



EFFECTS OF RECOGNITION AND REWARD ON EMPLOYEE LOYALTY

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ABSTRACT

As opined, loyalty of employee is directly proportional to royalty of an organization. Positive stimulus has a profoundable impact on the individuals and in turn on their output. Positive environment has positive effect on employees, positive employees have impact on their work, and positive work has impact on the customer and consumers. Positive stimulus may be in terms of promotion, bonus, financial and non financial rewards and all in all recognition and rewarding mechanism. Employees should be recognised and rewarded by their contributions to the organisation, their skills and experience, irrespective of age, gender or any other traits which unrelated to the function they perform. Many managers favour recognition such as letters of recommendation, tokens of appreciation, flowers and mention in companies' news letters or paying for employee's participation. It is believed that monetary incentives can easily detract workers from the proper meaning of the employees suggestion scheme. One of the crucial deterrent in successful implementation of TQM is recognition and reward. MSMEs play critical role in the economic development of a country. Quality management of these MSMEs is would be critical for their stability. The aim of the paper is to examine the level of Recognition and reward on Employee loyalty at MSMEs in Ballari, Karnataka. The universe comprised executive and non executive workforce of the firm. Sampling was carried out using convenient sampling technique with sample size of 50 in line with the Cochran formula. Data was collected using observation and informal interview methods. Descriptive statistics and Chi-square test was used to analyse the data. The research envisaged that all the factors of Recognition and reward are associated with Employee loyalty at the MSMEs. The study revealed that, Moral awards and performance linkage to benefits at the MSMEs has significant influence on Employee loyalty.

KEYWORDS: Recognition and reward, Factors of Recognition and reward, Employee loyalty, etc.

I. INTRODUCTION

Employees should be recognised and rewarded by their contributions to the organisation, their skills and experience, irrespective of age, gender or any other traits which unrelated to the function they perform (Tan & Tan, 2002). Many managers favour recognition such as letters of recommendation, tokens of appreciation, flowers and mention in companies' news letters or paying for employee's participation. It is believed that monetary incentives can easily detract workers from the proper meaning of the employees suggestion scheme (Yong and Milkinson 2003) but whatever the scheme is used, it should produce improvement in the capacity of employees to identify and develop their potential and subsequently generate employee satisfaction. It was further stated that if TQM programmes are to be successfully

operationalised, the personnel security concerns of all those involved need to be addressed. Well conceived training, mentoring and feedback systems have confirmed that they serve central roles in eliminating employee resistance to change (Jun, 2004).

The study on quality management system of the firm would help the MSMEs of the region to know the findings and adopt necessary changes or practices in their quality management system.

Based on the emphasised significance of Recognition and reward in incepting TQM in the previous studies, the following practices were considered in the design of the questionnaire in order to examine the level of Recognition and reward at the MSMEs under study.

**Table showing Recognition and reward (RR) items used in the study**

A	Objective and measureable criteria: Criteria for recognition and reward are objective and measureable.
B	Performance linkage to benefits: Employee's performance is effectively linked to all their benefits.
C	Moral awards: Provide moral awards to well-performing employees by means of a thank-you note, oral praise, a letter of praise, award certification, or award ceremony.
D	Negative motivation: Implements penalty scheme strictly

Employee Loyalty

As opined, loyalty of employee is directly proportional to royalty of an organization. Positive stimulus has a profoundable impact on the individuals and in turn on their output. Positive environment has positive effect on employees, positive employees have impact on on their work, and positive work has impact on the customer and consumers. Positive stimulus may be in terms of promotion, bonus, financial and non financial rewards and all in all recognition and rewarding mechanism. Recognition and rewarding mechanisms play critical role in realizing effective production and Employee loyalty. Organizational excellence is determined by measuring the holistic performance of an entity. But, when it comes to its measurement, performance has gradually gained more objectivity sense. Therefore new methods of reporting performance is gaining significance these days. Employee Performance is one such performance measure targeting economy in any processing systems of the organization. Therefore, major employee performance factor Employee loyalty is used in the study.

Problem Statement

Quality and quality management are quite necessary elements any organization shall have to practice. As per the current and previous studies on quality management, among quality management practices, Recognition and reward has been playing crucial role in influencing quality and other practices quality management in the organization. What would

be in case of MSMEs? And how it would be in MSMES? Especially at non metros, are the inquisitive corners need to be pondered. Therefore, the current study tries to explore and describe the nature of Recognition and reward and its influence in terms of Employee loyalty at the firms under the study.

Hypotheses

H0: There is no association of Recognition and reward on Employee loyalty.

H1: There is an association of Recognition and reward on Employee loyalty.

II. METHODOLOGY

Type of the Study: Descriptive-Survey research

Population: MSMEs of Ballari

Sample Size: 50 as per Cochran formula

Sampling Technique: Convenient Sampling

Data Collection Instrument: Visit observation, interaction, informal interview, etc.

Data analysis and Hypothesis Testing: Descriptive and Inferential statistics, Chi-square Test and Freedman test

III. RESULTS

As per central limit theorem, distribution of data is normal. In order to test research hypothesis, Chi-square - test was used.

Table-1 Chi-square Test for association of Recognition and reward with Employee loyalty

Association	P-Value	X^2	Accept/Reject Ho
Recognition and reward and Employee loyalty	0.000	24.8	Reject
Sub Components of Recognition and Reward			
Objective and measureable criteria	0.00	23.1	Reject
Performance linkage to benefits	0.00	23.4	Reject
Moral awards	0.004	24.5	Reject
Negative motivation	0.006	14.3	Reject

The table indicates that, p value is less than 0.05. Therefore we reject null hypothesis that is it is found that there is an association of Recognition and reward with Employee loyalty of the firms.

The following table ranks the factors of Recognition and reward as per Friedman's Test

**Table-2 Ranking of factors of Recognition and reward**

Factors of Recognition and Reward	Priorities
Objective and measureable criteria	3 rd
Performance linkage to benefits	2 nd
Moral awards	1 st
Negative motivation	4 th

Table indicates that Moral awards, objective and measurable criteria and performance linkage to benefits at the

MSMEs have significant influence on Employee loyalty of the firms.

IV. DISCUSSION

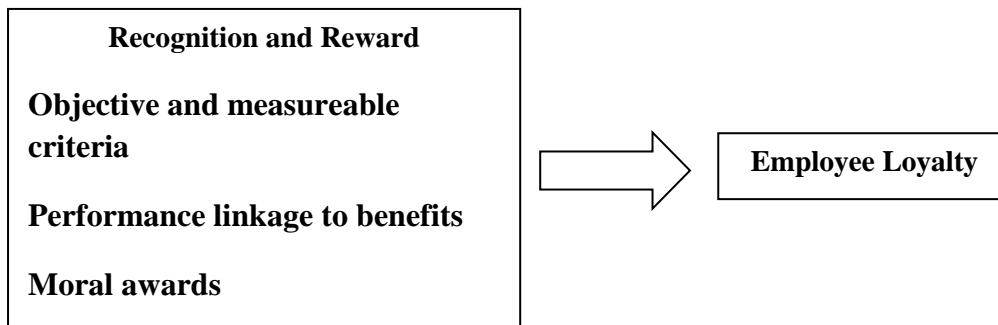


Fig: Model representing the association of Recognition and reward and Employee Loyalty

Significance of Recognition and reward on Employee Loyalty

As opined, loyalty of employee is directly proportional to royalty of an organization. Positive stimulus has a profoundable impact on the individuals and in turn on their output. Positive environment has positive effect on employees, positive employees have impact on on their work, and positive work has impact on the customer and consumers. Positive stimulus may be in terms of promotion, bonus, financial and non financial rewards and all in all recognition and rewarding mechanism. Employees should be recognised and rewarded by their contributions to the organisation, their skills and experience, irrespective of age, gender or any other traits which unrelated to the function they perform. Recognition and reward is playing critical role in managing quality of any business processes. This study is also showing significant relationship with employee loyalty of the MSMEs. All the identified factors of Recognition and reward are found critical with employee loyalty. However, Moral awards and performance linkage to benefits of the MSMEs have significant influence on the employee loyalty.

Significance of Moral awards on Employee Loyalty

Stimulating the inner drives of employees towards objectives of jobs, yield productive work to the firms. As per the previous studies, one of the strategic and positive stimulations would be offering moral awards. The current study identified that effective moral awards has significant influence on the employee loyalty of the firms. Therefore, the firms may emphasize more on offering moral awards for enhanced employee loyalty.

Significance of Objective and measurable criteria on Employee Loyalty

MBO technique has proved as a scientific and concrete way of realizing the vision of an organization. Designing and overt criteria for recognition and rewards ease the employees towards goals of their jobs. The current study found out that designing objective and measurable criteria for recognition and reward mechanism has significant influence on the employee loyalty of the firms. Therefore, the firms may have measurable criteria to realize employee loyalty.

V. CONCLUSION

As opined, loyalty of employee is directly proportional to royalty of an organization. Positive stimulus has a profoundable impact on the individuals and in turn on their output. Positive environment has positive effect on employees, positive employees have impact on on their work, and positive work has impact on the customer and consumers. Positive stimulus may be in terms of promotion, bonus, financial and non financial rewards and all in all recognition and rewarding mechanism. Employees should be recognised and rewarded by their contributions to the organisation, their skills and experience, irrespective of age, gender or any other traits which unrelated to the function they perform. Recognition and reward is playing critical role in managing quality of any business processes. This study is also showing significant relationship with employee loyalty at the MSMEs. All the identified factors of Recognition and reward are found critical with employee loyalty. However, Moral awards and performance linkage to benefits of the MSMEs have significant influence on the employee loyalty. All in all, firms



need to consider all the factors of recognition and reward for enhancing employee loyalty at the MSMEs.

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