

Impact of Reward on Employee Performance in the Workplace

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Abstract

The aim of this aimed to investigate the reward and recognition policies and its influence on the performance among employees of different categories in Pakistan. Based on previous studies and literature reviews organizations facilitate their employees with different reward and recognition systems to encourage employees' motivation level and performance. The main objective is to identify which rewards are the most influence on employee performance. The methodology of this research paper is based on a quantitative study. More than 200 employees from various sectors participated in the research by filling out the questionnaire. The questionnaire in this research used the WEIMS scale and another performance scale. It is evident that there is a positive relationship between reward and recognition and employees' motivation and job performance. Hence if organizations work on their reward and recognition policies then there would be a corresponding change in work motivation, performance, and employee engagement.

Keywords: *Employee Performance, Intrinsic Rewards, Extrinsic Rewards, Employee Motivation, Job Satisfaction.*

Introduction

Manpower is the core asset of any organization and handling the main power is by the basic department of the organization and its Human Resource Department. This department mainly works on employees' well-being, motivation, performance, and core function is hiring the best employees for their organization and also retaining them for a good time period. (Alderfer, C. (1972). Thus, apart from financial rewards, there are other types of rewards and recognition, some of the examples are communication with employees, making them feel secure, value your employees and opportunities to take an important project, tea, lunch or coffee with the boss, etc. Organizations need to reassess that recognition of employees is important. Strong communication between employees and management is an important part of recognition and employee retention.

Sometimes, organizations lack and do not work on downward communication. An organization, private or public needs an efficient and proper human resource department with all the main functions rather than just a recruitment department just like public sector organizations in Pakistan. Furthermore, private organizations of Pakistan have strong and proper human resource departments and these organizations

work on employee motivation, job satisfaction and revise their compensations twice a month or even every quarter to make them feel like valuable assets of the organization. But employees on the other hand be capable of positive efficient and effective when they are at work. Barber, A.E., Dunham, R. And Formisano, R.A., (1992).

Motivating employees to do their best work is one of the challenges for managers in today's consequences. Employees or people must be in an environment that meets their basic emotions, bond, comprehend, and defend. Nohria and Groysberg, of Harvard Business School, and Lee, of the Center for Research on Corporate Performance. They conducted a survey on 500 employees of fortune and other companies and they developed a model for how to increase employee productivity and employee motivation. The researcher identifies that companies, organizations, and frontline managers try to meet workers' deep needs. Reward system that truly values good performance. Culture also plays a major role in today's world to meet the best needs of employees and to increase performance. (Elisabet Dominguez, 2016). There are numerous benefits in the workplace but many managers are afraid of giving the benefits to the employees and some managers don't know where to start the process. (Scott Behson, 2005). There are a number of definitions of rewards. Monetary reward and non-monetary rewards. According to Jack Zigon (1997), "something that increases the frequency of employee motivation"

According to Brun & Dugas, (2002) it is constructive, genuine feedback-based employee acknowledging people, aesthetic and transcendence aspects, which drives a man towards a developmental change. Psychologist Abraham Maslow developed his theory of motivation in 1940. The theory is a widely discussed theory of motivation. He believed that human beings have a five hierarchy of needs. Abraham Maslow (1954) defines motivation as the Cognitive, Aesthetic, and Transcendence aspects, which drive a man towards a developmental change. Fredrick Herzberg's two-factor theory (1959) is based on certain factors which result in employee motivation. These two factors are the Hygiene factor and motivation factor. If hygiene factor is absent in the workplace then it will lead a dissatisfaction in an employee. Some motivating factors are achievement, recognition, work itself, responsibility, advancement, salary, status, job security.

Pardee RL (1990). Schneider B, Alderfer CP (1973) Alderfer's (1973) theory is based on Maslow's hierarchy theory according to Alderfer, Maslow's exists in three groups need – existence, relatedness, and growth hence the label is ERG. The first group is considered as physiological and safety needs. The second group of needs is relatedness, the desire to maintain personal relationships. Finally, the last group is based on personal growth. Schneider B, Alderfer CP (1973) Job performance is whether a person performs a job well. Job performance is studied as industrial and organizational psychology. According to John P. Campbell (1990), job is an individual-level variable it is differentiated from an organizational level performance which is a higher level. Campbell, J. P. (1990). Campbell also describes that job performance is a behavior of an individual at the workplace.

This research paper will identify the motivation and performance of employees are based on rewards. On another side, it also supports all the organizations who are working on their rewards and try to benefit their employees by all means. Data from this research will help the employers of Pakistan and also to other countries how much reward is impacting the employee's mindset and skillset. Also, it will be easier for employers that motivation is based on rewards which can be intrinsic or extrinsic. The result would also indicate that reward and recognition are important for an organization's own goals and a successful business. It will also help students of Business who are studying rewards, compensation, and employee performance subjects. The goal of this research was designed and to help organizations and students provide the proper and complete knowledge about rewards and recognition also its impacts on the employees and the long-term goals of an organization.

H: The reward would have a positive effect on employee performance

Literature Review

According to Yousuf (2014), there are two types of rewards, on the financial reward which is called extrinsic rewards, and another type of rewards non-financial reward which is called intrinsic reward. On the other hand, Daily RC argued that there are three types of rewards, and most individuals are attracted to these types of rewards. These are extrinsic, intrinsic, and social rewards. (Dailey, 1992). according to Motazz C J (1997), social rewards mean interacting with people, having strong relationships with the team members and all levels of the organization, for example, managers, supervisors, and upper management. In this study, he also defines social rewards as non-related factors such as interpersonal relationships with members of the team, supervisor, manager. Social rewards are also can be classified into tangible and non-tangible rewards. In a modern world, millennials and baby boomers are more attracted to social rewards. (Mottaz CJ,1985)

Brown (2001) themes out some encouraging connotations that exist between rewards and business plan in the broadest sagacity. This is reliable with the results of Rhoades et al. (2001) who argue that the reward strategy is important in terms of motivating employees to perform innovatively. While, Cox and Purcell (1995), and Nyandoro and Goremusandu, (2016) report that the actual advantages of a very much planned organisational reward strategy lies in its intricate linkages with the business strategy.

According to George (1996), in an organization, employee performance is defined as the degree to which an employee achieves the goal of an organization as well as its own key performance indicators and job goals. Employee performance is a vital role to an organization as they play an important role. However, organizations usually measure employee performance by the quality of work, output of work, timeliness of the output, and labor productivity. (George, K, 2015).

Gonipath (2016) claimed that self-actualization was affected by demographic variables but on the other hand every part of self-actualization factors is not subjective by some demographic variables. He also analyzed in his paper that self-actualization equitable is the most important variable in the perspective of employees' motivation and engagement to sustain and retain employees for a longer period of time.

The findings of the research study that job involvement of employees is an intervention outcome among self-actualization and job satisfaction. Self-actualization is playing a very important role to job involvement and concentration of job by the employees. Mainly humanitarianism, authenticity, purpose, acceptance, faith, healthy morale, courage, and appreciation are major variables to measure self-actualization. (Gopinath, R. (2016).

Motivated employees in any sector are more productive and efficient as compared to those employees who are less motivated towards the organization's goals and long-term success. (Hunter et al 1990). According to Luthans (2000) there are two types of rewards, is extrinsic and nonfinancial rewards another type of reward is intrinsic which is financial and is related to the organization's rewards which are directly given to the employees. Financial reward means salary, performance bonus, promotion, gratuity, provident fund, scholarships, funds, loans, gifts, etc. on the other hand non-financial rewards are recognition, social impact in organization, appreciation, coffee or lunch with upper management, etc. Lotta (2012) agreed that financial rewards are more effective although nonfinancial rewards are also important they did not play a long-term effect on employees and eventually, employees left the organization because of financial rewards. Nelson (2004) accounts that financial and non-financial regards both are important for employee's and organization's business goals. Also, Jensen et al, (2007) say an intrinsic reward is a tool that motivates an employee's performance.

Mendonca (2002) sees rewards and compensation systems which are created on the expectancy theory, employees are motivated and there is a strong relationship between reward and performance they perceive. Osterloh and Frey (2000) as cited in Lotta, (2012) define a person to be motivated extrinsically when

employee requirements are meanderingly met through the practice of monetary rewards. Kanfer (1990) states that employees are repetitively involved in a public discussion method wherein they contribute hard work 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. (Chin-Ju, 2010). Huselid, (1995) sees reward as a system (e.g. profit sharing) that contributes to performance by linking the interests of employees to those of the team and the organization, thereby enhancing effort and 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 the morale of employee which ultimately increases the productivity of organizations. Rewards play a vital role in determining the significant performance in the job and it is positively associated with the process of motivation (Rizwan and Ali, 2010). Schaufeli et al.(2002) stress the importance of rewards in order to combat burnout, which is typically experienced by most employees on the job. 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 workers 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. Alderfer's ERG theory suggests that there are three types of needs for individuals Existence, relatedness, and growth, and it is also related to Maslow's Hierarchy need theory. All these three needs are arranged in order, beginning from existence needs to relatedness needs and then to growth needs from the lowest level to the highest level. Maslow's theory demonstrates that a need that is on a higher level can be a motivator even if a need that is on a lower level is not fully satisfied, and needs at more than one level can be motivators at any time (Kreitner, Kinicki, & Buelens 2002). Total rewards which mean the employee's total package including training & development and all the packages which included in the employee's total remuneration and environment is called Total Rewards. This total rewards strategy is based on Alderfer's ERG theory and the different components might be used in the meantime.

Importance of Study

This study will help to find out the motivation and performance of employees which are based on rewards. On another side, it also supports all the organizations who are working on their rewards and try to benefit their employees by all means. Data of this research will help the employers of Pakistan and also to other countries that how much reward is impacting the employee's mindset and their skillset. Also, it will be easier for to employers that motivation is based on rewards it can be intrinsic or extrinsic. The result will also indicate that reward and recognition are important for an organization's own goals and a successful business. It will also help students of Business who are studying rewards, compensation and employee performance subjects. This research goal is designed to help organizations and students to provide the proper and complete knowledge about rewards and recognition also its impacts on the employees as well as on the organization's long-term goals.

Theoretical Framework

Reward

The operational definition of reward is the total amount of financial and non-financial compensation which is provided to an employee by the company and its management. Financial rewards are decided by the management for those employees who are outstanding performers and non-financial reward is mostly for those employees who are outstanding performers and engaged with the organization Schultz, Wolfram (July 2015).

Intrinsic Reward

Intrinsic reward is a sagacity of sensation that a member of staff senses after doing rewards are based on the psychology of a person which is based on a person’s own abilities and efforts. It directly impacts an employee’s behavior at work and it makes an employee feel valued at the workplace. It also boosts the company’s business (Sam M.S. 2022).

Extrinsic Reward

A tangible and visible reward is called an extrinsic reward which is given to the employees by an employer against achieving something. They usually are salary, bonus, award, hike, and recognition. Immediate managers are usually given directly to the employees (Bamford, 2018). Performance: In the organization where the employee works, job performance is the offered commencement or necessity of a title role. Job performances are usually based on two types: contextual and task. Task performance is defined as cognitive ability is dependent on task performance, while contextual performance is dependent on the personality of an employee and behavior towards the work. On the other hand, contextual performance is value-based. (Winston Bennett, 2014).

Analysis

Analysis of linear regression was conducted to test the hypothesis that “reward would have a positive impact on job performance”. They are presented in two subscales self-determined and non-self-determined. The reward would have a positive impact on the employee’s performance and motivation. The result of the study is mentioned in table#2 ANOVA.

Table No 1: Demographics

Variable	F	M	S. D	%
Gender				
Male	99	-	-	74.4%
Female	34	-	-	25.6%
Age	133	29.45	6.490	100%
Educational Level				
Bachelors	55	-	-	45%
Masters	74	-	-	55.6%
M. Phill	2	-	-	1.5%
P. HD	2	-	-	1.5%
Marital Status				
Married	63	-	-	47.4%
Single	70	-	-	52.6%
Working Hours	-	2358.7	9968.736	57.84%
Monthly Income	-	145609.78	529032.338	57.89%
Working Experience	133	4.17	4.199	70.67%
Socio Economic Status				
Low	5	-	-	3.8%
Medium Low	199	-	-	89.5%
Upper middle	11	-	-	6%
High	8	-	-	8%

Note: f= Frequency, M= Mean, SD= Standard Deviation, %= Percentage

Analysis of linear regression was conducted to test the hypothesis that “reward would have a positive impact on job performance”. They are presented in Means of 4.35 and 3.73 were obtained for subscales of

WEIMS, respectively. Overall, the variables followed normal distributions. In addition, Means of subscales sample were obtained for the sample (IM // .5.469; INTEG // .5.075; IDEN // .5.296; INTRO // .5.063; EXT // .4.416; AMO // .4.872) Linear regression analyses are conducted to determine the relationship between the WEIMS and work-related consequences. Results of the linear regression are mentioned in the table ANOVA.

Table No 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.768 ^a	.590	.577	.7237

a. Predictors: (Constant), INTEG, AMO, EXT, IDEN

Table No 3: ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.527	4	24.132	46.077	.000 ^b
	Residual	67.037	128	.524		
	Total	163.564	132			

a. Dependent Variable: IM

b. Predictors: (Constant), INTEG, AMO, EXT, IDEN

According to the above table ANOVA, significance is highly acceptable which means the hypothesis is accepted. This means reward would have a positive impact on job performance.

Table No 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.781	.329		5.412	.000
	IDEN	.638	.083	.725	7.713	.000
	EXT	-.099	.079	-.101	-1.254	.212
	AMO	.086	.067	.086	1.295	.198
	INTEG	.064	.077	.080	.824	.412

a. Dependent Variable: IM

According to the above table of the coefficient significance of IDEN and EXT is highly acceptable. On the other hand, AMO, EXT, and INTEG are rejected.

Discussion

According to the quantitative analysis, there is a positive impact of reward on employee performance. As a result of the questionnaire which was distributed among employees of different sectors of Pakistan, it was highlighted that based on the level of rewards that employees received from the management of their organization is depending on the performance of employees. If rewards are good, then an employee's performance is effecting and will increase. The two rewards classes were highlighted included intrinsic and extrinsic rewards. Within the intrinsic rewards, employees preferred cash rewards and bonuses whereas in the extrinsic rewards category employees prefer promotion, recognition, motivation, and positive words from the line managers.

Conclusion

The results of the present research provide support for the applicability and validity of the WEIMS, additional studies will be necessary to further establish the psychometric properties of the scale. The current research presents the WEIMS as a reliable and valid work motivation instrument in its own right, assessing six theoretically driven motivational tendencies and offering multiple indexes, which are worth using in future research within the field of organizational psychology, more specifically on research pertaining to work motivation. It is our hope that the use of the WEIMS will contribute to a better comprehension of the interaction between work characteristics, employee motivation, and organizational functioning. That is, the WEIMS should be viewed as a useful tool in identifying how general variables such as motivational profiles get applied to and are mediated by, task- and situationally-specific variables, and how they affect individual choices and overall organization structuring. In conclusion, based on the findings of the primary research, the following research concludes that employee performance is affected by the rewards they receive from the management or their current organization. It also identifies the employee's engagement level of employees. This was substantiated by the employees and managers who were surveyed as majority of them stated that based on the quality of the rewards the employees receive their performance is similarly impacted. In addition, it can also be summarized that both extrinsic and intrinsic rewards used Management has a significant impact on the performance of the employees. During the analysis of the primary research the employees and the management also articulated that Cash Rewards and Promotions were two of the most preferred type of the rewards. The lower levels of employees were more prone towards the acquisition of salary increments and cash rewards. Whereas the managerial and upper level of employee were more inclined towards the intrinsic reward of promotion as it allows them to undertake and exert authority. Therefore, it can further be concluded that organizations, rather than having a generic rewarding strategy, should offer a flexible reward policy. The following research studied has not inculcated all the rewarding methods that are available for the use of a manager, and has solely focused on a limited number of intrinsic and extrinsic variables. Therefore, further research could thereby examine the use of additional rewarding structures and analyse their impact on the overall performance of the employees. Furthermore, employee performance is not just enhanced through rewards; there are other key variables that could have a potential impact on the employee performance level. By adding more variables and conducting additional analyses of the respective variables in contention with employee performance, the scope of organizational management could be further enhanced. Moreover, the following research study was carried out solely with respect to the rewards strategies. Therefore, the following recommendations would be hard to generalize in the context of other organizations and industries in Pakistan. However, the following research study could be used as the foundation of future similar studies that aim to evaluate the factors affecting the performance level of the employees on a broader scale, by including more companies and diversified industries.

Finally, in future the methodology could also be altered in order to inculcate a higher number of respondents. The following study was restricted due to the time constraint and the convince of the researcher, however, future studies could double the number of respondents used within the research study and thereby incubate a more diverse feedback from the respondents increasing the overall validity of the research study.

This study may not be a complete study of rewards and it may contain not complete information on rewards and their influence on employee motivation because of the time limitations and restrictions. However, this study would support similar studies that could support rewards and job performance affecting workers' life at the workplace. Also, this study will helpful for all types of organizations because this study was conducted on the workers of different sectors of Pakistan. finally, more respondents could participate in the future to support the hypothesis of the study.

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