

Impact of Reward System on Organisational Performance: A case study of Brentwood Suppliers Limited in Lusaka, Zambia.

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Abstract- In every organization, the productivity and performance of the employees are important to increase the effectiveness of the organization in the environment it is operating. However, the rewards and other incentives given to the employees can increase the productivity, commitment and effectiveness in their performance. The purpose of the study was to explore the impact of reward systems on employee performance at Brentwood suppliers Ltd; Assess the effectiveness of existing reward system and whether there was a correlation between reward system in the organization and an increase in the performance of the employees. This was an empirical study. The non-probability and probability sampling technique were used i.e. random and purposive sampling were the criteria involved to ensure sample representativeness and therefore validity, reliability and generalizability of findings. The sample size used was 30 out of a population of 50 employees. In this study the inductive approach was used due to the fact that the data was collected and analysed before drawing to conclusions and recommendations. Using both the primary and secondary methods of data collection as analysed using SPSS, the findings revealed that the existing reward system of Brentwood suppliers was ineffective and must be revised; there was a relationship between rewards systems and employee performance. Study recommended that Management should harmonize the reward system in the company, Reward packages should be modified periodically as a response to the changing environmental needs of the workers as well as the world as a whole in an employer-employee participatory manner.

Index Terms- Organizational Performance, Impact, Reward Systems

I. INTRODUCTION

Money has long been viewed as a reward and increment of salary to the employee is the best reward every employee longs for, at least for some people, it is more important than anything else their organization can give them. Take for instance some of the complaints being raised from employees of Brentwood suppliers Ltd, who viewed money as the as a solution to solve the current problem even after management promising to increase salaries, organizational performance has not improved and absenteeism has increased. Some surveys of employees rank money at the top of their list of motivators and others rank it lower. It seems to vary widely with the individual and the industry. Goldman Sachs (2000) noted that “Nobody refuses it, nobody

returns it, and people who have more than they could ever use do dreadful things to get more.” Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of themselves, with the attainment of that defined target or goal. Good remuneration has been found over the years to be one of the policies the organization can adopt to increase their workers’ performance and thereby increase the organizations productivity. An organization must carefully set the rewards system to evaluate the employee’s performance at all levels and then rewarding them whether visible pay for performance of invisible satisfaction. The concept of performance management has given a rewards system which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically. In addition, the purpose of reward systems is to provide a systematic way to deliver positive consequences. Fundamental purpose is to provide positive consequences for contributions to desired performance (Wilson, 2003). The only way employees will fulfil the employers dream is to share in their dream (Kotelnikov, 2010). Reward systems are the mechanisms that make this happen. They can include awards and other forms of recognition, promotions, reassignments, non-monetary bonuses like vacations or a simple thank-you.

Thus the main thrust of this study is to analyse the impact of rewards systems on workers’ performance and to give recommendations to their current performance based reward system.

1.1. Problem Statement

Rewards are one of the most important elements to motivate employees for contributing their best effort to generate innovative ideas that lead to better business functionality and further improve company performance in both financial and non-financial terms (Serena Aktar, Muhammad Kamruzzaman Sachu & Md. Emran Ali;2012). According to Baratton (1999), rewards refer to all form of financial returns and tangible services and benefits an employee receives as part of an employment relationship. “Rewards are benefits that arise from performing a task, rendering a service or discharging a responsibility” (Colin, 1995). Furthermore, Ajila and Abiola (2004) revealed that reward packages can influence on employee performance. Based on their findings they concluded that reward systems help to increase employee performance by enhancing employee skills, knowledge and abilities in order to achieve organizational objectives (Waruni Ayesha Edirisooriya; 2014). In the world today customer relationship, management style and employee performance in companies, firm or

organisations is a cardinal issues. According to Dewhurst et al. (2010), there are other means to reward employees that do not just focus on financial compensation. Some of these include the praise that employees are able to acquire from their managers, the opportunity to take on important projects or tasks, and even leadership attention. The latter refers to the treatment of the employees by their managers in such a manner that the employees are also considered to be as leaders as well. Take for instance Brentwood Suppliers Limited which is a Lusaka based company incorporated in the Republic of Zambia and its core business is supplying to private and government entities in construction sector. The company was founded on the premises to provide high quality products and services to both private and public institutions. Its Vision is to provide high quality products and services to its esteemed customers. It has 50 employees and of late the company's sales have gone down and management is speculating a lot of reasons. Some workers claim that the reward system has a problem and it needs to be evaluated, while a few others were more concerned about salary increment and were cited saying 'we just want more money'. Despite Brentwood Suppliers Limited promising salary increment, organizational performance has not improved and absenteeism among employees has increased. Some workers are even threatening to down tools. Thus, it is against this indictment and/or background that this study was of essence and relevance.

1.2. Study Objectives

1.2.1. Main Objective

To evaluate the impact of reward system on workers' performance at Brentwood Suppliers Limited.

1.2.2 Specific Objectives

- To assess the effectiveness of existing reward system at Brentwood Suppliers Ltd.
- To find out whether there is a relationship between reward system in the organization and an increase in the performance of the employees.

II. LITERATURE REVIEW

1.1. Overview

The impact of rewards on employees' performance is well known phenomenon in the available literature of human resources. A large number of studies have verified that proper reward systems is a powerful tool to enhance employee behaviours leading to performance improvement.

According to Searle (1990), rewards can be categorized into two broad areas, namely; extrinsic rewards and intrinsic rewards (Waruni Ayesha Edirisooriya; 2014). Rewards and compensation systems motivate employees to give their maximum efforts towards assigned work. 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 stress. Vroom (2000) supported the assumption that workers tend to perform more effectively if their wages are related to performance which is not based on personal bias or prejudice, but on objective evaluation of an

employee's merit. Though several techniques of measuring job performance have been developed, in general the specific technique chosen varies with the type of work. All these issues call for research efforts so as to bring to focus how an appropriate reward package can jeer up or influence workers to develop positive attitude towards their job and thereby increase their productivity. Possibly the best means of understanding workers' motivation is to consider the social meaning of work. In this respect, short-term goals and long-term goals of employees and employers may affect production variously. Accordingly, giving attention to the manner in which rewards given to workers are perceived, is preferable to assuming that reward means the same thing to all negative outlooks, and they also approach the tasks at hand with less vigour and dedication.

1.1. Theoretical Review of Literature

Reward systems are one of the basic components of a performance management system and a reward system is a broad term and it encompasses all organizational components linked to rewards including people, processes, rules, regulations, procedures and decision making processes that are involved in allocating the benefits and compensation among employees in return for the contribution that have made to the organization in terms of the work achieved (Griffin and Moorhead, 2009)

Many studies in creativity literature have shown that a company's reward system plays a critical role in motivating employees to perform creatively. In an effort to stimulate employees' creativity, many managers have used extrinsic rewards (e.g. monetary incentives and recognition) to motivate their employees (Rashmi et al., 2017). While empirical research has also shown that extrinsic rewards help enhance individuals' creative performance, the literature is still divided when it comes to its effects on individuals' creativity. Azasu in his "**Principality-agency**" theory suggested that most people are opportunist and are always motivated through monetary rewards while the socioeconomic theorists argue that people are neither inclined towards monetary rewards nor do they have a homogeneous approach but might be fascinated by the cocktail of monetary and non-monetary rewards that have the potential to enhance their motivation and commitment. (Tahira Nazir, Syed Fida Hussain Shah and Khalid Zaman; 2012). Serena Aktar¹, Muhammad Kamruzzaman Sachu, Md. Emran Ali (2012) in their study revealed that the effectiveness of skilled employees is likely to be limited if they are not motivated to perform. One of the means that organizations can use to enhance employee motivation and performance is to provide performance- related compensation (Delaney and Huselid, 1996). A reward and compensation system is based on the expectancy theory which suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Fey and Bjorkman, 2001; Guest, 2002; Mendonca, 2002). In other words, the compensation system (e.g. profit sharing) contributes to performance by linking the interest of employees to those of the team and the organization thereby enhancing effort and performance (Kalleberg and Moody, 1994; Huselid, 1995; Kling, 1995).

Furthermore, Expectancy theory (Vroom, 1964) focuses on the link between rewards and behaviours (instrumentality perceptions), although it emphasizes expected (rather than

experienced) rewards (i.e., incentives). Vroom suggested that individuals will choose behaviours they believe will result in the achievement of specific outcomes they value. In deciding how much effort to put into work behaviour, individuals are likely to consider three things; valence, instrumentality and expectancy (W. L. Njanja, R. N. Maina, L. K. Kibet & Kageni Njagi:2013)

Ajila and Abiola (2004) revealed that reward package can influence on employee performance. Based on their findings they concluded that reward system helps to increase employee performance by enhancing employee skills, knowledge and abilities in order to achieve organizational objectives. According to the Allen and Kilmann (2001), reward practices play a vital role in improving employee performance and to achieve organizational goals. As mentioned earlier, many researchers have identified that employee rewards directly attach to employee performance. According to the available literature (Eisenberger, 2011; Heng, 2012), they identify, if organization fails to reward employees, it will directly affect or decrease employee performance and an efficient reward system can be a good motivator but an inefficient reward system can lead to demotivation of employees in terms of low productivity, internal conflicts, absenteeism, high turnover, lack of commitment and loyalty, lateness and felling grievances. Therefore, organizations need to develop strategic reward systems for employees in order to retain competent employees which result into sustainable competitive advantage of an organization (Edirisooriyaa, 2014).

Samuel Azasu (2009) also conducted a study and revealed in his investigation that there was a relationship between increases in sales and efficient reward system. Similarly, Ryan and Deci (2005) conducted a study to determine the impact of reward on motivation of employees and found that there was a direct relationship between the level of rewards and intrinsic motivation, the higher the reward, the more will be the extrinsic motivation. Another study was also conducted that endeavoured to inspect the relationship between rewards and employee motivation and revealed that there is a statistically significant impact of payment, promotion, recognition, benefits on employee motivation (Khan, Farooq and Imran Ullah, 2010). Roberts (2005) also supports this and his findings reveal that the better the reward and recognition

systems the higher the levels of motivation and satisfaction among employees and therefore higher levels of performance and productivity. These facts revealed by various comparative studies emphasize the importance of determining the relationship between reward systems and employee motivation and motivation affects the productivity of the employees and therefore has serious implications for the company.

Johnson *et al* (2010) established the effects of presenting organisational information through implicit and explicit rules on sales-related target behaviours in a retail setting. Results indicated that when organisational information was presented in a specific form, productivity was increased and maintained longer than when presented in other forms. The effectiveness of skilled employees is likely to be limited if they are not motivated to perform. One of the means that organizations can use to enhance employee motivation and performance is to provide performance-related compensation (Delaney and Huselid, 1996).

1.1. Conceptual Framework

A reward and compensation system is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Fey and Bjorkman, 2001; Guest, 2002; Mendonca, 2002). In other words, the compensation system (e.g. profit sharing) contributes to performance by linking the interest of employees to those of the team and the organization, thereby enhancing effort and performance (Kalleberg and Moody, 1994; Huselid, 1995; Kling, 1995). This study is guided by the following conceptual model of rewards systems and employees' performance as depicted in Figure 1 below:

Reward Systems:

These are intrinsic and extrinsic rewards as independent variables while **employees' performance** involves employees' output as dependent variable. In dependent variable, employee performance encompasses dimensions such as effectiveness, efficiency, productivity, job quality and job accomplishment, dedication and commitment.

Independent Variables

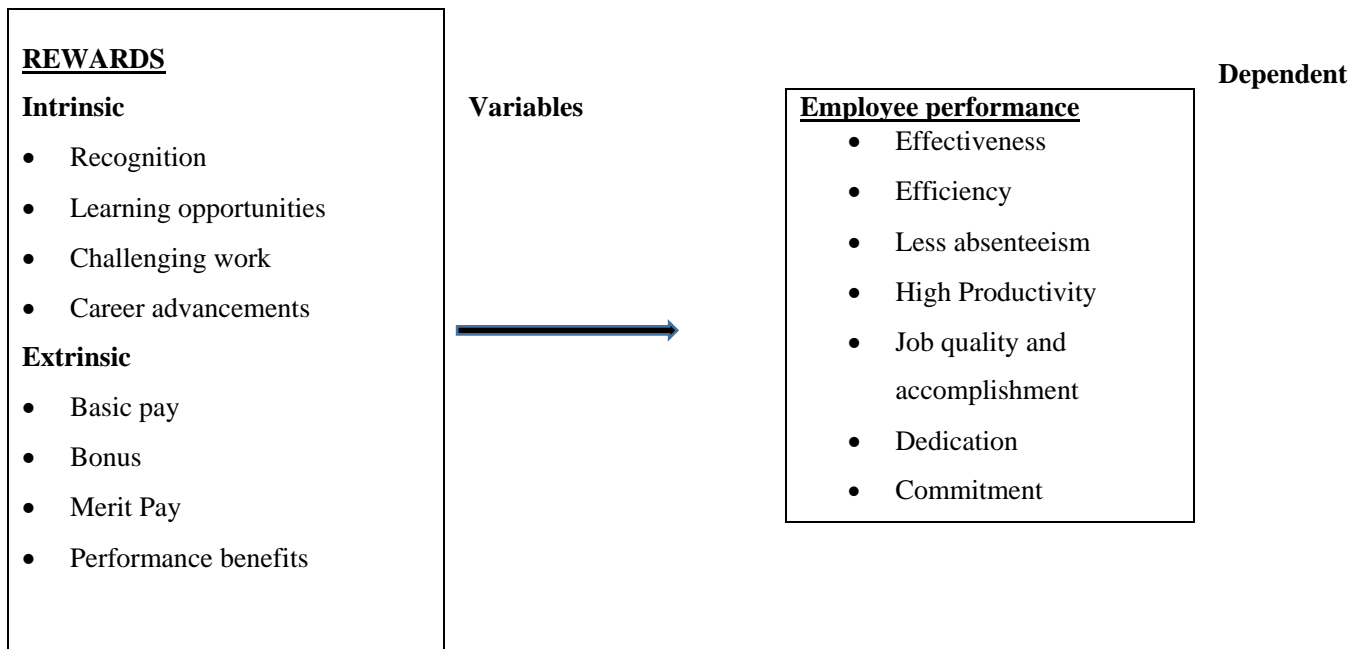


Figure 1: Conceptual Framework
Source: Author's Construction (2020)

III. METHODOLOGY

The current chapter presents the methodology that has been used in the study. The justification for the use of the research approach is explained. This research was based on empirical study rather than on reflection on theories and concepts. The non-probability and probability sampling technique was used in particular purposive and random sampling. The sample size used was 30 out of a population of 50 employees. In this study the inductive approach was used due to the fact that the data was collected and analysed before drawing to conclusion and recommendations. Alternative theories were used to refer to and suggested to explain certain events. However, the deductive approach was used also to provide relevance and practical applications.

Data collection which were used in the research included secondary and primary data. Primary data gathering was conducted through the use of a questionnaire. To be able to build a comprehensive background of the study, the researcher gathered material from books, journals, and online references. Data was analysed using tables and figures that were gathered from the information through questionnaires collected from the study. The Statistical Package for Social Sciences (SPSS) was employed to analyse the data obtained from questionnaires. However, the study encountered one limitation i.e. the interview which was scheduled to take place with the Manager of Brentwood Suppliers did not take place. The Manager was attending seminars at that time. This was a limitation in that the data collected may not be a true reflection of what is happening on the ground; as such false

generalizations may be made from untrue data collected from the sample.

IV. ANALYSIS AND DISCUSSION OF FINDINGS

From the data collected, out of the 30 respondents 73.3 % were males and 26.6% were females. The data suggests that there was a difference between the number of males and females used for this research. It was realized from the study that there were many men who have been employed to work at Brentwood Private Limited Company. This further indicates that, majority of the employees were of the ages ranging from 26-35 (53.3%) years whilst 10 (33.3%) out of the 30 respondents used for the research were ranging between the ages of 36-40 years. It also depicts the fact that 4 (13.3%) of the employees were between the ages of 40-45 years. However, it was also found from the studies that majority of the respondents were young ranging between the ages of 26-35 years. Generally, human needs and wants changes as one grows older. This is also in line with a study that was conducted by (Nosheen Khan, Hafiz Waqas, & Rizwan Muneer, 2017) which showed similar characteristics of composition of human needs. This affects the kind of reward packages that organizations must design. This can be attested by Gouldner (1960), who conducted a study and cited Maslow's Hierarchy of needs and raised questions such as 'why people or employees behave in certain ways have always been a mystery to us'. Maslow's motivation theory states that man's behaviour is controlled by both internal and external factors. He also emphasizes that humans have the unique ability to make choices and exercise free-will. His studies led him to believe that people have certain needs which are unchanging and genetic

in origin. What may be considered as a good reward package for a young employee may be seen as otherwise by staff with children in school or nearing retirement. The majority of these employees had worked for the company between the periods of 2years-5years. In an attempt to find out what are the components of the Reward Packages in the Organization, 74% responded that it was only basic salary, 3% fuel and overtime allowance, 2% commission, 3% car maintenance and 10% achievement benefits. This leads to the question as to whether the employees were happy with the current reward packages, 93% of these employees were not happy as indicated below.

Table 4.1: Are you happy with the Current Reward Package?

Reward package	COUNT	PERCENT
Yes	2	7
No	28	93
Total	30	100

Source: Field data (2020)

Table 4.2: Is there a relationship between the reward system of the company and your performance?

Relationship between rewards systems	COUNT	PERCENT
Yes	22	73.3
No	8	26.6
Total	30	100

Source: Field data (2020)

This clearly indicated that there existed a relationship between the reward system of the company and employees' performance as shown (22) 73.3%. This is similar to Kikoito (2014) who examined the impact of reward systems on organisational performance in commercial banks in Mwanza city, Tanzania and concluded that there a significant impact on reward systems and performance of the banks. In order to establish the bases for rewarding employees (20) 57% of the employees agreed that the bases for rewarding them by the company are mainly profits while (9) 33% said productivity of the company and (1) 10% said it's dependent upon the number of customers you bring to the company.

To further understand how highly employees, place rewards as a basis to giving off they best, the table below indicates that 20 (67%) of the employees responded very highly were as (8) 23% are motivated highly and 2 (10%) are average. This information clearly indicated that employees in an organization perform to their level best with very high reward systems. This gives management the challenge to identify what else will catapult these kinds of employees to give off their best. It also highlights the fact that human beings as it were have different expectations and demands and it is imperative on the employer to know their employees to get the best out of them.

Tables 4.3: How highly do you Place rewards as a basis for giving off your best?

	COUNT	PERCENT
Very Highly	20	67
Highly	7	30

Average	3	3
Low	0	0
Very Low	0	0
TOTAL	30	100

Source: Field data (2020)

To find out what employees would rather wish they had as part of their total reward package, (4)13% of the employees wished they had more money as part of your total reward package; another (4) 13% wished they had transport allowance where as (11) 37% of the employees wished they had both medical and housing allowances. This clearly indicates that the employees would do their best to ensure that the company achieves its intended objectives if such fringe benefits were made available.

To illustrate as to whether employees would increase performance if rewarded or receive a higher reward to enable them perform better, the following results from the findings were garnered; (23) 77% of the employees would do better if they were paid or rewarded better, (5) 17% would not while (3) 6% were not sure. And to find out whether employees have an input in their reward system, (25) 83% of the employees responded by saying that they do not make an input the reward system. This clearly shows that most of the decisions are made by management. According to Lawler (2003), a truly motivational reward system must be designed with a few parameters in mind. It must motivate employees to perform through valued and truly sufficient rewards, provide them with However, Wilson (1994) argues that a reward system needs to have a positive impact on behaviour a clear line of sight, give them the power to influence their performance, and deliver on its promise. (Marlisa Abdul Rahim & Wan Norhayate Wan Daud; 2012). The performance of an organisation is highly dependent on the employees' level of motivation (Rashmi Ranjan & Dr. Umesh Mishra; 2017). This perhaps could be some of the reason the company is facing challenges. In this study in order to understand how highly rewards motivate employees to give off your best, (20) 67% of the employees are very highly motivated by the rewards the company offers were as (7) 23% are motivated highly and (3) 10% are average. This information clearly indicated that employees in an organization perform their level best with very high reward systems. Marlisa Abdul Rahim & Wan Norhayate Wan Daud (2012) states that, sometimes management pays more attention to extrinsic rewards but intrinsic rewards are equally important in employee motivation. Intangible or psychological rewards like appreciation and recognition plays a vital role in motivating employee and increasing his or her performance. From the study by Badrinarayan and Tilekar (2011), it found that job security, career advancement opportunity has a very positive impact on motivation. There was a positive relationship between rewards, recognition and motivation (Roberts, 2005). However, Andrew (2004) concludes that commitment of employees is based on rewards and recognition. This brings back to Brentwood Suppliers Ltd where management observed lack of commitment among their employees

V. CONCLUSION AND RECOMMENDATIONS

Human resources are the most important assets among all the resources an organization owns. To retain efficient, qualified, dedicated, committed and experienced workforce in an

organization is very crucial in overall performance of an organization. Reward management system is a core function of human resource discipline and is a strategic partner with company managements. Besides, it has an important role on work outcomes. Based on the analysis of the findings on the impact of rewards system on organisational performance using Brentwood suppliers Limited in Lusaka-Zambia, it was revealed that, the existing reward system of Brentwood suppliers was ineffective and needed to be revised; there was a relationship between rewards systems which had an impact on employee performance. Thus a conclusion can be drawn that rewards have an impact on the on the performance of the organisation and the above recommendation must be implemented.

The study recommended to management to improve employee performance by harmonizing the reward system in the company, reward packages should be modified periodically as a response to the changing environmental needs of the workers as well as the world as a whole. And also incentives should be designed and administered with the full participation of employees or their representatives as well as reward packages should be linked to employee satisfaction.

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