

Impact Assessment of Reward Systems on Employee Job Performance



Management

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ABSTRACT

This research study assesses empirically the impact of reward systems on employee job performance as well as organizational productivity using Assiste Technologies as the case study. We try to ascertain if reward system affects employee job performance, and to formulate recommendations regarding reward system and employee job performance. In order to achieve the above statement, the following research questions were asked: Does reward system have any effect on employee job performance? And in what way does reward system impacts employee job performance? Two hypotheses were advanced: (i) There is no positive relationship between reward system and employee job performance, and (ii) There is no positive relationship between reward system and organizational productivity in vey research method. The case study companies were selected using stratified and simple random sampling technique in Assiste Technologies. While our respondents were selected using simple random sampling technique. The findings of this study are that a large number of respondents (57.7%) strongly agree that reward systems has effect on employee job performance, and that 8.7% of the employees also agree that reward systems determines the productivity level of the organization. These findings made us to accept our two alternative hypotheses and reject the null hypotheses because in both cases the calculated values of chi-square are greater than the tabulated values.

Introduction:

Organization development is concerned with the analysis and diagnosis of the factor that determine organizational effectiveness, and the planning and delivery of programs to increase that effectiveness.

Organizations want to obtain the commitment of their employees. Management would like its employees to identify with the values, norms and artifacts of the organization, hence the need for organizational culture. Management needs to explain and imbibe its culture in its employees; this will enable the employee to get familiar with the organizational system. During this process of explanation, the employee learns about the reward systems and decides whether he can cope with it or not. This means that each organization is a learning environment. It is the proper understanding of the reward systems that the performance of the employee in the organization. Performance is the extent to which an individual is carrying out assignment or task. It refers to the degree of accomplishment of the task that makes up an employee's job. Job performance is the net effect of an employee's effort as modified by abilities and roles or task perceptions.

The culture of the organization should be developed to support continuous improvement, improve employees' style of performing their job and thus develop quality awareness.

To operate successfully across cultures, it is important to be able to recognize cultural differences and be adaptable (Deter, Schroeder, and Mauriel, 2000). Reward systems finds expression through the thoughts, intentions, actions and interpretations of members of the organization (Hallett, 2003).

Academic interest in reward systems is evidenced by the level of attention it has received over the last few decades. The relationship between reward systems and performance has been the subject of abundant research in several fields, including strategic management, organizational behavior, and industrial organizations. While this topic is rich in studies, many researchers concur on the fact that there is no agreement on the precise nature of the relationship between reward systems and performance.

Despite the plethora of studies on reward systems in the last few decades, there is no widely accepted causal relationship between reward systems and performance. The empirical evidences emerging from various studies about the effect of reward systems on performance have so far yielded mixed results

that are inconclusive and contradictory.

Because of these contradictory results, the questions of whether reward systems improves or worsens employee's performance is still worthy of further research such as the one being undertaken in this study. In addition, despite the existence of these studies, very little attention has been given to the Assiste Technologies. This means that the impact of reward systems on employee's performance in the Assiste Technologies has not received adequate research attention. Thus, there is a major gap in the relevant literature on industry, which has to be covered by research. This research attempts to fill this gap by studying the situation of the Assiste Technologies and providing more empirical evidence on the effects of reward systems on employee job performance based on individual bank-level data.

Objectives of the Study:

The primary objective of this study is to assess the impact of reward systems on employee job performance.

In line with this primary objective, the secondary objectives are as follows:

- i. To ascertain if organizational culture affects employee job performance.
- ii. To determine empirically the relationship between reward systems and employee job performance.
- iii. To formulate recommendations regarding reward systems and employee job performance.

Research Questions:

This research study is poised towards providing answers to the following questions:

- i. Does a reward system have any effect on employee job performance?
- ii. In what way does reward systems impacts employee job performance?

Research Hypotheses:

In order to answer the research questions and achieve the objectives of the study, the following hypotheses are advanced and will be tested in the course of this study.

Hypothesis 1

H0: There is no positive relationship between reward systems and employee

Job performance in Assiste Technologies H1 There is a positive relationship between reward systems and employee job performance in Assiste Technologies. Hypothesis 2

H0 There is no positive relationship between reward systems and organizational productivity in Assiste Technologies.

H1 There is a positive relationship between reward systems and organizational productivity in Assiste Technologies.

Methodology:

The term methodology is a system of explicit rules and procedures in which research is based and against which claims of knowledge are evaluated (Ojo, 2003). Therefore, this section focuses on the research techniques adopted and used for this study with the aim of achieving the research objectives.

In this study, survey research design is adopted. Survey research design was chosen because the sampled elements and the variables that are being studied are simply being observed as they are without making any attempt to control or manipulate them.

The theoretical population of the study consists of the entire workers. For effective coverage and lower cost, stratified sampling technique was used to select the participating on survey. Assiste Technologies were stratified into two strata based on the year they were established. Thus we have 'old' generation and 'new' generation. Two groups were selected from each stratum. Employees in selected, were divided into three strata: management staff, senior staff, and junior staff. A simple random sampling technique was used to select a total of 100 employees that constituted our sample size. It should be pointed out that limited financial resources at the researcher's disposal could not permit or allow for a greater sample size.

Every research work has a framework for collecting data. Its function is to ensure that the required data are collected accurately and economically. Primary method of data collection was used in this study. The primary data consists of a number of items in structured questionnaire that was administered to the respondents. The decision to structure the questionnaire is predicated on the need to reduce variability in the meanings possessed by the questions as a way of ensuring comparability of responses. The questionnaire is titled "Reward systems and Employee Job Performance Questionnaire." However, only 78 out of 100 respondents returned their questionnaire and were used for final analysis in this study.

One important way of ensuring that we have used the right instrument and have taken correct measurement is that our outcome must be in consonance with two major criteria for measuring quality known as validity and reliability.

To ensure the validity and reliability of the questionnaire used for the study, even number of experts were consulted to look at the questionnaire items in relation to its ability to achieve the stated objectives of the research, level of coverage, comprehensibility, logicality and suitability for prospective respondents. A pilot test which took the form of test-retest method was conducted at all sections were selected using purposive random sampling technique. The choice of Assiste Technologies for the pilot study was informed by the fact that it is the industry where the researcher is living with a fair concentration of the branches of the banks studied.

Data collected from the questionnaire were analyzed, summarized, and interpreted accordingly with the aid of descriptive statistical techniques such as total score and simple percentage. Chi-square was used to measure the discrepancies existing between the observed and expected frequency and to proof the level of significance in testing stated hypotheses. The formula of chi-square is: $\chi^2 = \sum \frac{(O - E)^2}{E}$

Data Presentation and Analysis

Table 1: Sex Distribution of Respondents

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------|-----------|---------|---------------|--------------------|
| Valid Male | 58 | 74.4 | 74.4 | 74.4 |
| Female | 20 | 25.6 | 25.6 | 100.0 |
| Total | 78 | 100.0 | 100.0 | |

Source: Field Survey, 2008

The table above shows that 58 (74.4%) of the respondents are male while 20 (25.6%) of the respondents are female.

This information was sought about respondents' number of years of working in the organization as it will help to show how much the respondents know about the organization and its activities.

Table 2: Respondents Number of Years of Working in the Organization Respondent number of years of working in

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|------------------|-----------|---------|---------------|--------------------|
| Valid Below 5yrs | 39 | 50.0 | 26.9 | 50.0 |
| 6-10yrs | 21 | | | |
| 11-15yrs | 7 | 9.0 | 9.0 | 85.9 |
| 16-20yrs | 11 | 14.1 | 14.1 | 100.0 |
| Total | 78 | 100.0 | 100.0 | |

This table shows that 50.0% of the respondents have worked in the organization for less than 5yrs

While 26.9% of the respondents have worked in the organization for 6-10yrs, 14.1% have worked in the organization for 16-20yrs and 9.0% of the respondents have worked in the organization for 11- 15yrs.

The respondents were asked if organizational culture has effect on employee job performance. Their responses are shown in the table below:

Table 3: Does reward system Has Effect on Employee Job Performance?

Reward system has effect on employee job

| Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------------|---------|---------------|--------------------|
| Valid Strongly y 1 | 1.3 | 1.3 | 1.3 |
| Disagree | | | |
| Disagree 1 | 1.3 | 1.3 | 2.6 |
| Undecided 3 | 3.8 | 3.8 | 6.4 |
| Agree 28 | 35.9 | 35.9 | 42.3 |
| Strongly Agree 45 | 57.7 | 57.7 | 100.0 |
| Total 78 | 100.0 | 100.0 | |

Source: Field Survey, 2012

The table above shows that 57.7% of the respondents strongly agree and 35.9% of the respondents agree that organizational culture has effect on employee job performance. Also, we have 3.8% of the respondents who are undecided, 1.3% of the respondents who strongly disagree and 1.3% of the respondents

who disagree that organizational culture has effect on employee job performance.

The respondents were asked if a reward system determines the productivity level of the organization. Their responses are shown in the table below:

Table 4: Does reward system determine the Productivity Level of the Organization? Organizational culture determines the productivity

| | | Frequency | Percent | Valid | Cumulative |
|-------|-----------|-----------|---------|---------|------------|
| | | | Percent | Percent | |
| Valid | Disagree | 1 | 1.3 | 1.3 | 1.3 |
| | Undecided | 4 | 5.1 | 5.1 | 6.4 |
| | Agree | 35 | 44.9 | 44.9 | 51.3 |
| | Strongly | ly | 48.7 | 48.7 | 100.0 |
| | Agree | 38 | | | |
| | Total | 78 | 100.0 | 100.0 | |

From the table above, we can see that 48.7% of the respondents strongly agree that organizational culture determines the productivity level of the organization and then followed by 44.9% of the respondents who also agree, 5.1% of the of the respondents are undecided and 1.3% of the respondents only disagree that reward systems determines the productivity level of the organization.

In this study, the researcher also sought to know the respondents view on if there is a positive relationship between organizational culture and employee job performance. Their responses are shown in the table below:

Table 5: Is There a Positive Relationship Between reward system and Employee Job performance? There is a positive relationship between reward system and employee job performance

| | | Frequency | Percent | Valid Percent Cumulative | |
|-------|-----------|-----------|---------|--------------------------|---------|
| | | | | | Percent |
| Valid | Strongly | 2 | 2.6 | 2.6 | 2.6 |
| | Disagree | | | | |
| | Disagree | 6 | 7.7 | 7.7 | 10.3 |
| | Undecided | 9 | 11.5 | 11.5 | 21.8 |
| | Agree | 38 | 48.7 | 48.7 | 70.5 |
| | Strongly | 23 | 29.5 | 29.5 | 100.0 |
| | Agree | | | | |
| | Total | 78 | 100.0 | 100.0 | |

Table 6: Any Positive Relationship Between reward system, and Organizational Productivity? There is a positive relationship between reward systems and organizational productivity

| | | Frequency | Percent | Valid Percent Cumulative | |
|--|----------|-----------|---------|--------------------------|---------|
| | | | | | Percent |
| | Strongly | 3 | | | |
| | | | | | |
| | | | 3.8 | 3.8 | 3.8 |

| | | | | |
|-----------|----|-------|-------|-------|
| Disagree | | | | |
| Disagree | 6 | 7.7 | 7.7 | 11.5 |
| Undecided | 6 | 7.7 | 7.7 | 19.2 |
| Agree | 40 | 51.3 | 51.3 | 70.5 |
| Strongly | | | | |
| | 23 | 29.5 | 29.5 | 100.0 |
| Agree | | | | |
| Total | 78 | 100.0 | 100.0 | |

This table reveals that 51.3% of the respondents agree and 29.5% of the respondents strongly agree that there is a positive relationship between organizational culture and organizational productivity. On the other hand, we

have 7.7% of the respondents who are undecided, 7.7% of the respondents who disagree and 3.8% of the Respondents who strongly disagree that there is a positive relationship between reward systems and Organizational productivity.

Testing Of Hypotheses:

Hypotheses testing are very crucial in a research work because until a hypothesis has been tested and checked against available data, it is nothing more than a guess. There are various statistical tools that can be use for testing of hypotheses but this research work will be limited to the use of chi- square (x2) statistical tool.

The chi-square test is used in goodness of fit to assess whether a particular set of observation is sufficiently reliable for the purpose for which it is been collected. Chi-square involves calculating the probability that an observed value randomly picked from the population equals a normal curve frequency of the hypothetical population. Hence, the observed and expected set of frequencies will be compared and arranged in single columns.

Chi-square (x2) is calculated using this formula: $x^2 = \sum \frac{(O - E)^2}{E}$ Where: I = Summation

O = Observed frequency E = Expected frequency

Hypothesis 1

H0 There is no positive relationship between organizational culture and employee job performance H1 There is a positive relationship between organizational culture and employee job performance

Table 7: Test of Hypothesis One

| | Observed (O) | Expected (E) | Residual (O - E) | (O - E) ² | (O - E) ² / E |
|-----------|--------------|--------------|------------------|----------------------|--------------------------|
| Strongly | 2 | 15.6 | -13.6 | 184.96 | 11.86 |
| Disagree | | | | | |
| Disagree | 6 | 15.6 | -9.6 | 921.16 | 5.91 |
| Undecided | 9 | 15.6 | -6.6 | 43.56 | 2.79 32.16 3.51 |
| Agree | 38 | 15.6 | 22.4 | 501.76 | |
| Strongly | 23 | 15.6 | 7.4 | 54.76 | |
| Agree | | | | | |
| Total | 78 | 78 | | | 56.23 |

Calculated $x^2 = \sum \frac{(O - E)^2}{E} = 56.23$ E Degree of freedom "d.o.f = n - 1 Where n = number of rows Therefore, d.o.f = 5 - 1

= 4

Tabulated (χ^2) = At 0.05% level of significance, the tabulated value of χ^2 for 4 degrees of freedom is 9.488 Decision: Since the calculated χ^2 is greater than the tabulated χ^2 , we reject the null hypothesis (H0) and accept the alternative hypothesis (H1). This indicates that there is a positive relationship between organizational culture and employee job performance. Hypothesis 2

H0 There is no positive relationship between organizational culture and organizational productivity. H1 There is a positive relationship between organizational culture and organizational productivity.

Table 8: Test of Hypothesis Two

| | Observed (O) | Expected (E) | - E | Residual (O - E) ² | (O - E) ² / E |
|-------------------|-----------------|-----------------|-------|----------------------------------|--------------------------|
| Strongly Disagree | 3 | 15.6 | -12.6 | 158.76 | 10.18 |
| Disagree | 6 | 15.6 | -9.6 | 92.16 | 5.91 |
| Undecided | 6 | 15.6 | -9.6 | 92.16 | 5.91 |
| Agree | 40 | 15.6 | 24.4 | 595.36 | 38.16 |
| Strongly Agree | 23 | 15.6 | 7.4 | 54.76 | 3.51 |
| Total | 78 | 78 | | | 63.67 |

Calculated (χ^2) = $\sum (O - E)^2 / E = 63.67$ Degree of freedom "d.o.f" =

$n - 1$ Where n = number of rows Therefore, d.o.f = $5 - 1 = 4$

Tabulated (χ^2) = At 0.05% level of significance, the tabulated value of χ^2 for 4 degrees of freedom is 9.488 Decision: Since the calculated χ^2 is greater than the tabulated χ^2 , we reject the null hypotheses (H0) and accept the alternative hypotheses (H1). This indicates that there is a positive relationship between organizational culture and organizational productivity.

Empirical Findings:

Based on analyzed data, the findings in this study include the followings:

- (i) A large number of respondents (57.7%) strongly agree that reward systems have effect on employee job performance.
- (ii) 48.7% of the employees also agree that a reward system de-

termines the productivity level of the organization.

- (iii) This study further reveals that there is a positive relationship between reward systems and employee job performance. This is evidenced in the first hypothesis tested in which the calculated value of chi-square 56.23 is greater than the tabulated value of 9.488.
- (iv) There is also a positive relationship between organizational culture and reward systems and organizational productivity. This also came from the second hypothesis in which the calculated value of chi-square 63.67 is greater than the tabulated value of 9.488 which made us to accept alternative hypothesis two and reject null hypothesis two.

Conclusion:

In this study, the researcher tried to look at the impact of reward systems on employee job performance with evidence from Assiste Technologies.

Questionnaires were administered to respondents who were randomly selected from sampled banks to find out their opinions and views on whether reward systems has an impact on employee job performance.

What we deduced from this study is that reward systems are very important in every organization and that it has positive impact on employee job performance. Besides, a reward system affects the level of organizational productivity in a positive way.

This study shows that there is a positive relationship between reward systems and employee job performance.

Recommendations:

The following recommendations are made to the management of case study banks and other organizations that are interested in modifying their culture in order to improve their employees' job performance.

Every individual has different culture and beliefs that he works with and when he joins an organization that has a completely different culture and beliefs from his own, he should be allowed to internalize himself first with the organization's culture and values to know whether he can cope with them or not. It is the ability of the employee to cope with the organizations culture that will determine how he will perform on his job.

In cases where an organizational culture must be changed, employees must first of all be notified and made to learn the modification of the old culture as this will affect their performance.

Organizational culture of must be binding on all member and staff of the company as this will encourage uniformity among members of the organization and thus enhance commitment and group efficiency.

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