AI ADAPTATION, COMPENSATION, CULTURE AND LEADERSHIP: FACTORS INFLUENCING EMPLOYEE MOTIVATION AMONG WORKING ADULTS

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Abstract. As the corporate world quickly changes, companies are facing the challenge of managing employees from different generations while shifting to hybrid work models. At the same time, artificial intelligence (AI) is reshaping traditional job roles and how organizations operate, prompting a fresh look at what truly motivates employees. This study explores what drives motivation among private sector workers in Kuala Lumpur, Malaysia, focusing on the mix of generations, hybrid work setups, and fast-paced technological changes. Using McClelland's Need Theory and Vroom's Expectancy Theory to cover both internal and external motivators, the research collected data from 384 working adults and analyzed it with SPSS software. The results show that compensation, recognition, and organizational culture play important roles in motivating employees. On the other hand, leadership styles and adapting to AI technology didn't significantly impact motivation in this setting. These findings highlight that even though AI is becoming common in workplaces, technology adaptation hasn't yet become a main factor in what drives employee motivation.
Keywords: *employee motivation, multi-generational workforce, hybrid work, Artificial Intelligence (AI), private sector, Kuala Lumpur*

Introduction

In this era of globalization, employees are increasingly seeking roles that offer not only financial stability but also prioritize mental health and overall well-being, contributing to a balanced work-life experience. A study conducted by Gavric et al., (2020) shows that employee motivation is one of the most critical elements that influences organizational success, productivity, and long-term sustainability. To support this perspective, motivation can be described as a process in which one's internal energy is directed towards various goals and targets in one environment (Owan et al., 2020). The emergence of diverse working model, and generational diversity has contributed to higher turnover intentions, retention challenges, and declining engagement levels. Previous studies revealed that employee motivation significantly affect retention (Hee and Rhung, 2019), job staisfaction, and organizational resilience (Haque, 2021). However, most existing research has been conducted overseas, where organizational practices cultural norms and technological readiness differ from the Malaysian context (Abdullah et al., 2025). Furthermore, low motivation arising from weakened organizational connection and unclear set of expectation in hybrid working arrangement has been linked to lower productivity and increased turnover, limiting organizational growth (Abdullah et al., 2025). As a result, prior findings may be lacking in reflecting the motivational realities of urban Malaysian employees, and limited of empirical evidence. To bridge the research gap, this study applies McClelland Theory and

Vroom's Expectancy Theory to determine the role of AI adaptation, compensation and recognition, organizational culture and leadership styles among working adults in Kuala Lumpur.

Literature review and hypotheses development

This study focused on four factors influencing motivation. Drawing on McClelland's theory and Vroom's theory, McClelland explained the human basic needs in motivation which are achievement, affiliation and power (Abdullah et al., 2025). Theory of needs investigates that the components of needs may drive employees' motivation to achieve and accomplish, making connections and being able to make an influence on others. Meanwhile, Vroom (1964) suggested the three key components which are: expectancy, instrumentality and valence. Vroom also proposes that employees will act in a certain way because of the outcome that they view as perceived fairness as a reward of their action (Vroom, 1964). In the research design stage of this study, leadership style, compensation and recognition, organizational culture, and AI technology fit were selected as the core independent variables. The selection of all variables was anchored in the context of structural turbulence in Malaysia's modern corporate landscape: enterprises' shift to hybrid work frameworks and the coexistence of multi-generational workforces underpin the necessity of researching leadership and organizational culture; macroeconomic pressures in core cities such as Kuala Lumpur support the rationality of evaluating the compensation and recognition variable; amid the widespread adoption of automation, there is a need to test whether AI technology fit functions as an operational tool or a genuine psychological motivator. The selection logic for all variables aligns closely with the local context.

Leadership styles and employee motivation

A leader is the person responsible to bring out the best in employees to strive for organizational performance. Employees involvement in decision-making makes employees feel valued and respected. Leaders with transformative qualities lead by example, setting out clear vision and mission, develop employees' skills and are constantly generous with constructive feedback. (Yusup and Maulani, 2023). Leadership styles can be varying. Many employees experience different styles of leadership behaviours throughout their careers. Employees' motivation increases with a good leadership style. The culture in the workplace is influenced by the behaviour of the leaders as well as managerial skills. (Shukla and Nagpal, 2022). (H1): There is a positive relationship between leadership styles and employees' motivation.

Compensation and recognition and employee motivation

There is an empirical study showing that employee and organizational performance is the result of pay and compensation, which drive employees to be highly motivated. Employees have the willingness to complete a task to gain rewards in the workplace, which is compensation. Forson et al., (2021). Mulyani et al., (2020) develop this finding by stating that compensation is the reason why employees work. (H2): There is a positive relationship between Compensation and Recognition and Employee Motivation.

Organizational culture and employee motivation

Organizational culture has an influence in attitudes, beliefs and behavior of employees as well as motivation (Aryani and Widodo, 2020). Wahjoedi (2021) mentioned that organizational culture is one of the crucial determinants to improve employee motivation. A good organizational culture creates a sense of belonging to employees in the organization. (H3): There is a positive relationship between Organizational Culture and Employee Motivation.

AI technology adaptation and employees motivation

AI technology requires employees' data to be collected, causing breach of privacy and interfering in employees' lives. Apart from that, the risk of data leaking and loose security in overall view causing employees to feel disengaged and demotivated. While AI is commonly fostered by organizations, past research revealed that AI technology has become a factor for employee demotivation by taking over the tasks which makes employees feel undervalued. Employees who have been struggling with technological advancements feel threatened by technology, leading to feelings of anxiety, sadness, and psychological distress (Mantello et al., 2023). AI has the potential to lead to ethical dilemmas, undermine moral values, and contribute to unemployment both now and in the future (Hamarat et al., 2024). Conflict arises that less work done by employees suggests less compensation. (H4): There is a positive relationship between AI technology adaptation and employees' motivation.

Conceptual framework

Based on the literature review and hypotheses development, the conceptual framework of the study is presented in *Figure 1*.

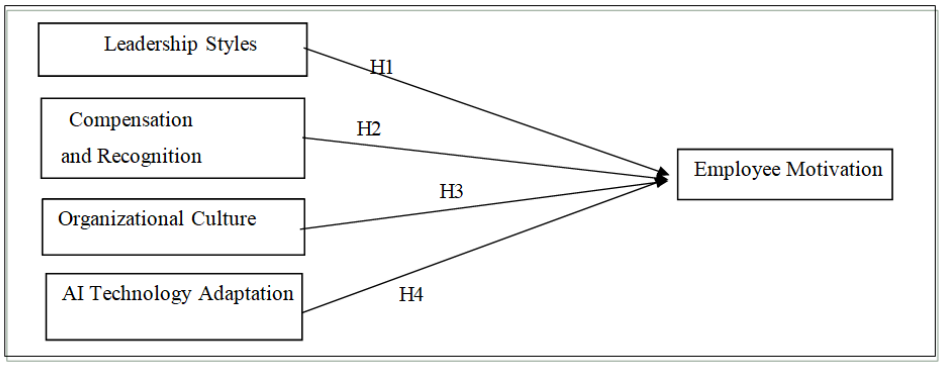


Figure 1. *Conceptual framework.*

Materials and Methods

This study employs quantitative research approach to determine the relationship between AI technology adaptation, compensation and recognition, organizational culture, and leadership styles towards employee motivation. The study's sampling frame comprises of private sectors employee working in Kuala Lumpur. The structured questionnaires, were distributed using convenience sampling method, shared online across social media platforms like LinkedIn, WhatsApp and email. The respondents' participation was entirely voluntary and provided with clear explanations of the purpose of study. The study strictly adhered to established research guidelines whereby data

collected was also handled with confidentiality. The data was analyzed using Statistical Package for the Social Sciences (SPSS) version 29. The research tested the hypotheses through Multiple Regression Analysis as described in *Table 1* while Pearson correlation analysis was conducted to examine the relationship between variables. The relationships between variables were measured using the beta coefficient (p value) to determine the strength and direction (positive or negative) of the relationships.

Instrumentation

In this research, a survey questionnaire was conducted as part of the quantitative research method. To measure the relationship between the factors and employee motivation, the questionnaires were based on and adapted from past studies and included both open-ended and close-ended questions. The online survey was constructed in three sections. The first section focused on the demographics of the respondents, such as age, gender, and race. The second section concentrated on the determinants of employee motivation which are leadership styles, compensation and recognition, organizational culture, and AI technology adaptation, while the third section measured the level of employee motivation. In the final section of the questionnaire, the respondents were asked to indicate their opinions on a 5-point Likert Scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

Validity and reliability

To establish content and face validity, the initial draft instrument underwent evaluation by a panel of two academic experts in human resource management. A pilot study was subsequently conducted with a sample of 40 respondents (external to the final pool) to determine internal consistency. Cronbach's alpha coefficients computed for all constructs exceeded the acceptable threshold of 0.70, confirming instrument reliability (*Table 1*).

Table 1. *Reliability analysis.*

Variables	Total Items	Items Deleted	Cronbach's Alpha
Compensation and Recognition	5	None	0.826
Organizational Culture	5	None	0.704
Leadership Styles	4	None	0.785
AI Adaptation	5	None	0.869
Employee Motivation	5	None	0.924

Ethical considerations

Ethical considerations are an essential component of this study to ensure that all procedures align with established academic and research standards. The research was submitted as a soft copy for the application. Upon completion of the research proposal, the panels reviewed whether the objectives and the research questions were aligned before the researcher was allowed to distribute the questionnaire. The study adhered to established research ethics guidelines and did not pose any form of risk or harm to human participants. All participants were provided with a clear explanation of the purpose of the study. The participation was entirely voluntary. Respondents were also assured that they may seek clarification at any time through the contact details provided. The data collected was handled with strict confidentiality as per the guidelines.

Results and Discussion

A total of 394 respondents were collected, however 10 of the surveys were incomplete and removed for the analysis. Therefore, a total of 384 respondents' data were included in final analysis. General information of the respondents was analyzed using descriptive analysis. Majority of the respondents were female (53.9%), from financial services (15.6%) and aged 31-40 (30.2%).

Factor analysis

The results of the factor analysis include the KMO and Bartlett's Test statistics. The KMO measure evaluates sampling adequacy, with values greater than 0.5 indicating that factor analysis is appropriate. As shown in *Table 2*, the KMO value is 0.866, which exceeds the recommended threshold of 0.5 and is therefore deemed acceptable. Furthermore, Bartlett's Test assesses whether there are sufficient correlations among the variables to justify factor analysis. For this test, the significance level must be less than 0.05. The reported significance value is 0.001, demonstrating that the relationships among the variables are statistically significant.

Table 2. *KMO and Bartlett's test.*

Category	Value
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	.866
Bartlett's Test of Sphericity	
Approx. Chi-Square	1796.29
df	171
Sig.	<.001

Pearson correlation analysis

The highest correlation is recorded between compensation and recognition and employee motivation, with Pearson correlation ($r = 0.590$ $p < 0.01$), providing insights into that compensation and recognition play a crucial role as the factor for employee motivation. *Table 3* showed the significance level for each variable with single and double asterisk.

Table 3. *Pearson correlation analysis.*

Category	Employee Motivation	AI Technology Adaptation	Organizational Culture	Leadership Styles
Employee Motivation	.198**			
AI Technology Adaptation	.480**	.118*		
Organizational Culture	.444**	.127**	.582**	
Leadership Styles	.590**	.268**	.537**	.550**

*Note: **Correlation is significant at the 0.01 level (1-tailed); *Correlation is significant at the 0.05 level (1-tailed).*

Regression analysis

Table 4 presents the results for the independent variables in relation to employee motivation, the dependent variable. The R^2 value of 0.626 indicates that the independent variables collectively explain 62.6% of the variance in employee motivation. Additionally, the ANOVA significance value of 0.01 confirms that the overall regression model is statistically significant and fits the data well. The findings revealed that compensation and recognition is the strongest determinant of employee motivation, with the highest standardized beta coefficient ($\beta = 0.422$; $p < 0.05$), followed by

organizational culture (β = 0.193; p < 0.05). Since both variables have significance values below 0.05, they are deemed to have significant relationships with employee motivation, thereby supporting hypotheses H2 and H3. Leadership styles, on the other hand, showed a standardized beta coefficient of (β = 0.09 p > 0.05), indicating an insignificant relationship with employee motivation. Although the beta coefficient suggests a weak positive relationship, the effect is not statistically significant. Therefore, H1 is not supported, with non-significant relationships. Meanwhile, AI technology adaptation (β = 0.05; p > 0.05) was also found to have a weak positive but statistically insignificant relationship with employee motivation. The results showing that AI technology adaptation and employee motivation has a non-significant relationship corroborate that H4 is not supported.

***Table 4**. Regression analysis.*

Model		Unstandardized Coefficients		Standardized Coefficients	t	p value
		β	Std. Error	Beta		
1	(Constant)	0.447	0.209		2.139	0.033
	AI Adaptation	0.053	0.044	0.050	1.200	0.231
	Organizational Culture	0.216	0.058	0.193	3.708	<.001
	Leadership Styles	0.095	0.054	0.093	1.778	0.076
	Compensation Recognition	0.446	0.055	0.422	8.098	<.001

Note: R2 value = 0.626; ANOVA, Significant value = <0.01.

Conclusion

The study examined the factors that encourage the employees' motivation in the private sector in Kuala Lumpur in the context of hybrid working arrangement, multi-generational changes and the technological shift of AI. The empirical results validate the continued importance of compensation and recognition as well as an accepting organizational culture as the two key factors influencing employee motivation. The findings of this study are congruent with the findings of Forson et al., (2021) who found compensation to be an intrinsic factor that affects work motivation and Mahmoud et al., (2021) who found positive corporate culture as one of the factors that affect work motivation. In contrast, the paths of leadership styles and AI technology adoption were not significant, suggesting that the daily motivation in highly automated and decentralized hybrid structures is not much dependent on top-down leadership and state-of-the-art software tools. The results are in line with the conclusions of Lin (2023) that there can be friction or anxiety when working with automated systems that can impede technology from being an immediate positive motivator. The mixed findings are consistent with previous research, which indicates that motivational factors can differ across industries and demographic groups. Despite certain limitations and challenges encountered during the research process, this study contributes to a deeper understanding of employee motivation and serves as a useful reference, particularly within the context of organizational management. Furthermore, the results provide practical implications for managers and policymakers, supporting the development of more effective and targeted strategies for employees in Kuala Lumpur.

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Conflict of interest

The authors confirm that there is no conflict of interest involved with any parties in this research study.

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