Reward Management System As An Indicator Of The Performance Of Employees: A Study In Manufacturing Sector

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Abstract

The effectiveness of human resource management in an organization is incomplete without the motivation of its employees. More the motivated the employees are the better they perform. There are many initiatives taken by the organization to boost the morale and motivation of its employees. Some of them include employee engagement, attractive compensation, challenging roles, appreciation, recognition, and rewards. Considering this theory, this study is emphasizing the study of reward management and its components in some organizational setups and validating the objective of whether the reward management programs or initiatives adopted by these organizations lead to improved performance of its employees. To achieve these objectives, a descriptive study was conducted in manufacturing companies in Pune through the administration of a structured questionnaire designed on 5 point likert scale. Regression analysis was used to determine the impact of the objectives set and the observed results were found significant. Such results derived in this study can help the manufacturing companies in understanding that effective reward management can gain a competitive advantage for the firm. Hence these companies can further strategize their initiatives in this area to improve the R^2 (percentage of impact) for more effective outcomes. The results derived from the current study are restricting the generalizability to the wider population since the study focused on manufacturing sectors. Based on the data analysis, there is a significant impact of Reward management on Employee Performance with $R^2 = 9.6\%$ and Adjusted $R^2 = 8.7\%$. The alternative hypothesis is accepted as the p-value is less than 0.05. Although the data collected for analysis holds all conditions of Multiple Linear regression but not normality conditions. The value of Y can be predicted by the value of X (Here X stands for independent variable i.e. Reward Management and Y stands for dependent variable i.e. Employee Performance) and the equation for that is given as $Y = 2.458 + 0.328(X)$. The result of the study shows that there is a significant impact of reward management strategies on the performance of the employees of the manufacturing sector

Keywords: Reward management, Employee Performance, Manufacturing Sector.

Introduction

The economic concept of human resource value is the purchasing power and utility derived. Value can be services rendered by an individual over a period of time. Any individual would deliver his best when he/she is handled and utilized properly.The efficient and effective utilization of human resources ensures the maximum productivity to the firm. There are number of factors that influence the productivity of the individual. They are promotability, transferability, individual's skillsets, activation level, organizational role, and rewards. All of these when managed effectively can ensure employee's satisfaction on the job.

In this paper, the focus is on the reward and its determinants. The reward consists of employee's compensation, monetary and non-monetary benefits, awards and recognition, promotion and incentives. Performance in this paper

is defined by Task performance, Adaptive performance, Contextual Performance, and Counterproductive work behavior.

This study is administered within the manufacturing sector. The Manufacturing sector in Pune has been chosen for this study, as they have very well-developed HR policies and they have adopted a number of awards and rewards initiatives for its employees. The findings of such a study would influence other sectors to introduce such kinds of perspectives as well.

Theoretical Background

Reward Management: This concept includes those components which directly or indirectly increase or decreases the performance of employees. It can be motivators as well as hygiene factors depending on employee's perspective. This study aims to find out employee perspective about promotions, incentives, awards, and recognition and fringe benefits being provided to them by their respective organizations and how it motivates them for performing better.

Employee Performance: This concept included in detail all components of employee performance like Task performance, Adaptive performance, Contextual Performance and Counterproductive work behavior, which in turn helps to find out in detail about this variable. Every organization has been established with certain objectives to realize. To accomplish these objectives, the organization has to engage its resources in the most efficient manner. Human resource is one of the most vulnerable resources that can create a great impact. Hence their contribution to the achievement of organizational objectives is reflected in their performance.

There are number of studies related to reward management and employee performance and most of the studies found that there is an impact of reward management strategies in the organization on employee performance. This study is conducted in the manufacturing companies situated in Pune. The aim of this study to find the relevance of reward management strategies on employee performance in the manufacturing companies of Pune.

Review of Literature

Talent managementis one of the most effective strategies adopted by any organization for achieving competitive advantage. This strategy is holistic in nature and caters to multiple areas of HR starting from acquisition to exit. Some of these breakthrough strategies in the current scenario include working conditionS, leader's influence, training and development, learning culture, organization reputation and rewards(Zaman, 2011). Among those strategies reward is a key factor. Reward is a motivation or reinforcement usually given to employees to get the desired performance. The rewards can be monetary or non-monetary. Both monetary and non-monetary rewards can be direct and indirect. The direct monetary rewards include wages and salary, incentives, performance bonuses, and stock options. Indirect monetary rewards include insurance schemes, pension schemes, company cars, and subsidized meals. Non-monetary rewards are appreciation, paid holidays with family, recognition and awards. Wages and salaries are just one of the components of reward which is the basic. These reward components attribute to the performance of individuals.

According to Eric Flamholtz in his book HR Accounting ( ),Both monetary and non-monetary measures are needed for use in decision making involving the acquisition, development, and allocation of human resources and in monitoring and evaluating the degree to which management has effectively, and efficiently utilized human resources.To develop methods of measuring HR value, it is necessary to understand what HR value is and identify the factors influencing its magnitude and fluctuations.The HR value theory draws upon economic, social and psychological variables.We must attempt to understand the value of people as individuals and as groups because in organizations the whole does not equal to its parts.

The term value has two different meanings- purchasing power and utility.An object's value is typically defined as the present worth of the services it is anticipated to render in the future.Hence the value is – the present worth of their expected future services.The concept of HR value is extended to individuals, groups and the total human organizations.

Our objective is to identify these determinants and explains their interrelationships. Unlike other resources, human beings are not owned by organizations. They are free to withhold their services to the organization at any point of time.So, there is a dual aspect to an individual's value.The amount the organization could potentially realize from his/her services if the person maintains organizational membership during the period of his/her productive service life- Expected Conditional value. The amount actually expected to be derived, taking into account the person's likelihood of turnover- Expected Realizable value. The ultimate measure of a person's value is the expected realizable value because this concept is equivalent to a resource's economic value- the present value of its expected future services.

An individual's conditional value consists of three factors- productivity, transferability and promotability. Productivity/ performance refer to the set of services an individual is expected to provide while occupying his or her present position.Transferability is the set of services an individual is expected to provide if and when he or she is transferred to other positions at the same level in a different promotion channel. Promotability represents the set of services the individual is expected to provide if and when he or she occupies higher-level positions in the present or different promotion channels.In this model, productivity is the causal variable.

The elements of individual conditional value are the product of certain attributes of the individual and certain dimensions of the organization. The major individual determinants of conditional value are the individual's skills and activation level.The major organizational determinants of conditional value are the individual's role and nature of organizational rewards.Individual skills are the product of cognitive abilities and personality traits.Activation level is not constant and it may vary as a result of changes in psychological and physiological determinants.Organizational determinants: although an individual may possess a set of skills and the motivation to apply them, the organizational role he or she occupies influences the extent to which he or she is offered the opportunity to render potential services.

Research Gap

Reward management is a very important process in any organization which aims to motivate the employees to perform better. A lot of research has been conducted in this area. But very little research has been conducted in this area pertaining to the manufacturing sector, particularlyin the Pune region. In this paper, the researcher aims to understand the relevance of reward management in manufacturing companies.

Problem Statement

While interacting with the employees of the manufacturing companies, the researchers could sense that although the companies had well-defined policy guidelines, when it comes to implementation, the employees had varied opinion. Later, when the performance records were studies, there were cases of a perfect bell curve. Hence, the researcher decided to study the scenario and come up with appropriate analysis and suggestions.

Objectives of the Study

- To study the determinants of reward management and performance of employees in the manufacturing sector.

- To find out the impact of reward management on the performance of employees in the manufacturing sector.

Hypothesis
- H0: There is no significant impact of reward management on the performance of employees.
- H1: There is a significant impact of reward management on the performance of employees.

Scope of the Study

This study is carried out in manufacturing companies located in Pune, Maharashtra. Employee's responses were taken with the help of online Google forms and the sample size was 102 respondents from 10 prominent manufacturing companies of Pune.

Model of the study

Based onthe extant literature of reward management and employee performance, a model has been designed to test the impact of reward management system on employee performance for the employees of the Manufacturing companies of Pune. The Model of the study is as follows:
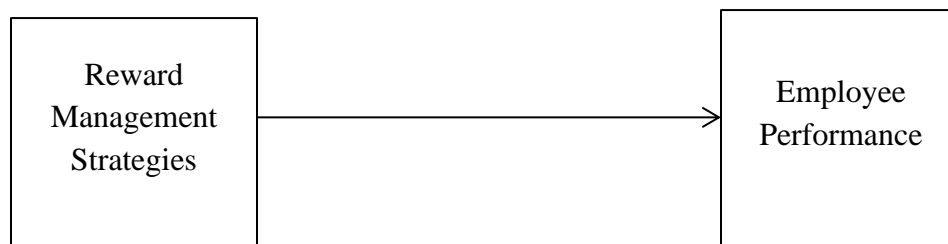
Research Design and Methodology

Research Design
Descriptive research has been carried out in this study through the administration of a structured questionnaire. The questions were closed- ended in a 5 point Likert scale.The scale used is 5 points interval scale, where 1 - Strongly Disagree, 2 - Disagree, 3 - Neutral, 4 - Agree, 5 - Strongly Agree. The respondents for the study included employees from all the manufacturing companies in Pune. There were 83 males (81.37%) and 19females (18.62%). The mean age of the employees was 42 years with a standard deviation of 5.6 years. The educational qualification shows that 78 (76.47%) of the respondents have a master degree, 24 (23.53%) have a bachelor's degree.

Sampling Technique
The sampling technique adopted for the study was judgmental sampling for the selection of manufacturing companies and convenience sampling for the selection of the employees as respondents. A structured questionnaire was sent to the respondents through a google form. The study is descriptive in nature administered the existing pattern of behavior

and opinion of employees towards reward management. This study didn't aim to develop any theory or bring about any changes or modifications in the reward management system in any of the organizations.

Research Instruments

Reward Management (RMQ), Reliabilityand Validity

The construct reward management was measured on a 5 pointLikert scale ranging 1-5.

The Cronbach's alpha value for reward management is 0.73, this is greater than the recommended value of 0.7 (Nunnally, 1978).

The significant value of all statements of reward management were less than 0.05 (0.000< 0.05) and also based on the count value obtained for all statements were ranges from 0.231 to 0.529 is greater than the r product moment value 0.087 for the infinite degree of freedom at 5% level of significance. It means the validity condition satisfies to measure rewardmanagement.

Employee Performance (EPQ), Reliability and Validity

The employee performanceconstruct was measuring four parameters: Task Performance, Contextual Performance, Adaptive Performance and Counter-Productive Behavior. The scale used to measure all the components of employee performance on 5 point Likert scale.

The Cronbach's alpha for all the four components of employee performance values ranges from 0.72 to 0.84. The calculated alpha values are greater than the recommended value of 0.7.

The significant value of all four components of Employee Performance: Task Performance, Contextual Performance, Adaptive Performance and Counter-Productive Behaviorwas less than 0.05 (0.000< 0.05) and also based on the count value obtained for four components ranged from 0.301 to 0.612 is greater than the r product moment value 0.087 for the infinite degree of freedom at 5% level of significance. It means the validity condition satisfies to measure employee performance by these four components.

Data Collection

The data for the study was collected through a structured questionnaire. The questionnaire was administered through a google form. The link of the questionnaire was sent to more than 500 employees of manufacturing companies situated in Pune. There were 102 responses received from the respondents. The collected data were analyzed using regression analysis using SPSS tool version 22. The independent variable for the study was reward management and the dependent variable for the study was employee performance.

DATA ANALYSIS

Statistical Analysis

Table 1: Regression showing impact of Reward Management on Employee Performance

Model	SS	df	Mean SqF	P-Value	R	R^2	$AdjR^2$
Regression	2.835	1	2.835	10.530	0.002[b]0.310[a]0.096	0.087	
Residual	26.651	99	0.269				
Total	29.485100						

Dependent Variable: Employee Performance, b. Predictors: (Constant), Reward Management Strategies [F (.530, p<0.05, R=0.310, R^2=0.096, β=0.087,t=3.245,p<0.05.]

Data Interpretation

Descriptive Statistics

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The descriptive statistics of the variable – Reward management says that the overall mean value of all the four components is 3.76 which signifies that the respondents realize that the reward management initiatives can influence the performance of the employees.The SD for reward is 0.513, a low standard deviation implies less deviation from the mean value. This means the respondents are consistent in their opinion.

Inferential Statistics

The significant value in the ANOVA table is 0.002, so it is sufficient evidence as per the decision rule to reject the null hypothesis. Hence H1 i.e. Alternative hypothesis is accepted.It means that there is a significant impact of Reward Management on Employee Performance.The R-square value is 0.096 it means, the dependent variable i.e. Employee Performance is explained by 9.6% of the independent variable i.e. Reward Management. The regression equation of X (Reward Management) on Y (Employee Performance) is $Y = 2.458+0.328X$

Discussion

Based on statistical interpretation, it's clear that reward management has an impact on employee performance which implies that organization should pay more attention to promotion policies, incentives, award and recognition, and fringe benefits given to employees as it can increase or decrease their motivation level which in turn affect their performance. It is also understood that the data collected was not evenly distributed as it did not satisfy normality conditions. Based on the adjusted R-square value,it is also evident that employee performance is explained by 8.7% of reward management. The output of the study is in line with Onyenorou (2005) highlighted various possible contexts in which financial and non-financial incentives improve employee performance and finally organizational attainment. The result of this study is also supported earlier study carried out by Brian K. Boyd and Alain Salamin(Aug., 2001), which concludes that compensations offered by an organization give an advantage to its performance.

Suggestions

Rewards are mainly for higher job action. It means additional benefit to the employees achieves higher job performance. Rewards provide zeal to an employee for better performance. Hope of reward motivates an employee for better performance. Each organization should decide to provide salary only to get the desired performance or increased performance or should they provide some additional incentives.The main aim to increase employee performance by reinforcing specific behavior through the available reward system. A proper reward system and strategies provide a positive assurance for fulfilling the needs and wants of employees in the workplace. It is an optimistic approach of an organization that provides good leverage to satisfy the psychological requirements of employees. The reward system include bonus, vacation benefits, recognition, well-furnished offices, health and term insurance plans, club privileges, child care support, profit sharing, incentive plans, job autonomy, golden handshakes and so on. The companies should focus on these aspects to increase the performance of the employees.

Conclusion

This study shows that there is an impact of a reward management system on employee performance. It is also supported by the extant literature on the same construct. On this line,an organization can create opportunities for employees to use reward management as a motivating and morale-building factor to frame employee behavior towards efficiency and effectiveness for performance and finally profitability of the organization. It is aneye-opening for management to improve upon employee productivity by ensuring that rewardmanagementfairly rewards the right

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person to make employees feel that the company appreciates them andthat reward belongs to the persons performing their task with success, excellence, and discipline. The reward management system also appeals to the employees related to employee commitment and loyalty. The reward system to deserving employees will also set a benchmark for the poor performers. The reward management system should be realistic, definite, and achievable and must be clearlyidentified and redefined to make greater meaning to the employees. This system will benefit both employees and employers.

Future Direction of Research

This researchstudy provides the impact of the construct reward management strategies on employee's performance working in manufacturing companies of Pune. The reward management system is a concept that fits all types of the organization either it may be big or small. The sectors to be considered to investigate the effect of reward management on employee performance are insurance, IT, hospitality, banking, entertainment, healthcare, etc. The dependent variable can be the motivation or morale of the employees to be considered for the independent variable reward management system. The main objective of any organization to make profitable, it can also be checked the effect of reward management system on the profitability of the organization. It is also important to identify the most appropriate reward systems for various types of organizations. After finding the impact of the reward management system on employee performance, it is desirable to find the effect of reward management system on organizational performance.

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