

# Employees' Perception on the Fairness of the Reward and Punishment System to Promote a Healthy Organizational Culture in Indonesia Customs

FY2022 MASTER'S THESIS

<sup>1</sup>Purba, Risky Yakob

Jiro Usugami

(Professor), Advisor's

Student ID:- 34122011

Strategic Management and Intellectual Property Rights

Department of Business Administration, Graduate School of Business

Aoyama Gakuin University

## ABSTRACT

As one of the most fundamental aspects in management, the reward and punishment system such as certificates, promotions, verbal reprimands, and demotions has been used by Indonesia Customs to maintain employees' motivation toward delivering excellent performance as public servants. However, there limited studies address the fairness in the system over time. Therefore, this study aims to identify employees' perceptions on the fairness of the current system, while analyzing the employees' perceived levels of satisfaction and significant aspects that influence the current reward and punishment system in Indonesia Customs. In addition, the study makes a number of recommendations on how to strengthen this system.

The research employed mixed methods combining both quantitative and qualitative data. The quantitative data were collected through online survey questionnaires from Indonesia Customs officers, while the qualitative data were gathered from focus group interviews with Indonesia Customs officials with experience of the system within the organization.

The findings show that the current reward and punishment system in Indonesia Customs has been fairly and properly established. The majority of the employees were satisfied with the current system and considered leadership as the most influential component. However, those employees who had experienced punishment regarded it otherwise. Finally, suggested recommendations such as the socialization of employees, periodic and sustainable evaluation, and the periodic monitoring of employees' satisfaction can strengthen the system to become a more effective mechanism to enhance the health of the organizational culture.

*Keywords:- Reward and Punishment System, Employees, Satisfaction, Organizational Culture.*

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## **LIST OF ABBREVIATIONS**

ANOVA	Analysis of Variance
COVID	Coronavirus Disease
NIPi	National Institute of Public Information
SPSS	Statistical Package for the Social Sciences



## CHAPTER ONE INTRODUCTION

### ➤ *Research Background*

Reward and punishment, known as incentives based on purpose, is considered one of the most critical aspects of management to ensure that workers remain motivated and complete their responsibilities thoroughly and accurately. Gana and Bababe (2011) emphasized that motivational incentives for employees in an institution fundamentally influence their performance. In order to succeed in today's world of work, industries must ensure that their workers remain keen and capable of performing their roles with the optimum competency (Mitchell, 1983). This semblance of administration has provoked many industries to formulate strategies to maximize employees' motivation in the workforce.

In governmental agencies, bureaucratic reform is one of the strategies utilized to improve performance in an efficient and effective manner. It is considered an effort to forge a systematic and constructive improvement that will change the national discipline into a productive workplace mentality and proficiency in any given professional responsibility (Saputra et al., 2020). One of the fundamental issues to be resolved by bureaucratic reform is motivating officials to perform their jobs with a high degree of professionalism (Rose-Ackerman, 1986). Therefore, reward and punishment is one of the fundamental strategies of bureaucratic reform in order to motivate employees that has been widely utilized in many countries, including Indonesia.

Following its governmental reformation phase, Indonesia has introduced a number of strategic policies to enhance the professionalism and reliability of bureaucracy (Simangunsong & Hutasoit, 2018). For instance, a grand design of bureaucratic reform was introduced in 2010 through President Regulation No. 81 of 2010, as well as the guidelines for the preparation of a roadmap for the bureaucratic reform of local government through Regulation of Minister of Administrative and Bureaucratic Reform No. 37 in 2013. Moreover, regulations on reward and punishment were introduced through Government Regulation No. 46 of 2011 and Government Regulation No. 53 of 2010 on work performance appraisal and the discipline of government officials in order to support each governmental agency to more effectively manage its employees in order to forge a greater organizational culture that can help accelerate the accomplishment of bureaucratic reform.

Indonesia Customs, one of the institutions under the Ministry of Finance of Indonesia, is currently in the middle of a major bureaucratic reform program to improve its public service. Despite the Ministry of Finance being a consistent pioneer of bureaucratic reform among the governmental agencies in Indonesia, refinement is still necessary to improve effectiveness, efficiency, and organizational performance at the operational level that directly serves and protects the public at large.

### ➤ *Statement of the Problem*

The COVID-19 global pandemic has prompted a thorough reflection on many aspects of our lives, especially today's employees who have started to reflect on the importance of a work-life balance. Bierema (2020) further accentuated how COVID-19 has challenged management to create humanly sustainable organizations and communities. A humanly sustainable organization is characterized by the promotion of human satisfaction, growth, and development while also ensuring the profitability and productivity of the organization (Griffiths & Petrick, 2001). A healthy work environment can be a significant component to boosting productivity, while a toxic workplace can be detrimental to achieving this important purpose. A toxic workplace can exist anywhere, including in governmental agencies whose systems are already fixed according to state law and regulation. One major factor that can potentially play a significant role in creating a toxic workplace is unfair treatment in reward and punishment. According to the "The toxic workplace checklist" (Durre, 2013; Lawrence, 2014, as cited in Koropets, 2019, p. 506), the term unfairness, whereby an employee receives unfair punishment and allegations, or completes another's work without any recognition or incentive, is employed to determine violations in the workplace, leading to most employees enduring numerous forms of toxicity in an organizational context while fulfilling their professional role.

Consideration of the abovementioned phenomenon motivated the researcher to examine whether the same situation exists in the governmental agencies of Indonesia, and especially in Indonesia Customs. Despite Indonesia Customs utilizing the reward and punishment system in managing its employees' accountability, there has been no further evaluation of its practice in the past years.

Lowe (2020), in his book titled "Creating healthy organization", emphasized that finding effective means to forge a healthy organization is more critical than ever. He further emphasized that a robust agency is the staple of a healthy organization that is equitable in valuing, recognizing, and celebrating people's contributions, including through pay and benefits. In line with the spirit of reformation and based on the literatures described above, this study seeks to understand the employees' perceptions toward the reward and punishment system in Indonesia Customs, and its role in building a healthy organizational culture.

➤ *Objectives of the Study*

The study intends to:

- *Identify employees' perceptions on the current status of the reward and punishment system in Indonesia Customs.*
- *Identify employees' perceptions on the current satisfaction of the reward and punishment system.*
- *Identify employees' perceptions on the elements influencing the reward and punishment system.*
- *Make recommendations for Indonesia Customs to improve the current reward and punishment system to promote a healthy organizational culture.*

➤ *Significance of the Study*

This study will serve as a reference point for Indonesia Customs to illuminate the current employees' perceptions regarding how the reward and punishment system has been conducted, and how its effects can help the institution promote a healthy organizational culture. Furthermore, through this current perception, the administration will have a data-driven basis from which to modernize, dispose, and stabilize the usage of this incentive system as a fundamental instrument to improve the productivity of its civil servants and to forge a more effective and efficient public service.

➤ *Primary Research Questions*

This study establishes the following research questions:

- *What are the employees' perceptions on the current status of the reward and punishment system in Indonesia Customs?*
- *What are the employees' perceptions on the current satisfaction of the reward and punishment system?*
- *What are the employees' perceptions on the elements influencing the reward and punishment system?*
- *How can Indonesia Customs improve the current reward and punishment system to promote a healthy organizational culture?*

➤ *Justification of the Study*

The new normal fostered by COVID-19 has introduced novel insights for management and employees in many industries in terms of the importance of holistically maintaining the well-being of those in the workforce. Therefore, in the spirit of continuous improvement in every aspect of the administration, it is important for the management in Indonesia Customs to understand the employees' perceptions of the reward and punishment system to promote a healthy organizational culture. This study will thus offer insight to further comprehend the current position of Indonesia Customs to help forge an improved strategy for developing a sustainable human organization. Once this is achieved, enhanced service provision and the increased productivity of civil servants will result.

➤ *Research Outline*

This study is organized into five chapters. Chapter One, the Introduction, delivered a concise background of the research through the problem statement, research objectives, significance of the research, the research questions, and the justification of the research. Chapter Two contains the literature review, providing an exploration of the various investigations on incentive systems, both reward and punishment, and the linkages between the system in helping management create a sustainable human organization and improve productivity. Chapter Three addresses the data collection and methodology that deals with the research design, conceptual framework, sampling size determination, data collection tools and procedure, and the data analysis techniques. Chapter Four presents the data analysis and discussion of the results. Finally, Chapter Five summarizes the study and presents the recommendations for Indonesia Customs, before concluding with the limitations of the study and opportunities for future research.

## CHAPTER TWO LITERATURE REVIEW

### ➤ *Introduction*

This chapter will first present an overview of the definitions of reward, punishment, healthy organizational culture, and public organization. Then, the literature on the current reward and punishment implementation in Indonesian government agencies and its influence on officers' perceptions of a healthy organizational culture will be explored. Finally, the manner in which reward and punishment—one of the aspects of a healthy organizational culture—affect employees' performance will be illuminated to support the frame of reference.

### ➤ *Definition of the Key Terminologies*

This section defines the core terminologies employed in this research, in order to provide a foundation with which to explore the literature on the phenomenon of focus.

#### • *Reward and Punishment*

According to Sandy (2017), a reward is a prize or compensation given to the employees by the institution for achieving or exemplifying model performance. Mais et al. (2019) stipulated that reward can be characterized into intrinsic reward (e.g., praise, flattery, and congratulation as a form of acknowledgement), and extrinsic reward that can further be classified into direct compensation (e.g., bonuses, salary increase, share of profits, overtime and leave), indirect compensation (e.g., protection programs and additional services), and non-financial reward (e.g., the allocation of a personal secretary and promotion).

On the other hand, punishment is a threat of penalty to preserve the appropriate rules, rectify employees' wrongdoing, and bestow enlightenment on the violator (Mangkunegara, 2000). According to Rivai (2013), punishment can be divided into numerous types: light punishment (e.g., a written warning or a statement of dissatisfaction in writing), moderate punishment (e.g., salary suspension from usual schedule, salary deduction by the regulatory agency, or suspension from promotion or succession), and severe punishment (e.g., demotion, release from position, or termination of work).

#### • *Healthy Organizational Culture*

Schein (1992) explained that organizational culture is a series of communal assumptions, norms, meanings, and values that lead employees' actions within an institution through unequivocal arrangements and embedded agreements. Moreover, these shared assumptions and values eventually create a collective character to the organization that will influence the employees in a manner that connects their self-perception to their labor unit (Andre, 2008).

Lowe (2020) identified four foundational building blocks in creating a healthy organizational culture: a vibrant workplace, inspired employees, inclusive leadership, and positive culture. He further mentioned that to be a healthy, high-performance organization, an institution must value, recognize, and celebrate employees' contributions, and display fairness through pay or other benefits. Eib et al. (2021) emphasized that fairness ensures the predictability and favorability of outcomes; for example, the process of deciding promotion, work schedule, and pay being unbiased, applied universally, and based on accurate information.

#### • *Public Organization*

A public organization is viewed as a governmental agency that possesses formal legality and is supported by the nation-state to perform and serve the public interest in myriad domains (Sulistiyani, 2009). Moreover, Mahmudi (2011) regarded a public organization as an institution whose goal is to provide services to the community and create social welfare by fulfilling the public needs through funding provided by the government.

### ➤ *Current Reward and Punishment System in the Indonesian Public Sector*

Following its independence, Indonesia has aspired to improve public welfare and achieve social justice, as mandated in the preamble of the 1945 Constitution. In order to actualize this national purpose, Indonesia requires a transparent government and the effective practice of governance. One of the indicators is the presence of qualified government officials who realize their obligation as national and civil servants. Nainggolan (1987) asserted that the smooth implementation of government and national development primarily depends on the effectiveness of governmental agencies, which itself essentially depends on the performance of civil servants.

According to Sulistiyani (2004), the Indonesian government faces a number of challenges related to human resources, and specifically the high annual growth rate in the number of civil servant employees, leading to a large number of civil servants with poor standards, the inability to fulfil the role requirements, misplaced and uncertain career paths. These challenges have negatively influenced the quality of public officials, and as a result, the government has made various efforts to improve the quality of apparatus resources in Indonesia. One of the efforts adopted is to implement a system of reward and punishment with the issuance of Regulation of Government No. 53 of 2010 on Discipline of Government Officials and Regulation of Government No. 46 of 2011 on Work Performance Appraisal of Government Officials.

Numerous studies have been carried out to investigate the effects of the reward and punishment system on employees' performance in Indonesia. To improve the performance of employees, large firms also utilize a reward and punishment system for employees that is relatively rigid. Panekenan et al. (2019) conducted an investigation that focused on Bank Indonesia as a global banking organization based in Indonesia. The purpose of their study was to explore how the reward and punishment system affects employee performance at Bank Indonesia's Manado Branch. With a total sample of 40 respondents who were the employees at the Manado Branch, the study used multiple regression analysis, with the finding revealing that reward and punishment significantly influenced the employees' performance. The employees felt honored by the reward provided by the institution, which motivated them to work harder and perform better. On the other hand, the employees took punishment in a constructive light as a lesson, and thus perceived punishment as a motivator to improve their performance. The findings suggested that the human resource department of Bank Indonesia's Manado Branch should maintain their favorable performance by introducing more reward for the purposes of encouraging the employees to perform even better, and to maintain their positive perceptions toward punishment.

Saputra et al. (2020) conducted research to inspect the stipulation of reward and punishment for civil servants. Their intention was to understand the process and impact of reward and punishment for civil servants in the service police unit in Aceh Province, Indonesia. This research employed a qualitative method, collecting data from observation, interviews, and documentation. The authors reported that the process of conducting reward and punishment was implemented in three stages: reviewing civil servant's performance records, the creation of a precedence ranking, and decision-making of the recipients. It was shown that the positive impact of providing reward and punishment for civil servants in the Aceh Province service police unit increased their work motivation and career development. Additionally, punishment had a positive deterrent effect on some of the civil servants, preventing them from repeating violations of duty and improving their workplace behavior, which the study concluded could help to develop their future performance. However, a negative impact was the entrenched attitude in some of the officials who were punished, which led to irritation rather than change. In other words, punishment did not discourage the violative action of some of the civil servants.

Zulita et al. (2021) conducted research to understand how to exert reward and punishment to improve the performance of the employees in the Development Administration of West Aceh Regional Secretariat, Indonesia. The key issue was the stipulation of reward and punishment that had not been well implemented. In approaching the problem, the authors utilized theoretical references from Egbunik and Nnaji-Ihedinmah (2015). A descriptive approach was used in the data collection through interviews, observations, and documentation techniques, which were then analyzed qualitatively. The research found that the application of reward had not been conducted appropriately, while the application of punishment application had been implemented correctly but was not performing as intended. The reason that the stipulation of reward was not being carried out was because there were no funds allocated for providing reward to employees. Reward in the form of appreciation, either through financial or non-financial benefits, was never given to the employees, who only received performance benefits and allowance from existing programs. Moreover, the provision of punishment was not implemented effectively because many employees still did not comply with the regulations that had been made. The authors suggested conducting a more in-depth evaluation and more effectively and efficiently improving the provision's implementation.

#### ➤ *Reward and Punishment's Impact on Employees' Performance through Organizational Culture*

The researcher refers to various studies that have been conducted to identify the relationships between the research variables (see Figure 1) in order to better understand the study.

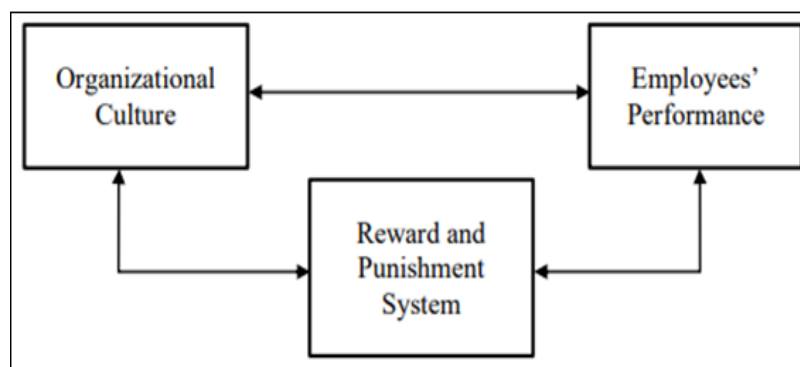


Fig 1 Research Variables

#### • *Reward and Punishment Toward Employee Performance*

Ibrar and Khan (2015) conducted research to examine the impact of reward on employee performance in Malakand private school. Using descriptive analysis, correlation, and multiple regression, 100 questionnaires were completed for data analysis. The research found a positive relationship between intrinsic and extrinsic reward for employees' job performance.

Asadullah et al. (2019) carried out an investigation of the behavioral and modern theories on the motivation of employees to improve their performance through reinforcement and punishment. The research conducted two case studies to explore the factors that influence employee behavior: (1) a case study of the external factors of employees' behavior, using behavioral theory; and (2) a case study of the internal factors of employees' behaviors, using modern theory and rejecting behavioral theory. The study found that reinforcement and punishment significantly influenced motivation, values, decision-making, the handling of conflict, and the overall performance of the employees.

Novarini and Imbayani (2019) examined the effects of reward and punishment on the performance of employees at the Royal Tunjung Bali Spa Kuta Legian and Hotel in Bali, Indonesia. The researcher utilized the census research method to determine the sample size, which resulted in 35 employees being included. The methods of data collection were observations, interviews, and questionnaires. The data were then analyzed using multiple linear regression analysis. The research found that reward and punishment had a simultaneous, positive, and significant influence on employees' performance, even though reward was the dominant or the most significant variable in influencing the performance of employees.

- *Reward and Punishment toward Organizational Culture*

Baucus and Beck-Dudley (2005) conducted research that argued that compensation systems usually fail to assess the ethical dimensions of behaviors that can lower moral reasoning, by focusing on the employees' attention to behaviors resulting in reward and avoiding punishment. Their alternative approach suggested that managers and entrepreneurs create and maintain strong values and treat employees as ethical and highly responsible individuals. Furthermore, the study argued that top managers must continually standardize ethical conduct and converse openly with employees to establish an ethical community. Therefore, it was recommended for other researchers to empirically challenge their postulation regarding the impact of reward and punishment on moral reasoning and ethical behavior.

Rowland and Hall's (2013) research examined the contribution of the appraisal system to sustainable organizational effectiveness. The researchers were interested in the perceptions of the fairness of appraisal on the effectiveness of performance management systems. The research questions reflected the relationship between organizational justice, business ethics, and performance for competitive advantage, with the study employing a mixed-method approach comprising of documentary analysis, formal and informal interviews, questionnaires, and observations as the primary instruments. The findings indicated that the outcomes from appraisal were perceived as unfair, and that the procedures were considered to be highly inconsistent. Additionally, both managers and employees believed that unfair procedures and practices were demotivating and had a negative impact on the sustaining of performance.

Through a qualitative study, Campbell and Göritz (2014) examined the prevailing characteristics of organizational culture throughout distinctive fraudulent institutions. The study was based on the interviews of 14 independent professionals regarding their understanding of corrupt organizations. The findings highlighted one of the characteristics of a corrupt organizational culture as ethical values not strengthening on a day-to-day basis because such organizational culture does not reward or punish according to ethical values. Furthermore, the study pointed out an underlying assumption of a wartime metaphor in the organizations, which permitted everything provided that one's own existence benefited. This war assumption eroded values such as fairness and sustainability, and consequently fraudulence became a viable behavioral alternative that would influence the performance.

- *Organizational Culture Toward Employee Performance*

Petty et al. (1995) assessed the relationships between organizational culture and organizational performance in a study employing data collected at two distinct points in time from a sample of 12 divisions of an organization in the electric utility industry. Using Pearson correlations, the findings revealed that measures of organizational culture were significantly related to objective measurements of performance. It was pointed out that teamwork was strongly related to organizational performance. Had measurements of organizational culture been incorporated into the reward system, the supervisors might have paid greater attention to enhancing the organizational culture and thus improved the organizational performance.

Mohamed and Abukar (2013) conducted research that examined the influence of organizational culture on employee performance at a number of Mogadishu universities. Survey research was carried out with the target population from three universities, namely, SIMAD University, Mogadishu University, and the University of Somalia, with the sample size consisting of 70 respondents. The study found a strong positive correlation between organizational culture and employee performance.

Zakka (2019) investigated the relationship between organizational culture and employees' performance at the Nigeria's National Institute of Public Information (NIPI). The census research method was utilized, considering that the target population comprised the entire 33 staff members of the NIPI, and hence the entire population could be included. The study used ANOVA and multiple regressions as the major technique for the data analysis. The findings revealed that there was a significant relationship between three of the independent variables: artifacts culture, attached values, and assumption culture. The authors suggested that the management of organizations should embed ethical values, a conducive physical working environment, rules, and norms that provoke a good institutional work ethic.

➤ *Summary*

A number of studies from the literature were explored to present a foundation for this research. The focus commenced with the definition of reward and punishment, healthy organizational culture, and public organization. The current situation of the reward and punishment system in Indonesia was then explored comprehensively using contemporary literature to support its relevancy. The literature appears to adequately explain the relationship between each variable in the conceptual framework. However, several studies suggested that an in-depth assessment of the level of fairness in implementing the reward and punishment system is necessary as one of the aspects of a healthy organizational culture that can improve employee performance.

## CHAPTER THREE METHODOLOGY

### ➤ Introduction

This chapter will discuss the research methodology used in collecting data for the study. It contains the research design, conceptual model, sample size, data collection procedures, data analysis, and summary.

### ➤ Research Design

This study utilized mixed methods to address the research questions. According to Creswell (2014), mixed methods imply the integration and collection of both qualitative and quantitative methods in a study. Moreover, Gray (2021) emphasized that mixed method can be utilized to expand and extend the scope of a study to holistically understand the objectives.

This study implemented the survey questionnaire research method, because the focus was on Indonesia Customs and this method fit the objectives of the research (Gray, 2021). Online survey questionnaires sent to Indonesia Customs officials enabled the quantitative data to be collected. Meanwhile, the qualitative data were collected through focus group interviews with three officers who had received reward and punishment, in order to maintain a balance between both components. These officers were located in various offices in Indonesia, and their information will be kept confidential and used only to contribute toward the study.

### ➤ Conceptual Model of the Research

This study employed the cause-and-effect model as the conceptual model of research, to investigate elements influencing the reward and punishment system. Each element will be evaluated using Likert scales, in order to determine the implementation of the system and the perceived level of satisfaction of the employees. This analysis has two main categories, namely, the effects and causes for a reward and punishment system. Each element will be employed to measure the satisfaction as the effect, and all of the elements as the causes. The causes are further divided into major elements and specific elements. In order to achieve a comprehensive evaluation, Figure 2 presents the selected five major elements influencing the reward and punishment system: human resources management, leadership, decision-making system, assessment works, and ethical culture.

Moreover, from these five major elements, ethical culture has been selected to further evaluate and understand the level of fairness in the system. Therefore, ethical culture in this manner will focus on the ethical facet of the assessment criteria, and how it has been conducted in the implementation. Figure 3 shows the four specific elements directly related to the ethical facet of assessment criteria: consistency of assessment criteria, fairness of assessment criteria, clarity of assessment criteria, and transparency of assessment criteria. In selecting these specific elements for the assessment criteria, the researcher refers to the fair assessment principles (Cline, 2000).

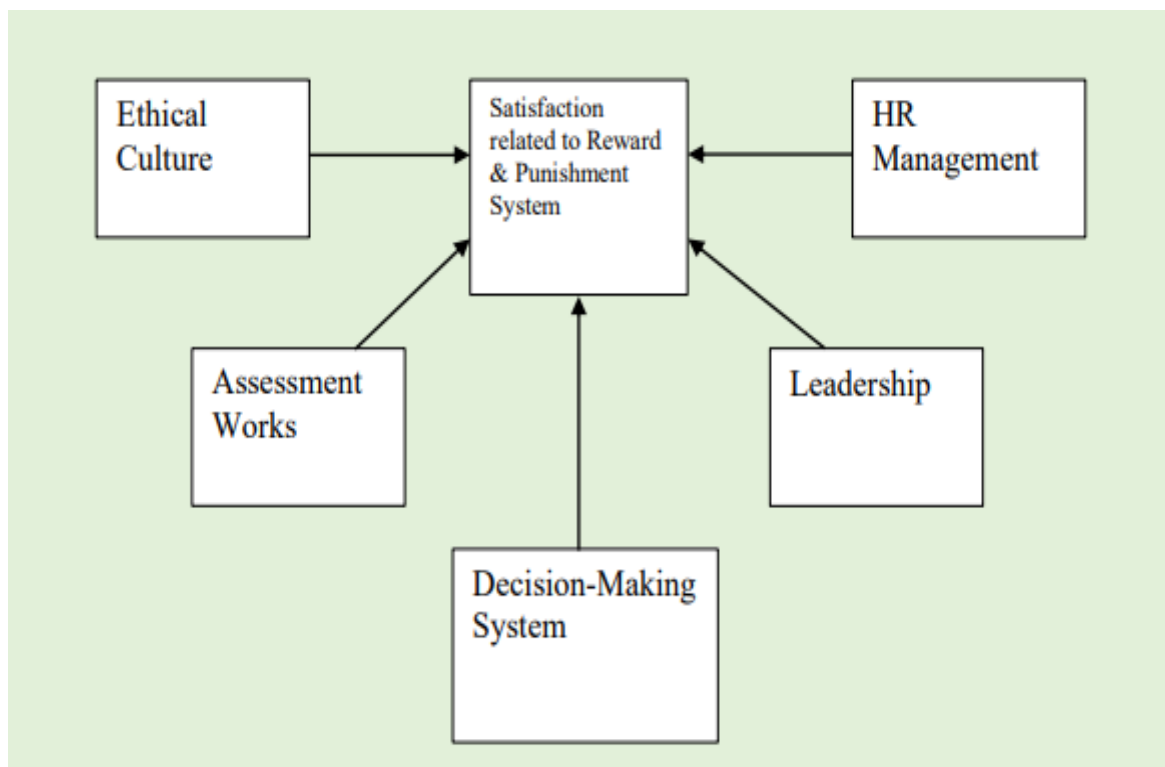


Fig 2 Elements in Reward and Punishment System

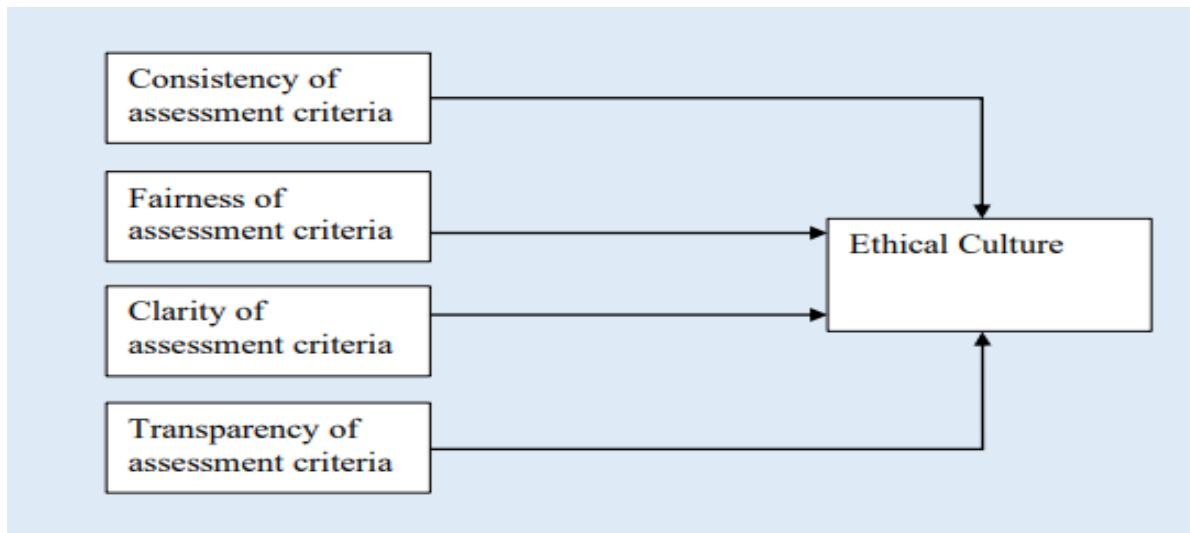


Fig 3 Elements in Ethical Culture

#### ➤ *Sample Size*

The target population was the customs officers throughout the country. A sample of 300 customs officials was targeted for the study out of 15,000 employees, drawn from various customs offices in Indonesia, with 323 officers ultimately participating in the survey questionnaire. The participants were selected using a simple random sampling method. Then, the questionnaires are shared to the officers via a WhatsApp workgroup by the Human Resources Management in the Customs headquarter. Three interviewees were selected for a focus group interview to gain an in-depth understanding of the system. These particular interviewees were selected due to their first-hand experience in receiving reward and punishment during their work in Indonesia Customs.

#### ➤ *Data Collection Procedure*

The primary data for the study were collected using a survey questionnaire and a focus group interview. The questionnaire has four sections, with a total of 23 questions that consist of ranking questions, open-ended questions, Likert scale questions, closed-ended questions, and one open-ended question. An initial pilot test was carried out with three respondents, aimed at obtaining feedback on the time taken to answer the questionnaire, general understanding of the questions, the accessibility of using the online survey technique through Google Forms, and other technical issues regarding the data collection. The survey included a cover letter to capture the respondents' attention regarding participation in the study. An invitation to participate and a link to the Google Forms survey questionnaires were sent to the respondents on August 16 and the survey was closed on September 9, 2022. Of the 323 participants, 92 of them responded to the final open-ended question.

The focus group interview was based on semi-structured questions and conducted online through a Zoom meeting on November 11, 2022, which lasted for 45 minutes. The interview was recorded in order to allow the researcher to review and full analyze the interviewees' responses. The focus group questions covered issues related to the current implementation of the reward and punishment system in Indonesia Customs, the satisfaction of the interviewees in experiencing the reward and punishment system, major elements influencing the system, and recommendations for possible improvement that could strengthen the reward and punishment system in Indonesia Customs.

Another data source included the literature (e.g., academic journals, books, and other online articles), which was utilized in order to ensure in-depth understanding of the reward and punishment system in relation to the research questions.

#### ➤ *Data Analysis*

Quantitative and qualitative data were collected and analyzed for the study to optimize the qualities of both approaches (Miles and Huberman, 1994). An analytic procedure such as coding was used to analyze the open-ended questions from both data. The data from the questionnaires were analyzed using statistical data analysis (SPSS) and adopting Spearman's Rho coefficient to understand the correlation between elements. The quantitative results are presented in bar charts, pie graphs, and tables. Meanwhile, the data from the focus group interview were analyzed by categorizing the data emerging from the interview, and then identifying pertinent responses through content analysis to address the research questions.

#### ➤ *Summary*

The mixed method approach was adopted for this study. Primary data were collected through a survey questionnaire and focus group interview. Secondary data from the literature such as academic journals, books, and articles were also employed as complementary data to draw improved conclusions. The collected data will be analyzed and discussed in the next chapter, in order to allow the research questions to be answered.



## CHAPTER FOUR ANALYSIS AND RESULTS

### A. Introduction

This chapter will present the analysis and the results of the data collected through the quantitative and qualitative methods. Section 4.2 will present and analyze the primary data retrieved from the survey questionnaire completed by 323 Indonesia Customs officials, using graphs and charts in order to present and analyze the quantitative data. Then, section 4.3 will present and analyze the qualitative data retrieved through the focus group interview with Indonesia Customs officials. Finally, further discussion of the findings emerging from the quantitative and qualitative data will be conducted in section 4.4 to gain an in-depth understanding of the findings.

### B. Quantitative Data Analysis and Results

On the basis of the online survey questionnaire conducted with Indonesia Customs officers, the primary data are presented and analyzed in terms of the gender, length of service, aggregate numbers of officials who have received reward and punishment during their service, types of reward and punishment, perceptions on the status of the reward and punishment system, perceptions on the satisfaction of the reward and punishment system, elements influencing the reward and punishment system, and suggestions for the improvement of the reward and punishment system in the target organization. The correlation is further explored using SPSS statistical analysis.

#### ➤ Demographics

This section presents the demographics of 323 respondents from the survey questionnaire.

Figure 4 shows the gender distribution of the respondents. It can be seen that from the total number of 323 participants, 74.9% were male and 25.1% were female.

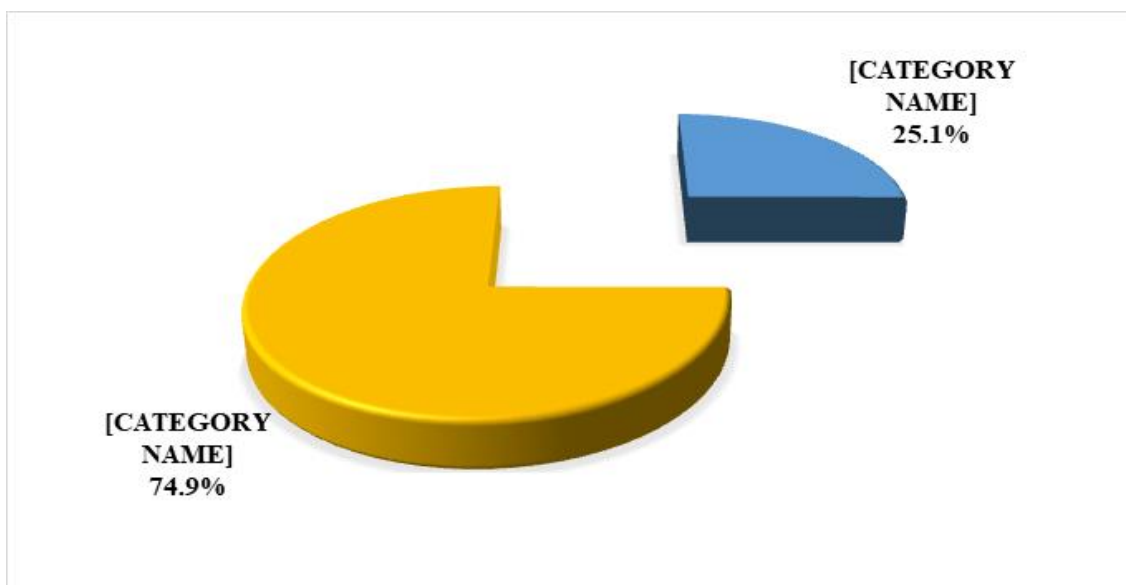


Fig 4 Gender Distribution

Table 1 presents the length of service of the respondents. The majority of the officials (30.3%) have between 11 and 15 years' experience, followed by the 5 to 10 year group (27.6%), with only 7.4% of the officers having worked in the organization for 16 to 20 years.

Table 1 Length of Service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	under 5 years	62	19.2	19.2	19.2
	5-10 years	89	27.6	27.6	84.5
	11-15 years	98	30.3	30.3	49.5
	16-20 years	24	7.4	7.4	57.0
	over 20 years	50	15.5	15.5	100.0
	Total	323	100.0	100.0	

➤ *Analysis of the Current Situation of the Reward and Punishment System*

Table 2 displays the number of employees who have received reward or punishment. It can be seen that most of the employees have never received reward or punishment, represented by 41.2% and 94.7% of the participants, respectively. From the 58.8% employees who have received reward, the majority of them (28.2%) have only received reward. Additionally, only 8% of the employees have received a reward more than three times. Table 2 also shows that only 5.3% of the respondents have ever received one punishment.

Table 2 Number of Reward and Punishment Recipients

<b>Current Situation</b>					
<b>Reward Recipients</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	> 3 times	26	8.0	8.0	8.0
	3 times	21	6.5	6.5	14.5
	2 times	52	16.1	16.1	30.6
	1 time	91	28.2	28.2	58.8
	never	133	41.2	41.2	100.0
	Total	323	100.0	100.0	
<b>Punishment Recipients</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	1 time	17	5.3	5.3	5.3
	never	306	94.7	94.7	100.0
	Total	323	100.0	100.0	

Figure 5 presents the types of reward received by the employees, based on their response in the questionnaire where they were asked to list the types of reward they have received. According to their responses regarding receiving a single reward, the majority of the employees have received a certificate as a reward (75.1%), followed by a much smaller number who have received financial compensation (2.1%) and promotion as a form of reward (2.1%).

Furthermore, those employees who have received a reward on two occasions reported receiving a certificate and financial compensation (10.6%) and a certificate and promotion (7.9%) as forms of reward. Then, 1.6% of the respondents have received three awards through a certificate, financial compensation, and promotion. Meanwhile, the 0.5% of the employees who have received a reward more than three times have received rewards ranging from financial compensation, a certificate, and promotion, to official travel.

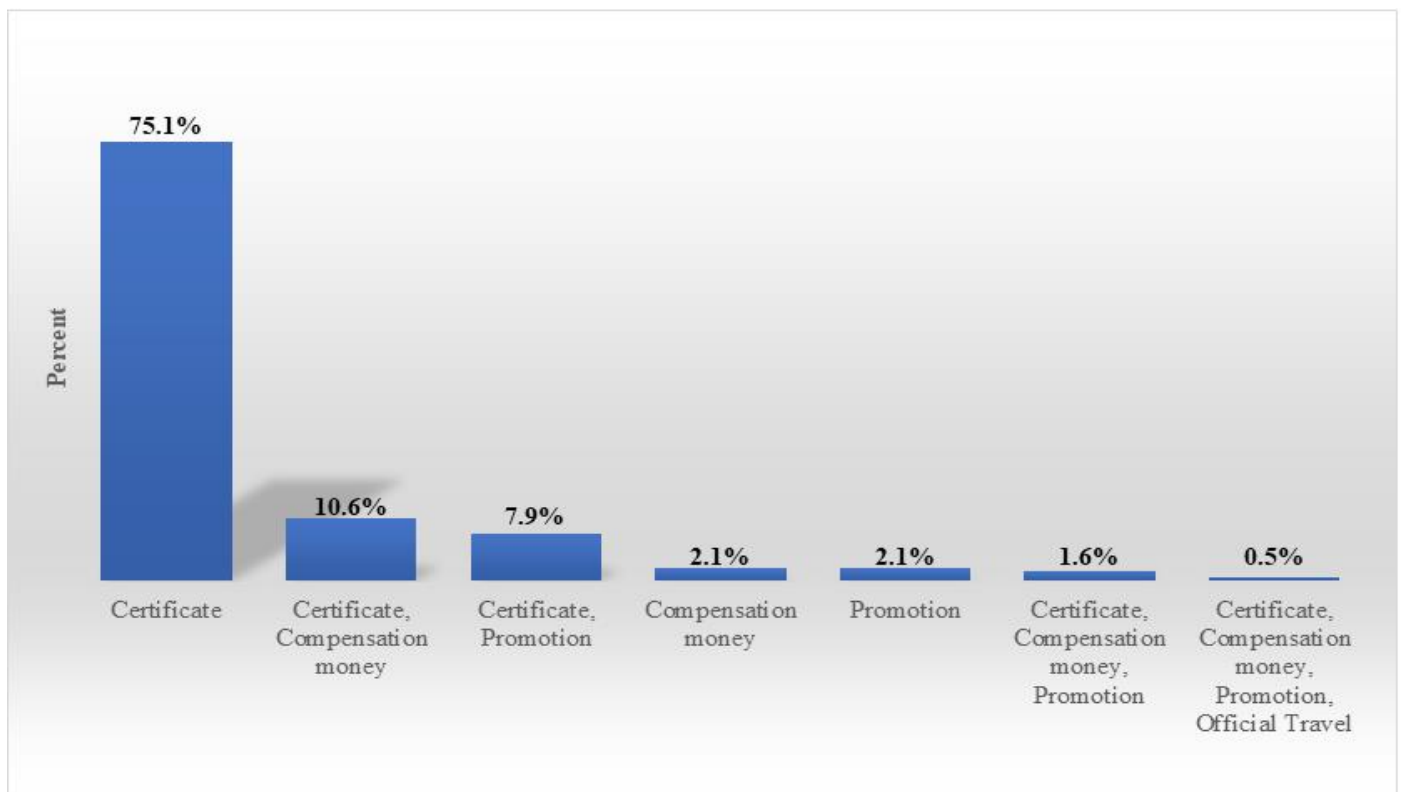


Fig 5 Types of Reward

Table 3 shows the types of punishment received by the employees, who were asked to list these based on the categories utilized in Indonesia Customs (i.e., light, moderate, and severe punishment). Just over half of the employees who have experienced punishment have received light punishment (52.6%), while just over one-quarter of the employees (26.3%) have received moderate punishment, followed by individual employees who have received other types of punishment.

Table 3 Types of Punishment

Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Light Punishment (e.g., Verbal reprimand, Written warning, Dissatisfied statement in writing)	10	52.6	52.6	52.6
	Moderate Punishment (e.g., Deduction of performance allowance by 25% for 6 (six) months, Deduction of performance allowance by 25% for 9 (nine) months, etc.)	5	26.3	26.3	78.9
	Demotion to a lower level for 3 years	1	5.3	5.3	84.2
	First Warning	1	5.3	5.3	89.5
	Performance allowance refunds related to absentee discounts	1	5.3	5.3	94.7
	Repeated conscription	1	5.3	5.3	100.0
	Total	19	100.0	100.0	

Figure 6 presents the participants’ perspectives on the current status of the reward and punishment system in Indonesia Customs, where the officers were asked whether the system has been fairly and properly established, with the response options ranging from strongly disagree to strongly agree. The majority of the employees agree that the system has been fairly and properly established, with 51.7% agreeing and 21.1% strongly agreeing. However, 7.4% and 3.4% of the respondents disagree or strongly disagree with this view, while 16.4% of the respondents expressed a neutral position regarding the current status of the reward and punishment system in Indonesia Customs.

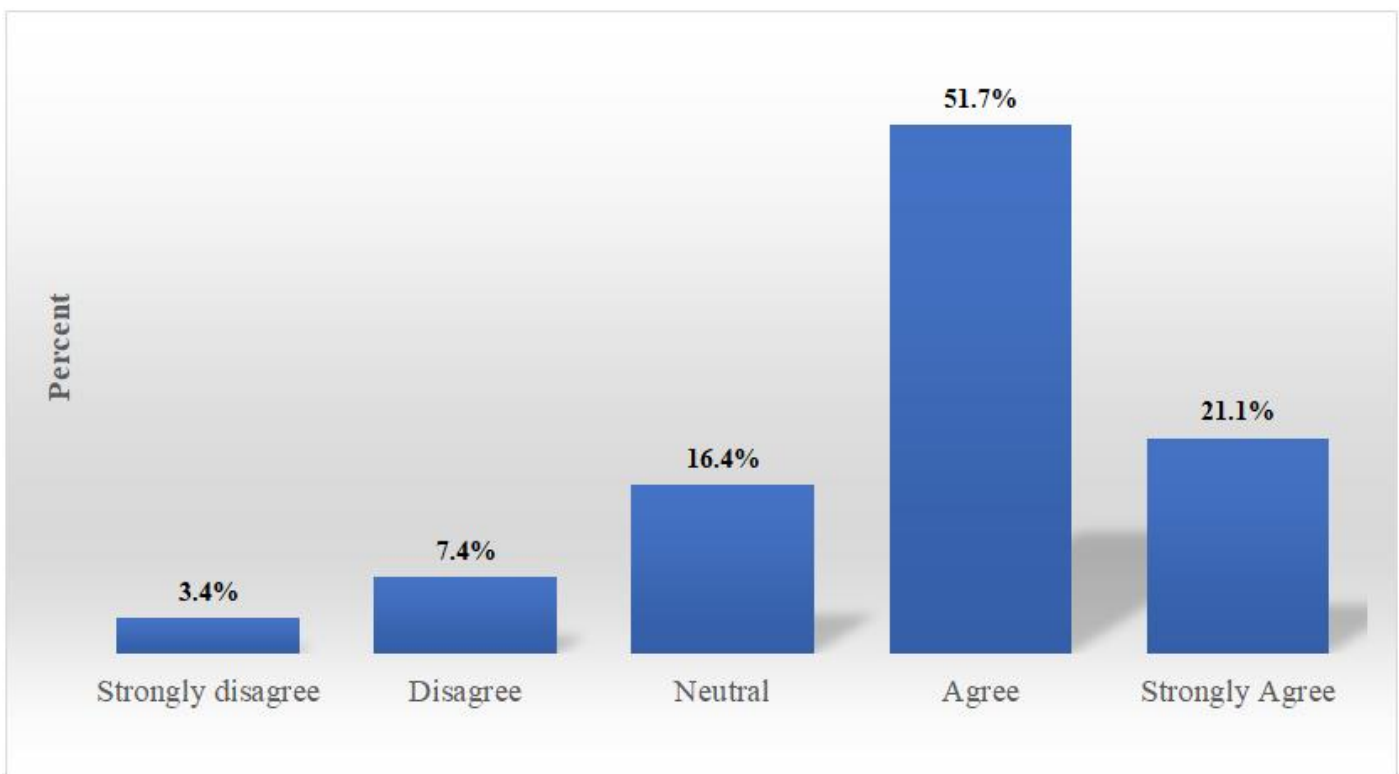


Fig 6 Current Status

Figure 7 presents the satisfaction perceptions of the employees regarding the current implementation of the system, where the respondents were asked to rate their satisfaction from the level of very dissatisfied to very satisfied. Around two-thirds of the employees are satisfied with the current implementation of the reward and punishment system in Indonesia Customs, reflected by 42.4% being satisfied and 21.7% being very satisfied. Meanwhile, 9.3% of the respondents are dissatisfied with the current implementation of the system and 2.8% of the employees are very dissatisfied. Finally, 23.8% of the respondents selected neutral regarding their perceived satisfaction with the current system.

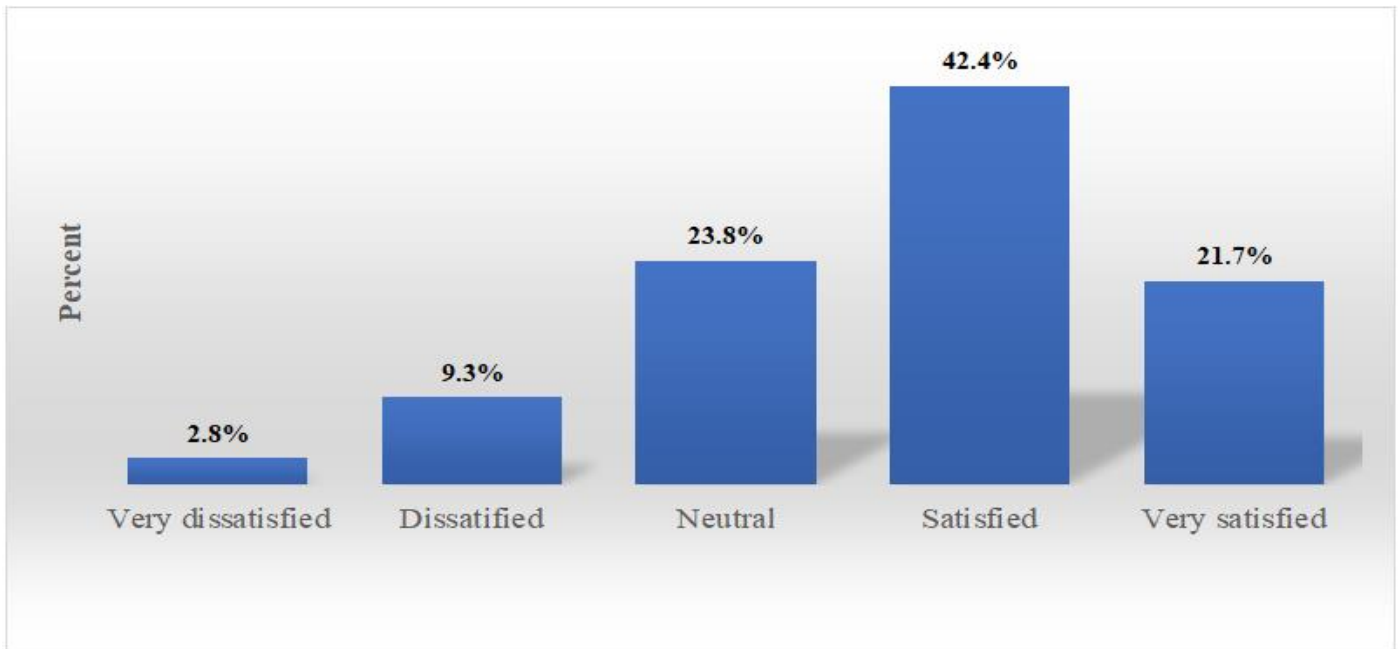


Fig 7 Current Satisfaction

Table 4 shows the current influence of the reward and punishment system toward a healthy organizational culture through two metrics: the current status of the system, and the satisfaction of the employees.

It can be seen that there is a distinct difference between how the employees regard both variables of the current status and current satisfaction. Those employees who have received reward show a positive correlation with “status” and “satisfaction” at .058 and .044 respectively, which represent weak correlations. On the other hand, there is a negative correlation between employees who have received punishment and both variables of status and satisfaction at -.164 and -.136, respectively, which show statistically significant correlations. The analysis also reveals that status and satisfaction have a positive correlation of .853, which infers that those employees who agree that the system has been fairly and properly established are satisfied with its current implementation.

The analysis for those employees who have received reward shows a weak correlation among the variables, as reflected by the coefficient value. This infers that there is an unclear correlation between employees who have received reward in terms of whether they agree or disagree that the reward and punishment system in Indonesia Customs has been fairly and properly established, and also their satisfaction with the current implementation of the system. On the other hand, based on the correlation analysis, employees who have received punishment disagree that the system has been fairly and properly established, thus leading to their dissatisfaction with the current implementation of the system.

Table 4 Correlation of Reward, Punishment, Status, and Satisfaction

Correlations						
			Times of Reward	Times of Punishment	Status	Satisfaction
Spearman's rho	Times of Reward	Correlation Coefficient	1.000	.086	.058	.044
		Sig. (2-tailed)		.122	.302	.427
		N	323	323	323	323
	Times of Punishment	Correlation Coefficient	.086	1.000	-.164**	-.136*
		Sig. (2-tailed)	.122		.003	.015
		N	323	323	323	323
	Status	Correlation Coefficient	.058	-.164**	1.000	.853**
		Sig. (2-tailed)	.302	.003		<.001
		N	323	323	323	323
	Satisfaction	Correlation Coefficient	.044	-.136*	.853**	1.000
		Sig. (2-tailed)	.427	.015	<.001	
		N	323	323	323	323

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

➤ *Elements Influencing the Reward and Punishment System*

Based on the conceptual model of the research in Chapter 3 (see section 3.3), five elements were proposed to the respondents with a focus on the ethical culture to justify the fairness in the implementation of the system: (1) decision-making system, (2) leadership, (3) human resources management, (4) ethical culture, and (5) assessment works. Furthermore, ethical culture was projected to focus on the assessment criteria on how reward and punishment are given to the employees, with four factors proposed to identify the fairness of the assessment criteria: (1) consistency of assessment criteria, (2) fairness of assessment criteria, (3) clarity of assessment criteria, and (4) transparency of assessment criteria.

• *Five Elements Influencing the Reward and Punishment System*

Figure 8 presents the responses regarding elements involved in the implementation of the reward and punishment system, with each element representing how the system is conducted in Indonesia Customs. The officers were asked to rate statements regarding the influence of these elements from the level of strongly disagree to strongly agree. Broadly, the majority of the respondents agree regarding the influence of these elements involved in the system, with more than 80% either agreeing or strongly agreeing with each element.

According to the total accumulation of strongly agree and agree responses, the analysis shows that 89.2% of the total respondents concur that leadership is the most influential element to the system, followed by assessment works with 87.9%. Furthermore, the decision-making system and ethical culture are also perceived as being influential to the system, constituting 86.4% and 84.5% of the total responses, respectively. Finally, human resources management is considered influential, representing 84.2% of the total responses.

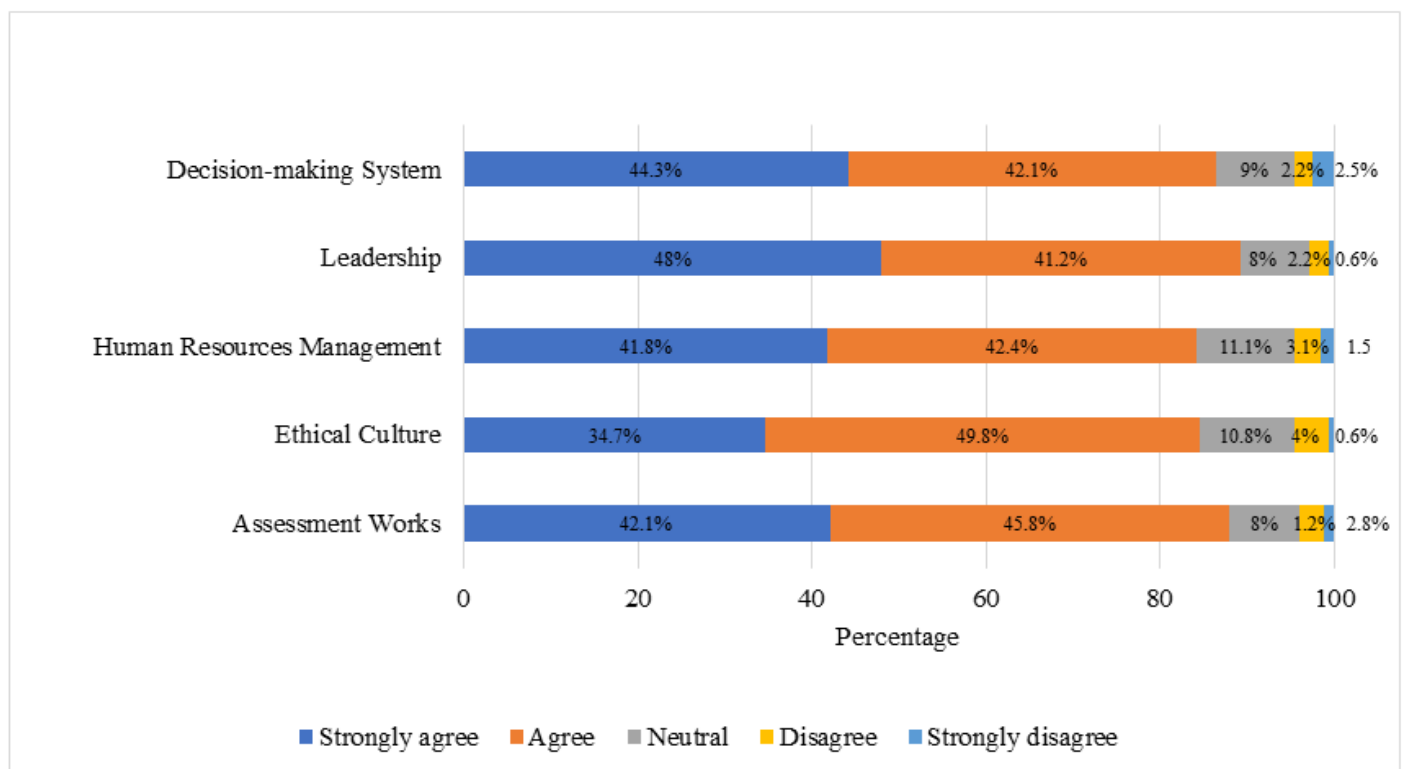


Fig 8 Elements Influencing Reward and Punishment System

Table 5 shows that there is a statistically significant correlation among the five variables. The correlation between leadership and decision-making system is the highest at .720, wherein it can be inferred that leadership plays an important role in providing reward and punishment to the employees. Since the decision tends to be made based on the assessment of the leaders, this can influence its objectivity. Consequently, the correlation between decision-making system and assessment works is also high at .619.

However, Table 5 also shows that there is a negative correlation between employees who have received punishment with all of the elements in the system, with ethical culture the most negative correlation value at -.187, followed by decision-making system with a correlation value of -.155. Then, the elements of assessment works, leadership, and human resources management also show negative correlations with values of -.149, -.137, -.134, respectively.

Table 5 Correlation of Variables in Reward and Punishment System

			<b>Correlations</b>							
			<b>Times of Reward</b>	<b>Times of Punishment</b>	<b>Assessment Works</b>	<b>Ethical Culture</b>	<b>HR Mngmt</b>	<b>Leadership</b>	<b>Decision MS</b>	
Spearman's rho	Times of Reward	Correlation Coefficient	1.000	.086	-.025	.006	.006	.016	.017	
		Sig. (2-tailed)	.	.122	.660	.911	.914	.768	.757	
		N	323	323	323	323	323	323	323	
	Times of Punishment	Correlation Coefficient	.086	1.000	-.149**	-.187**	-.134*	-.137*	-.155**	
		Sig. (2-tailed)	.122	.	.007	<.001	.016	.014	.005	
		N	323	323	323	323	323	323	323	
	Assessment Works	Correlation Coefficient	-.025	-.149**	1.000	.574**	.605**	.588**	.619**	
		Sig. (2-tailed)	.660	.007	.	<.001	<.001	<.001	<.001	
		N	323	323	323	323	323	323	323	
	Ethical Culture	Correlation Coefficient	.006	-.187**	.574**	1.000	.576**	.565**	.537**	
		Sig. (2-tailed)	.911	<.001	<.001	.	<.001	<.001	<.001	
		N	323	323	323	323	323	323	323	
	HR Mngmt	Correlation Coefficient	.006	-.134*	.605**	.576**	1.000	.599**	.547**	
		Sig. (2-tailed)	.914	.016	<.001	<.001	.	<.001	<.001	
		N	323	323	323	323	323	323	323	
	Leadership	Correlation Coefficient	.016	-.137*	.588**	.565**	.599**	1.000	.720**	
		Sig. (2-tailed)	.768	.014	<.001	<.001	<.001	.	<.001	
		N	323	323	323	323	323	323	323	
	Decision MS	Correlation Coefficient	.017	-.155**	.619**	.537**	.547**	.720**	1.000	
		Sig. (2-tailed)	.757	.005	<.001	<.001	<.001	<.001	.	
		N	323	323	323	323	323	323	323	
				**. Correlation is significant at the 0.01 level (2-tailed).						
				*. Correlation is significant at the 0.05 level (2-tailed).						

• *Elements in Ethical Culture of Assessment Criteria*

Figure 9 displays the elements related to the ethical culture of the assessment criteria in the implementation of the reward and punishment system. The Customs officers were invited to rate these factors from the level of very dissatisfied to very satisfied. Broadly, the majority of the respondents were satisfied regarding the elements involved in the ethical culture of the assessment criteria in the implementation of the reward and punishment system.

Among the four elements, fairness of the assessment criteria was reported to be the most influential to the system, with 53.6% of the respondents satisfied and 27.9% very satisfied. However, 11.5% of the employees are neutral on fairness, with 5.3% dissatisfied, and 1.9% very dissatisfied.

Despite the majority of the respondents being satisfied or very satisfied regarding the clarity and consistency of the assessment criteria, the analysis shows that 10.2% of the respondents are dissatisfied or very dissatisfied with the clarity and 9.3% with the consistency of the assessment criteria in terms of the implementation. Furthermore, the transparency of assessment criteria involves the lowest percentage of employees who are satisfied or very satisfied at 72.5%, and the highest percentage of the respondents who are dissatisfied or very dissatisfied at 10.8%. This infers that the transparency of the assessment criteria is one of the elements of ethical culture that contributes to the dissatisfaction of the employees regarding the implementation of the reward and punishment system at Indonesia Customs.

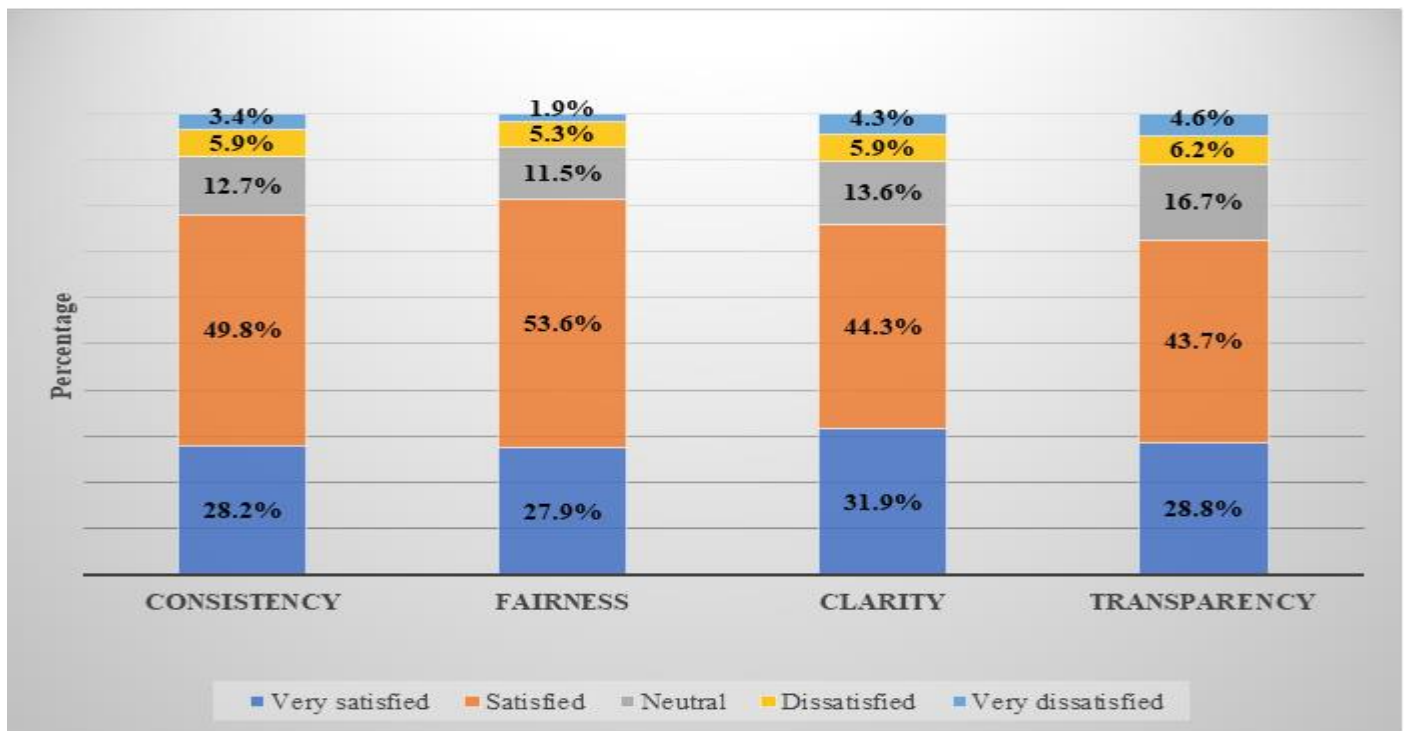


Fig 9 Elements in Ethical Culture of Assessment Criteria

Table 6 presents a statistically significant correlation among the four elements in terms of the ethical culture of assessment criteria. The result shows that there is a positive correlation between fairness and consistency, constituted as the highest correlation value of .827. Consistency also has a positive correlation with clarity, as demonstrated by the correlation value of .818. Additionally, clarity has a positive correlation with transparency at .809.

However, Table 6 also displays a negative correlation between employees who have received punishment and the four elements of consistency, clarity, fairness, and transparency in assessment criteria, with correlation values of -.145, -.141, -.132, -.119, respectively.

Regarding the status and satisfaction, Table 6 also shows that there is a positive correlation toward the four elements in the ethical culture of assessment criteria, with the correlation coefficient ranging from .430 to .575. This finding implies that the ethical culture of the assessment criteria will influence the status and satisfaction of the employees toward the implementation of the reward and punishment system at Indonesia Customs.

Table 6 Correlation of Elements in Ethical Culture of Assessment Criteria

		<b>Correlations</b>								
			Times of Reward	Times of Punishment	Status	Satisfaction	Consistency	Fairness	Clarity	Transparency
Spearman's rho	Times of Reward	Correlation Coefficient	1.000	.086	.058	.044	.005	.020	.008	.006
		Sig. (2-tailed)	.	.122	.302	.427	.933	.719	.883	.913
		N	323	323	323	323	323	323	323	323
	Times of Punishment	Correlation Coefficient	.086	1.000	-.164**	-.136*	-.145**	-.132*	-.141*	-.119*
		Sig. (2-tailed)	.122	.	.003	.015	.009	.018	.011	.033
		N	323	323	323	323	323	323	323	323
	Status	Correlation Coefficient	.058	-.164**	1.000	.853**	.575**	.568**	.516**	.468**
		Sig. (2-tailed)	.302	.003	.	<.001	<.001	<.001	<.001	<.001
		N	323	323	323	323	323	323	323	323
	Satisfaction	Correlation Coefficient	.044	-.136*	.853**	1.000	.520**	.539**	.465**	.430**
		Sig. (2-tailed)	.427	.015	<.001	.	<.001	<.001	<.001	<.001
		N	323	323	323	323	323	323	323	323

Consistency	Correlation Coefficient	.005	-.145**	.575**	.520**	1.000	.827**	.818**	.751**
	Sig. (2-tailed)	.933	.009	<.001	<.001	.	<.001	<.001	<.001
	N	323	323	323	323	323	323	323	323
Fairness	Correlation Coefficient	.020	-.132*	.568**	.539**	.827**	1.000	.779**	.703**
	Sig. (2-tailed)	.719	.018	<.001	<.001	<.001	.	<.001	<.001
	N	323	323	323	323	323	323	323	323
Clarity	Correlation Coefficient	.008	-.141*	.516**	.465**	.818**	.779**	1.000	.809**
	Sig. (2-tailed)	.883	.011	<.001	<.001	<.001	<.001	.	<.001
	N	323	323	323	323	323	323	323	323
Transparency	Correlation Coefficient	.006	-.119*	.468**	.430**	.751**	.703**	.809**	1.000
	Sig. (2-tailed)	.913	.033	<.001	<.001	<.001	<.001	<.001	.
	N	323	323	323	323	323	323	323	323
** . Correlation is significant at the 0.01 level (2-tailed).									
* . Correlation is significant at the 0.05 level (2-tailed).									

➤ *Recommendation for the Improvement of the Reward and Punishment System*

To analyze the major factors that can improve the reward and punishment system, four recommendations were presented to the respondents, who were asked to rate each of them from the level of strongly disagree to strongly agree. These recommendations were formulated to enhance the aspects in the ethical culture of assessment criteria. The recommendations were: (1) periodic and sustainable evaluation is necessary to increase the credibility of the assessment criteria, (2) periodic monitoring of employees’ satisfaction is necessary to implement a reward and punishment system, (3) training for the executor team is necessary to implement a reward and punishment system, and (4) socialization of employees is necessary to ensure clear communication about assessment works.

Figure 10 presents the responses regarding the recommendations to strengthen the current reward and punishment system in Indonesia Customs. The majority of the respondents strongly agree with the given recommendation regarding the socialization of employees, with the highest percentage of strong agreement at 70.6% and 26.3% agree. On the other hand, only 3.1% of respondents feel neutral about this recommendation and none disagree or strongly disagree with the assertion. This finding seemingly implies the importance of the transparency of assessment criteria. By ensuring sufficient socialization, employees will have adequate information and clear communication regarding the assessment criteria and clarity on how the reward and punishment system is implemented.

Secondly, 66.3% of the respondents strongly agree that periodic and sustainable evaluation is necessary to increase the credibility of the assessment criteria. Meanwhile, only 3.4% of respondents find this recommendation is not really necessary. This result clarifies that regular evaluation will enhance the reputation of the system to be fairer and more fit for purpose.

Thirdly, 65% of the total respondents strongly agree and 31% agree that training for the executor team is significant, while 4% of the respondents find this recommendation is not necessary. These findings imply that majority of the respondents consider that in order to implement reward and punishment system, a qualified team is necessary to prevent subjective assessment and ensure greater objectivity.

Lastly, 62.2% of the respondents strongly agree and 34.1% agree that periodic monitoring is necessary in order to implement a reward and punishment system. While with a total of 3.7% of the respondents find this recommendation is not necessary and/or neutral.



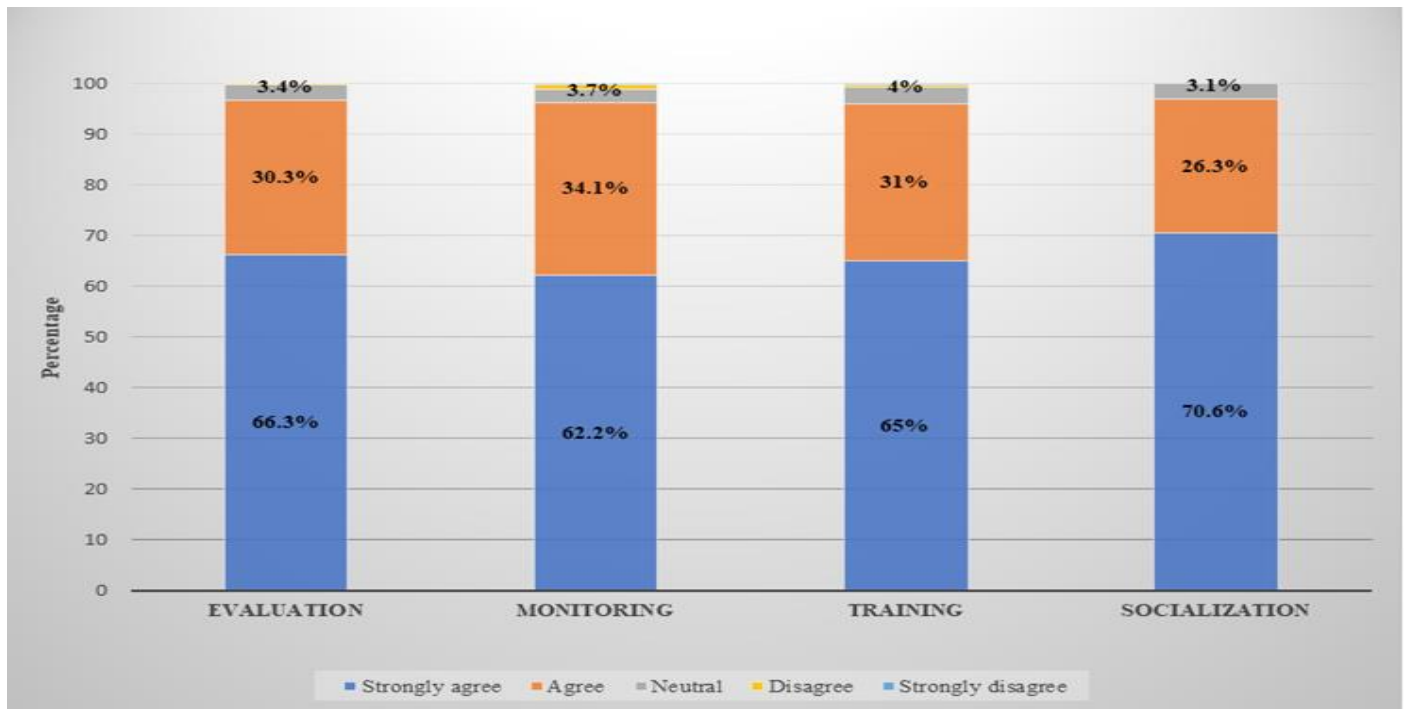


Fig 10 Possible Improvement

➤ *Summary of the Quantitative Data Results*

Through the Likert scales included in the survey questionnaire, it was possible to obtain the respondents’ perspectives regarding the current reward and punishment system in Indonesia Customs, where they were asked to express their attitudes toward the current situation, elements, and how the system could be improved. Table 7 displays their perceptions ranging from the level of strongly disagree/very dissatisfied to strongly agree/very satisfied.

The results for the current implementation clearly underscore that the majority of the respondents (72.8%) agree that the reward and punishment system in Indonesia Customs has been fairly and effectively established. Nevertheless, 10.8% of the respondents perceive that the current reward and punishment system has not been fairly and properly established. Furthermore, 12.1% of the respondents are dissatisfied with the current implementation of the system, which is quite high compared to those employees who are satisfied with the system (64.1%). This can be seen by the level of ethical culture of the assessment criteria. Even though 81.5% of the respondents are satisfied with the fairness in the system, 10.8% are dissatisfied with its transparency.

Reward and punishment system in Indonesia Customs would benefit through improvements to its current implementation, specifically in the ethical culture of assessment criteria. The result shows that 96.9% of the respondents believe that the socialization of employees can ensure clear communication about the assessment works, 96.6% perceive that periodic and sustainable evaluation will increase the credibility of the assessment criteria, 96.3% agree that the periodic monitoring of employees’ satisfaction is necessary, and 96% feel that training for the executor team is required to implement the reward and punishment system.

Table 7 Summary of the Results from the Quantitative Data

Perceptions	Strongly disagree/ Very dissatisfied	Disagree/ Dissatisfied	Neutral	Agree/ Satisfied	Strongly agree/ Very satisfied
Status	3.4%	7.4%	16.4%	51.7%	21.1%
Satisfaction	2.8%	9.3%	23.8%	42.4%	21.7%
Consistency	3.4%	5.9%	12.7%	49.8%	28.2%
Fairness	1.9%	5.3%	11.5%	53.6%	27.9%
Clarity	4.3%	5.9%	13.6%	44.3%	31.9%
Transparency	4.6%	6.2%	16.7%	43.7%	28.8%
Evaluation	0.0%	0.3%	3.1%	30.3%	66.3%
Monitoring	0.3%	0.9%	2.5%	34.1%	62.2%
Training	0.3%	0.3%	3.4%	31.0%	65.0%
Socialization	0.0%	0.0%	3.1%	26.3%	70.6%

### C. *Qualitative Data Analysis and Results*

#### ➤ *Focus Group Discussion with Indonesia Customs Officials*

To gain in-depth understanding from employees who have experienced the reward and punishment system, qualitative data were obtained through a focus group interview with Indonesia Customs officials, held online via Zoom on November 11, 2022. The participants were invited to express their perceptions on the current reward and punishment system in Indonesia Customs.

The aim of the interview was to identify the current status, current satisfaction, and elements influencing the reward and punishment system, as well as to identify possible recommendations to improve the system in Indonesia Customs. A focus group interview was conducted with three Customs officers who had experienced the reward and punishment system during their service. One of them had received reward on three occasions and punishment once, while the other two had both received reward and punishment once.

#### ● *Current Status of the Reward and Punishment System*

All three of the interviewees agreed that in terms of reward, the system has been properly and fairly established. This is primarily because the assessment criteria in the reward system is clearly measurable through performance, such as the key performance index. Moreover, the interviewees highlighted that the management team who execute the reward system has objectively observed the successful employees, and then properly and fairly decided who deserves the reward based on the regulation through voting after a thorough assessment of all the candidates.

On the other hand, the interviewees disagreed that the punishment system has been properly and fairly established. One mentioned that based on his experience, the punishment that he received contradicted the guidance in the regulation. The interviewees further stated that employees with the same case in different division were treated differently, which raised significant questions regarding how the system is implemented. Furthermore, one of the interviewees revealed that there is a considerable difference in transferring employees to or from peripheral locations. Employees who have been punished can be transferred directly to peripheral locations, even if they have only been placed in their current position for less than a year. Conversely, employees who have received a reward cannot be directly transferred from peripheral locations, which infers unfairness in terms of how the reward and punishment system is implemented.

#### ● *Current Satisfaction of the Reward and Punishment System*

In regard to the satisfaction level, the interviewees were satisfied with the current reward system because the achievement is based on objective measurement and everybody can attain the same achievement for the same quality of performance. However, one of the interviewees added that the transfer pattern is not fully clear regarding which one is for reward and which is for punishment, because people who do not get punished can also be transferred to peripheral locations.

On the other hand, all of the interviewees were very dissatisfied with the current punishment system, whereby one revealed a new finding in that the system is characterized by political influences that lead to unfairness in defining the culprit. Furthermore, this interviewee mentioned that providing punishment to employees is often regarded as an achievement for those supervisors who are seeking promotion. Moreover, the slow process in giving punishment can cause many issues that are not directly related to the case, and potentially leads to unpleasant side effects for the respective employees, even though they have already accepted their inappropriate behaviour or actions.

#### ● *Elements Influencing the Reward and Punishment System*

The interviewees mentioned that leadership is one of the most influential elements in the current reward and punishment system, with direct supervisors playing an important role in allocating reward and punishment. The interviewees revealed that leadership influences the decision-making system and how the assessment unfolds. Furthermore, a new finding emerged regarding the differentiation of the unit responsible for reward and punishment, with Human Resources Management responsible for the reward system while Internal Compliance handles the punishment system.

These factors result in different standards in the implementation of the reward and punishment system. The interviewees stated that at the work unit level the reward system has been fair in acknowledging employees' contribution and rewarding them accordingly. However, the assessment of further impact at the macro level is a lengthy process in terms of recognising achievements such as job relocation. On the other hand, the interviewees asserted that the punishment system is highly subjective with unclear assessment criteria in determining the wrongdoing. It was reported that different work units have different standards in terms of the discipline level, which is dependent on the current leadership style in the workplace.

#### ● *Recommendations for Improvement*

Specifically for the punishment system, one of the interviewees mentioned that the decision process could be expedited, especially after admitting the misbehaviour. Another interviewee added that the reward and punishment system should be viewed collectively before making any final decision, whereby employees' track records of reward and punishment should be taken into

consideration. Furthermore, appeals by those employees who have been punished should be facilitated with clear and accessible procedures.

#### ➤ *Summary of the Qualitative Data Results*

In order to deepen the understanding of the research, qualitative data were obtained from a focus group interview with three Indonesia Customs officials with experience of reward and punishment during their time of service.

The results show that in terms of the reward system, all of them are quite satisfied with the current system, while all being very dissatisfied with the current punishment system. In regard to the elements influencing the reward and punishment system, all of the interviewees agreed that leadership is the most influential.

According to the focus group interview, new findings emerged in addition to the recommendations on how the system can be improved, especially to the punishment system, which included ensuring a swift process, a thorough evaluation of the employee's track record, and a clear and accessible appeals process.

#### *D. Discussion of the Findings*

The purpose of this study is to identify employees' perceptions regarding the current status, satisfaction level, and elements influencing the reward and punishment system, as well as identifying recommendations to improve the system in order to promote a healthy organizational culture. The discussion will primarily focus on two aspects: the current status and recommendations. It will present the most significant features arising from both the quantitative and qualitative data.

Prior to the discussion on the reward and punishment system, the current status and current satisfaction of reward and punishment system were disclosed. It is clear that in terms of the reward system, the majority of the employees are satisfied with the current system, while in contrast, the majority of the employees are dissatisfied with the current punishment system. Moreover, in regard to the elements influencing the reward and punishment system, the findings from both the quantitative and qualitative data analysis show that leadership is the most influential element impacting the system.

The findings further show that in order to improve the system, socialization on how the system is implemented is vital for the employees. In the questionnaire survey, the participants were asked to express their perceptions of the recommendations through an open-ended question. Further discussion below will present the significant view of the employees regarding the current reward and punishment system in Indonesia Customs.

#### ➤ *Discussion of the Current Status*

The findings demonstrate that there are significant differences in perception between the current status of the reward and punishment system in Indonesia Customs. The majority of the respondents agreed that the current reward system has been fairly and properly established, in contrast to the punishment system. However, through the open-ended question in the questionnaire, a number of interesting perceptions emerged stating that the reward system is not yet fairly and properly established. Aligning with the findings from the qualitative data analysis, the respondents revealed that office politics still play an important role in the system, including the reward system. Moreover, the respondents mentioned that the tools utilized to measure fairness in the merit system are attendance report, performance score, and head/supervisor recommendation/testimony, which is believed to be rather vague because the attendance report and performance score can be modified, while the recommendation/testimony of the supervisor tends to be subjective.

According to one respondent, the fundamental metrics that are typically overlooked are authentic contributions, competence, sacrifices, and ideas. For instance, many officers fail to be nominated as an awardee because they are not at the top of the attendance record, while those employees who are at the top of the report may not have other strong qualities. Nevertheless, Human Resources Management and Internal Compliance believe that the attendance record is the optimum metric for exemplary officers. Another respondent added that some rewards were given only as formality, which means that the recipients are based on a rota regardless of their contribution.

Meanwhile, for the punishment system, several respondents disagreed that it has been established fairly and properly. They mentioned that the system still had the tendency to be more strict to the lower level officers than to the upper ones. Furthermore, during the process of investigation, employees often do not receive any copy of the investigation report. This practice influences the transparency of the punishment system, wherein the measurement of punishment level becomes unclear to the employees.

Several respondents also highlighted how office politics influence the punishment system, such as the determination of wrongdoers being based on favouritism, without objective measurements that can be held accountable in the investigation report. Some also revealed how employees' transfer to peripheral locations as an informal form of punishment could be more transparent, including the reason behind the transfer. Moreover, one respondent asserted that employees who misbehave should not be transferred to peripheral locations, but rather be disciplined at the headquarter or assigned an office for attitude development.

➤ *Discussion of the Recommendations*

Further discussion of the current status introduced the possibility for improvement in the current reward and punishment system in Indonesia Customs. Many respondents believed that both components of the systems need to be adjusted and updated with a point system or credit-based score. This would include the measurement of criteria and categories in the reward and punishment system. With this standardized measurement, the system would be clearer, more reliable, and could be utilized nationally. To enhance the fairness, one respondent also stated that peer involvement in evaluation is necessary to reduce the threat of subjectivity if the reliance is only on a supervisor's testimony.

Moreover, one respondent asserted that what should be tested in the reward and punishment system in Indonesia Customs is the consistency in its implementation. As mentioned several times in both the quantitative and qualitative data, there is subjectivity in the application of the system that results in injustice for those affected, especially related to disciplinary punishment. This practice could be a real danger since if this injustice occurs repeatedly, then it will be considered the norm. To overcome this challenge, the respondent recommended enhanced monitoring and evaluation, as well as the creation of a transparent discussion space. Therefore, various inputs from employees can be monitored for follow-up at the national level.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### ➤ *Conclusion*

The purpose of the study was to identify employees' perception on the fairness of the current reward and punishment system in Indonesia Customs in order to promote a healthy organizational culture. The study also aimed to develop recommendations to strengthen the reward and punishment system in Indonesia Customs. It is necessary to understand the current trend of the reward and punishment system as one of the most fundamental aspects in management to maintain employees' satisfaction and to promote a healthy organizational culture.

The research used a mixed method combining quantitative and qualitative data. The quantitative data were collected through online survey questionnaires from Indonesia Customs officials, which was conducted from August to September 2022. Meanwhile, the qualitative data were gathered from a focus group interview with Indonesia Customs officials, which was held online via a Zoom meeting in November 2022.

The findings show that the current reward and punishment system in Indonesia Customs has been fairly and properly established. However, at a more granular level, the employees regarded the system differently in terms of the reward and punishment components. Regarding the reward system, the majority of the employees considered that the system objectively assesses the employees based on their performance. In contrast, those employees who have experienced punishment system had a less favorable opinion.

Regarding the recommendation for improvement, the results show that the respondents believed that the socialization of employees is necessary to ensure clear communication regarding how the assessment works. This represents a significant recommendation to improve the current system. Following that, the respondents asserted that periodic and sustainable evaluation is necessary to increase the credibility of the assessment criteria. Additionally, the periodic monitoring of employees' satisfaction is necessary to implement an effective reward and punishment system.

#### ➤ *Recommendations*

This section discusses the recommendations that emerged from this study to advance the reward and punishment system. The insightful analysis from the collected data facilitated in presenting a number of recommendations for Indonesia Customs, and specifically the Human Resources Management and the Internal Compliance unit that are responsible for the reward system and punishment system, respectively.

- *Socialization of Employees*

Socialization of employees for both components of the system will ensure clear communication to the employees regarding how the assessment works, including the criteria, procedures, and any other important aspects in implementing the reward and punishment system. How management disseminate the information about the reward and punishment system is critical. Human Resources Management and the Internal Compliance unit can conduct the socialization concurrently or separately, according to the requirements of each case. This strategy will raise employees' awareness regarding the reward and punishment system, and simultaneously increase the transparency of the system itself.

Furthermore, the socialization of employees will help the management to actively promote reward, rather than utilizing punishment as a threat to moderate the employees' behavior. The results from the survey questionnaire showed that promoting reward in the first place will establish a new approach in the employees' mindset as a positive motivation to improve their performance and avoid poor behavior. The employees included in this study believed that this strategy will work effectively.

The findings from the quantitative data also highlighted that those employees who have never experienced reward and punishment are unaware of how the reward and punishment system is implemented. They also do not comprehend the assessment criteria employed in the system. Socialization thus represents the optimum strategy to overcome this obstacle and advance the current system of reward and punishment in Indonesia Customs.

- *Periodic and Sustainable Evaluation*

Periodic and sustainable evaluation is necessary to increase the credibility of the assessment criteria. Human Resources Management and the Internal Compliance unit can collaborate in conducting the evaluation of both components of the system. The findings from the quantitative data revealed that this strategy will help ensure the consistency of the system. Implementing periodic and sustainable evaluation will introduce checks and balances to the on-going reward and punishment system, while helping to establish a resilient reward and punishment system that can effectively adapt to any conditions and future generations.

The findings from the quantitative data also showed that the headquarter often do not effectively handle the feedback from work units and regional offices. Periodic and sustainable evaluation can be utilized to resolve this issue. Suggestions from the work units and regional offices can be accommodated accordingly by the Human Resources Management and the Internal

Compliance unit to enable proper follow-up, if necessary, from the headquarter. This will improve the participation of all of the related parties in the reward and punishment system.

Additionally, evaluation is necessary, especially for employees who have been punished for certain poor behavior by placing them in peripheral locations. The findings from the both quantitative and qualitative data highlighted that this strategy is not particularly effective, considering that what employees actually require is directional guidance from the institution. The respondents recommend that Indonesia Customs create a counseling unit in Human Resources Management, at least at the regional office.

- *Periodic Monitoring of Employee satisfaction*

The periodic monitoring of employees' satisfaction is necessary to understand the current trends and their aspirations for the system. The findings from the both quantitative and qualitative data analysis showed that leadership is the most significant element in the current reward and punishment system, which has the potential to be highly subjective if only based on the supervisor's recommendation or testimony. Periodic monitoring on employees' satisfaction can reduce the subjectivity of the system, because this will directly involve the employees to balance the perceptions. Meanwhile, Human Resources Management and the Internal Compliance unit can conduct the monitoring simultaneously or independently, according to the organizational needs.

Moreover, the quantitative data analysis found that the periodic monitoring of employees' satisfaction will provide an official communication channel for employees to articulate their aspirations. This will increase the perceptions of fairness and clarity regarding the assessment criteria, and provide the management with an increased understanding of the types of reward or punishment that will be more relevant to the contemporary contexts.

One of the interviewees also recommended that the system should have a mechanism for employees to appeal and seek a re-examination. The strategy of periodic monitoring of employees' satisfaction would be able to accommodate this recommendation. By establishing an official channel in Human Resources Management and the Internal Compliance unit for employees to express their concerns, Indonesia Customs will have an agile reward and punishment system that can be an effective mechanism to promote a healthy organizational culture.

- *Limitation of the Study*

In conducting this research, two primary limitations were encountered. Firstly, in assessing the system, the sample size was sufficiently large, but not proportionally distributed between those who had experienced the reward and the punishment components of the system. This was due to the time limitation in this study, and the random nature of the respondent selection process. Secondly, the qualitative data were limited to three officers with similar experiences, and thus more interviews should have been carried out with additional Customs officials to add greater depth to the qualitative findings.

- *Further Study*

This study was conducted to identify the employees' perception of the fairness of the current reward and punishment system in Indonesia Customs to promote a healthy organizational culture. It was found that the employees regard both systems are being extremely different, which makes it challenging to draw a solid conclusion regarding the reward and punishment system as a whole. Therefore, future research will evaluate the reward and punishment components of the system independently, in order to gain an in-depth understanding of each facet of the system. Future study will also identify the utilization of reward or punishment separately to motivate employees. Moreover, specific targeted respondents will be recruited to obtain a more detailed evaluation, particularly in the case of those employees who have experienced punishment.

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## APPENDIX 1: Questionnaire Cover Letter



To: Secretary General of Indonesia Customs  
Jl. Achmad Yani By Pass, Rawamangun  
Jakarta Timur, DKI Jakarta 13230

RE: REQUEST FOR RESEARCH PERMISSION TO ADMINISTER AN ACADEMIC SURVEY TO INDONESIA CUSTOMS SERVICES EMPLOYEES  
20th July 2022

Dear Sir/Madam,

I am Risky Yakob Purba, Indonesia Customs Officer stationed at the Directorate of International Cooperation of Customs and Excise at the headquarter. I am currently on academic leave pursuing a Master's degree in Strategic Management & Intellectual Property Rights at the Graduate School of Business, Aoyama Gakuin University (Tokyo, Japan). My studies are being supported by a scholarship provided by Japan-WCO Human Resource Development Programme (Scholarship Programme).

As part of my program of study, under the guidance of my advisor, Prof. Jiro Usugami, Ph.D. (usugamij@busi.aoyama.ac.jp), I am designing and implementing a research project and writing a Master Thesis.

Accordingly, I am writing to request permission to administer an online academic survey questionnaire to Customs Officers at the Directorate General of Customs and Excise in Indonesia. The survey results will be used purely for academic purposes, and the individual participant. Further, the results will only be reported in aggregate form. If I receive your approval, then I intend to conduct the survey from 20th August to mid-September 2022. Your approval to conduct this study will be greatly appreciated. I request that you kindly let me know if I can proceed by replying to me through e-mail: [helloyakob@gmail.com](mailto:helloyakob@gmail.com).

Sincerely,

Advisor,

Risky Yakob Purba\*  
Master's Candidate, Graduate School of Business  
Aoyama Gakuin University (Tokyo, Japan)

Prof. Jiro Usugami, Ph.D

\*On study leave from the Directorate General of Customs of Excise  
of the Republic of Indonesia

## APPENDIX 2: SURVEY QUESTIONNAIRE

### Survey on Reward and Punishment System

*Dear respondents,*

*I am Risky Yakob Purba, your colleague from Indonesia Customs at the headquarter. Currently I am doing a Master Degree in Strategic Management and Intellectual Property Rights Program (SMIPRP) at Aoyama Gakuin University, Tokyo, Japan.*

*As a requirement of my Master Degree, I am conducting a research on Reward and Punishment System. I would be grateful had you filled up this questionnaire before the deadline of 9 September 2022.*

*Completion of this questionnaire will take approximately 5 minutes. Your honest responses will be treated with utmost confidentiality in line with the research ethic. Should you have any questions or concerns about the survey, you may contact me at [helloyakob@gmail.com](mailto:helloyakob@gmail.com).*

*Thank you for taking the time to answer this online questionnaire.*

*Sincerely yours,  
Risky Yakob Purba*

**\* Required**

#### PETUNJUK PENGISIAN (INSTRUCTIONS)

Sebelum menuju ke pertanyaan, perlu diketahui bahwa survey ini akan dilakukan secara anonim dan definisi penghargaan dan hukuman dalam kuesioner ini mengacu kepada anonim dan definisi penghargaan dan hukuman dalam kuesioner ini mengacu kepada Peraturan Pemerintah No. 46 tahun 2011 tentang Penilaian Prestasi Kerja Pegawai Negeri Sipil dan Peraturan Pemerintah No. 94 tahun 2021 tentang Disiplin Pegawai Negeri Sipil.

Mohon baca pertanyaan dengan baik dan berikan jawaban Anda dengan memilih mana yang Anda rasa paling sesuai atau berikan pandangan Anda pada kolom yang tersedia. Terima kasih.

*(Before proceeding to the questions, please be informed that the survey will be conducted anonymously and the definition of reward and punishment in this questionnaire refers to the Government Regulation No. 46 of 2011 on Work Performance Appraisal of Civil Servant and Government Regulation No. 94 of 2021 on Discipline of Civil Servant.*

*Kindly read the questions carefully and give your answer according to your preference or give your views on the space provided. Thank you.)*

## Section A: Background Information

### 1. Gender \*

*Mark only one oval.*

Female

Male

Other

### 2. Sudah berapa lama Anda bekerja di Bea Cukai Indonesia? \*

*(How long have you been working in Indonesia Customs)?*

*Mark only one oval.*

< 5 years

5-10 years

11-15 years

16-20 years

over 20

years

### 3. Masukkan nomor dompet digital Anda untuk kesempatan mendapatkan saldo sebesar Rp 100.000 dengan format: 081xxx - Gopay/OVO (hanya untuk satu nomor Indonesia)

*(Insert your digital wallet number for a chance of Rp 100.000 with format: 081xxx Gopay/OVO (only for one Indonesian number)*

---

Pertanyaan berikut ini berkaitan dengan Sistem Penghargaan dan Hukuman di Bea Cukai.

*(These following questions are related to Reward and Punishment System in Indonesia Customs.)*

4. Berapa kali Anda pernah mendapat penghargaan selama bekerja di Bea Cukai? \*

*(How many times have you ever received reward since you joined Indonesia Customs?)*

*Mark only one oval.*

- Tidak pernah / never
- 1 kali / 1 time
- 2 kali / 2 times 3 kali / 3 times lebih dari 3 kali / more
- than 3 times
- Anda dapat melewati pertanyaan berikut bila menjawab "tidak pernah".

*(You can skip this question if your answer is "never".)*

5. Pilihlah jenis penghargaan yang pernah Anda dapatkan!

*(Please choose types of reward you have ever received!)*

*Check all that apply.*

- Sertifikat / Certificate
- Uang kompensasi / Compensation money
- Promosi / Promotion
- \_\_\_\_\_

Other :

6. Berapa kali Anda pernah mendapat hukuman selama bekerja di Bea Cukai? \*

*(How many times have you ever received punishment since you joined Indonesia Customs?)*

*Mark only one oval.*

- Tidak pernah / never
- 1 kali / 1 time
- 2 kali / 2 times 3 kali / 3 times
- lebih dari 3 kali / more than 3 times
- 

Anda dapat melewati pertanyaan berikut bila menjawab "tidak pernah".

*(You can skip this question if your answer is "never".)*

7. Pilihlah jenis hukuman yang pernah Anda dapatkan!

*(Please choose types of punishment you have ever received!)*

*Check all that apply.*

Hukuman ringan / Light Punishment (e.g., Teguran lisan / Verbal reprimand, Teguran tertulis / Written warning, Pernyataan tidak puas secara tertulis / Dissatisfied statement in writing)

Hukuman sedang / Moderate Punishment (e.g., Pemotongan tunjangan kinerja sebesar 25% selama 6 (enam) bulan / Deduction of performance allowance by 25% for 6 (six) months, Pemotongan tunjangan kinerja sebesar 25% selama 9 (sembilan) bulan / Deduction of performance allowance by 25% for 9 (nine) months, etc.)

Hukuman berat / Severe Punishment (e.g., Penurunan pangkat setingkat lebih rendah selama 12 (dua belas) bulan / Demotion to a lower level for 12 (twelve) months, Pembebasan dari jabatannya menjadi jabatan pelaksana selama 12 (dua belas) bulan / Release from office to office executor for 12 (twelve) months, etc.)

Other:

---

*Keterangan skala (Scale information):*

**1 : Sangat tidak setuju/Sangat buruk**

**Section B: Current Implementation of Reward and Punishment System**

(Strongly disagree/Very dissatisfied)  
 2 : Tidak setuju/Buruk (Disagree/Dissatisfied)  
 3 : Netral (Neutral)  
 4 : Setuju/Baik (Agree/Satisfied) 5 : Sangat setuju/Sangat baik (Strongly agree/Very satisfied)

8. Sistem pemberian penghargaan dan hukuman di Bea Cukai telah terlaksana dengan wajar dan baik. \*

*(Reward and punishment system in Indonesia Customs has fairly and properly worked out.)*

Mark only one oval.

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

9. Saya puas dengan implementasi sistem penghargaan dan hukuman di Bea Cukai? \*

*(I am satisfied with the implementation of reward and punishment system in Indonesia Customs?)*

Mark only one oval.

1 2 3 4 5

Sangat tidak puas (Very dissatisfied) Sangat puas (Very satisfied)

**Section C: Issues in Reward and Punishment System**

**Keterangan skala (Scale information):**

1 : Sangat tidak setuju/Sangat buruk (Strongly disagree/Very dissatisfied)  
 2 : Tidak setuju/Buruk (Disagree/Dissatisfied)  
 3 : Netral (Neutral)

- 4: Setuju/Baik (Agree/Satisfied)  
 5: Sangat setuju/Sangat baik (Strongly agree/Very satisfied)

Terdapat beberapa faktor yang mempengaruhi sistem pemberian penghargaan dan hukuman. Sejauh mana Anda setuju bahwa faktor-faktor berikut merupakan penyebab sistem penghargaan dan hukuman yang efektif:

*(There are several factors influencing reward and punishment system. To what extent do you agree that the following factor is the cause of effective reward and punishment system:)*

10. Cara kerja penilaian \*

*(Assessment works)*

*Mark only one oval.*

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

11. Budaya etis \*

*(Ethical Culture)*

*Mark only one oval.*

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

12. Sistem manajemen SDM \*

*(HR Management system)*

*Mark only one oval.*

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

13. Kepemimpinan \*

(Leadership)

Mark only one oval.

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

14. Sistem pengambilan keputusan \*

(Decision-making System)

Mark only one oval.

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

Silahkan lakukan penilaian terhadap faktor – faktor berikut ini yang berkaitan dengan budaya etis dalam pemberian penghargaan dan hukuman:

(Please rate the following factor related to Ethical Culture in the implementation of reward and punishment system:)

15. Kewajaran dalam kriteria penilaian \*



*(Fairness of assessment criteria)*

Mark only one oval.

1 2 3 4 5

Sangat tidak puas (Very dissatisfied) Sangat puas (Very satisfied)

16. Konsistensi dalam kriteria penilaian \*

*(Consistency of assessment criteria)*

Mark only one oval.

1 2 3 4 5

Sangat tidak puas (Very dissatisfied) Sangat puas (Very satisfied )

17. Kejelasan dalam kriteria penilaian \*

*(Clarity of assessment criteria)*

Mark only one oval.

1 2 3 4 5

Sangat tidak puas (Very dissatisfied) Sangat puas (Very satisfied)

18. Transparansi dalam kriteria penilaian \*

*(Transparency of assessment criteria)*

Mark only one oval.

1 2 3 4 5

Sangat tidak puas (Very dissatisfied) Sangat puas (Very satisfied)

**Section D: How to improve Reward and Punishment System**

*Keterangan skala (Scale information):*  
 1 : Sangat tidak setuju (Strongly disagree)  
 2 : Tidak setuju (Disagree)  
 3 : Netral (Neutral)  
 4 : Setuju (Agree)  
 5 : Sangat setuju (Strongly agree)

19. **Evaluasi berkala dan berkesinambungan perlu dilakukan untuk meningkatkan kredibilitas kriteria penilaian.**

*(Periodic and sustainable evaluation is necessary to increase the credibility of the assessment criteria.) Mark only one oval.*

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

20. **Pengamatan berkala terhadap kepuasan pegawai diperlukan untuk menerapkan sistem penghargaan dan hukuman.**

*(Periodic monitoring on employee’s satisfaction is necessary to implement reward and punishment system.)*

*Mark only one oval.*

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

21. **Pelatihan kepada tim penyelenggara diperlukan untuk menerapkan sistem penghargaan dan hukuman.**

*(Training for the executor team is necessary to implement reward and punishment system.)*

Mark only one oval.

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

22. Sosialisasi kepada pegawai diperlukan untuk memastikan komunikasi yang jelas \*  
tentang cara kerja penilaian.

*(Socialization to employees is necessary to ensure clear communication about assessment works.) Mark only one oval.*

1 2 3 4 5

Sangat tidak setuju (Strongly disagree) Sangat setuju (Strongly agree)

23. Apakah Anda memiliki saran lain untuk meningkatkan kualitas sistem penghargaan dan hukuman di Bea Cukai? Silahkan urutkan saran Anda!

*(Do you have any suggestions on how to improve our reward and punishment system in*

*(Do you have any suggestions on how to improve our reward and punishment system in Indonesia Customs? Please list your suggestions!)*