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THE IMPACT OF REWARD ON EMPLOYEES PERFORMANCE

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Abstract

Human resource is one of the important assets that organization owns. Reward helps management to retain efficient and experienced workforce in an organization. This research work examined the impact of reward on employees' performance with special reference to selected manufacturing companies in Ibadan, Oyo State, Nigeria. Structured questionnaire was used to collect data from one hundred (100) participants through purposive sampling method and data were analyzed by multiple regression analysis with the aid of statistical package for social science (SPSS) version 16. Result showed that reward dimensions jointly predict employees' performance, which accounted for 71% variance of performance. Subsequently, recommendations were made to the management of organizations that they should buildup the commitment among employees by rewards and achieve both individual and Organizational objectives.

Key words: Reward, Praise, Pay, Recognition, and Bonus.

Introduction

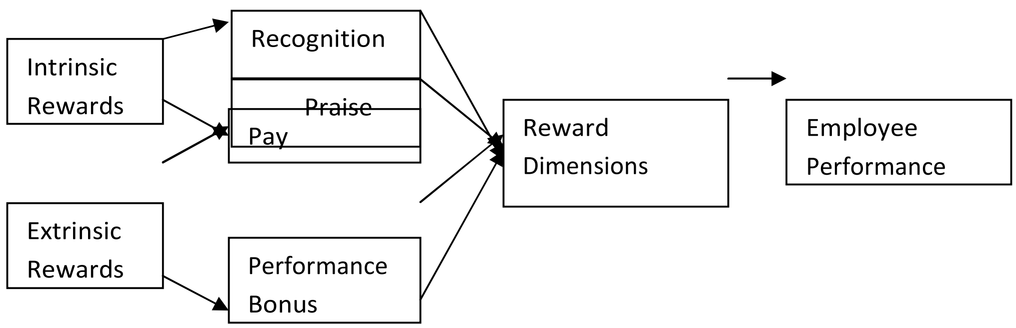
Reward had been seen to be a vital instrument in employee performance. A well rewarded employee feels that he/she is being valued by the company that he/she is working for. They are also encouraged to work harder and better if they are aware that their well-being is taken seriously by their employers, and that their career and self development are also being honed and taken care of by their company. Employees are the engine of organization vehicles while reward is the fuel. No organization can achieve its stated objectives without its employees. Akerele,(1991) blamed the productivity of Nigerian workers on several factors, among them is employer's failure to provide adequate compensation for hard work and the indiscipline of the privileged class that arrogantly displays their wealth, which is very demoralizing to working class and consequently reduced their productivity. Markova and Ford (2011) mentions that the real success of companies originate from employees' willingness to use their creativity, abilities and know-how in favour of the company and it is organization's task to encourage and nourish these positive employee inputs by putting effective reward practices in place. The importance of motivated employees cannot be highlighted enough in an organizational context (Lotta, 2012). Motivated employees are more productive, more efficient and more willing to work towards organizational goals than the employees who are experiencing low levels of motivation (Hunter et al 1990). Entwistle (1987) is of the view that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. The highly motivated employees serve as the competitive advantage for any company because their performance leads an organization to well accomplishment of its goals (Rizwan and Ali, 2010). Luthans (2000) highlights two types of rewards which are financial (extrinsic) and non-financial (intrinsic) reward and both can be utilized positively to enhance employees performance. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non financial rewards are non monetary/non cash and it is a social recognition, praise and genuine appreciation etc. Lotta (2012) agree that financial incentives are indeed effective in motivating employees. Also, Ojokuku and Sajuyigbe (2009) find out that financial incentives (pay satisfactions dimensions) have significant effect on employees performance. But perry et al, (2006) discover that financial reward is not the most motivating factor and financial incentives have a de-motivating effect among employees (Srivastava, 2001). Nelson (2004) notes that praise and recognition are the most efficient intrinsic reward that enhance employees performance. And also, Jensen et al (2007) see intrinsic reward as a tool that motivate employees perform as expected. This research paper tempts to examine the impact of reward dimensions on employees performance with special reference to selected manufacturing companies in Ibadan, Oyo State, Nigeria.

Theoretical and empirical background

Employees who are effective and efficient are likely to be limited if they are not motivated to Perform. Mendonca, (2002) sees reward and compensation system that is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive there is a strong link between their performance and the reward they receive. Guest, (2002) is of the opinion that reward is one of the keys that motivate employees to perform as expected. The reward can be in the form of cash, recognition and praise or a combination of both. Group Performance-related schemes reward a group or team of employees with a cash payment for achieving an agreed target. These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies (Chin-Ju, 2010). Huselid, (1995) sees reward as a system (e.g. rofit sharing) that contributes to performance by linking the interests of employees to those of the team and the organization, thereby enhancing effort and performance. La Motta (1995) is of the view that performance at job is the result of ability and motivation. Osterloh and Frey (2000) as cited in Lotta, (2012) defines an individual to be extrinsically motivated when employee needs are indirectly met through the use of monetary rewards. They described pay for performance to be the ideal incentive for the extrinsically driven employees but blamed it to lack the long- term results. They described money to be a goal which provides satisfaction independent of the actual activity itself. Kanfer (1990) states that employees are constantly involved in a social exchange process wherein they contribute efforts in exchange for rewards. They also compare the effort or contribution that they put in towards accomplishing a certain task and acquiring rewards in exchange for the former. Entwistle (1987) is of the view that if an employee performs successfully, it leads to organizational reward and as a result motivational factor of employees lies in their performance. Freedman (1978) as cited in Rizwan and Ali, (2010) is of the view that when effective rewards and recognition are implemented within an organization, favorable working environment is produced which motivates employees to excel in their performance. Employees take recognition as their feelings of value and appreciation and as a result it boosts up morale of employee which ultimately increases productivity of organizations. Rewards play a vital role in determining the significant performance in job and it is positively associated with the process of motivation (Rizwan and Ali, 2010). Schaufeli et al.(2002) stress on the importance of rewards in order to combat burnout, which is typically experienced by most employees on the job. Individuals, who experience burnout in their work, typically do not feel fulfilled. They also tend to have negative outlooks, and they also approach the tasks at hand with less vigor and dedication. Akerele (1991) observes that poor remuneration is related to profits made by organization. Wage differential between high and low income earners was related to the low morale, lack of commitment and low productivity. Ali and Ahmed (2009) confirm that there is a statistically significant relationship between reward and recognition respectively, also motivation and satisfaction. The study revealed that if rewards or recognition offered to employees were to be altered, then there would be a corresponding change in work motivation and satisfaction. Banker and Lee's (1996) as cited in Chin-Ju,(2010) empirical research, which is based on data from 34 stores of a major retailer over 77 months, supports the theoretical prediction that stores that implement an incentive plan will experience a positive impact on sales, profit and customer satisfaction. Cook (1994) as cited in Chin-Ju,(2010) finds that the use of profit sharing was positively associated with higher productivity in an analysis of 841 manufacturing establishments. Egwuridi (1981) also investigated motivation among Nigerian workers using a sample of workers of high and low occupational levels. The hypothesis that low-income workers will be intrinsically motivated was not confirmed, and the expectation that higher income worker will place a greater value on intrinsic job-factors than low-income workers was also not confirmed. This shows clearly the extent of value placed on extrinsic job factors.

Methodology

Figure 1: Hypothesized model of reward dimensions and employee performance.



Source: Designed by Researchers

Ho1: Reward dimensions have no significant effect on employees' performance.

Data collection: structured questionnaire was used to collect data from one hundred respondents through purposive sampling method from the selected manufacturing companies in Ibadan, Oyo State, Nigeria. Five point Likert Scale ranging from 1 (strongly disagree) to 5 (strongly agree) was used to measure responses.

Sampling: One hundred (100) questionnaires were purposively distributed among the employees of selected manufacturing companies in Ibadan, Oyo State, Nigeria and all questionnaires were returned.

The Cronbach's Alpha reliability coefficients for the sample are given in table 1 below:

Table 1: Cronbach's Alpha Reliability Coefficients

Items	Cronbach's Alpha (r)
Pay	0.88
Performance bonus	0.80
Recognition	0.79
Praise	0.86

Results and Discussion

In this study employees' performance is dependent variable and pay, performance bonus, recognition, and praise are independents variables. The effect of each independent variable on dependent variable is shown in regression table 2 below:

Independents variables	Coefficients	Std. Error	t- statistics	p-value
Intercept	4.591	1.259	3.646	.000
Pay	0.260	0.114	0.233	0.017
Performance bonus	0.232	0.112	2.074	0.041
Recognition	0.124	0.149	1.261	0.012
Praise	0.149	0.177	0.844	0.049

$R^2 = 0.71$

Adjusted R^2 =0.32 Durbing Watson = 1.80

The result shows that reward dimensions (pay, performance bonus, recognition, and praise) were joint predictors of employees performance (F (4, 95) = 2.85; $R^2 = 0.71$; P <.05). The predictor variables jointly explained 71% of the variance of employees' performance, while the remaining 29% could be due to the effect of extraneous variables. Pay (β = 0.26; t = 0.233 P<.05); performance bonus (β = 0.232; t = 2.074; P<.05); recognition (β = 0.124; t = 1.261; p< 0.05) and praise (β = 0.149; t= 0.844; p<0.05) were significantly independent predictors of employees performance. This implies that reward dimensions (pay, performance bonus, recognition and praise) have positive significant effect on employees' performance.

This result is in line with (Rizwan and Ali, 2010; Schaufeki et al, 2002; Ali and Ahmed, 2009 and Entwistle, 1987) that reward is the predictor of employees performance. Moreover, pay and performance bonus have highest coefficient (β = 0.260 and 0.232) respectively this indicate that financial reward contribute significantly to job performance and this support the findings of Ojokuku and Sajuyigbe,(2009) and Lotta (2012). While recognition and praise also have positive significant effect on employee performance but not as high as financial reward. This result is contrary to the findings of perry et al,(2006) and Srivastava, (2001) who believe that financial reward is not a strong motivating tool. Therefore, for organizations to achieve their stated objectives and wax stronger in a global competitive environment motivation of employees must be taken into consideration.

Conclusion

The importance of reward in the day-to-day performance of employees' duties cannot be over emphasized, especially when it comes to being rewarded for a job done. It is a well-known fact that human performance of any sort is improved by increasing motivation.

This research paper examined the significant effect between reward dimensions and employees performance with special reference to selected manufacturing companies in Ibadan, Oyo State, Nigeria. On the basis of the findings, it can be concluded that reward dimensions have significant effect on employees' performance. The result found that pay, performance bonus, recognition and praise are the tools that management can use to motivate employees in order for them to perform effectively and efficiently. From this study it can be easily inferred that workers reward package matters a lot and should be a concern of both the employers and employees.

Recommendations

- Management of organizations should make use of both intrinsic and extrinsic reward to motivate its employees so that both individual and Organizational objectives can be achieved.
- Employees with one another vary individually, according to physically and mentally. So, management must identify their different types of needs and fulfill them.
- Employees should be allowed to participate in pay determination.
- Regarding the salary and other allowance, management should intensify the salary scheme of employees.
- Proper training and promotion also to be given to all employees irrespective of their sex.
- The facilities provided to the employees should be compared with that of other organizations and facilities similar to it or more to be provided quickly.

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