



Total Reward System, Job Satisfaction and Employee Productivity on Company Financial Performance: Evidence from Indonesian Generation Z workers

Journal:	<i>Journal of Asia Business Studies</i>
Manuscript ID	JABS-04-2021-0154.R1
Manuscript Type:	Research Paper
Keywords:	Job Satisfaction, Employee Productivity, Financial Performance, Generation Z, Total Reward System

SCHOLARONE™
Manuscripts

Total Reward System, Job Satisfaction and Employee Productivity on Company Financial Performance: Evidence from Indonesian Generation Z workers

Abstract

Purpose - *The study of monetary and non-monetary rewards from the HRM perspective have rarely been analyzed so far. There has been extensive study on HRM, yet only a few studies explicitly discuss the correlation between the adoption of a total reward system (TRS) and employee-related outcomes. This paper analyzes this important issue to provide inputs for organisations to design compensation strategies that will impact on company's financial performance with employee productivity and job satisfaction as mediating variables specifically for Generation Z.*

Design/methodology/approach – *A survey was conducted on 40 companies operating in the service sector in Indonesia. The authors captured the overall TRS result on three outcome variables (i.e. job satisfaction, employee productivity and financial performance). Furthermore, the authors examine the impact of TRS (base pay, training and development, and positive work environment) on Generation Z workers. Structural equation modelling analysis was conducted on 40 Indonesian, service industry, listed firms with on average of six (6) representatives per firm.*

Findings - *The results validate that the adoption of a TRS exerts a positive influence on the aforementioned outcomes. However, the interesting fact about the finding is that Generation Z cannot be easily satisfied with only monetary incentives; their preference has shifted from monetary concerns to self-capability.*

Practical implications - *The empirical result suggests that TRS serves as a tool in encouraging employees and boosting productivity. Accordingly, firms should incorporate TRS practices to enhance job satisfaction and productivity as well as sustaining the relationship with stakeholders. Subsequently, management should also be concerned with maintaining good employee productivity to improve a company's financial performance by supervising and monitoring company operations, as well as ensuring the fulfillment of the stakeholder's interests.*

Originality/value - *This paper provides original insights into the complex relationship between TRS and the aforementioned outcomes, such as: job satisfaction, employee productivity, and financial performance.*

Keywords *Total Reward System, Job Satisfaction, Employee Productivity, Financial Performance, Generation Z*

Paper type *Research paper*

1. Introduction

There is no doubt that one of the most important elements that makes a company sustainable is human resources. Without manpower a company would not be able to compete in the existing market or even in the new market. Unfortunately, humans have several weaknesses as compared to machinery. Employee make errors; employees have feelings, at times they feel uncomfortable or discouraged to perform their tasks. This is usually reflected in their performance especially when they are serving the customer (Naude & Rudansky, 2016). In order to increase their performance, the company has to support them in any way possible (Peccei et al, 2013). This is where TRS plays an important part. When a company is successful in encouraging its employees, it will first affect employee productivity, which affects company performance (Peluso et al., 2017).

By adopting a total reward system (TRS), companies could affect attractiveness and performance of employees in doing tasks, as well as the satisfaction of employees (Rafiq et al., 2012; Dzurinin & Stuart, 2012). Additionally, they also stated that satisfaction leads to higher productivity and commitment of employees of the related companies. Therefore, the company needs to provide both elements which are monetary (extrinsic) and non-monetary (intrinsic). To avoid dissatisfaction, the company may need to cater to hygiene factors, but they also need to stimulate motivation to enhance employee performance in the company which is all a balancing act to encourage employees to perform at their best in the company (Hafiza, 2011). Thus, it will create a distinctive competitive advantage from other competitors and ensure to maintain the market position in tight, competitive markets caused by globalization. Hence, having a professional and highly productive worker is essential for a company in the service industry.

As described earlier, the perfect proportion of TRS affects employee productivity and job satisfaction. In this case, the company needs to raise an issue to manage and maintain their reward system to become more attractive to employees, thus positively affecting their productivity (Gbande, 2016). When employees' needs are fulfilled,

1
2
3 employees start to work efficiently and steadily to reach the company's goals. Previous studies, such as the one
4 by Peluso et al. (2017), looked at this, but they did not research further and apply this to company financial
5 performance. In particular, what differentiates this research is that it was conducted with Generation Z, which has
6 reached their productive age and have entered into the workplace.
7

8 Globalization creates a new era for all the industries and changes the way how business works. It contributes to
9 the significant increase of the global competition, continuous technological evolution and growing market
10 complexity that change the business world (Weldy, 2009; Koster & Benda, 2020). Globalization requires
11 creativity, ingenuity and risk taking (Koster & Benda, 2020; Rua et al, 2018). Globalization has a positive effect
12 on the expansion of business across countries but at the same time it has a negative effect. Globalization affords
13 businesses the opportunity to expand globally much easier, which means markets becomes much more
14 competitive than before. It creates a dynamic environment where the market share could be easily taken over by
15 competitors. If companies in Indonesia--especially in the service industry--do not develop, they will be
16 outperformed by competitors from other countries.

17 This globalization issue happens across all kinds of industries including the service industry. Due to the continuous
18 technological development and fierce competition in this type of industry, every company is forced to establish a
19 competitive strategy especially in the service industry. This is because the service industry has an intangible nature
20 to it where they perform the same kind of service in one sub-sector of the service industry. For example airlines,
21 their type of service tends to be homogenous which is to provide air transportation for passengers. Obviously,
22 they could maintain their position in the market with the additional service delivered by the employees. Therefore,
23 they have to possess a distinctive competitive advantage to be different from their competitors (Ostrom et al,
24 2015).
25

26 In addition, recently, the COVID-19 pandemic drastically disrupted the global business environment. Most global
27 manufacturers face severe supply, demand, and production capacity-related disruptions (Rahman et al., 2021).
28 Furthermore, various countries faced the changes and challenges of dealing with the disease and spreading
29 coronavirus variants (namely, the Delta variant). Although some Asian countries successfully implemented
30 several measures to control the impacts of the disease, risks still exist in the long run. Last but not least, the
31 COVID-19 pandemic also creates travel restrictions and makes most countries affect the conformity assessment
32 (Ikram et al., 2020).
33

34 Putting globalization, covid-19 pandemic and sustainability aside, employee demonstrations protesting the various
35 regional minimum wage schemes have occurred throughout Indonesia. These demonstrations in Indonesia have
36 become common place, happening almost every year (Hamdani, 2018). In relation to it, Indonesia will not be able
37 to be sustainable if it cannot solve the aforementioned problem. Thus, using a total reward system as a tool could
38 help Indonesian companies understand and start to solve their problems. Since many companies still use "one-
39 size-fits-all" reward systems, it indicates that only a small variety of reward options have been offered to the
40 workforce (Peluso et al., 2017). Thus, using a total reward system as a tool may help companies understand and
41 solve their problems.
42

43 Trade unions have granted power to the various workforces that are unionized. Therefore, workforce behaviour
44 is also affected by the power of unions (White & Bryson, 2013). Strikes, meetings and negotiations have been
45 well-known factors as a result of the democratic nature of trade unions. In other words, when talking about
46 workers' right (i.e., amount of pay and benefits they receive) unionized workforces are able to express their
47 opinions more often. Trade unions could be one of the major triggers of the relationship disruption between the
48 workforce and the company. Therefore, managers have to perform as "representatives" to negotiate with the trade
49 union to minimize any disruptions that could severely affect relationships and lead to a demotivated workforce
50 (Workers united, 2018).
51

52 Many previous studies state that non-monetary incentives will have a greater effect on employee performance as
53 compared to those of monetary incentives (Boselie, 2010; Gallus & Frey, 2016; Van Beek et al, 2012). Generation
54 Z is a unique generation as they have unique needs that cannot be easily satisfied by only monetary rewards. They
55 seek freedom to express their feelings and yearn for the opportunity to meet and understand lots of different
56 people. This generation of worker wants to understand and tolerate the differences in people and in return, they
57 expect others to understand and accept them (Gen-Z) for who they are (Francis & Hoefel, 2018). Research
58 conducted by McKinsey has come to a conclusion that Gen-Z is a simple and realistic generation and their way
59 of living is pragmatic (Francis & Hoefel, 2018). They think further ahead when planning or choosing their career
60 paths; for example, they will choose long-lasting and sustainable jobs instead of high salary. Additionally, Gen-Z

wants to express their emotion by being themselves. Even at work, Gen-Z has a need to be themselves. In this case, the total reward system variable will consist of several indicators which are well-suited for Generation-Z (Francis & Hoefel, 2018). Therefore, in this study, the authors examine Generation Z using the total reward system as a tool to understand their needs. Looking at the importance of the variables, this study has a purpose to find out how the total reward system impacts company financial performance with employee productivity (EP) and job satisfaction (JS) as mediating variables. Furthermore, the authors were curious to know how important employee motivation was by knowing what they need, especially in Generation Z, and how customers expect the company to perform or execute their services. Hereinafter, this is the first study that attempts to give a deeper analysis on the implementation of TRS practices in Indonesia. Insights obtained from this study may contribute to both theories and real practices of TRS policies. The outcomes could be used to improve the understanding of TRS and management literature, as well as providing answers to differences in individual performance and corporate financial performance as related to TRS, EP, and JS, which are vital for all stakeholders of the company.

2. Literature review and hypothesis

2.1 Resource-Based Theory

According to Acar & Polin (2015), resource-based theory is a theory where a company should fully utilize their resources to compete in the market. The company can maximize their wealth, competitive advantage and financial performance if they can fully utilize their available resources. Company resources consist of two elements, intangible and tangible assets. To operate a business, it is obvious that both of the elements must exist to complete and complement each other, especially its human resources.

Acar & Polin (2015) also state that intangible assets are more important than the tangible ones because intangible assets can become a source of competitive advantage. Hence, having fully utilized all its resources in order to distinguish the company from other competitors, a company is able to create sustainable competitive advantage to compete within the market (Hill & Jones, 2009).

The implementation of resource-based theory, in the total rewarding system, falls into the scope of human resources. A company that fully utilizes its employees by turning them into a professional workforce develops a source of competitive advantage for the company. Yang (2012) states that a highly productive workforce is likely to have attributes that make it a particularly valuable strategic asset. Thus, based on Acar & Polin (2015) and Hill & Jones (2009), it can be inferred that the productivity of workforce can become a competitive advantage for a company. However, workforces need support to increase their productivity, one facet of support having a total reward system. Hence, a total reward system is needed as the mechanism to create a sustainable competitive advantage by motivating and educating workforces for the company's benefit.

2.2 Total Reward System

When companies implement a total reward system (TRS), which consists of both monetary and non-monetary rewards, this is considered as a company "investment" in their employees. According to Gulyani & Sharma (2007), monetary incentives are most of a type that is usually related to performance; an example is bonuses, such as target sales bonuses which are not included in the work itself. On the other hand, there are non-monetary incentives. These incentives are usually preferred by most employees since it has comparative advantage than monetary stimulus, but it will not be significant or complete unless both of the incentive components are present and implemented together. The total rewards system (TRS) offers a value proposition regarding employment relationships. The practice of TRS improves the effectiveness of rewards and recognition programs as a whole. Compared to a single reward system, TRS has a more significant influence on individual employees and organisations (Rai et al., 2019). The total reward system (TRS) must be in alignment with the resource based theory; these two systems need to be synchronously provided by the organization in order to fulfill employees needs and increase employee productivity. Therefore, companies are interested in implementing this scheme in order to understand their employees' needs and the improvement of their attitudes and behaviors (Peluso et al., 2017). In doing so, companies will expect greater return from their employees in the form of their performance (Kooij et al., 2010). Additionally, companies will be able to forecast whether the increase in employee performance was significant or not.

The theory above give birth to expectancy theory which predicts whether the level of motivation is in alignment with the attractiveness of rewards and employee capabilities to earn those rewards (Peluso et al., 2017). Expectancy theory also helps employees to predict how much effort to leverage in a task if they know how much

1
2
3 they will receive in terms of rewards for a certain task. If employees believe that what they will receive from the
4 company for their effort is valuable, they will do their task whole-heartedly (Peluso et al, 2017).
5

6 *2.3 Generation Z*

7 Generation Z is the demographic cohort after the millennial generation which consists of people born in the mid-
8 1990's. Based on various research, Generation Z is characterized as confident and happy people. They like to
9 work in teams and to deal with social-service activities. They are more interested in many activities if compared
10 with the previous generations such as generation Y or X. At work, they behave differently from earlier generations,
11 which brings different challenges from the organizational context. Generation Z is full of ambition. They are
12 ambitious in reaching their goals in life. They are interested in developing themselves by gaining more education
13 through formal education such as studying at university. They are consistently seeking for happiness in the
14 workplace. If they cannot find happiness at the workplace, they will quit their job and look for one that meets their
15 needs (American Psychological Association, 2017; Lanier, 2017).
16

17 Generation Z workers are more innovative and entrepreneurial than the other generations; therefore, in order to
18 retain and manage Generation Z employees more effectively, employers should provide them with opportunities
19 to work autonomously. Gen Z employees do not like tight control when they work; are easily bored with their
20 jobs, especially repetitive one; and they consistently like to learn new things by spending time on their gadgets
21 (Zhitomirsky-Geffet and Blau, 2016). When managing Generation Z employees, it is best to provide job rotation
22 programs which allows them to develop their skills in different departments. Additionally, Generation Z likes to
23 be connected with their peers while exchanging ideas and thoughts (Ozkan and Solmaz, 2015). Therefore, in the
24 context of TRS, when analyzing the variables of TRS and Generation Z workers, several indicators are in
25 alignment with Generation Z characteristics.
26

27 *2.4 Total Reward System and Employee Productivity*

28 Good incentive programs positively affect the performance of employees in that they will likely give more effort
29 when delivering services to clients when good incentive programs are in place. This form of investment from the
30 company to the employee drives them to work more efficiently and effectively and to deliver good quality of
31 service (Gbande, 2016). Therefore, this brings a benefit to the company; the trade-off should not be wasted.
32

33 According to Hartzell (2011), productivity is all about input and output; the output is affected by the input, the
34 authors have considered that the total reward system could become an effective input in this scheme. Resource
35 based theory mentions that by giving a good proportion of the total rewards system as a tool to fully utilize its
36 intangible assets, could enhance employee productivity. According to Yang (2012), highly productive workforces
37 provide a competitive advantage to companies distinguishing them from their competitors since the service
38 industry is very homogenous. In this study, a productivity questionnaire was used to analyze the overall
39 effectiveness of employees' ability to generate profit with the utilization of time (Ye & King, 2016). In the service
40 industry, productivity is required since the purpose of the service industry is to deliver high quality services to the
41 client, which also means to provide effective services to the client.
42

43 Due to its inherent intangible nature, it is difficult to measure and quantify service productivity. Should a company
44 be able to accurately measure service productivity this will be a huge boon for the company (Walsh et al.,
45 2016). Measurement of productivity in the service industry is very popular these days and beneficial for any
46 service-related company (Ye & King, 2016). Hence, raising the issue of improving service productivity is key for
47 their managers. Several studies have been done worldwide to analyse the impact of TRS on company outcomes
48 which include employee productivity. These prior studies have shown a positive correlation between the total
49 reward system and employee productivity. One study, Salah (2016), indicated that TRS had a positive impact on
50 employee productivity. Thus, the following hypothesis is proposed:
51

52 *H1: Total reward system has a significant impact on employee productivity*

53 *2.5 Total Reward System and Job Satisfaction*

54 TFS affects job satisfaction in many areas. This is due in part because job satisfaction is closely related to the
55 feeling of each employee or the perception of employees towards their day-to-day jobs, where key aspects such
56 as expectation and the reality of their working conditions and circumstances is taken into account (George &
57 Zakkariya, 2015; Mokaya, 2013). According to Lane et al (2010) and Taba (2017), the indicators of satisfaction
58 are communication, salary, autonomy, working environment, and organizational commitment. While Siddiqui
59
60

(2015) mentioned there are five indicators of job satisfaction which are the work itself, pay, promotion, superintendence/associates, and opportunities.

Hence, based on the explanation above, satisfaction is different for each individual. The quicker and more accurately that a company can figure out their rewards system by getting to know what their employees really want or need, the more beneficial this is to enhancing job satisfaction. Resource based theory indicates that by using a total reward system as a tool, companies can understand the needs of their employees better so that employees feel more satisfied and committed to the company. This gives companies a competitive advantage since having committed and professional employees is hard to copy (Davis, 2017). A study conducted by Chepkwony (2014) in Kenya found that there is a positive relationship between TFS and job satisfaction. Another research program conducted by Peluso et al. (2017) looked at multinational companies and found that TFS positively affected job satisfaction as well. Thus, the following hypothesis is proposed:

H2: Total reward system has a significant impact on job satisfaction

2.6 Job Satisfaction and Employee Productivity

Nowadays, people work throughout their lives. They can work anywhere and at any time without boundaries (Duari & Sia, 2013). Therefore, it is important for employees to be satisfied with their jobs. Satisfied employees bring a huge benefit to companies. When a company can satisfy its employees, worker efficiency and productivity increase (Siengthai & Pila-Ngarm, 2016; Dechawatanapaisal, 2018). These two variables, satisfaction and productivity, are closely related. When satisfaction is higher, productivity will increase as well. Shobe (2018) said that if individual employees are satisfied, or their working conditions are good, their performance and other aspects that are beneficial to the company will also increase. People are the most crucial resource a company has; without them a company would not be able to produce anything or reach any organizational goal (Ye & King, 2016). It is not a matter of perception of each employee towards their job; when employees feel satisfied it could make for better working conditions or the impression of a conducive work environment. These conditions or circumstances are important because they can positively affect employees by focusing on their work and making employees become more productive (Saranya, 2014).

This relationship between job satisfaction and employee productivity was supported in a Greek study by Fassoulis & Alexopoulos (2015), which investigated the relationship between employee satisfaction and employee productivity. Shobe (2018) conducted research on job satisfaction and productivity in different divisions such as IT, finance, etc. From these two studies, it is proven that there is a positive relationship between job satisfaction and employee productivity. Thus, the following hypothesis is proposed.

H3: Job Satisfaction has a significant impact on employee productivity

2.7 Employee Productivity and Financial Performance

Employee productivity is crucial for all companies. If employees are not working and completing tasks in concert with the company's strategic objectives the company will shutter (Ye & King, 2016; Obeidat et al, 2016). Aside from that factor, efficiency is also another crucial factor for companies to consider, since they expect a good return from the 'investment' which comes in the form of pay, incentives and rewards (Sharma & Sharma, 2014). According to Hanaysha (2016), productivity becomes one of the major issues for companies to handle. Utilization of time by each employee during office hours is hard to control, since we know employees are not machines, they can feel saturated and thus need breaks (Harris & Fleming, 2017). Therefore, companies need to address such issues to know how to maintain high productivity.

This study examines employee productivity in the service industry, which is also referred to as service productivity, since the service industry does not produce any products as an output, the output comes from the return of investment from each employee. The success factor of entity comes from their employees (Sharma & Sharma, 2014). If service productivity is high, it can support the entity in reaching organizational goals. Therefore, it is important to maintain and enhance the productivity of employees. This concept is supported by the previous research of Sharma & Sharma (2014) conducted in India. Their research indicated that higher productivity will lead to better profitability and economic growth. It also brought to light that there is a positive relationship between employee productivity and financial performance. Thus, the following hypothesis is proposed:

H4: Employee Productivity has a significant impact on financial performance

2.8 *Job Satisfaction and Financial Performance*

Parvin & Kabir (2011) state that job satisfaction is a feeling that is generated from employees towards their job. Furthermore, they conclude that job satisfaction describes whether employees are contented with their job. This feeling could be affected by several circumstances that fit the employees' needs. According to Cathy & Chongyang (2016), once the employee feels that their needs are fulfilled, only then will they show satisfaction. When a company succeeds in fully utilizing its resources as in line with the resource-based theory, the related company will be able to boost their financial performance since the related company has a distinctive competitive advantage from their competitors (Penny, 2014). This concept is supported by the previous research by Pang & Chin-Shan (2018) on the relationship between job satisfaction and financial performance where the research was conducted in Taiwan in the shipping industry. Meanwhile Christina and Gursoy (2009) conducted similar research in the hotel industry. Both studies indicate that there is a positive relationship between job satisfaction and financial performance. Thus, the following hypothesis is proposed:

H5: Job Satisfaction has a significant impact on financial performance

2.9 *Total Reward System and Financial Performance*

The total reward system is a combination of several incentives to make employees feel more satisfied, which will lead to a higher level of company performance (Peluso et al., 2017). TRS can be considered as an 'investment' the company makes towards its employees with the expectation that those same employees reciprocate in-kind with a higher level of performance (Kooij et al., 2010). The total reward system connects the objectives of the organization with employees' outcomes. If individual employees have the same objectives as the corporation, it means that what is beneficial for individual is also beneficial for the company by minimizing the agency problem when the agent does not perform his/her role (Yan, 2017). Agency theory explains the relationship between a principle and an agent, where the agent should act on behalf of the principle (Parker et al., 2018). Hence, linking the objective is a win-win solution for both parties, for the company as well as for the stakeholders. This concept is also supported by the previous researches performed by Ong et al (2012) and Ong & Teh (2012). These previous researches studies were conducted in different industries, one in the insurance industry, the other in manufacturing. The results indicate that TFS has a positive relationship with company performance. Thus, this following hypothesis is proposed:

H6: Total reward system has a significant relationship on company performance

3. Research Methodology

3.1 *Research methods and samples*

The samples of the study involve listed service companies in the Republic of Indonesia in 2018. Service industries were selected for two reasons. First, since the industry does not produce any goods as an output, the output comes from the return of "investment" from each employee. As Sharma & Sharma (2014) outline, the success factor of a service entity comes from its employees. If service productivity is high, it could support the entity in reaching the organizational goal. Therefore, it is important to maintain employee productivity. Second, due to the continuous technological development and fierce competition in these industries, every company must establish a competitive strategy. Since service is intangible by nature, there must be a distinctive competitive advantage to distinguish the company from its competitors. Service companies can maintain their position with the additional service delivered by their employees.

This study uses of primary data through the use of a questionnaire for each variable. Furthermore, there is no adjustment or change made for this study's questionnaire compared to the original or previous study. The data gathering process took approximately one month to distribute the questionnaires using a door-to-door method and networking. On average, six respondents per company were received. In total there were 240 respondents representing 40 service companies listed on the Indonesian stock exchange; 120 respondents were employees all under the age of 23 years old and 120 supervisors. The authors eliminated some questionnaire responses for validity purposes. In the end, there were 233 valid respondents consisting of 116 employees below 23 years old and 117 supervisors who are valid to be respondent in this current study.

Table I Summary of the sample observed

<i>Sampling Criteria</i>	<i>No. of companies</i>
--------------------------	-------------------------

Number of companies listed in the Indonesia Stock Exchange	563 Companies
Number of companies which were categorized as non-service companies	(433) Companies
Number of companies which did not respond the questionnaire	(90) Companies
Total number of companies as valid respondents	40 companies

From the table I above, the total samples that meet all criteria and used for the observation are 40 companies.

To measure the proposed relationship, Partial Least Square (PLS) was used through a collection of primary data, testing of hypothesis, and identification of correlation. This model analysis covers the primary data gathering, the hypothesis testing and the evaluation of the variable correlations. According to Kock (2015), a multivariate statistical model must involve validity, reliability, and multicollinearity tests but not the normality test. Further, Ronkko et al. (2016) said that Partial Least Squares (PLS) has been recommended for handling non-normal data. Many recent works on PLS urges researchers to drop the normality test. Validity in this study includes convergent and discriminant validity which are analyzed from the correlation coefficient between indicator scores and the latent variable scores, represented by the factor loading values.

3.2 Variables and Measures

In order to analyze the prior six stated hypotheses, therefore this research uses the following analysis model.

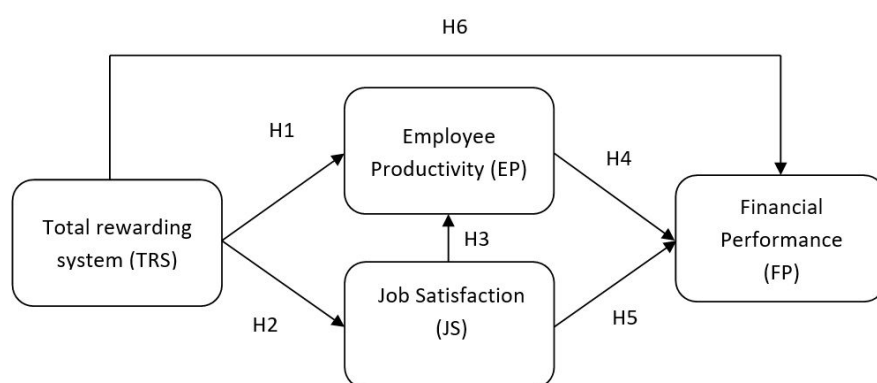


Figure I Research Model

Furthermore, the model of TRS impacts towards FP is expressed in the equation below.

$$FP = \alpha + \beta_1 TRS + \beta_2 EP + \beta_3 JS + \varepsilon \quad (1)$$

$$EP = \alpha + \beta_1 TRS + \beta_2 JS + \varepsilon \quad (2)$$

$$JS = \alpha + \beta_1 TRS + \varepsilon \quad (3)$$

Where:

FP = Financial performance

EP = Employee Productivity

JS = Job Satisfaction

TRS = Total Reward System

$\beta_1, \beta_2, \beta_3$ = Coefficient regression

ε = Error

Dependent Variables (Financial Performance)

In this paper, financial performance is the dependent variable measured using primary data through the questionnaire adopted from Lopes et al. (2005). It used six indicators which are ROA, ROE, Sales Growth, Net Profit, Profit Growth, and Market Share. The questionnaire was distributed to the supervisor of the employee. Researchers use a Likert scale from 1 to 5 (strongly disagree to agree strongly) to measure the supervisor's perception regarding the company's financial performance. These item-questions can be found in Appendix D.

Independent Variable (Total Reward System)

In this research there is one independent variable which is the total reward system which is measured by primary data gained by using a questionnaire adopted from a previous study conducted by Peluso et al. (2017). The measurement scale used a Likert scale ranging from (1) strongly disagree to (5) strongly agree. Three indicators of a total reward system (TRS) are fair pay, training and development, and a positive work environment, were reviewed. Those three indicators were classified into two sub-classifications: monetary (MON) for “fair pay” and non-monetary (NMON) for training and development, and positive work environment. Fair pay consists of question items such as, “Here I’m paid fairly for the work I do” and “I am paid fairly in view of my responsibilities and experience” which are classified as a monetary classification (MON). The reason for this is the question of fair pay centers on the topic of money via salary or monthly pay. Hence, it is classified as a monetary classification. On the other hand, training and development consists of questions items such as: “I have a very good chance to get ahead with my organization,” “People working here are encouraged to develop their skills,” and “I am offered training or development opportunities to further myself professionally” all of which were classified as non-monetary (NMON) because they are not related to a monetary factor. Positive work environment consisted of question items such as: “This is a friendly place to work,” “This is a psychologically and emotionally healthy place to work,” “I can be myself around here,” and “People are encouraged to balance their work life and personal life,” all of which were classified as non-monetary classification (NMON) because these questions to not involve monetary factors. These questions are found in Appendix A.

Intervening Variable (Job Satisfaction)

The question items of job satisfaction are adopted from Minnesota Satisfaction Questionnaire by George & Zakkariya (2015). The measurement scale used is Likert scale from (1) strongly disagree to (5) strongly agree. There are 20 questions to measure the job satisfaction of the employees. After scoring the 20 questions, the total score of strength and concerns should be calculated in order to get Net JS. The question items of Minnesota satisfaction questionnaire are stated in the later section on the appendix C.

Intervening Variable (Employee Productivity)

Productivity in the service industry is beneficial for company to perform since the intangible nature of service is hard to quantify. Productivity could be measured by two types of data, primary and secondary. In this study, primary data will be used to quantify the productivity. The questionnaire is adopted from Harris & Fleming (2017). The question items of employee productivity are stated in the later section on the appendix B.

The following table II shows the summary of each variables source of data.

Table II Variable and Data Source

Variable	Source of Data
Total reward system (TRS)	Employee rewarding system satisfactory questionnaire.
Employee Productivity (EP)	Productivity Questionnaire
Job Satisfaction (JS)	Minnesota Satisfaction Questionnaire (“MSQ”)
Financial Performance (FP)	Financial Performance Questionnaire

4 Result results and analysis

4.1 *Research data*

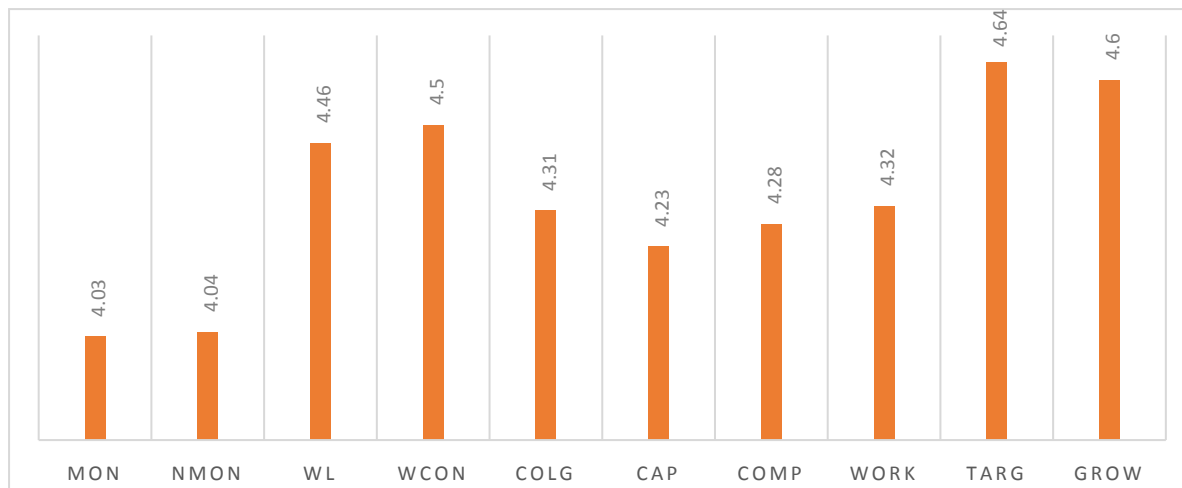


Figure II Mean Scores per Variable

In order to categorize the mean or average of the respondent's answer, it is crucial to determine the class interval. The interval is determined based on the following formula.

$$\text{Class Interval} = \frac{\text{Highest Value} - \text{Lowest Value}}{\text{Number of Class}}$$

$$\text{Class Interval} = \frac{5 - 1}{5} = 0.8$$

Therefore, it can be determined that the class interval is 0.8, and the average of the respondent's answer can be categorized as follow.

Table VI Summary of Respondent's Answer

Variables	Indicators	Mean Scores	Average	Category
		Mean Scores	Mean Scores	
Total Reward System	MON (Monetary)	4,03	4,04	High
	NMON (Non-Monetary)	4,04		
Employee Productivity	WL (Work Load)	4,46	4,47	Very High
	WCON (Work Condition)	4,50		
Job Satisfaction	COLG (Colleague)	4,31	4,29	Very High
	CAP (Capability)	4,23		
	COMP (Company)	4,28		
	WORK (Work Achievement)	4,32		
Financial Performance	TARG (Target)	4,64	4,63	Very High
	GROW (Growth)	4,60		

According to table VI above, the average mean scores for the variable total reward system is 4.04, which is categorized as high. This means that the total reward system in the related company has been implemented well. Most of the respondents agree that the company where they work has already implemented both the monetary and non-monetary benefits system as the total reward system since it helps the company to reach their goal by giving fair amount of pay and training that develops old and new skill for the employees. The mean scores of employee productivity is 4.47 or "very high." This means that the respondents strongly agree that they are able to utilize the worktime efficiently without any disturbance that could distract them. Moreover, the mean scores of job

1
2
3 satisfaction is 4.29, also very high. This means that the respondents strongly agree that the company has the ability
4 to fulfill most of the employees' needs to ensure their satisfaction. The mean scores of financial performances is
5 4.63, very high as well. This means that the respondents strongly agree that the company is able to reach the
6 annual target and growth that have been set as resemblance of company's goal.
7

8 From the data collected, the authors can conclude that the total reward system can become an efficient method to
9 manage the resources that the company has by fulfilling various needs of each employee which could lead to
10 attract employee productivity. Most of the companies in this research could utilize their resources well which is
11 proven from the results presented in table IV above, even though the average mean scores for total reward system
12 is categorized as high, the average mean scores for the company's financial performance is very high for both
13 target and growth.
14

15 4.1.1 Result Data Implications

16 Based on the findings on Table VI, most of the companies in this research have reached an equal proportion
17 between the "monetary" and "non-monetary" policies of the total rewarding system, which is proven by the mean
18 scores: 4.03 for monetary and 4.04 for non-monetary. However, even though the difference is relatively small,
19 but it indicates that the companies have realized that their employees have shifted preference from just monetary
20 to non-monetary.
21

22 Another exciting result emerged from the findings, which shows that the two indicators of job satisfaction with
23 the highest mean score are "colleague" and "work achievement" is a non-monetary instrument. It means that the
24 preference of the employees, especially in the generation Z has shifted from monetary to non-monetary.
25

26 Hence, the company needs to boost their capability by trusting their employees more by allowing them to make
27 their own decisions or letting them perform tasks with their own capability in order to boost the job satisfaction.
28 On the other hand, the total reward system could be an effective tool since the job satisfaction score was very
29 high, which means that employees in the related company strongly agree that they felt satisfied with their working
30 condition which is in line with the resource-based theory.
31

32 Employee productivity has two indicators which are work condition and work load. From the average respondent's
33 answer, it is shown that employees could claim themselves to be able to become productive when they work
34 without any disturbance in their environment. This is proven with the result of work condition which is higher
35 than work load. Therefore, the result of employee productivity is in-line with the resource-based theory where the
36 company is able to draw out the productivity of each employee by fully utilized total rewarding system as an
37 effective tool.
38

39 The positive relationships from all of the hypotheses show that whenever the independent variable improves the
40 dependent also improves as well. In this case, the authors can conclude that the results are in-line with the resource-
41 based theory in which the companies could fully utilize their resources well. The total reward system will attract
42 employees' attention to create committed and highly productive employees that could give competitive advantage.
43 In this case, the company can fully utilize the resources in order to distinguish itself from the competitors and
44 boost their financial performance. Apparently, even though some of the companies have good scores in variables:
45 total reward system, job satisfaction and employee productivity, they did not score well in financial performance.
46 They scored quite high in the total reward system and job satisfaction categories, but their financial performance
47 scores were quite low. This can be concluded that the companies do not always achieve the targeted financial
48 performance.
49
50
51
52
53
54
55
56
57
58
59
60

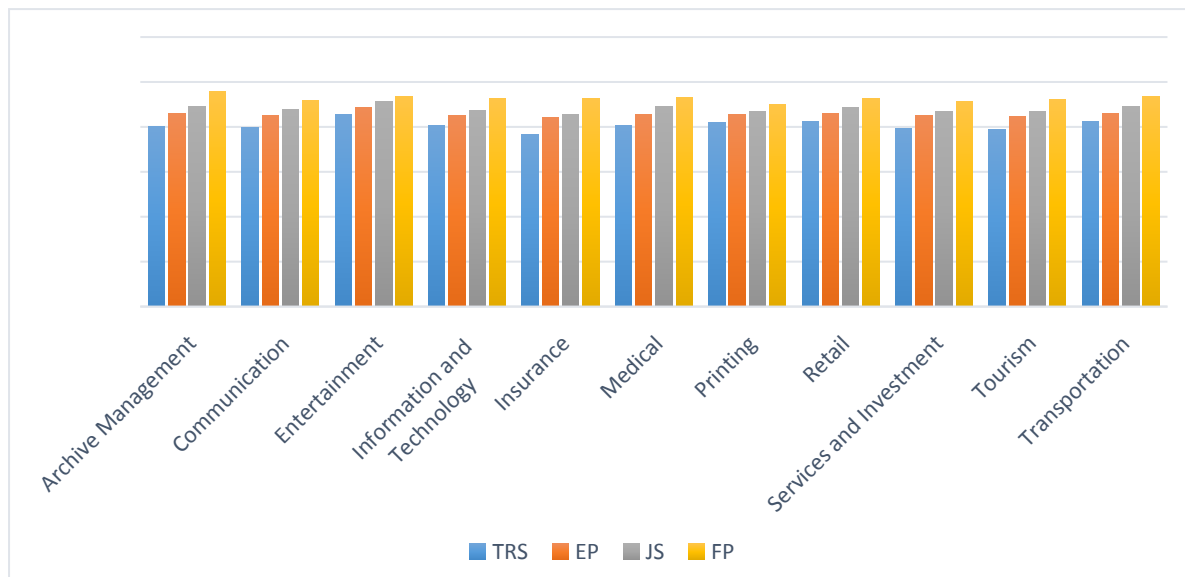


Figure III Average Respondent's Answer Per Subsector in Service Industry

From the figure III above, the highest score for total reward system comes from entertainment, which means that the object in this study in entertainment subsector has finally realized the importance of reward to ensure satisfaction and productivity of each employee which may boost the financial performance of the company. While for job satisfaction and productivity, the highest scores also come from entertainment. It indicates that if companies have a good reward system, they also have satisfied and highly productive employees. The statement is supported by the fact that the scores of total reward system, job satisfaction and employee productivity in entertainment sub-sector are the highest which are 4.29, 4.56, and 4.43 respectively.

However, higher scores in the total reward system, job satisfaction and employee productivity do not always boost the financial performance of the company. Since the score for financial performance in entertainment sub-sector is not the highest among all sub-sectors. This is in-line with the finding in this current study.

4.2 Model

This study analyzed the relationship between TRS and company's financial performance in a positive, negative or neutral way as well as the role of JS and FP as intervening variables.

Validity and Reliability

A multivariate statistical model has to involve validity, reliability, and multicollinearity or goodness of fit tests (Kock, 2015). Validity test consists of convergent validity and discriminant validity test for each of the indicator. Meanwhile, reliability test involves composite reliability test and Alpha Cronbach.

Convergent and discriminant validity

Convergent validity can be analysed from the coefficient correlation result between the indicator scores and the latent variable scores. In this analysis, this can be seen from the factor loading value. According to Kock (2015), the composite reliability for the questionnaire should be greater or equal to 0.70. On the other hand, discriminant validity test can be seen from the loading and cross loading value. When the loading value of each indicator is greater than the cross-loading value of other latent variables, then the discriminant validity is fulfilled.

Table III Combined Loadings and Cross-Loadings

Indicator	TRS	EP	JS	FP	P value
MON	0.897	0.362	0.148	-0.369	< 0.001
NMON	0.897	-0.362	-0.148	0.369	< 0.001
WL	-0.318	0.853	0.519	-0.283	< 0.001

WCON	0.318	0.853	-0.519	0.283	< 0.001
COLG	0.220	0.184	0.881	-0.194	< 0.001
CAP	0.378	-0.429	0.862	0.356	< 0.001
COMP	-0.640	0.365	0.829	-0.106	< 0.001
WORK	0.012	-0.107	0.885	-0.055	< 0.001
TARG	0.058	0.179	-0.239	0.848	< 0.001
GROW	-0.058	-0.179	0.239	0.848	< 0.001

From table III above, it can be seen that the loading factor of each of indicator for the total reward system, employee productivity, job satisfaction and financial performance as shown in the grey color are bigger than the cross-loading of the other variables. It means that each of the indicators used in this research have fulfilled the discriminant validity criteria. For example, the first indicator that took out from total reward system which is MON has loading factor of 0.897. it is bigger compared to the cross loadings of employee productivity, job satisfaction and financial performance which is 0.362, 0.148 and -0.369. Therefore, it is concluded that the first indicator of the total reward system has fulfilled the discriminant validity criteria. This applies to all of the indicators used in this research. Hence, all the indicators have passed the discriminant validity test. It means that all of the indicators of each variable are valid.

Another method to test the discriminant validity is to compare the square root of average variance extracted (AVE) of each latent variable with the correlation between latent variables. If the square root of AVE of one indicator is larger than the other coefficient correlations in one parallel row of column, then the validity is fulfilled. The result of the discriminant validity is presented in the table below.

Table IV AVE Table

	TRS	EP	JS	FP
TRS	0.897	0.687	0.849	0.398
EP	0.687	0.853	0.731	0.648
JS	0.849	0.731	0.864	0.489
FP	0.398	0.648	0.489	0.848

Based on the table IV above, the square root of AVE for all the variables are greater than the coefficient correlation of the other variables. The total reward system has square root of AVE 0.897 and this is greater than the coefficient correlations for other variables, which are 0.687, 0.849 and 0.398.

It means that total reward system has fulfilled the discriminant validity criteria. This also applies to the other variables such as employee productivity which has square root of 0.853 as compared to the other which are 0.687, 0.731 and 0.489. Job satisfaction which has square root of 0.864 is greater than coefficient correlation of other variables which are 0.849, 0.731 and 0.489. Financial performance which has square root of 0.848 which is greater than 0.398, 0.648 and 0.489. Hence, all of the variables have fulfilled the criteria of reliability. Thus, each variable in this study is valid.

Composite Reliability, Cronbach's Alpha

Table V Reliability table

Variable	Composite Reliability	Cronbach's Alpha
TRS	0.892	0.758
EP	0.843	0.627
JS	0.922	0.887
FP	0.837	0.610

Based on the table V above, all of the variables have the composite reliability greater than 0.70. The composite reliability for the total reward system, employee productivity, job satisfaction and financial performance respectively are 0.892, 0.843, 0.922 and 0.837. Hence, it can be concluded that all of the variables in this research fulfilled the composite reliability criteria. On the other hand, it is shown that the Alpha Cronbach value for the variable the total reward system, employee productivity, job satisfaction and financial performance are 0.758, 0.627, 0.887 and 0.610 respectively. Hence, it can be concluded that the Cronbach Alpha value for all 4 variables are greater than 0.6 which means that all the data have good reliability.

4.3 Hypothesis and research result

The following is the equations and the structural model results of all hypotheses tested in this study.

$$\begin{aligned} \text{FP} &= 0,24 \text{ TRS} + 0,62\text{EP} + 0,32\text{JS} \\ \text{EP} &= 0,29 \text{ TRS} + 0,49\text{JS} \\ \text{JS} &= 0,87 \text{ TRS} \end{aligned}$$

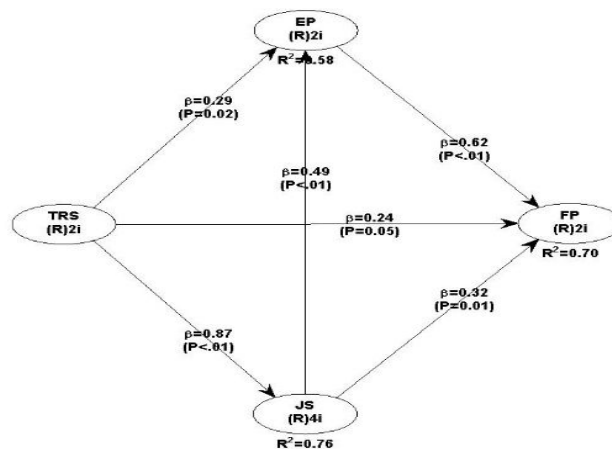


Figure IV Structural Model Result

4.3.1 Direct Relationship

The hypothesis test is done by WarpPLS software using the T-test and re-sampling. In this case, the analysis about the significance of the association between variables is needed, and the p-value should be examined thoroughly. When the p value is ≤ 0.10 (alpha 10%), it is deemed as weakly significant. If the p value is ≤ 0.05 (alpha 5%), it will be considered significant and highly significant if the p-value is ≤ 0.01 (alpha 1%). In this research, the general rule is to accept the hypothesis when the p-value is lower or equal to 0.10 (alpha 10%). Thus, when it is more than 10%, it will be rejected. Likewise, the path coefficient value will also have either positive or negative value which means correlation between the two variables.

Table VII Path Coefficient and P Value

Independent/Control Variable	Dependent Variable	Path Coefficient	p-value	Note
TRS	EP	0.29	0.02	Significant
TRS	JS	0.87	< 0.01	Highly Significant
JS	EP	0.49	< 0.01	Highly Significant
EP	FP	0.62	< 0.01	Highly Significant
JS	FP	0.32	0.01	Significant
TRS	FP	0.24	0.05	Significant

1
2
3 The table VII and figure IV above show that the first hypothesis, which is the total reward system has a positive
4 and significant impact on employee productivity with p-value 0.02 and path coefficient 0.29. Since the p-value is
5 less than 0.05 and the path coefficient has a positive value of 0.29, it justifies the acceptance of the first hypothesis.
6 This is consistent with the resource-based theory mentioning that by giving a good proportion of total reward
7 system, a company could fully utilize their employees especially if the company gives attractive rewards or
8 incentives. Obviously, it will also enhance employee productivity which may become one of the competitive
9 advantages for the company (Yang, 2012). The total reward system application in the form of activities or policies
10 that have been able to optimize the employee productivity, which contributes to the development of workforce
11 and capabilities in order to achieve better organizational performance. This theory is in-line with the application
12 of the actual condition in the listed service companies in Indonesia. The study which was conducted by Peluso et
13 al. (2017) stated that the total reward system is a combination of monetary and non-monetary incentives in which
14 with the right proportion could be attractive for employees. Companies which implement the total reward system
15 consisting of both monetary and non-monetary rewards, are considered as investing in their employees. In this
16 case, the companies could expect greater return on their employees in form of their performance (Kooij et al.,
17 2010).

18
19 For the second hypothesis, the p-value is less than 0.01 and the path coefficient is 0.87. Hypothesis 2 is accepted
20 since p-value is lower than 0.05 and the path coefficient also has a positive value. Since the path coefficient is
21 0.87, it means that the total reward system could be a suitable predictor for job satisfaction. In this case, it is
22 proven that the total reward system has a positive and significant impact on the job satisfaction. Therefore, findings
23 of this study support the resource-based theory that after considering the needs of their employees, the employees
24 feel satisfied and committed to the related company, this makes the company able to acquire competitive
25 advantage since committed and professional employees is hard to copy because it could not be touch or seen by
26 our senses (Warnier et al, 2013). It has been proven by the fact that the organization that implements total reward
27 system shows significantly higher job satisfaction.

28
29 The third hypothesis is also accepted since the p-value is lower than 0.05 (p-value <0.01) and the path coefficient
30 has a positive value (0.49). It means that job satisfaction has a positive and highly significant impact on employee
31 productivity. In this case the job satisfaction influences employee productivity in related company, but the impact
32 of job satisfaction will not be huge. The job satisfaction only contributes around 36.8% of the variance in the
33 employee productivity. It means that whenever the enhancement of job satisfaction is improved, the employee
34 productivity will be improved as well. It is also supported by the previous research by Fassoulis & Alexopoulos
35 (2015), which also finds that job satisfaction and employee productivity have a positive and highly significant
36 relationship (p < 0.001).

37
38 The fourth hypothesis is also accepted since the p-value is lower than 0.05 (p-value < 0.01) and the path coefficient
39 also has positive value (0.62) which means that whenever the employee productivity improves, financial
40 performance will improve as well. It is consistent with the previous research by Sharma & Sharma (2014) that
41 was conducted in India. Theoretically, it is believed that employee productivity influences financial performance
42 of related company which is also in-line with the current study. Based on data, the value of R^2 for the financial
43 performance variable is 0.70 or 70%. While employee productivity only contributed 41.6%, to be more specific
44 the variance of the financial performance can be explained 41.6% by the variable employee productivity variable.
45 Maximizing employee productivity which means utilizing the working time of the employees will also improve
46 the financial performance as well. Since, employee productivity could only describe financial performance by
47 41.6%, there are other variables besides employee productivity that could explain financial performance such as
48 total reward system and job satisfaction.

49
50 The fifth hypothesis is also accepted since the p-value is lower than 0.05 (p-value: 0.01) and the path coefficient
51 also has a positive value (0.32). It means that job satisfaction has a positive and significant impact on financial
52 performance. The result is consistent with a previous study conducted by Cathy & Chongyang (2016) which
53 mentioned that once an employee feels that their needs are fulfilled, then employees will show satisfaction and be
54 willing to commit to the organization. Therefore, it will improve the organization or financial performance of the
55 company. Additionally, the result is also in-line with the resource-based theory in which the employee will
56 improve not only financial performance but also competitive advantage since the commitment of the employees
57 to the company could also become a competitive advantage for the company (Penny, 2014).

58
59 The last hypothesis is also accepted since the p-value is lower than 0.05 and the path coefficient also has a positive
60 value (0.24). It means that whenever the total reward system improves, the financial performance will improve as

well. Based on the hypothesis testing earlier, the sixth hypothesis, which is total reward system has a significant impact on financial performance, should be accepted. The result consistent with previous researches by Ong et al. (2012) and Ong & Teh (2012). Theoretically, it is believed that the total reward system influences financial performance of related company which is also in-line with the current study. This hypothesis also has a positive relationship since the implementation of total reward system in the listed service companies enhances the financial performance of the related company. Therefore, it can be concluded that the actual application of the total reward system and the relationship between total reward system and financial performance are in accordance with the theory available such as the agency theory. The agency theory explains the relationship between a principle and an agent, where the agent should act on behalf of the principle (Parker et al., 2018). Hence, linking the objective is a win-win solution for both parties, for the company and also for the stakeholders.

4.3.2 Indirect Relationships

There are three indirect relationships in this study. The first indirect relationship is the total reward system has an indirect effect on employee productivity with job satisfaction as the mediator. The second indirect relationship is the total reward system has an indirect effect on financial performance with employee productivity and job satisfaction as the mediators. The last indirect relationship is job satisfaction has an indirect relationship with financial performance with employee productivity as a mediator.

The indirect relationship of total reward system to employee productivity with job satisfaction as the mediator has the p-value of < 0.001 which is below 0.05. It means that the relationship is highly significant. Thus, job satisfaction can act as mediator. Moreover, the total reward system also has an indirect effect on financial performance with employee productivity and job satisfaction as mediators in which the p-value is < 0.001 which is below 0.05. This relationship could be concluded as significant which means that the job satisfaction and employee productivity could act as mediators of the relationship between the total reward system and financial performance. The implication is that the total rewarding system is an effective tool to fulfill employee needs in order to create highly productive workforce. Thus, job satisfaction and employee productivity could act as mediators for the relationship between total reward system and financial performance.

Job satisfaction also has an indirect relationship with financial performance with employee productivity as a mediator with a p-value of 0.002 which is below 0.05. This relationship could be concluded as significant which means that employee productivity could act as a mediator. The implication is that as the employees are satisfied, they will become committed to the company by performing well on day to day task and working more efficiently. As a result, this helps the company cut some expenditures since the employees work efficiently so that it can boost the financial performance of the related company.

The indirect relationship between the total reward system and financial performance with job satisfaction and employee productivity as the mediators with p-value of < 0.001 which is below 0.05. This relationship could be concluded as significant. The implication is that TRS can be used as an effective tool to understand the needs of the employees and to encourage the employees to become more productive. Having productive employees will create a competitive advantage to distinguish the company from the competitors, especially in highly competitive market due to globalization. Consequently, the company will be able to boost the financial performance. In-line with the resource-based theory, TRS could become an effective tool to fully utilize the resources which are capital to attract workforce to create competitive advantage in order to boost the financial performance of the related company.

4.4 Effect Size

Table VIII Standard Errors and Effect Size for Path Coefficients

	Hypothesis	Effect Size
H1	Total rewarding system have significant impact towards employee productivity	0.208
H2	Total rewarding system has a significant impact towards Job Satisfaction	0.755
H3	Job Satisfaction has a significant impact towards Employee Productivity	0.368
H4	Employee Productivity has a significant impact towards Financial Performance	0.416
H5	Job Satisfaction has a significant impact towards Financial Performance	0.166

H6 Total rewarding system has significant relationship towards company performance 0.115

Furthermore, if the effect size as shown in the table VIII is considered, the effect sizes for the six hypotheses are varied. The effect is categorized into three types, which are 0.02 (weak), 0.15 (medium), and 0.35 (strong) (Kock, 2015). For the values below 0.02, the effect is considered as too weak to be relevant. For hypothesis 2, 3, and 4 are very strong against employee productivity. On the other hand, the effect for some of the hypothesis such as hypothesis 1, 5 and 6 are considered to have medium effect on the related variables and they should be considered as relevant.

Finally, this paper observed the possibility of control factors that could be affecting the relationship. Based on the data collected, two possible aspects can be affecting the association, which are gender and working experience. In general, there is no difference in experience, the reward system, employee productivity, job satisfaction between the male and female, and tenure groups. The following is the detailed results:

- TRS (Total Reward System) variables. In terms of gender, there is no significant difference at all between male and female responses. While in terms of working experience, only two (reward 1 and 7) from seven questions has a significant difference. Both of the following tables show the detailed results.

	t-test for "Working Experience"		
	t	Sig. (2-tailed)	Mean Difference
Reward1	-2,482	,015	-,22587
Reward2	-1,415	,160	-,13826
Reward3	-,895	,373	-,05734
Reward4	,212	,833	,01784
Reward5	-1,137	,258	-,09288
Reward6	-1,057	,293	-,07550
Reward7	-2,327	,022	-,15483
Reward8	,700	,485	,04906
Reward9	-,338	,736	-,01911

Table IX t-test for "Working Experience"

	t-test for "Gender"		
	t	Sig. (2-tailed)	Mean Difference
Reward1	1,254	,212	,11491
Reward2	-,819	,414	-,07950
Reward3	,137	,891	,00870
Reward4	,614	,541	,05093
Reward5	-1,108	,270	-,08889
Reward6	1,298	,197	,09130
Reward7	,296	,768	,01988
Reward8	-,972	,333	-,06708
Reward9	,916	,362	,05093

Table X t-test for "Gender"

- EP (Employee Productivity) variables. Again, in terms of gender, there is no significant difference between male and female responses. While in terms of working experience there are two from 4 questions has a significant difference
- JS (Job Satisfaction) variables. In terms of gender, only 1 out of 20 questions significantly different between male and female responses. Same also for working experience, there is only one from 20 questions has a significant difference.

5. Conclusion and Recommendation

5.1 Conclusion

The paper aims to scrutinize the association between TRS and FP that is mediated by job satisfaction and employee productivity. Both the short-term and long-term effects are examined to give a deeper understanding of TRS as an investment that has been made by the company to their employees in the future. The implementation of the total reward system in the service industry in Indonesia is very good as seen from the average mean scores of the respondents' answers which is 4,04 (see Table VI). Eventually, TRS is proven in this research to have significant relationships with FP, JS and EP, as presented in H1 to H6. Based on the research result, it is clearly shown that Generation Z could not be easily satisfied when they are provided with incentives. An interesting finding in this research is about their shifted preference as compared with Generation Y that is more interested in monetary incentive only. Peluso et al. (2017) mentioned that many companies still use a "one-size-fits-all" approach which means that companies use monetary incentives as their primary rewarding system to motivate and attract

1
2
3 employees. In addition, trade unions grant power for workforce who are already part of the institution. Therefore,
4 workforce behavior is also affected by the power they have received. Strikes, meetings and negotiations are well-
5 known as the democratic nature of trade unions nowadays. In other words, workforce will be able to express their
6 opinions more related to their rights (i.e. amount of pay, benefits) (Workers united, 2018). The practice of the
7 total reward system is proven to be very important for the service industry in this study since fulfilling employees'
8 needs will enhance their job satisfaction and affect their perception of work; this has a spillover effect showing
9 this leads to this segment of the workforce to be committed and it becomes a competitive advantage for the related
10 company.

11
12 Another interesting finding about the job satisfaction. Generation Z will be more satisfied if they are able to do
13 something with their capabilities as compared to incentives (i.e. performance-based reward). Hence, Generation
14 Z prefers non-monetary incentives (i.e. positive work environment and training and development) rather than
15 monetary incentives (i.e. fair pay). Based on the results, total reward system (TRS) and job satisfaction can give
16 more than half contribution to employee productivity. In addition to that, job satisfaction has successfully become
17 the mediator of the total rewarding system and employee productivity. Job satisfaction can strengthen the
18 relationship between total rewarding system and employee productivity. It is shown by the p value which is lower
19 than 0,05.

20
21 In-line with resource-based theory, most of the companies in this research have already utilized their resources
22 quite well, this is proven with the result presented on table VI. Even though the average mean scores of the total
23 reward system is categorized as high, the average mean score of company's financial performance is very high
24 for both of the indicators. The result indicates that "one-size-fits-all" method would not be effective to attract the
25 satisfaction and productivity of employees. In this case, the company needs to expand the reward alternatives for
26 their employees since the effectiveness of the total reward system is proven. Thus, the company can use the total
27 rewarding system as an effective tool to attract satisfaction and productivity in order to sustain in the highly
28 competitive market.

29
30 This study has implications for HR managers and management in the service industry. The findings suggest that
31 Generation Z feels more positive about non-monetary rewards. Therefore, special attention should be given to
32 enhance non-monetary rewards, specifically to create a more positive work environment as well as training &
33 development. Additionally, the identification of the combination of TRS that influence job satisfaction and
34 employee productivity allows the service industry to create differentiated reward strategies for Generation Z.

35 5.2 Recommendations

36
37 The implementation of the total reward system in the listed service companies in Indonesia is considered to be
38 good. It turns out that the results of both of the indicators for the total reward system have similar results. However,
39 one of the indicators for job satisfaction which is "company" shows that what a company gives, things like
40 incentives and building a conducive environment are less important than the second indicator which is employee
41 capability. It is recommended to management to build more trust and autonomy with employees especially for the
42 Generation Z employees because their preference has shifted. The result point to Gen Z being more satisfied if
43 they are able of doing something on their own. The findings also suggest that Generation Z working in the service
44 industry feel satisfied with their achievement on the job itself as well as with the recognition they receive from
45 their supervisor or company. Moreover, it can be seen that from the findings of the study that a TRS mix can
46 influence the strategies to enhance employee productivity and financial performance This can be done by
47 designing a reward mechanism which can be motivating and engaging to Generation Z employees.

48
49 The research on the relationship between total reward system, job satisfaction, and employee productivity should
50 be conducted further by using other samples from other industries, for example controversial industry, to identify
51 any differences in the result. This will justify if the relationship among total reward system, job satisfaction,
52 employee productivity and financial performance as explained earlier can be generalized in other business sectors
53 as well. Additionally, for future research, the total reward system should be explored further and also the research
54 should identify the relationship with the other variables besides job satisfaction, employee productivity and
55 financial performance, especially for Generation-Z employees. This is because the total reward system is still an
56 its early research phase in Indonesia. **Finally, there could be a potential effect of social desirability controlled by
57 other variables. Therefore, future research can observe more about these possible control variables. There are still
58 many other research model possibilities that can be developed and conducted relevant to it.**

References

- Acar, W., & Polin, B. (2015). The ascent of resource-based theory as constructive rational behavioral integration for looking inward and outward. *International Journal of Commerce and Management*, 25(4), 603-626.
- American Psychological Association (2017), Stress in America – Copying With Change – Part 2, APA
- Boselie, P. (2010). *Strategic Human Resource Management*. McGraw-Hill: Berkshire.
- Cathy, X. C., & Chongyang, C. (2016). Value of employee satisfaction during the financial crisis. *Managerial Finance*, 42(12), 1208-1225.
- Chepkwony, C. C. (2014). The Relationship Between Rewards Systems and Job Satisfaction A Case Study at Teachers Service Commission-Kenya. *European Journal of Business and Social Sciences*, 3(1), 59-70.
- Christina, G. C., & Gursoy, D. (2009). Employee satisfaction, customer satisfaction, and financial performance: An empirical examination. *International Journal of Hospitality Management*, 28(1), 245-253.
- Davis, P. J. (2017). How HR can create competitive advantage for the firm Applying the principles of resource-based theory. *Human Resource Management International Digest*, 25(2), 4-6.
- Dechawatanapaisal, D. (2018). Examining the relationships between HR practices, organizational job embeddedness, job satisfaction, and quit intention. *Asia-Pacific Journal of Business Administration*. 10 (2/3), 130-148.
- Duari, P., & Sia, S. K. (2013). Importance of happiness at workplace. *Indian Journal of Positive Psychology*, 4(1), 453-456.
- Dzurainin, A., & Stuart, N. (2012). The effect of tangible and intangible noncash rewards on performance and satisfaction in a production setting. *Management Accounting Quarterly*, 13(4), 1-9.
- Fassoulis, K., & Alexopoulos, N. (2015). The workplace as a factor of job satisfaction and productivity: A case study of administrative personnel at the University of Athens. *Journal of Facilities Management*, 13(4), 332-349.
- Francis, T., & Hoefel, F. (2018, November 12). 'True Gen': Generation Z and its implications for companies. available on <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-generation-z-and-its-implications-for-companies>
- Gallus, J., & Frey, B. S. (2016). Awards as non-monetary incentives. *Evidence-based HRM: a Global Forum for Empirical Scholarship*, 4(1), 81-91.
- Gbande, R. (2016). Effects of Reward System on Productivity in the Local Government System in Benue State. *Journal of Economics and Sustainable Development*, 7(22), 202-210.
- George, E., & Zakkariya, K. A. (2015). Job related stress and job satisfaction: a comparative study among bank employees. *Journal of Management Development*, 34(2), 316-329.
- Gulyani, G. & Sharma, T. (2018). Total rewards components and work happiness in new ventures: The mediating role of work engagement. *Evidence-based HRM*, Vol. 6 (3), 255-271
- Hafiza, S. N., Shah, S. S., Jamsheed, H., & Zaman, K. (2011). Relationship between rewards and employees' motivation in the non-profit organizations of Pakistan. *Business Intelligence Journal*, 4(1), 327-334.
- Hamdani, T. (2018, October 18). *Detikfinance*. Available on <https://finance.detik.com/berita-ekonomi-bisnis/d-4261651/buruh-tolak-kenaikan-upah-8-tahun-depan>
- Hanaysha, J. (2016). Improving employee productivity through work engagement: Empirical evidence from higher education sector. *Management Science Letters*, 6(1), 61-70.
- Harris, E. G., & Fleming, E. D. (2017). The productive service employee: personality, stress, satisfaction and performance. *Journal of Services Marketing*, 31(6), 499-511.
- Hartzell, C. (2011). Implementing legacy-C algorithms in FPGA Co-Processor for Performance accelerated smart payloads space science. 59(14), 1758-1768.
- Hill, C., & Jones, G. R. (2009). *Strategic management: An integrated approach*. Boston, NY: Houghton Mifflin.

- Ikram, M., Shen, Y., Ferasso, M. and D'Adamo, I. (2021), "Intensifying effects of COVID-19 on economic growth, logistics performance, environmental sustainability and quality management: evidence from Asian countries", *Journal of Asia Business Studies*, Vol. ahead-of-print No. ahead-of-print. <https://doi.org/10.1108/JABS-07-2021-0316>
- Kock, N. (2015). *WarpPLS 5.0 User Manual*. Laredo, Texas: ScriptWarp Systems.
- Kooij, D. T., Jansen, P. G., Dijkers, J. S., & De Lange, A. H. (2010). "The influence of age on the associations between HR practices and both affective commitment and job satisfaction: a meta-analysis". *Journal of Organizational Behavior*, 31(8), 1111-1136.
- Koster, F. and Benda, L. (2020), "Innovative human resource management: measurement, determinants and outcomes", *International Journal of Innovation Science*, 12(3), 287-302.
- Lane, K. A., Esser, J., Holte, B., & McCusker, M. A. (2010). A study of nurse faculty job satisfaction in community colleges in Florida. *Teaching and Learning in Nursing*, 16(2), 16-26.
- Lanier, K. (2017), 5 Things HR professionals need to know about generation Z: thought leaders share their views on the HR profession and its direction for the future, *Strategic HR Review*, 16 (6), 288-290
- Lo, H. M., & Li, H. C. (2016). Exploring the Effect of Staff Achievement on Job Satisfaction in Hong Kong Residential Clubhouse. *J Tourism Hospit*, 5(6), 1-8.
- Lopes, P. S., Manuel, J. M., & Jose, C. V. (2005). Organizational learning as a determining factor in business performance. *The Learning Organization*, 24(1), 27-43.
- Mokaya, S. O., Musau, J. L., Wagoki, J., & Karanja, K. (2013). Effects of organizational work conditions on employee job satisfaction in the hotel industry in Kenya. *International Journal of Arts and Commerce*, 2(2), 79-90.
- Naude, P., & Rudansky-Kloppers, S. (2016). Perceptions of Customers Regarding Their Expectations Of Service Quality in South African Full-Service Restaurants. *International Business & Economics Research Journal*, 15(2), 55-65.
- Obeidat, S., Mitchell, R., & Bray, M. (2016). The link between high performance work practices and organizational performance : empirically validating the conceptualization of HPWP according to the AMO model. *Employee Relations*, 38(4), 578-595.
- Ong, T. S., & Teh, B. H. (2012). Reward System and Performance Within Malaysian Manufacturing Companies. *World Applied Sciences Journal*, 19(7), 1009-1017.
- Ong, T. S., Yip, M. T., & Teh, B. H. (2012). The Reward Strategy and Performance Measurement (Evidence from Malaysian Insurance Companies). *International Journal of Business, Humanities and Technology*, 2(1), 211-223.
- Ostrom, A., Parasuraman, A., Bowden, D., Patricio, L., & Voss, C. (2015). Service research priorities in a rapidly changing context. *Journal of Service Research*, 18(2), 127-159.
- Ozkan, M. and Solmaz, B. (2015), The changing face of the employees – generation Z and their perceptions of work (a study applied to university students), *Procedia Economics and Finance*, 26, 476-483.
- Pang, K., & Chin-Shan, L. (2018). Organizational motivation, employee job satisfaction and organizational performance: An empirical study of container shipping companies in Taiwan. *Maritime Business Review*, 3(1), 36-52.
- Parker, D. W., Dressel, U., Chevers, D., & Zeppetella, L. (2018). Agency theory perspective on public-private-partnerships: international development project. *International Journal of Productivity and Performance Management*, 67(2), 239-259.
- Parvin, M. M., & Kabir, M. M. (2011). Factors affecting employee job satisfaction of pharmaceutical sector. *Australian Journal of Business and Management Research*, 1(9), 113-123.
- Peccei, R., van de Voorde, K., & Van Veldhoven, M. (2013). *HRM, well-being and performance: a theoretical and empirical review* (Pauwe, J., Guest, D.E. and Wright, P.M. (Eds) ed.). Chichester: Wiley.

- 1
2
3 Peluso, A. M., Innocenti, L., & Pilati, M. (2017). Pay is not everything Differential effects of monetary and non-
4 monetary rewards on employees' attitudes and behaviours. *a Global Forum for Empirical Scholarship*,
5 5(3), 311-327.
- 6 Penny, H. (2014). Healthy work environment framework within an acute care setting. *Journal of Theory*
7 *Construction & Testing*, 18(1), 50-54.
- 8
9 Rahman, T., Moktadir, M.A. and Paul, S.K. (2021), "Key performance indicators for a sustainable recovery
10 strategy in health-care supply chains: COVID-19 pandemic perspective", *Journal of Asia Business*
11 *Studies*, Vol. ahead-of-print No. ahead-of-print. <https://doi.org/10.1108/JABS-05-2021-0200>
- 12 Rai, A., Ghosh, P. and Dutta, T. (2019), "Total rewards to enhance employees' intention to stay: does perception
13 of justice play any role?", *Evidence-based HRM*, 7(3), 262-280. [https://doi.org/10.1108/EBHRM-07-](https://doi.org/10.1108/EBHRM-07-2018-0045)
14 [2018-0045](https://doi.org/10.1108/EBHRM-07-2018-0045)
- 15 Rafiq, M., Javed, M., & Kan, M. (2012). Effect of rewards on job satisfaction. Evidence from Pakistan.
16 *Interdisciplinary Journal of Contemporary Research in Business*, 4(1), 337-347.
- 17 Rua, O., França, A. and Fernández Ortiz, R. (2018), "Key drivers of SMEs export performance: the mediating
18 effect of competitive advantage", *Journal of Knowledge Management*, 22(2), 257-279
- 19 Ronkko, M., McIntosh, C., Antonakis, J., and Edwards, J. R. (2014), Partial least squares path modeling: time for
20 some serious second thoughts, *Journal of Operations Management*, 5(2), 1-19
- 21 Salah, M. R. (2016). The Influence of Rewards on Employees Performance. *British Journal of Economics,*
22 *Management & Trade*, 13(4), 1-25.
- 23 Saranya, K. (2014). Influence of job satisfaction on employees' performance – A general perspective.
24 *International Journal on Global Business Management & Research*, 2(1), 48-53.
- 25 Sharma, M. S., & Sharma, M. V. (2014). Employee Engagement to Enhance Productivity in Current Scenario.
26 *International Journal of Commerce, Business and Management*, 3(4), 595-604.
- 27 Shobe, K. (2018). Productivity Driven by Job Satisfaction, Physical Work Environment, Management Support
28 and Job Autonomy. *Business and Economics Journal*, 9(2), 1-9.
- 29 Siddiqui, N. N. (2015). An Empirical Study on Job Satisfaction among Faculties in Selected Personal Universities
30 Of Uttar Pradesh. *International Journal of Management Research and Reviews*, 5(1), 238-245.
- 31 Siengthai, S., & Pila-Ngarm, P. (2016). The interaction effect of job redesign and job satisfaction on employee
32 performance. *Evidence-based HRM: a Global Forum for Empirical Scholarship*, 4(2), 162-180.
- 33 Taba, I. M. (2017). Mediating effect of work performance and organizational commitment in relationship between
34 reward system to employees' work satisfaction. *Journal of management development*, 37(1), 65-75.
- 35 Van Beek, I., Hu, Q., & Schaufeli, W. B. (2012). For fun love or money: What drives workaholic engaged and
36 burned-out employees at work? *Applied Psychology*, 61(1), 30-55.
- 37 Walsh, G., Walgenbach, P., & Schaarschmidt, M. (2016). Service productivity; what stops service firms from
38 measuring it? *Journal of Organisational Transformation and Social Change*, 13(1), 5-25.
- 39 Warnier, V., Weppe, X., & Lecocq, X. (2013). Extending resource-based theory: considering strategic, ordinary
40 and junk resources. *Management Decision*, 51 (7), 1359-137
- 41 Weldy, T. (2009). Learning organization and transfer: strategies for improving performance. *The Learning*
42 *Organization*, 16(1), 58-68.
- 43 White, M., & Bryson, A. (2013). "Positive employee attitudes: how much human resource management do you
44 need?". *Human Relation*, 66(3), 385-406.
- 45 Workers united: The truth about trade union participation. (2018). *Human Resource Management International*
46 *Digest*, 26(7), 1-3.
- 47 Yan, X. (2017). Corporate governance and intellectual capital disclosures in CEO's statements. *Nankai Business*
48 *Review International*, 2(1), 2-21.
- 49
50
51
52
53
54
55
56
57
58
59
60

1
2
3 Yang, Y. (2012). Service capabilities and customer relationship management: An investigation of the banks in
4 Taiwan. *The Service Industries Journal*, 10(11), 937-960.

5
6 Ye, J., & King, J. (2016). Managing the downside effect of a productivity orientation. *Journal of Services*
7 *Marketing*, 30(2), 238-254.

8 Zhitomirsky-Geffet, M. and Blau, M. (2016), Cross-generational analysis of predictive factors of addictive
9 behavior in smartphone usage, *Computers in Human Behavior*, 64(C), 682-693.
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Journal of Asia Business Studies

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60

Journal of Asia Business Studies

Appendix A

Total Reward System	
Fair pay	Here I'm paid fairly for the work I do
	I am paid fairly in view of my responsibilities and experience
Training and development	I have a very good chance to get ahead with my organisation
	People working here are encouraged to develop their skills
	I am offered training or development opportunities to further myself professionally
Positive work environment	This is a friendly place to work
	This is a psychologically and emotionally healthy place to work
	I can be myself around here
	People are encouraged to balance their work life and personal life

Appendix B

Employee Productivity	
Work Load	I work hard to increase my productivity on the job.
	I enjoy using time wisely on the job
	I pride myself on being very productive in my job activities.
Work Condition	I hate to waste time on the job

Appendix C

Job Satisfaction	
Activity	Being able to keep busy all the time
Independence	The chance to work alone on the job
variety	The chance to do different things from time to time
social status	The chance to be "somebody" in the community
Supervision	The way my boss handles his/her workers
Supervision	The competence of my supervisor in making decisions
Moral Value	Being able to do things that don't go against my conscience
Security	The way my job provides for steady employment
Social service	The chance to do things for other people
Authority	The chance to tell people what to do
Ability utilization	The chance to do something that makes use of my abilities
Company policies	The way company policies are put into practice
Compensation	My pay and the amount of work I do
Advancement	The chances for advancement on this job
Responsibility	The freedom to use my own judgment
Creativity	The chance to try my own methods of doing the job
Working condition	The working conditions
Co-worker	The way my co-workers get along with each other
Recognition	The praise I get for doing a good job
Achievement	The feeling of accomplishment I get from the job

Appendix D

Financial Performance	
ROA	Assets of the company have been utilized in the optimum way to achieve targeted profit every year
ROE	My organization has the capability of giving targeted return to the shareholders related every year.
Sales Growth	My organization has the capability to achieve targeted sales growth every year.
Net Profit	My organization has the capability to achieve targeted net profit every year.
Profit Growth	My organization has the capability to achieve targeted profit growth every year.
Market Share	My organization has the capability to achieve targeted market share every year.
