

# REWARD SYSTEM AS A STRATEGY TO ENHANCE EMPLOYEES PERFORMANCE IN AN ORGANIZATION

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**Abstract:** Employee performance is a crucial factor that has a direct impact on the success and viability of any organization. Of all the strategic tools employed by management, reward systems have always been effective in increasing employees' motivation levels, job satisfaction, and ultimately, their performance outcomes. This paper explores the function of reward systems—both intrinsic (recognition, career growth, flexible work arrangements) and extrinsic (bonuses, salary increases, incentives)—as a performance improvement tactic in organizational contexts. Using established motivational theories like Maslow's Hierarchy of Needs and Herzberg's Two-Factor Theory, the research analyzes the psychological and behavioral effects of rewards on employees. Applying a mixed-methods research strategy, data were gathered using structured questionnaires and performance records in various organizational industries. The findings reveal a significant positive relationship between well-designed reward systems and worker productivity, commitment, and retention. In addition, the study outlines best practices for designing fair and goal-focused reward systems that link employee ambitions with organizational goals. This study provides significant insights to human resource practitioners and organizational managers aiming to build a high-performance work culture using proper reward schemes.

**Keywords:** Reward System, Employee Motivation, Organizational Performance, Human Resource Strategy, Job Satisfaction, Incentives, Productivity Improvement, Workforce Engagement.

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## 1. Introduction

A well-thought-out incentive system will motivate and excite staff by letting them know what they've done well. HR managers frequently utilize reward programs to attract and retain good employees while also encouraging them to do a better job within the firm. Workers' motivation to enhance their work is significantly influenced by worker incentives. Implementing a reward system at work will influence how employees act and feel about their jobs, as long as the benefits suit their needs and assist them in reaching their goals.

An incentive is a prize given by a manager to an employee to demonstrate thanks and encourage them for their hard work and accomplishments. Employees want to be rewarded as well. According to Armstrong (2012), awards are objects or situations that indicate a person that their hard work was noticed.

Reward programs are significant and successful methods of motivating employees to work harder (Armstrong 2013). The reward system includes an organization's incentive program, which is designed to motivate employees who aren't performing well to improve and to recognize and reward those who are. The reward system includes the organization's incentive program. The program's purpose is to

motivate employees who aren't reaching requirements to do so and to recognize and reward those who are.

According to Griffin and Moorhead (2013:161), the purpose of the reward system is to find, retain, and inspire qualified employees. The incentive system is often chosen by the organization's executives depending on what they expect from their employees in terms of performance. As a result, management determines the rewards that will be provided to employees who meet or exceed these standards. These findings indicate that the pay structure can influence how employees perceive their supervisors and their jobs. Employers could utilize this method to motivate their employees. It is critical for an organization's rewards program to be properly calibrated in order to appropriately measure employees' basic performance and acknowledge both evident and undetected accomplishments. Employees want to be rewarded for their efforts, and providing enough compensation and benefits is a smart approach for businesses to achieve their objectives while maintaining positive connections with their employees (Saba, 2011). According to Silbert (2005), it is critical for awards to have a lasting influence on employees and make them feel relevant to the firm.

Employee recognition can take numerous forms other than money, according to Dewhurst (2010). One example is how much employees look forward to receiving positive feedback from their managers and the opportunity to obtain the leadership's attention for key tasks or projects. Employees will perform at their best when they believe their efforts will be recognized and rewarded by management. Clearly defined goals and expectations, adequate resources and equipment, existing organizational culture and morale, technical training programs, the employee-employer relationship, job security measures, and ways to recognize employees are just a few of the factors that influence how well an employee performs their job. Employees are usually offered either extrinsic or intrinsic rewards. Extrinsic advantages are palpable and unrelated to their task or job fulfillment. Pay, bonuses, incentives, job stability, promotions, and other such items are common forms of external rewards. When someone successfully completes a task, they experience intrinsic benefits such as pride and enjoyment. Having these advantages makes people happy and satisfied. According to Luthans (2000), rewards are classified into two types: financial and non-financial. Both categories are frequently employed to promote good work practices in employees. Financial rewards might include commissions, success-based bonuses, employment promotions, wage hikes, paid time off, gifts, and tips. These incentives are offered to employees to stimulate and appreciate them for their efforts. Non-monetary incentives include professional development programs, flexible work hours, social recognition and praise, and being treated with respect at work. Organizational performance that is both effective and efficient can only be achieved by people who understand how to improve things for themselves and the group when they achieve a goal or target. A corporation will always have an awards system to judge the work of all employees, regardless of their position or pay.

## 2. Literature Review

A reward is a sort of internal or external appreciation given to an employee by their employer in exchange for their labor or services. A highly motivated employee can benefit a company by bringing in new consumers, providing unique value, and making more money. It is critical to reinforce reward policies so that they give incentives and motivate employees to achieve the organization's goals. Setting up an award system is critical for attracting and retaining highly competent personnel who can assist the company in meeting its strategic goals and making the workplace a pleasant place to work.

If the company wants to achieve a competitive edge in a highly competitive market, it must implement an incentive structure that will attract and retain highly motivated employees. In comparison to a system without incentives, one with incentives motivates

employees to perform harder and more efficiently. Employees must be motivated in order to accomplish their best work. Incentive programs are always driven by the company's strategy, not the company's culture.

According to Carraher et al. (2006), in order to adequately reward organizational achievement, a system of incentives tied to staff productivity must be established. To make their employees happier, businesses should implement award systems that adhere to their established norms and procedures. According to Kreitner and Kinicki (2010), in order for a company to retain skilled individuals, the incentive structure must help them grow as people. According to Luthans (2002), firms provide gifts to employees to increase productivity, keep them loyal, and keep them working for the company.

Wilson and Thomas (1999) define the reward system as a method of determining how good a person is at their job and how devoted they are to attaining business goals. This allows you to select the person with the best talents for the position. According to Yazici (2008), how a corporation manages results and rewards has a direct impact on both output and happiness.

Employees seek both financial and non-financial incentives. Some faculty members place a high importance on monetary compensation, while others prefer non-monetary advantages that may necessitate a lot of work, assistance from higher-ups, and careful consideration. Employees believe that their managers value what they do and that the corporation wants them to advance in their careers. These benefits make employees happier and encourage them to stay with the company (Dewhurst, 2010).

According to Belle (2005), many employees have varied perspectives on rewards. However, some employees believe that money is sufficient to meet their demands, but others would prefer to be rewarded with items such as automobiles or homes. Some people, on the other hand, would prefer to be granted time off.

According to Chiang and Birtch (2008), rewards are any items or services that a manager is willing to give to an employee in exchange for their effort and that the employee may find valuable. Without rewards, workers will be forced to perform their duties in an uncomfortable environment, which will reduce their productivity and finally lead to termination. In this situation, accolades are critical for a company. The primary purpose of award systems is to motivate employees to produce excellent work and to attract and retain highly competent individuals. When employees are dissatisfied with their jobs, companies frequently utilize economic incentives to stimulate them and make them happy. However, these incentives may not be as effective in the long run (Mossbarger and Eddington, 2003).

Given the current circumstances, businesses strive to strike a balance between how dedicated their employees are and how much work they complete in general.

## Empirical Review

THE NEKOCHA In my 2016 paper, I employed managed reward methods to assist firms in retaining people, improving performance, and increasing productivity. In today's internationally connected economy, where many companies compete for highly trained personnel, a company that fails to demonstrate its ability to motivate and fairly compensate its employees risks losing those employees to competitors. As a result, this paper must examine how organizations use reward systems to determine how effective they are at enhancing employee performance, retention, and productivity. Doing research in libraries is an important aspect of the paper. According to the paper, there are two sorts of organizational incentives: monetary rewards and non-monetary rewards. The paper confirmed that there is a direct relationship between employee retention, performance, and rewards in the workplace. Nonetheless, the paper found that if employees believe the rewards program is unfair and biased, they may become less motivated to work for the organization. According to the paper, in order for management to create a good pay structure, they must first determine what their employees want and need. There are additional suggestions that the organization's incentive system be based on defined strategies that are completely incorporated into the business mindset. Incorporating these elements into a helpful leadership style can assist organizations in developing long-term goals that function. The purpose of these strategies is to ensure that employees are paid fairly and adequately, which will lead to improved employee retention, productivity, and performance in the workplace.

In 2016, Salah The goal of this paper project is to investigate how several types of rewards—intrinsic, social, and extrinsic—affect how successfully employees perform their tasks. Unified Mining Companies employed 318 people in southern Jordan, accounting for 60% of the target population of 513. 308 surveys were created by participants and distributed to employees at their workplace. There were a total of 268 of them gathered. However, only 250 of these were deemed suitable for statistical analysis. SPSS version 16 was used to analyze the data. In the course of analyzing the data, both inferential and descriptive statistics were employed. The paper's purpose and statistical method are complementary. To do this, calculations on means, frequency tables, percentages, and standard deviations were performed, and the data was interpreted in a usable manner. Inferential statistics were employed to determine the significance of the relationship between the dependent variable (employee performance) and the independent variables (reward types: extrinsic, emotional, social, and rewards mix). The Pearson product moment correlation value ( $r$ ) was employed. Both the paper and the interpretation employed a significance level of 0.05. According to the findings, there was a statistically significant link between the various sorts of awards and how productive employees were. The paper's findings indicate that managers must truly believe in the concept

of rewarding staff if they are to receive better work. It may also be worthwhile to conduct additional research to determine how different types of incentives effect output.

C. Jacobs and U.S. Muogbo wrote the book, which was published in 2018. The purpose of this paper was to determine how well reward management promotes employee performance in a private sector organization by focusing on specific Zenith Bank branches in Anambra State, Nigeria. One of the primary objectives of this research is to determine how much a decent compensation structure may be used to increase employee performance in a private sector organization. 180 persons were chosen from various Anambra State Zenith Bank branches. The investigation used both first-hand and second-hand sources of information. A descriptive survey methodology was used to examine the data, which included computing the mean, frequency, and standard deviation. Pearson correlation analysis was also utilized to investigate variable correlations. Furthermore, regression and ANOVA were employed to determine whether there was a significant relationship between the dependent and independent components. According to the Pearson correlation analysis, there is a significant positive relationship between intrinsic and extrinsic rewards, as well as a link between rewards and employee performance. The findings provided additional evidence to support the assumption that there is a direct relationship between external and internal factors and employee productivity. As a result, the paper advises that organizations use the appropriate combination of rewards to enhance employee performance. In order to establish the most efficient compensation program, the company should also conduct a paper to determine the major preferences of its employees.

## 3. Theoretical Framework

The research are founded on theoretical frameworks. The ideas discussed are Adams' Equity Theory, Maslow's Hierarchy of Needs Theory, and Expectancy Theory.

The concept underlying Maslow's Hierarchy of Needs: People are pushed to meet specific wants, according to Maslow in 1943 and 1954, with some needs being more significant than others. Physical life is the most fundamental requirement, and it has a significant impact on how individuals behave. This necessity includes physiological necessities, self-actualization, safety, and self-esteem.

According to Maslow, providing individuals with fundamental requirements, such as a paycheck, does not automatically encourage them to strive for greatness and be as productive as possible. If management wants to continually pushing staff to accomplish better, meeting higher-level targets should be a major priority. It is up to management to ensure that the reward system incorporates incentives that



encourage employees to strive for excellence, resulting in overall company growth.

According to the expectation hypothesis, people intentionally choose between distinct behaviors, and that choice impacts what they do or how they act. The desired outcome is what motivates people to take action. The concept of expectation states that people make decisions based on how well the outcomes they expect from a particular action match or help them achieve their aims. People become more motivated when they believe that putting in a specific amount of effort will result in the desired outcome. Victor H. Vroom wrote this and it was published in 1964.

This concept of motivation known as "anticipation" explains how people choose between various actions. People are more driven to achieve their goals if they believe that how well they perform will directly effect their efforts, if they believe that performing well will result in a good prize, or if performing well would meet an important need.

Adams' concept of fairness: American psychologist John Stacey Adams developed this concept in 1963. To do this, there must be a balance between the labor that employees undertake and the outcomes for which they are compensated. The input consists of skills, desire, and hard work. Payment, recognition, and responsibility are common examples of outputs. Maximizing the balance of inputs and outputs enhances the likelihood of workers being motivated and satisfied, which increases productivity. Organizations must have a thorough understanding of how the Equity Theory operates. This will allow the organization to be streamlined so that staff feel inspired to accomplish their everyday responsibilities with the highest excitement and dedication. Adams is certain that workers lose motivation when they believe that what they do isn't as significant as what they produce.

Being treated fairly and equally is one of the most important things for workers. To keep things fair, they will continue to compare their teammates' work to the salary they receive for their own labor. This is true even if workers are aware that different levels of labor require varying degrees of expertise and effort and that their remuneration is dependent on this. You can't expect less experienced personnel to be as motivated as more experienced ones if they aren't appropriately compensated for their efforts. This means that lower-level workers must be adequately compensated for their labor so that everyone is satisfied. Adams refers to what happens when workers ask each other for aid as "referent."

#### **4. Relationship Between Reward System And Organizational Performance**

Reward systems have an impact on how well employees and the organization as a whole do their duties. The incentive system reflects the company's relationship with its employees. It specifies what employees are expected to do and, in turn, what they can anticipate from the organization in exchange for

their efforts. Concerning J. Kerr and J. Slocum (2005). Individuals can be shown gratitude for their efforts by publicly acknowledging and praising employees for their outstanding work. Companies that employ the Total Rewards strategy outperform their competitors in terms of performance. According to Whitaker, P., there is a link between compensation structure, strategy, and a company's success. A prize system is required to motivate employees and the organization as a whole to develop their skills and work harder. Reward systems are frequently designed to keep staff engaged and to help a company perform better in the long run.

There are two types of reward programs, and they have differing effects on how effectively employees perform and how well the business functions.

#### **Intrinsic Rewards on Individual and Organization Performance**

Intrinsic incentives influence how well individuals and groups do their duties. According to Yasmeen, Farooq, and Asghar (2013), employees who are rewarded for doing a good job are more focused, motivated, and self-disciplined. Employees behave as unpaid brand ambassadors for their organization since they are rewarded handsomely for it. To accomplish this, they regularly market the business to their friends, family, and acquaintances, as well as to those who may purchase from them. By providing natural rewards, the firm and its personnel are placed in the best possible position. Workers are happy and fulfilled because they believe they have accomplished something and have worth as humans. This increases their productivity and job satisfaction.

People's talents and well-being can be improved by providing them with intrinsic rewards. When people are more enthusiastic, committed, and confident in their work, the organization performs better. Employers must acknowledge their employees' accomplishments, even if it is only verbally. As a result, workers will feel happier and more respected, which will drive them to work harder.

#### **Extrinsic Rewards on Individual and Organization Performance**

An employee or private individual may receive a visible and tangible incentive as an outside motivation for achieving a goal. They are usually followed by money, respect, or worldwide fame. Most of the time, the person's immediate managers determine whether or not to extend their contract. Most of the time, these rewards are monetary in nature, such as pay hikes, cash bonuses for excellent performance, or certificates of achievement for going above and beyond what was required of them. Because most people place a high value on money or other similar advantages, these incentives help to encourage and push employees. If there are no extrinsic benefits, a person can accomplish a job even if they lack natural motivation. Outside financial incentives have an impact on how well employees perform their tasks. Managers frequently

use monetary incentives and other external benefits to inspire their employees. According to paper, outside rewards increase people's creative skills, which in turn improves a company's overall success.

### Methodology

This paper made extensive use of research publications. These publications investigated reward systems and how they influence performance, particularly how rewards influence how productive people are overall. The way a firm compensates its employees has an impact on both their motivation and their ability to stay with the company. A strong position in a highly competitive job market makes it easier for a company to hire and retain the top employees. A descriptive research design was adopted in the paper.

The main issues are that employees aren't motivated or dedicated to their employment, and their managers

### 5. Conclusion

The goal of this paper was to determine how effectively incentive programs function as a method for improving employee performance in a specific organization. According to the paper, there are two types of workplace rewards: those that come from within and those that come from without. According to the argument, one of the primary problems with payment systems in organizations is that they do not always work to motivate individuals to be more productive, stay at their positions, and perform better work.

Increasing people's motivation has been demonstrated in studies to improve various aspects of their work

### Findings and Recommendation

There is a long history of reward schemes in business that have made employees better at their professions. However, the lack of an effective pay system is owing to the fact that employee incentive is subjective and varies greatly from person to person. There are several ways to request the assistance of a group. If the mean level of job satisfaction is low, it indicates that workers are dissatisfied with their occupations, which causes them to perform below average and irritate consumers. Other reasons that can cause employee dissatisfaction

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don't provide them with opportunity to grow and advance in their careers. After investigating these incidents, it was discovered that the difficulties were caused by excessive unpaid work and inefficient resource use. Because of these issues, people had too much work to do and lost motivation, resulting in below-average work performance. The title of this research is "Utilizing a reward system to enhance employee performance within an organization."

The primary purpose of this research project is to investigate the problems with the award system and how they affect how successfully employees perform their jobs. Consider whether it is possible to exclude portions of the paper that aren't working properly. Another goal is to determine how much the reward system influences how well people perform their jobs. Improving it would increase the overall effectiveness of the organization.

(Qureshi et al., 2010). There is no doubt about that. This analysis emphasizes the importance of workers' compensation, which will be a major concern for both businesses and employees. More information is provided to demonstrate that employee rewards and employee happiness at their own organizations are positively related. As a result, employees are more likely to stay with the company, be productive, and contribute to the company's success. However, the paper discovered that workers will be less motivated by an organization's compensation system if they believe it is unjust and makes no sense.

include insufficient training and having too much work to complete. Poor firm performance is caused by dissatisfied personnel who are dissatisfied with their compensation and a lack of creative assignments.

According to the research, when a firm creates an incentive program, it should have a well-thought-out plan that aligns with the organization's basic values and principles. When developing incentive programs, corporate leaders should consider what their people want and need. The organization will be able to create long-term incentive programs that will keep personnel, increase efficiency, and improve performance.

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