION

This paper presents a study on the impact of non-monetary and monetary rewards on individuals who live and work in the cultural orientation of Islam and Hadhari's principles. Islam Hadhari was a key campaign issue during the Malaysia general elections in 2004 (Chong, 2006) as the former Prime Minister Dato' Seri Abdullah Ahmad Badawi who won the election and presented his vision towards a 'progressive Islam'. The execution of Islam Hadhari took place as a model for the rest of Islamic world. Pandian (2008) adds, Islam Hadhari gives importance to excellence in living, enabling Malaysia to be a model Islamic state with its community which is progress-oriented, highly skilled, noble, and well-disciplined. He states also that the approach of Islam Hadhari seeks to balance man's responsibility in the here and the hereafter, that is this life and the next. Adding to this, the multi-cultural groups in Malaysia share the Islamic ethical value and this study needs to examine and discuss human resource management, specifically on reward management practices which are more culture-specific to Malaysia. Therefore, the reward management practices in countries where Islam plays a dominant role in governing the peoples' lives needs to reflect Islamic values held by their people.

Reward refers as the total amount of monetary and non-monetary rewards and benefits provided to an employee by an employer in return for work performed as required and as part of an employment relationship (Armstrong and Murlis, 2007; Milkovich, Newman & Gerhart, 2010). Concerning rewards, theories such as the 'Two factor' theory identified by Herzberg, Mausner, & Snyderman (1959), containing, as a motivational factor, elements of recognition, responsibility, advancement, achievement and growth as well as others were developed within the western, secular business environment. In contrast, this study is conducted in a predominantly Islamic cultural context. Nonetheless, Herzberg et al. (1959) believed that compensation (which is Americanized term for rewards) is what he described as a hygiene factor. Rewards are what employees receive for performance. However, in order to achieve improvements in performance, different reward programs must be applied by the respective organizations in line with their organizational cultures and values.

A number of studies have been conducted by researchers and Islamic scholars on specific matters in Muslim countries, such as economics or banking and finance issues, but none is related to the non-monetary and monetary rewards, cultural orientation and internal/external environment factors from an Islamic perspective (Khan, 1991; Tayeb, 1997; Loqman, 1991; Heim, 2004; Ramadan, 2005). Furthermore, the studies conducted on the impact of Islam on human resource management (HRM) matters are very few (Tayeb, 1997). Therefore, the study aims to fill the gap, by investigating four principles of Islam Hadhari in relation to reward systems in the Malaysian context.

The relationship between cultural orientation, Islam Hadhari's principles and environmental factors towards non-monetary rewards and monetary rewards; and also reward program influences is moderated by the organizational characteristics variables, i.e. Organizational Size. A study by Zilahy (2004) indicates that organizational factors included the size; human behavioural patterns like motivation and awareness of employees and organizational culture. Thus, organizational size has a consistent positive relationship with employees' rewards (compensation) (Gray and Benson, 2003; Stanwick and Stanwick, 2001; Tosi, Werner, Katz, and Gomez-Mejia, 2000; Watson, Storey, Wyncarczyk, Keasey, and Short, 1994; Lambert, Larcker, and Weigelt, 1991), and it was among the most important influences on the top management reward (compensation) (Veliyath, Ferris, and Ramaswamy, 1994). Hence, Henderson (2005) indicates that the size of one organization (either it is small, medium or large) affects the reward package given to the employees. Veliyath et al., (1994) suggest it is company size which creates economies of scale and scope, and was a very critical competitive requirement within the industry. Thus, Veliyath et al., (1994) claim, company size was among the most important influences on top management reward package (non-monetary and monetary rewards). Even the influence of other critical variables such as the organization's strategic type, organization's performance, and managers' employment risks were overshadowed by the effects of organizational size. It is believed that large organizations have the ability to exert great influence toward reward systems and practices compared to small organizations (Henderson, 2005).

Hence, this study examines the moderating role of organizational size between the relationship of cultural orientation, Islam Hadhari's principles, environmental factors and perceptions of non-monetary rewards among the exempt employees in Malaysian private organizations as illustrated in Figure 1.

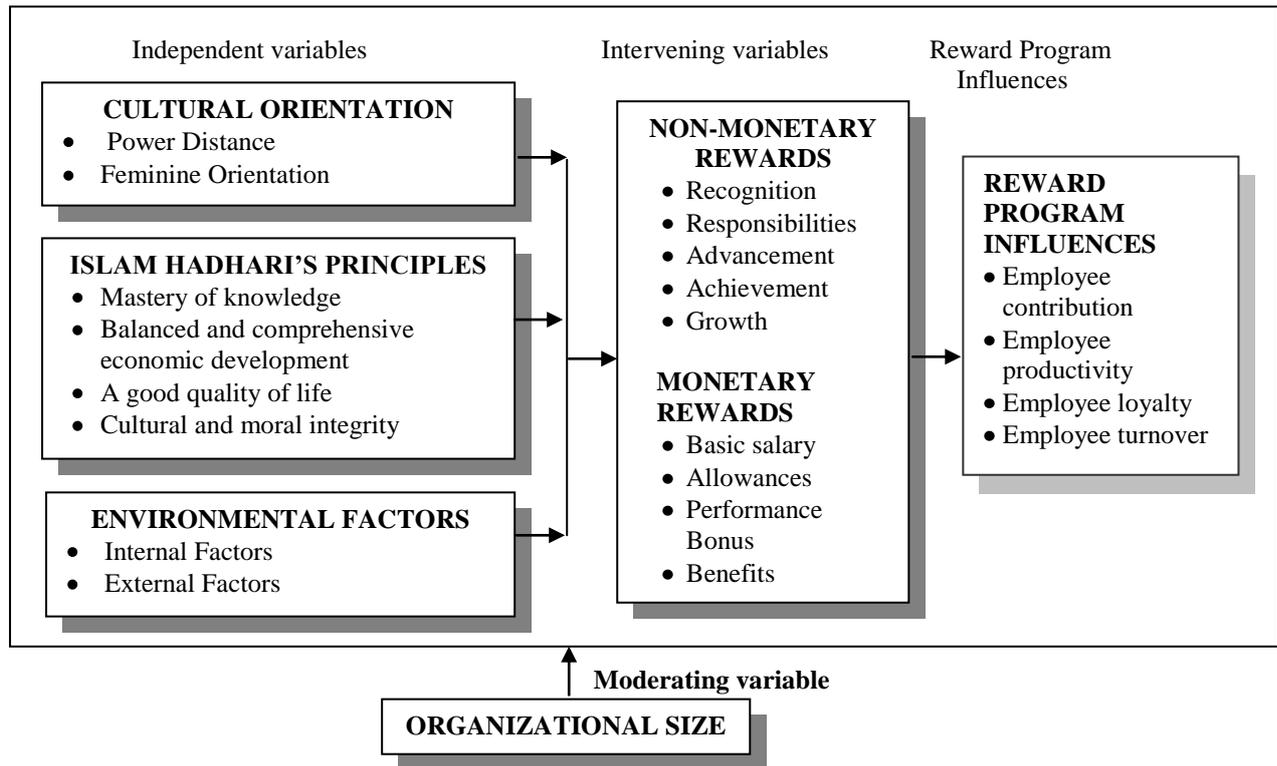


FIGURE 1: Research Model of Reward Program Influences

Islam Hadhari's Principles

In some western cultures, religion and faith do not play a prescriptive role in societal and organizational life. However, Malaysia is 60.4 percent Islamic faith. The Malaysian Prime Minister, Abdullah Ahmad Badawi spelt out his vision of Islam Hadhari or Civilization and comprehensive Islam. Badawi (2005) is trying to promote his vision of a modern, progressive, tolerant and multicultural Islam where Muslims are encouraged to learn from interaction with other communities. It could well be a paradigm of how Malaysian Muslims should see Islam in the context of a multi-racial Malaysia facing a changing world and also considering the sensitivity of non-Muslims community towards the increasing 'Islamization' of Malaysia. Bashir (2005) adds that these principles have been formulated to ensure that the implementation and approach do not cause anxiety among any group in Malaysia. Moreover, the government has to make sure its religious departments and officers are well-versed in the principles of Islam Hadhari. Tayeb (1997) mentions that Islam is an all-encompassing creed, governing every aspect of life, public and private, political and economic, and as such is relevant to business activities. The Quran advocates a system based on individual enterprise and individual reward. Tayeb (1997) argues that the cross-national research is required to investigate the implications of Islam on organizations which operate in Muslim countries with regard to human resource management practices. Therefore, given the pervasiveness of Islam and its influence on various spheres of material as well as spiritual life in most Muslim countries, it is possible to discern certain patterns in Muslim workplaces which are compatible with their Islamic origins. In this sense, as well as utilizing western Human Resource Management (HRM) concepts and studies, the Malaysian findings may inform and sensitize leaders and managers who have Muslim staff. The study focuses on four Islam Hadhari's principles:

Mastery of knowledge

According to Prophet, 'seeking knowledge is an obligation for every Muslim man and woman' and Islam also repeatedly instructs man to use his powers of intelligence and observation (Surah Al-Alaq: 1-5).

Balanced and comprehensive economic development

An approach which combines the efforts to establish ethical economic practices and the ability to conduct economic activities effectively in tandem with local and international economic developments (Sūra 62: Jumu'a, Section 2 [10]).

A good quality of life

It can be achieved if the country especially Malaysia succeeds in fulfilling the basic needs of life such as preserving religion, improving the status of education of its people, providing a peaceful life, ensuring the right to own property and make providence to the generation of the future (Department of Islamic Development Malaysia Putrajaya, 2005: p.33).

Cultural and moral integrity

It is important that cultural and religious diversity must be protected based on a value and moral system which is strong, lofty and honourable in order to enhance the development of Malaysia (Department of Islamic Development Malaysia Putrajaya, 2005: p.39).

Cultural Orientation

A number of studies have indicated that cross-cultural differences in values exist (Merkin and Ramadan, 2010; Steel and Taras, 2010; Okpara and Kabongo, 2010; Testa, 2009; Chong, 2008; Kim and Leung, 2007; Gupta, MacMillan and Surie, 2004; Palthe, 2004). Hofstede (2001) stated, in studying values, that researchers compare individuals, in studying cultures, researchers compare societies. Although Hofstede's work has not gone uncriticized, especially his early work, his later work has validated the cultural dimensions he emerged. However, of the five dimensions, this study will specifically focus in-depth on two dimensions, power distance and feminine/masculine characteristics. These two dimensions, added to Islamic teachings of honesty, moral integrity, faith and piety (Sharfuddin, 1987) are considered to have a predictive and explanatory influence on the perceptions of Malaysian employees concerning non-monetary and monetary rewards making them highly relevant to this study. Most of the study/research on motivation through non-monetary and monetary rewards has been conducted in Western developed countries. Research in developing nations is needed to test the transferability of theories and practices that originated in the Western cultural context. Such studies seek to identify appropriate alternative strategies for different contexts (Testa, 2009; Chong, 2008; Robertson, Al-Khatib and Al-Habib 2002; Hodgetts and Luthans, 1993) especially in the context of Malaysian culture. Researchers have examined the relationship between the cultural dimensions (power distance and masculinity-femininity). Individuals from cultures with high power distance such as Malaysia usually accept the inequality of power, perceive differences between superiors and subordinates, are reluctant to disagree with superiors and believe that superiors are entitled to privileges (Karande, Shankarmahesh, Rao and Rashid 2000, Goodwin & Goodwin, 1999, and Hofstede & Bond, 1988). Malaysia also is less masculine in that it places more value on qualities like modesty, humility, benevolence, interpersonal relations. Therefore, this study will specifically investigate the two cultural dimensions, high power distance and femininity orientation among the exempt employees in Malaysian private organizations and concern for the weak (Karande, Rao, & Singhapakdi, 2002, Goodwin & Goodwin, 1999, Hofstede & Bond, 1988).

Environmental Factors

Generally, organizations compare their own employees' reward with the reward of those who work for other companies in developing a reward program to ensure it remains competitive (Armstrong and Murlis 2007, Romanoff, Boehm and Benson 1986). In the case of this study, more complexity is added because of the strong 'Hadhari' value system surrounding and permeating organizational life in the Malaysian research context. Although employee perceptions of equity and inequity are equally important and should be carefully considered when a company sets reward objectives (Milkovich, Newman and Gerhart, 2010; Henderson, 2005, Romanoff et al., 1986); adding to this, the high power distance described earlier have an influence in Malaysian organizations. Determinants for the reward package are very important and crucial (Henderson, 2005). Furthermore, various demographic factors, including industry, company size and geography influence pay levels (monetary rewards package) (Vocino, 2004; Schaeffer, 2001). This was supported by Henderson (2005), who proposed that

company geographical location influences the reward package. In addition, companies doing business in certain geographic locations frequently compensate their employees on the basis of the area's prevailing economic conditions such as local cost of living (Henderson, 2005; Romanoff et al., 1986). Overlaid on this complexity are, Hadhari's principles.

Additionally, organizations doing business in highly competitive industries are often forced to balance the need to control costs with the need to pay higher wages or salaries to attract a talented and skillful workforce (Henderson, 2005; Romanoff et al., 1986). Likewise, there are some variables affecting benefit costs. These are identified as direct economic elements such as taxes, inflation, unemployment insurance, economic wage pressure, worker mobility (Werner and Ward, 2004); and indirect elements such as legislation and judicial decisions (Kaighan, 1988).

Non-Monetary and Monetary Rewards

Compensation is a common term used in the United State as it is the remuneration received by an employee in return for his/her contribution to the organization. Compensation is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees. According to Armstrong and Murlis (2007), whom much preferred to address compensation management as reward management, much of the impetus of the development of the reward management concept has come from US writers such as Lawler (1990) with 'strategic pay'; Schuster and Zingheim (1992) with 'the new pay' and Flannery, Hofrichter and Platten (1998) with 'dynamic pay' (cited in Armstrong and Murlis, 2007).

Chiang and Birtch (2005) found that reward preference is tied to a reward ability to satisfy employee's needs and fit with cultural-bound values. Financial rewards are important to most individuals and have shown a strong desire for individual achievement and for self-interest in country such as United States and most other Western countries (Hofstede 2001, 1991, 1980a, 1980b). Furthermore, Ger and Belk (1996) claim that the consumption-based orientation to 'happiness-seeking' that is commonly labelled materialism has generally been seen as a Western trait. Materialism now seems to have diffused to ever more of the world's people (Ger and Belk, 1996). With the overall aim of material gain on the other hand, country such as Malaysia which is characterized as having strong social needs, quality of life and moral integrity focus on non-financial rewards. In such cultural environments, non-monetary rewards of recognition and praise (Chiang and Birtch, 2005; Mendonca and Kanungo, 1994; Vance, McClaine, Boje, and Stage, 1992) are appreciated.

As study by Islam and Ismail (2008) discovered that money is perceived a good motivator by US and Malaysia, and it is expected that promotion will receive higher priority. Indeed, promotion has been continuously pushed to higher priority over the years in US. The same case happened to Malaysia in 2004 where the job security has maintained stability in its ranking. Islam and Ismail (2008) enlighten that contrary to Malaysia, US is more concerned with job security over promotion matters. However, 'interesting work' has maintained middle ranking among factors in all surveys conducted in Malaysia and US. Malaysian employees are not much concerned about the appreciation of their work compared to the other factors. Conversely, the 'full appreciation of work done' has been favored by the US employees (Islam and Ismail, 2008). It is observed that monetary reward plays a major role in motivating Malaysian employees compared to US employees are more preferred to appreciation and recognition. This concludes that money has been a predominantly preferred motivator amongst Malaysia employees (Islam and Ismail, 2008).

Reward Program Influences

As discussed by Gilley and Maycunich (2000), an effective development of compensation and rewards philosophy reflects the importance of change and remaining flexible in adapting to the demands and constraints of a dynamic, ever-shifting business environment. They found that pay and rewards in most organizations have not evolved to effectively compensate individuals for their increased effort, **employee contribution** and learning and development. Important to this study would also be the effect on **employee productivity**. Huang, Lu, Tang & Huang, (2004) also indicated that human resource executives have been focusing on effective ways to increase employees' commitment and satisfaction and which will be able to reduce the cost related to recruitment and turnover. Furthermore, practising fairness in reward as one to which employees is most sensitive is important in order to improve individual commitment and job performance (Huang *et al.*, 2004). Therefore, a well-designed development of compensation and reward program exhibits attribute rewards which are linked to

business strategy in-order that employees know what is being rewarded and why rewards support the organization's culture (Gilley & Maycunich, 2000). (Only one attribute here will be needed to be extended and put to the 'Hadhari' test). However, the truth about employee reward perception is more complex than the assumption that employees view each reward element in isolation from all others (Davenport & Roberts, 2005). The authors also mentioned that social scientists who studied employee attitudes have observed that employees view their reward portfolios holistically; forming generalized impressions about how much the organization values their contributions and cares about their well-being. In the Malaysian setting, this holism will, to the majority of employees following Hadhari's principles, include moral issues and obligations.

Appelbaum and Kamal (2000) also found that there was a clear positive relation between **employee loyalty/retention** and compensation. Dutton (1998) noted that lack of employee recognition is cited as a major and recurring source of **employee turnover** (cited in Appelbaum and Kamal, 2000) and this has resulted in firms losing disenchanted innovators as well as experiencing lower levels of effort and even sabotage and espionage. However, Appelbaum and Kamal (2000) explained that employee motivation through non-monetary rewards may be accomplished by decision makers paying closer attention to the needs of their employees, in particular to relevant factors discussed before, and this may ultimately result in improved revenues through greater productivity, increased employee satisfaction or higher output, reduced employee absenteeism, lower employee turnover rates and a greater overall synergy in increasing the firm's efficiency and bottom line.

RESEARCH METHOD (QUALITATIVE FIELD STUDY)

Sample Selection

The group members selected for the study were named 'exempt' employees (exempt from the minimum wage and overtime under Fair Labor Standard Act (FLSA)). As to generate the sample frame, a detailed listing of private organizations in Malaysia was obtained from The Federation of Malaysian Manufacturers (FMM) 2003. The category of size either small, medium or large was done according to size of the organizations. The organizational size has been measured in different ways such as number of employees, physical capacity measures, assets value, magnitude of output transactions (Goldschmidt and Chung, 2001; Kukalis, 1991) sales turnover and market value (Smith, Jamil, Johari and Ahmad, 2006). Hence, most articles and journals look at organizational size as the number of employees in the organization (Laforet, 2008; Peurseem and Jiang, 2008, Mitra, 2003; Goldschmidt and Chung, 2001; MacDermid, Hertzog, Kensinger, & Zipp, 2001). The researcher decided using this measure to compare past researches and future findings in this study. Size" is particularly of interest to this study because the companies from which the study is drawn are distinctly are in three "size" categories, small, medium and large. Employee number (in three categories) is one indicator used to approximate size (Peurseem and Jiang, 2008). Therefore, for the purpose of sampling in this study, the category of size was based as follows: a category size of less than 500 employees refers to small and medium organizations (Nafukho, Graham and Muyia, 2009; Barber, Wesson, Roberson and Taylor, 1999) and greater than 500 employees refers to large organizations (Ford, 2009; Lluís, 2009).

Despite that, considering the time and cost constraints, a sample size of between 200 and 1,000 respondents is to be acceptable in this study and this is also in line with a suggestion made by Alreck and Settle (1995). Therefore, 1000 employees had been chosen as the sample size if the population was greater than or equal to 10,000. It was expected that 20% of the respondents would respond to the survey.

Data Analysis

Structural Equation Modeling (SEM) – Partial Least Square (PLS) was used for the quantitative field study data analysis in this study. The two stages in PLS are assessment of the measurement model and assessment of the structural model. The individual item reliability, internal consistency and discriminant validity is examined in assessing the measurement model. On the other hand, the significance of the path loading is tested and the variance for each dependent construct is explained in assessing the structural model.

The measurement model assessment focused on the relationship between indicators and corresponding constructs. Assessment which is also referred to as construct validity; consists of convergent validity and discriminant validity. Thus, convergent validity evaluates how closely the

items in a single construct correlate with each other. Besides, assessment of such validity includes individual item reliability and internal consistency (Barclay et al., 1995; Santosa et al., 2005).

The structural model consists of latent variable construct relationships as hypothesized in final research model in Figure 2. PLS can be used to analyze both reflective and formative constructs. Thus, both explanatory power of the independent variables and the significance of the path coefficient should be determined in order to assess the structural model. According to Chin and Newsted (1999), the significance test (t-statistic) of all paths was performed by using bootstrapping resampling method.

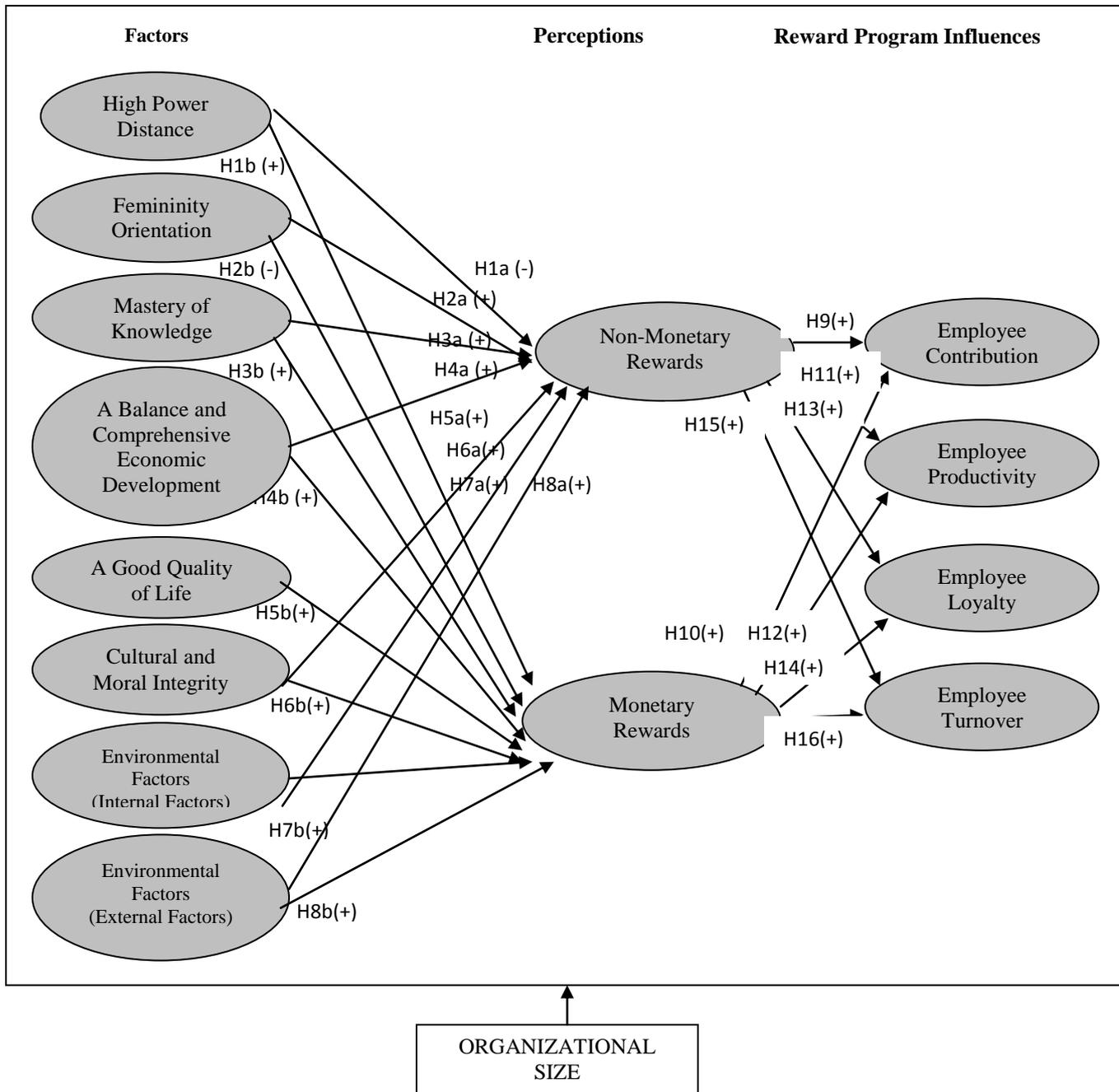


FIGURE 2: PLS Model for Hypothesis Testing

3. FINDINGS

Overall, 329 returned surveys were returned that translated to an effective response rate of approximately 32.9 percent. The overall response rate was low but not unusual, given that Malaysian

managers and executives were typically reluctant to participate in surveys (Jusoh and Pernell, 2008; Jusoh, Ibrahim and Zainuddin, 2008; Jusoh, Ibrahim and Zainuddin, 2006).

As part of the survey response, respondents were asked to state the total of headcount in their organizations. Most of the respondents who participated in the survey are come from large private organizations is 67.8 percent. The large organization refers to people work in the organizations. Those respondents working in medium size of organizations were 25.2 per cent and the smallest proportion, 7 percent, were respondents from small organizations. It shows here that the majority of respondents who participated in this survey are from large organizations because these organizations have more headcounts than small and medium organizations.

The environmental factors (internal and external factors) and a balanced and comprehensive economic development construct which were derived from different dimensions are considered as formative indicators in this study. The remaining constructs are therefore considered to be reflective indicators that measure the identical dimensions to reflect their corresponding latent construct.

The path coefficients and t-statistic results of the bootstrapping technique are summarized according to the moderating variable which is the organizational size in Table 1 for the large and small and medium private organizations. The researcher calculated a pooled error term t-test to determine statistical significance of the different path coefficients by size of the private organizations in Malaysia. Most loadings, composite reliabilities, and average variances extracted for each sub-sample pass the required thresholds described earlier (Table 1). For instance, the result did not support this proposition of H1a. The standardized structural coefficient for the path (β) from High Power Distance to Perception of Non-Monetary Rewards was 0.046 with the t-value of 1.159 (see H1a, Table 2), which indicates that High Power Distance has little positive impact on the Perception of Non-Monetary Rewards. This hypothesis was not statistically significant in this study. However, the result also did not support this proposition for the group of large private organizations. The result shows that path from High Power Distance to Perception of Non-Monetary Rewards has little positive impact on the Perception of Non-Monetary Rewards, $\beta = 0.017$, $t = 0.1923$ ($p < 0.05$) (see Table 1), for the group of large private organizations. This hypothesis was not statistically significant in this study. On the other hand, the result supported this proposition for the group of small and medium private organizations. The standardized structural coefficient (β) for measuring the path from High Power Distance to Perception of Non-Monetary Rewards was -0.285 with t-value of 3.5114 ($p < 0.001$) (see Table 1), which indicates that High Power Distance has negative impact (opposite to the direction hypothesized) on the Perception of Non-Monetary Rewards. This hypothesis was statistically significant in this study.

TABLE 1: Results of Pooled Error Term t-Tests by Subgroup
(large and small & medium private organizations)

Path	329 Respondents				Organizational Size			
			Large (223)		Small & Medium (106)			
	Path Coeff.	t-value	Path Coeff.	SE from bootstrap	t-value	Path Coeff.	SE from bootstrap	t-value
H1a (-) : (HPD → PNMN)	0.0460	1.1590	0.0100	0.0520	0.1923	-0.2850	0.0812	3.5114***
H2a (+) : (FO → PNMN)	0.3750	5.1053***	0.3350	0.0833	4.0221***	0.4120	0.0782	5.2656***
H3a (+) : (MKW → PNMN)	0.2050	3.3639***	0.1490	0.0622	2.3970**	0.2610	0.1081	2.4140**
H4a (+) : (BCED → PNMN)	0.0900	1.5148	0.1250	0.0592	2.1115*	-0.1850	0.1098	1.6853*
H5a (+) : (GQL → PNMN)	0.1820	2.4248**	0.1410	0.0793	1.7781*	0.1760	0.0892	1.9736*
H6a (+) : (CMI → PNMN)	0.0590	1.1314	-0.0350	0.0824	0.4246	0.0760	0.0876	0.8677
H7a (+) : (ITF → PNMN)	-0.0680	1.4756	0.0170	0.0628	0.2707	0.0950	0.1740	0.5461
H8a (+) : (EXF → PNMN)	0.1870	3.1326***	0.2900	0.0677	4.2823***	-0.0430	0.0856	0.5023
H1b (+) : (HPD → PMR)	0.0640	1.3140	0.0170	0.0545	0.3120	-0.1520	0.0714	2.1286*
H2b (-) : (FO → PMR)	0.2200	4.7306***	0.1310	0.0503	2.6028**	0.4170	0.1007	4.1418***
H3b (+) : (MKW → PMR)	0.0780	1.7555*	0.1160	0.0516	2.2466*	0.0750	0.0806	0.9301
H4b (+) : (BCED → PMR)	0.0840	1.8615*	0.1690	0.0548	3.0814***	-0.1400	0.0949	1.4745
H5b (+) : (GQL → PMR)	0.2290	4.3148***	0.2110	0.0624	3.3829***	0.0980	0.0996	0.9838
H6b (+) : (CMI → PMR)	0.1360	2.8089**	0.0130	0.0580	0.2241	0.1300	0.0788	1.6500*
H7b (+) : (ITF → PMR)	0.0210	0.4890	0.1100	0.0620	1.7730*	0.3360	0.1707	1.9680*
H8b (+) : (EXF → PMR)	0.2980	7.3508***	0.3230	0.0609	5.3056***	0.2730	0.0648	4.2138***
H9 (+) : (PNMN → EmprCON)	0.3690	6.1361***	0.3900	0.0561	6.9487***	0.2370	0.1175	2.0177*
H10 (+) : (PMR → EmprCON)	0.4360	7.4366***	0.4810	0.0604	7.9653***	0.4690	0.0929	5.0474***
H11 (+) : (PNMN → EmprPRD)	0.2380	3.8665***	0.2610	0.0733	3.5598***	0.1570	0.1164	1.3489
H12 (+) : (PMR → EmprPRD)	0.5530	8.8006***	0.5400	0.0725	7.4527***	0.6470	0.1041	6.2159***
H13 (+) : (PNMN → EmprLOY)	0.2680	2.9936**	0.3500	0.1072	3.2659**	0.3990	0.1380	2.8912**
H14 (+) : (PMR → EmprLOY)	0.3800	4.5868***	0.3400	0.1034	3.2881**	0.3260	0.1381	2.3606**
H15 (+) : (PNMN → EmprTOV)	0.1180	1.5297	0.0710	0.0892	0.7963	0.2880	0.1768	1.6290
H16 (+) : (PMR → EmprTOV)	0.4460	6.0623***	0.4910	0.0868	5.6563***	0.3390	0.1736	1.9524*

Note:

* Indicates significance at $t_{0.05} > 1.645$

** Indicates significance at $t_{0.01} > 2.326$

*** Indicates significance at $t_{0.001} > 3.090$

4. CONCLUSION AND RECOMMENDATION

Among the 24 hypotheses proposed in this study, 16 were supported, while there were no statistical evidence to infer the significance of the remaining eight hypotheses, namely, H1a, H4a, H6a, H7a, H1b, H2b, H7b and H15. However, the research model was still considered valid. Though, it is not possible to make develop conclusions on the validity of any research model based on only one empirical study. Nevertheless, it is believed that the Reward Program Influences model developed in this study needs to be further tested in different contexts across various circumstances.

The results also revealed the moderating effects of organizational size within the model which proposed that organizational size would have a significant effect on both non-monetary and monetary rewards. Among 24 hypotheses proposed in this study, 17 were supported with the moderating effect of organizational size, while there was no statistical evidence to infer the significance of the remaining seven hypotheses, namely H1a, H6a, H7a, H1b, H2b, H7b and H15 for the large private organizations. The results also showed that 13 hypotheses were supported for the small and medium private organization while there was also no statistical evidence to infer the significance of the remaining eleven hypotheses, namely H4a, H6a, H7a, H8a, H1b, H2b, H3b, H4b, H5b, H11 and H15.

The results of the study indicated that the data from respondents of private organizations reported themselves as low power distance and feminine cultures across large, medium and small private organizations. The employees perceive and value more non-monetary rewards as it is consistent with the above past studies. This is also contrary to the literature, that Malaysia is high power distance country (Hofstede, 1980a, 1980b, 1984, 2001). The study showed the danger of assuming a direction for power distance. Although Hofstede's score for Malaysia was high power distance, respondents identified themselves as lower power distance. What this means for organizations is to bracket any power distance score when doing the research on reward packages. Instead, elicit qualitative data to verify where respondents see themselves (see Figure 2).

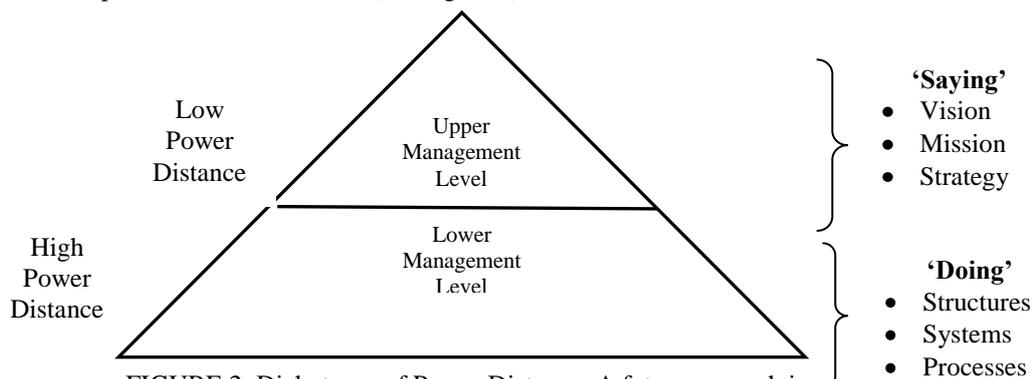


FIGURE 2: Dichotomy of Power Distance: A future research issue
(Adapted from Napoli, Whiteley and Johansen, 2005, p. 148)

Malaysia has always placed Islam at the centre of its foreign policy (Li, 2011).. Besides, Malaysian foreign policy, either under Mahathir or Badawi, would always continue to be Islam oriented, not espousing conservative views, but having a moderate and realistic base (Li, 2011). Malaysia is recognized in the Muslim world for its economic growth and social stability (Gatsiounis, 2006). Many Western countries had allowed their foreign policies to be flawed by the misinterpretation of Islam (Badawi, 2006). A balanced and comprehensive development is one of Islam Hadhari's principles which is uniquely Malaysian. It is interesting to find out that a balanced and comprehensive economic development is delivered in the Islamic economic system in order to have significant impact on personal living and material wealth (monetary rewards) as to lead the society for the wealth and economic stability. Though, a balanced and comprehensive economic development is meant for the local context of Malaysian society, foreign private organizations may not perceive it as an initiative as linking to their non-monetary structure. The criteria of individual success are based on materialistic accomplishment in the western value system. Conversely, Islam encourages its adherents to seek holistic growth in both the physical and spiritual domain (Jafari, 1992). Jafari (1992) also asserts that spiritualism and materialistic activities are not compartmentalized as Islam urges its followers to pattern their activities after the concept of '*ibadah*' (worship).

Perhaps, for local private organizations in Malaysia earning 'profits' is not only focus on monetary rewards (money). They also emphasize non-monetary rewards such as a good quality of life. This is due to Islam Hadhari's principles which aim to promote a good quality of life for the employees in real working life in organizations to balance quality of time at work as well as with the family.

Quality of work–life initiatives that are developed in response to employee surveys often result in non-monetary rewards such as increasing employee engagement, better working arrangements and conditions, and also comprehensive training programs which facilitate greater manager and employee understanding of the benefits of flexibility (Harrington and Ladge, 2009).

It is true that Malaysian government emphasized moral knowledge to educate noble values and high morale which contribute towards the high culture of its people. Basically Muslims, stress more non-monetary rewards in the Hereafter as a motivator of moral behaviour. However, there was no statistical significance found in this study for the proposed positive relationship between cultural and moral integrity and perception of non-monetary rewards. This is not in agreement with past studies such as Levine, 1998; Koys, 2001; Martinez, 2005; Lublin, 2006; Halstead, 2007; Michealson, 2008 and Malaysian prominent personalities/researchers such as Zin, 2005, Badawi, 2005; Hassan, 2004, and Bashir, 2005, among many others. The proposition was not supported across large, medium and small organization. The result also indicated there was also no positive and significant relationship between cultural and moral integrity and perception of non-monetary rewards in local and foreign private organizations, suggests the need for further research in this area.

Malaysian private organizations can gain a competitive advantage over their market rivals by aligning their compensation and performance management programs (base pay, perquisites, short-term and long-term incentives) with their business objectives. The private organizations need to design a low-risk, cost-effective rewards system that will help them remain competitive and attract skilled employees in both local and foreign organizations. Thus, Armstrong and Murlis, (2007, p.12) define total rewards is “*all of the employer’s available tools that may be used to attract, retain, motivate and satisfy employees*”. Considering that most of the Malaysian private organizations comprise Muslim employees as their workers; it is suggested that they should offer the Umrah or Haj package to be one of the monetary rewards package. (*The Umrah or (Arabic: ﺍﻣﺮﺍﻩ) is a pilgrimage to Mecca, Saudi Arabia, performed by Muslims that can be undertaken at any time of the year*). In Arabic, Umrah means "to visit a populated place". It is sometimes called the 'minor pilgrimage' or 'lesser pilgrimage', the Hajj being the 'major' pilgrimage and which is compulsory for every able-bodied Muslim who can afford it. The Umrah is not compulsory but highly recommended. This somehow will make Muslims feel recognized and definitely will boost their morale. As for non-Muslims, a good vacation package such as ‘*ziarah*’ (visit) to certain places that chosen by the organizations is equivalent to Umrah/Haj. Therefore, the ‘right’ total mix comprises non-monetary and monetary rewards as suggested above need to be designed and developed fit with local private organizations as well as foreign private organizations

SIGNIFICANCE OF STUDY AND FUTURE RESEARCH DIRECTION

Past studies have been conducted on specific matters such as work ethics, economics or banking and finance issues but little research reward management practices from an Islamic perspective specifically in Malaysian environment. The researchers examined the certain variables in different environment. (Khan, 1991; Tayeb, 1997; Loqman, 1991; Heim, 2004; Ramadan, 2005). Adding this dimension will enhance knowledge and give a better understanding of Islam Hadhari’s principles and reward management practices that will, in turn, affect the employees’ perceptions on the reward packages they receive.

Possible extension of this research can be explored in the future. As mentioned before, this study has limitations related to generalization of the findings. Future studies might want to include a larger sample size to make the findings more accurately generalised of the world’s vast population. Data can be obtained from many more organizations, and more employees of various levels, positions and religious beliefs can be included as future respondents in future studies. This study has revealed that the Islamic Hadhari’s principles have been accepted and adopted by Malaysian private organizations, though it is not universal. It would be interesting also in future studies to know the different approaches in human resource management between Islamic organizations and non-Islamic organizations. Future study can evaluate the relationship of Islamic human resource management with other relevant factors through surveys or interviews. Having thus stated, future study also can attempt to discover the effects of these practices on the employees’ productivity, contribution, loyalty, performance as well as employees’ satisfaction and organizational commitment.

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