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**EPRA International Journal of
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**IMPACT OF REWARD ON EMPLOYEES'
PERFORMANCE**

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ABSTRACT

Reward management in any organization is to compensate employees fairly for the work they have completed. The main reason reward system exist in business organization is to motivate employees in that particular organization to work hard and try their best to achieve goals which are set out by the organization. In this apprehension data were collected from the employees of Mercy Corps in order to find out the influence of reward system on employee performance of said organization by using regression model conceived. The results of the study reveal that employee performance depends on the different types of reward provided to the employees. Further, result shows that motivation and compensation are found to have positive significant relation with performance of employees and incentives are found to have inverse relation. Identified recommendations and limitations were also pointed out for the present study.

KEYWORDS: *Reward, Motivation and Performance*

INTRODUCTION

Rewards System

The factors that lead towards the dissatisfaction of the employees include the relationship between the boss and co-worker, salary, working conditions and company policy. From the other angle, achievement, recognition, development of career and responsibilities are the factors playing a vital role to create and develop satisfaction among the employees (Herzberg, 1959). A successful organization always thinks that the employees are the most valuable assets of the organization as compare to the other assets and whenever the equal opportunities are given to them and a consideration is there for the development of their career then in return the employees will find new ways for the better performance of the organization. Different types of approaches are used to increase the performance of the employees that may include goal setting approach, job design approach and reward approach.

Compensation

All kinds of financial returns and tangible services benefits that are provided to the employees as a result of the relationship that the employees have with the organization is considered as Compensation (Milkovich and Newman, 1999). For the exchange of employees contribution to the organization there is a package of reward system which includes not only the compensation and benefit but also all organizational elements such as human resources, process and procedures, rules and regulations, decision-making issues etc. (Pratheepkanth, 2011). The monetary rewards consists of all types of rewards that have financial values and add up to total earning of an employee such basic salary, bonuses on the performance, contribution, competency or skill, pay for performance, financial recognition schemes and other benefits such as severance pay, sick pay and different types of insurances including health (Armstrong, 2010). A good salary motivates an employee for better performance.

Motivation

Whenever, the total rewards for the employees are identified then the impact of reward can be observed in the performance of employees. Comprehensively, the total reward not only include the traditional and quantifiable items like salary, bonuses, other variable pay and benefits but it also includes many intangible non-cash items like career opportunities, training and development, the intrinsic motivation applied for the current job and the working life given by the organization (Thompson, 2002). There are more reasons that employees of an organization leave or stay in the organization. Employees are more satisfied with the work environment when the job promotional opportunity is

there at the organizational level (Mitchall et al.1993). In the context of management the word “motivate” is mostly used as a transitive verb; whenever a person or group of persons doing something for another person or group of persons to encourage them for something is the motivation. Furthermore, the motivated parties are required to put more efforts in order to show some performance that are considerable. Commercial entities are required to give this a vital importance for the prosperity and success (Lawler, 1973). “Those individual behaviors that are crucial in determining the effectiveness of organizations are, almost without exception, voluntary motivated behaviors”.

Performance

Rewarding is one of the important aspect of organizational policies and its focus is to boost up the performance of the employees and increase the outputs of organization (Ajila, 1997). Considering the current international economic development of the countries; the firms accept that the performances of their employees have direct relationship with the productivity level in the market and it enable them to compete with their competitors for the organizational achievements. From another angle, it is to mention that the employee performance has a crucial relationship with the development and growth of an organization. Productivity and performance of Nigerian employees were blamed due to several factors; among many factors, one is the lack of adequate compensation provided for the employees who are working hard for the organizations and they pay more time for the organizations’ performance and these kinds of practices demoralize them and with the passage of time or gradually reduces their productivity (Akerle, 1991). The origination of companies success raise from the willingness of their employees to use their creativity, abilities, skills in the favor of the companies; meanwhile it is to mention that this one of the most important task of the companies to encourage and motivate the employees to use the mentioned factors for the success of the organization and it is achievable by putting in place an effective reward practices for the employees (Markova and Ford, 2011).

LITERATURE REVIEW

Bello and Jakada (2017), tried to conduct a study on monetary reward and teachers’ performance in selected public secondary schools in Kano State. In this study a quantitative research type is used and cluster sampling technique was performed to select 375 samples from the target population. The collected data was analyzed by using the SPSS version 17 and by using the regression analysis. The results of this study notified that there is a relationship between monetary reward and teachers’ performance in some selected Kano State public secondary schools. Further, Ndungu (2017), examined effects of rewards

and recognition on employee performance at Kenyatta University, Kenya. The purpose of this study was to examine effect of reward and recognition on employee job performance in Kenyatta University. The total population for this study was 2,712 employees whom were comprised of 921 teaching and 1,791 non-teaching staff. Based on the stratified random sampling 10% of the population is selected for this study and questionnaires were distributed among 92 teaching staff and 180 non-teaching staff. Finally, the result of study showed that there is less attention towards the employee at Kenyatta University; if there is more attention and focus on the reward and recognition of employees there will be a positive impact on their job performances. Moreover, Al-Belushi et al. (2017), mentioned in the study on impact of monetary incentives on employee's performance at Shinas College of Technology, Oman. The objective of this study was to shown which monetary incentive best suits and motivates the employees of Shinas College of Technology. Data was collected through a random sampling and well defined questionnaire that was distributed among 130 employees from all the academic and non-academic staff of the college. After the analysis the study demonstrated that the monetary incentives have a direct impact on employees' motivation and the attractive financial incentive will boost most of them to work hard. In this concern, Aslam et al. (2015), examined impact of compensation and reward system on the performance of an organization. The study is conducted in baking sector of Faisalabad in Pakistan and the purpose of this study is to examine the effect of reward and compensation system on the performance of employees in the organization. In the conclusion, the results of this study determined that the most significant variables reward and compensation has a great effect on the employee performance; similarly, it is shown that there is a positive relation among compensation, incentives and salary that boost up the employee performance.

STATEMENT OF PROBLEM

Good performances of employees are more related to the reward and compensation of the employees including the motivational factors and

incentives. The employees are given reward and incentives as motivational tools for the exchange of their contribution to the organization. The organization should have a proper reward strategy to attract and maintain the skilled and suitable employees for the achievement of the goals and objectives of the organization. Basically, the majority of the employees are reward driven and whenever they are rewarded in proper way then it has a direct relations with their performance. It means that whenever good package of salary, bonus, recognition, appreciation and incentives are in place then the employees of the organization owe the sense of ownership and it will positively effect on their performance.

This research paper emphasize on impact of rewards against performance of employees; this study covers the effect of different types of rewards on the performance of employees in Mercy Corps and it shows the relationship of different motivational factors such as reward, compensation and incentives on performance of Mercy Corps employees. In order to show the relationship of these factors on the performance of the employees, the following objective is selected and is supported with the hypothesis which will be discussed and either rejected or accepted.

OBJECTIVE OF THE STUDY

1. To find out impact of different motivational factors on employee performance.

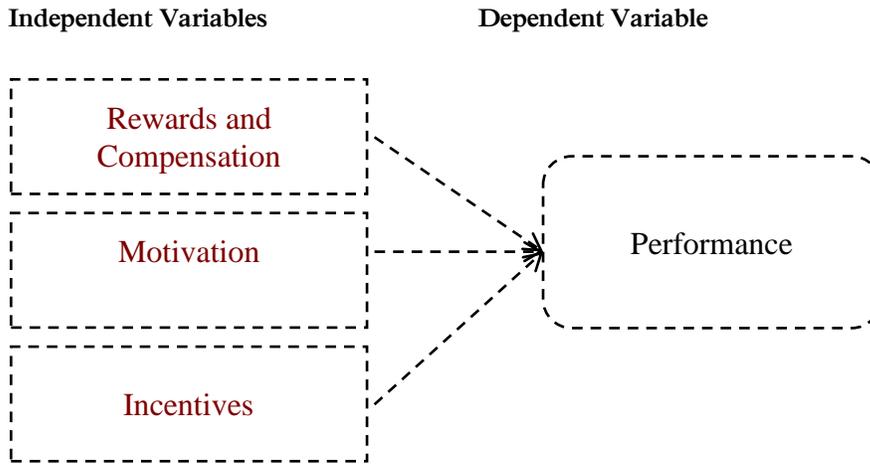
HYPOTHESIS

H1: There is no impact of reward on the employee performance.

CONCEPTUAL FRAMEWORK

The details of the conceptual framework taken up for this study is shown in Figure-1, where the details like the relation of different independent variables such reward, compensation, motivation and incentive are illustrated and it shows the relationship of these independent variables with the dependent variable of performance. This figure shows the snapshot of the relations in the diagrammatic form but the detail of this diagram is going to be discussed in the coming chapters of this study.

Figure -1: Conceptual Framework - Diagram



SAMPLING DETAILS

In order to collect the desired data for testing the hypothesis, the developed questionnaires were distributed among those employees of the organization whom were selected as samples for this study. From the two hundred employees who are working in Mercy Corps, 50 employees were selected for this study on random basis. The questionnaires were not only distributed at the main office but it was also sent to the regional and provincial office of Mercy Corps and the respondents were selected on the same way as in main office. These employees were from both program and operation sections and questionnaires were distributed in a way that equal opportunity was for everyone to be selected or simply we can say that probability sampling technique was used in this study. From the 50 questionnaires it was found that some questionnaires were not responded properly i.e. multiple replies were given to the majority of questions, not responded to the questions and improperly filled questionnaires; these

questionnaires were excluded from this study and for the analysis purpose there were only 45 questionnaires left.

RESULTS AND DISCUSSIONS

Employee performance dependency on Reward and Motivation:

The result of table-2 shows that the F value 11.029 is found to be significant at 5 percent level and therefore the hypothesis-1 is rejected. These results suggest that employee performance depends on the different types of reward and motivation provided to the employees. Further, the adjusted R square value of 0.543 from the table-2 indicates that 54 percent of employee performance among employees of Mercy Corps significantly depends on these types of rewards and motivation. Also the ‘t’ values of 4.720, 0.172 and -0.184 corresponding to different types of motivation, compensation and incentive, which are found to be having significant effects on the model, conceived.

Table-2: Result of regression for hypothesis-1							
Model		Unstandardized Coefficients		Standardized Coefficients	t	F	Adjusted R Square
		B	Std. Error	Beta			
1	(Constant)	6.172	2.313		2.668	11.029	0.543*
	Motivation	0.515	0.109	0.678	4.720*		
	Compensation	0.019	0.112	0.027	0.172*		
	Incentive	-0.018	0.099	-0.027	-0.184*		

Source: Primary Data, *Significant at 5 Percent

More specifically, motivation given to the employees of Mercy Corps is found to be having the most significant effect on their performance. This clearly confirms that Employees are recognized regularly upon their performance and organization values the opinions

of the employees; everyone’s contribution is noted and respected by the organization. Further, employees are encouraged to develop new & more efficient ways to do my work, have all the materials and equipment I need to do my best every day and top management are

willing to share decision-making power with employees.

Similarly, compensation given to the employees of this organization shows the second higher effect on the performance of the employee. This indicates that salary package that employees earn is sufficient for their basic needs and it fulfills the necessities of their life and salary allocated for them is appropriate as compare to the given work. Moreover, the result shows that employees are comfortable with the pay raises on annual basis at the organization and can discuss their opinion with concerned supervisor/manager regarding underpayments. Further, results reveal that incentive significantly causes considerable effect on the performance of employees. The negative 't' value obtained indicates the existence of inverse relationship between incentive and performance of employees at the present organization.

RECOMMENDATIONS AND LIMITATIONS

It is therefore recommended that the top management of the organization should always pay attention to the basic salary and other motivational factors because the focus of the majority of the employees are towards the compensation and motivation at the organizational level and they are not much interested in the incentives and cash bonuses. Similarly, it is worth to mention that whenever the employees are performing well then they are required to be recognized and appreciated among other employees of the organization.

Conducting a research on effects of reward and motivation on the performance of employees is a broad topic and it needs a huge budget and time; therefore, the focus is brought down to one organization to cope with the mentioned problem. Also, total population of the organization selected for the study or research is comprised of lesser number of employees and therefore a greater sample is considered for this study to come up with this limitation.

CONCLUSION

The importance of reward and motivation in the routine activities and performance of the employees play a vital role; this is well understandable that whenever there is a motivation it will positively affect on the performance of the employees. This research paper examined the significant effect among different types of rewards and motivation and shows the relationships of these variables with the performance of the employees. The relations of these variables are clearly illustrated in the model and hypothesis is tested and found that there are relationships among different variables in this study. The result found that compensation and motivation have positive or direct impact on performance of the employees while the incentives are inversely related with the performance

of the employees.

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Appendix

Motivation

Employees are recognized regularly upon their performance.

Our Management is interested in motivating the employees.

I feel that my organization values the opinions of the employees; everyone's contribution is noted and respected by the organization.

I am encouraged to develop new & more efficient ways to do my work.

I have all the materials and equipment I need to do my best every day.

My Manager is willing to share decision-making power with employees.

Rewards

Compensation

The salary package that I earn is sufficient for my basic needs and it fulfills the necessities of my life.

The current salary allocated for me is appropriate as compare to the given work.

I am comfortable with the pay raises on annual basis at the organization.

If I feel underpaid, I can discuss my feelings with my supervisor/manager.

In the last six months, I have received reward or praise for doing good work.

Incentive

I think that the incentives and other benefits influence my performance at work.

I am satisfied with the incentives provided by the Organization.

Non-cash rewards i.e. gifts from the organization, extra vacation time, tickets to a park, etc. can be effective in motivating employees to be more productive.

In Mercy Corps, there is a fair reward and recognition procedure.

Employees are rewarded in proportion to the excellence of their job performance in the organization.

Performance

There is regular supervision from my supervisor regarding my work.

There is competition among the team members regarding the performance and promotion

I know what results are expected of me and what my boss thinks of my performance.

In this organization there is a feeling of pressure to continuous improving our personal and group performance.

I put my best effort in the workplace to perform the given tasks during job.