

### The impact of reward on employee performance: a case study of Malakand private school

Ibrar, Muhammad; Khan, Owais

Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

#### Empfohlene Zitierung / Suggested Citation:

Ibrar, M., & Khan, O. (2015). The impact of reward on employee performance: a case study of Malakand private school. *International Letters of Social and Humanistic Sciences*, 52, 95-103. <https://doi.org/10.18052/www.scipress.com/ILSHS.52.95>

#### Nutzungsbedingungen:

Dieser Text wird unter einer CC BY Lizenz (Namensnennung) zur Verfügung gestellt. Nähere Auskünfte zu den CC-Lizenzen finden Sie hier: <https://creativecommons.org/licenses/by/4.0/deed.de>

#### Terms of use:

This document is made available under a CC BY Licence (Attribution). For more information see: <https://creativecommons.org/licenses/by/4.0>

# THE IMPACT OF REWARD ON EMPLOYEE PERFORMANCE (A CASE STUDY OF MALAKAND PRIVATE SCHOOL)

Muhammad Ibrar, Owais Khan

Department of Business Administration (Human Resource Management)

E-mail address: dr.mibrar1002@gmail.com

**Keywords:** Extrinsic rewards; Intrinsic rewards; job performance

**ABSTRACT. Purpose :** The aim of this study is to investigate how to employee performance impact on reward in private school. The study also aims to show how to employee improve the performance has in reward system.

**Design/methodology/approach:** Questionnaire is used as instrument and 100 questionnaires were used to check the respondent's opinion

**Findings:** descriptive analysis, correlation and multiple regression tests were applied for data analysis.

**Conclusion:** study concludes that there is positive relationship between rewards (extrinsic and intrinsic) and employee's job performance. Most of the organizations implement rewards system to increase the job performance and job satisfaction.

**Originality/value:** By reviewing the different finding that the reward and employee performance. the contribution of this paper is to look at how to finding the effective solution of employee performance will be in reward system inter-organisational and school.

**Study of paper:** The study of this paper is exploratory is qualitative study of research.

## 1. INTRODUCTION

A reward system is important for the employee performance. As employee performance will be more effective to high reward system. That how to be high performance is base high reward vice versa. **Job performance** is also part of human resources management. **Performance** is an important for the organization succession and achieving the goals. There is so much changing occurring in the school education in the world an every school has much relay on employee's good performance. Rewards are considered an important tool to check the employee's performance in every organization. Management use rewards for employees motivations. So we can say that effective reward system attract new employees for organization and motivate existing employees to perform high levels. Employee's good work is necessary to achieve the specific goals. Employees give their good efforts for achieving goals and good effort depends on rewards. In other words we can say that good rewards are most important way to engage the employees with their work and with their organization.

Schuler and Jackson (1996), the connection and relationship between rewards, motivation and job satisfaction of employees have much significance to success of both **public** and **private** sectors. Employees want to get both types of rewards means financial and nonfinancial rewards. Some employees of school prefer the financial rewards and other are nonfinancial rewards that opportunity to take an important tasks and projects, attention and encouragement of leadership. In this way employees feel that they are being valued by the employers and also feel that the company is seriously involved in employee's career and development. So these rewards contribute to improve the satisfaction level of workers (Dewhurst, 2010).

La Belle (2005), different employees have different needs about rewards. Some employees consider cash is sufficient to fulfill their needs and some others wants to material incentives like car, house, and some prefer holidays and some prefer nonmaterial incentives. Public sector employees much

prefer extrinsic factors then intrinsic factors, such as pay, as more important than private sector employees (Maidani, 1991).

These two basic rewards (financial and nonfinancial) can be utilized positively to increase the performance of employees. Financial reward mostly consist on pay for performance such as job promotion, bonus, commission, gifts etc. and nonfinancial rewards mostly consist on social recognition, appreciation, work kind condition, meaning full work responsibility etc. (Luthans,2000).

According to Neckermann and Kosfeld (2008), nonfinancial rewards also called nonmaterial awards.

- The impact of intrinsic and extrinsic rewards on employee's performance.
- Rewards increase your overall satisfaction on the job.

Rewards systems are often implemented within organizations as a key management tool that can contribute to a firm's effectiveness by influencing individual behavior and motivating employees at work (**Lawler and Cohen,1992**).

Organizations tend to focus on financial rewards, and non-financial rewards have become increasingly being overlooked (**Chiang and Birtch, 2008**).

Every employee has his or her own set of needs and motivators. Therefore, school principal have to carefully select the right rewards that respond to individual needs. Some are motivated by money, while others motivated by recognition, increment of pay. Career advancement or personal growth; which is not direct or instant material benefits. Thus it is wrong to assume that everyone shares the same motivator and needs. (**Lai, 2009**)

Many researchers have found that employees' job satisfaction is affected by both financial and non-financial rewards (Gerald and Dorothee, 2004; Clifford, 1985; Kalleberg, 1977; and Rehman, Khan, Ziauddin and Lashari, 2010). An ineffective reward management will affect employees' satisfaction and de-motivate them, hence affecting their performance outcome.

Rewards is one of the important elements to motivate employees for contributing their best effort to generate innovation ideas that lead to better business functionality and further improvise company performance both financial and non-financially.

**According to Dewhurst (2010)**, there are other means to reward employees that do not just focus on financial compensation. Some of these include the praised that employees are able to acquire from their managers, the opportunity to take on important projects or tasks, and even leadership attention. Much research on leader power have found that supervisor reward power would be positively associated with employee task performance, productivity, satisfaction, turnover, and organizational citizenship behaviors( Simon,1976; Martin & Hunt, 1980; Jahangir,2006).Employee will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management. There are many factors that affect employee performance like working conditions, worker and employer relationship, training and development opportunities, job security, and company's overall policies and procedures for rewarding employees, etc. Among all those factors which affect employee performance, motivation that comes with rewards is of utmost importance. Motivation is an accumulation of different processes which influence and direct our behavior to achieve some specific goal (Baron, 1983).

Rewards can be extrinsic or intrinsic, extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employee. External rewards can be in terms of salary/ pay, incentives, bonuses, promotions, job security, etc. Intrinsic rewards are intangible rewards or psychological rewards like appreciation, meeting the new challenges, positive and caring attitude from employer, and job rotation after attaining the goal. According to Luthans(2000), there are two basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non financial rewards are non monetary/non cash and it is a social recognition such as acknowledgement, certificate, and

genuine appreciation etc. The non financial rewards is also called materials award (Neckermann and Kosfeld, 2008). Desired performance can only be achieved efficiently and effectively, if employee gets a sense of mutual gain of organization as well as of himself, with the attainment of that defined target or goal. 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. The system also suggests where training and development is needed by the employee in order to complete the defined goals. This training or development need assessment of employee gives them an intrinsic motivation. Frey (1997).

## 2. LITRATURE REVIEW

Reward is a broad construct that has been said to represent anything that an employee may value that an employer is willing to offer in exchange for his or her contributions (Chiang and Birtch, 2008). The lack of rewards will create an unpleasant environment, thus diminishing employees' work efforts and may cause them to with draw from their jobs. For these reasons, rewards are increasingly important. The main objectives of rewards are to attract and retain employees, to motivate employees to achieve high levels of performance, and to elicit and reinforce desired behavior of the employees. Organizations often use financial rewards to prevent employee dissatisfaction and to motivate employees, although it may not be the best motivator for the long term (Mossbarger and Eddington, 2003).

**Deepro (2014)** had stated that "while the presence of money may not be a very good motivator, the absence of it isa strong de-motivator". In addition, financial rewards are significant not only in terms of their instrument value as a medium of exchange, but also a highly tangible means of recognizing an individual's worth, improving self-esteem, and symbolizing status and achievement(Armstrong, 1996).

Therefore, organizations can best utilize financial rewards in supporting organizational human resource strategy. Non-financial rewards are tangible rewards provided and controlled by a firm; which do not necessarily benefitemployees in monetary sense (Chiang and Birtch, 2008). Nowadays, individuals require beyond monetary rewardsfor their effort (Millmore et al, 2007). This means that employees seek for other return in exchange for their contribution which is of value and meaningful to them, rather than being given just money (Johnson and Welsh,1999). Given the labor-intensive nature of the hospitality industry and the rising pressure to control costs, nonfinancial rewards are being used increasingly to motivate employee performance and to increase employee satisfaction (Chiang and Birtch, 2008).

Rewards have two broad types; extrinsic and intrinsic rewards are also called financial and nonfinancial rewards and these rewards further divided in so many sub categories. Extrinsic rewards relates to financial rewards or cash related like formal recognition, fringe benefits, incentive type payments, pay, promotion and intrinsic relates to nonfinancial or non-cash rewards like achievement, accomplishment feelings, recognition, job satisfaction and growth (Clifford,1985).

Today world balance between employee's commitment and performance for the organizationis much necessary and rewards are most important tool for employee's commitment, job satisfaction, and motivation and employees good performance. Kalleberg, (1977) explained rewards consist on benefits that employees receive in exchange of their work during the job. According to Wang (2004), in so many organization rewards plays so many roles in sustaining and creating commitment among employees for good performance and that better performance leads to job satisfaction. *When employees achieved their desire results from job so that of desired achievement is called job satisfaction (Brief & weiss, 2002).*

**Ali & Ahmad, (2009)** investigated that there is positive relationship between “recognition and reward”, “performance”. They stated that if reward and recognition are given to employee then there is a huge change in their employee performance.

The study conducted to check the relationship between rewards and employee’s performance schools of Pakistan. They use these variables employees’ performance, job description, extrinsic reward, intrinsic reward, gender discrimination, and environment; recondition techniques, and performance bonus. They used cement companies, questionnaire was used for data collection, and Total two hundred questionnaires were randomly distributed among the employees of private schools in Khyber Pakhtoonkhawa Province of Pakistan. The results revealed that there is a direct relation between reward system and employee’s performance (Qureshi, Zaman, & Shah, 2010). Jehanzeb et al. (2012)

**According to Mishra and Dixit (2013)**, financial and non financial rewards and benefits are highly correlated with employee’s performance in an education rewards system. Because of positive relationship of between rewards and performance also increase the job satisfaction of workers. Job satisfaction leads to success and feelings of achievement during the job. Also linked increase productivity, increase worker’s efforts on job and leads to happiness enthusiasm, feeling of fulfillment (Kaliski, 2007). Rewards promote happiness and job satisfaction investigated in his research study by (Boehm & Lyubomirsky, 2008). Intrinsic and extrinsic rewards are determinants work satisfaction (Clifford, 1985).

According to **Andrew & Kent (2004)**, explained in his research all the employees revolve around the rewards and recognition so the both aspects have much importance for employees. Good reward system help to retain high performers in the firm so rewards must be fulfill the high performer’s feelings (Carragher, Gibson, & Buckley, 2006). Bishop (1987) explained that pay relates to productivity and reward system relate to size of the firm. Monetary and nonmonetary rewards motivate the workers of any organization and these rewards also resulted in higher growth and productivity (Reio & Callahan, 2004). Organizations in today’s environment seek to determine the reasonable balance between employee commitment and performance of the organization. The reward and recognition programs serve as the most contingent factor in keeping employees’ self esteem high and passionate. Oosthuizen (2001) stated that it is among the function of managers to motivate the employees successfully and influence their behavior to achieve greater organizational efficiency. La Mott (1995) is of the view that performance at job is the result of ability and motivation. Ability formulated through education, equipment, training, experience, ease in task and two types of capacities *i.e.* mental and physical. The performance evaluation and rewards are the factors that proved to be the bonding agents of the performance evaluation programs.

According to **Wilson (1994)**, the process of performance management is one among the key elements of total reward system. Entwistle (1987) is of the view that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. Majority of the organizations require their employees to work according to the rules and regulations, as well as, job requirements that comply with full standards. The investigations that have been conducted to find the relationship between compensation and individuals were focused to increase the performance of employees (Ciscel, 1974). The highly motivated employees serve as the competitive advantage for any company because their performance leads an organization to well accomplishment of its goals. Among financial, economical and human resources, human resources are more vital that can provide a company competitive edge as compared to others.

According to Andrew (2004), commitment of all employees is based on rewards and recognition. Lawler (2003) argued that prosperity and survival of the organizations is determined through the human resources how they are treated. Most of organizations have gained the immense progress by fully complying with their business strategy through a well balanced reward and recognition programs for employee. Deeprose (1994) argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organizations. The entire success of an organization is based on how an

organization keeps its employees motivated and in what way they evaluate the performance of employees for job compensation. Managing the performance of employees forms an integral part of any organizational strategy and how they deal with their human capital (Drucker as cited in Meyer & Kirsten, 2005). Today where every organization has to meet its obligations; the performance of employees has a very crucial impact on overall organizational achievement. In a demotivated environment, low or courage less employees can not practice their skills, abilities, innovation and full commitment to the extent an organization needs. Freedman (1978) is of the view that when effective rewards and recognition are implemented within an organization, favorable working environment is produced which motivates employees to excel in their performance. Employees take recognition as their feelings of value and appreciation and as a result it boosts up morale of employee which ultimately increases productivity of organizations. Csikszentmihalyi (1990) Flynn (1998) argued that rewards and recognition programs keep high spirits among employees, boosts up their morale and create a linkage between performance and reward of the employees. The basic purpose of recognition and reward program is to define a system to pay and communicate it to the employees so that they can link their reward to their performance.

Rewards play a vital role in determining the significant performance in job and it is positively associated with the process of motivation.

**Lawler (2003)** argued that there are two factors which determine how much a reward is attractive, first is the amount of reward which is given and the second is the weight age an individual gives to a certain reward.

**Deeprise (1994, p. 3)** is of the view that “Good managers recognize people by doing things that acknowledge their accomplishments and they reward people by giving them something tangible.” Fair chances of promotion according to employee’s ability and skills make employee more loyal to their work and become a source of pertinent workability for the employee. Bull (2005) posits a view that when employees experience success in mentally challenging occupations

Rewards and recognition are the key parameters of today’s motivation programs according to most of the organizations as these bind the success factor with the employees’ performance. **Robbins (2001)** asserts that promotions create the opportunity for personal growth, increased levels of responsibility and an increase on social standing. Similarly, the recognition which is a central point towards employee motivation adores an employee through appreciation and assign as status at individual level in addition to being an employee of the organization. Barton (2002) argued that the factor in Rewards and recognition at their job. Rewards enhance the level of productivity and performance at job whether it’s a first time performance or repeated activity at the job in a progressive way.

**Eastman (2009)** consistently found that intrinsic motivation is conducive to producing creative work, while extrinsic motivation is unfavorable to producing creative work.

**Gagne (2009)** suggested a new model of knowledge-sharing motivation which provides suggestion for designing five important human resource management (HRM) practices including staffing, job design, performance and compensation systems, managerial styles and training.

**Ali and Ahmed (2009)** confirmed that there is a statistically significant relationship between reward and recognition respectively, also motivation and satisfaction. The study revealed that if rewards or recognition offered to

### 3. DEVELOPMENT OF HYPOTHESIS

The following hypothesis can be formulated on the basis of literature review.

**H<sub>0</sub>:** *There will be no association between extrinsic rewards and employee's job performance.*

**H<sub>1</sub>:** *There will be direct association between extrinsic rewards and employee's job performance.*

**H<sub>0</sub>:** *There will be no association between intrinsic rewards and employee's job performance.*

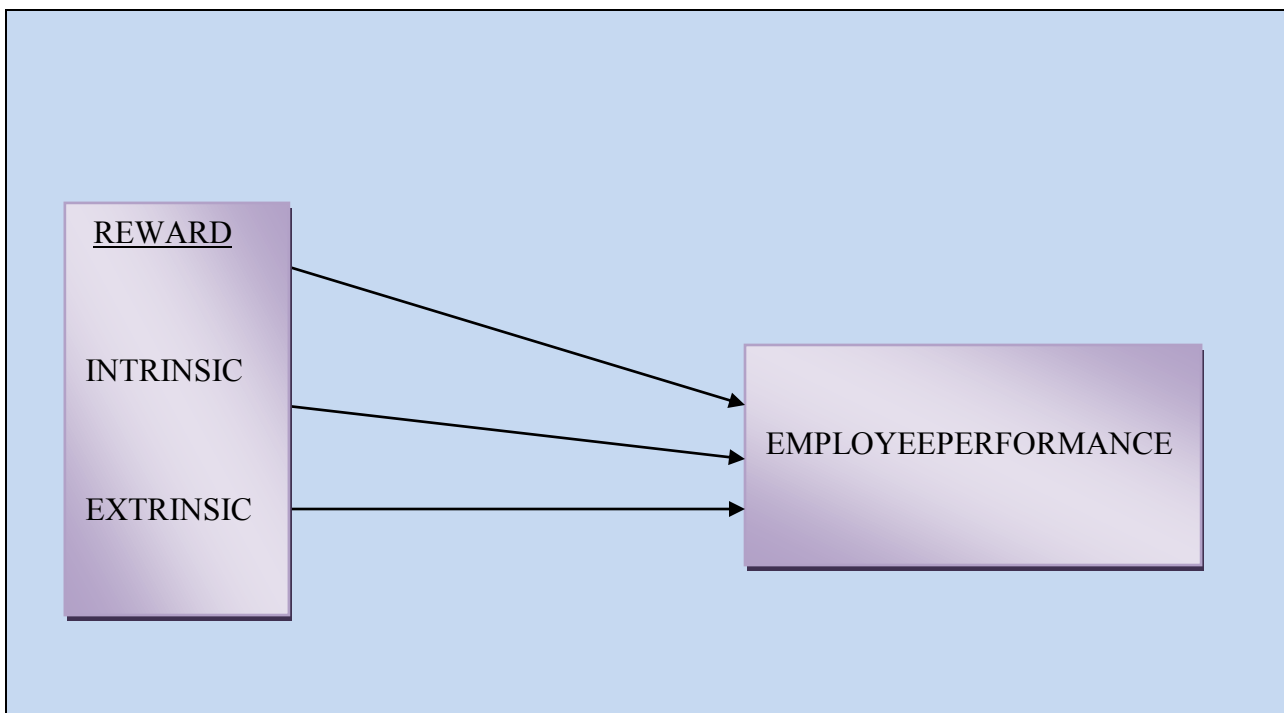
**H<sub>2</sub>:** *There will be direct association between intrinsic rewards and employee's job performance.*

### 4. THEORETICAL MODEL (CONCEPTUAL FRAMEWORK)

A group of related ideas that provides guidance to a research project or business endeavor. The appropriateness of a theoretical framework that a marketing department is using to promote its corporate and product image to the consuming public can be an important determinant of its ultimate success. A theoretical framework as identified the relationship between different variables as it positive or negative, no relationship.

**Identification of variables:** An this research paper I identified different types of dependent and dependent variables This study use rewards as an independent variable and these rewards consist of two main types" extrinsic rewards and intrinsic reward. So extrinsic rewards includes bonus, lunch, work tools, car benefit, housing, private office room, flexible office hours, free medical, relaxation room, free tickets and intrinsic rewards includes well aware, right, opportunity, recognition, my development, importance, opinions, grow, quality work, appreciated. Study involves employee's job performance and as dependent variables.

#### Schematic Diagram;



**Figure 1: Conceptual research framework**

This model shows the impact of reward extrinsic and intrinsic rewards on employee's job performance..

## 5. CONCLUSION

The reward is more important of any nature of business, organization, institution, schools, very beneficial for the employee's job performance . It is natural process that human performance performance is based on motivation and motivation can be concerned in reward on this increased with rewards.as better performance is compared to absent of reward. This study of research paper prove performance of employee is positive impact in school system.

### QUESTIONNAIRS

#### THE IMPACT OF REWARD ON EMPLOYEE PERFORMANCE. (A CASE STUDY OF MALAKAND PRIVATE SCHOOL)

##### Personal information

1. Respondent No \_\_\_\_\_
2. Gender of the respondent
  - a. Male
  - b. Female
3. Age of the respondent
  - a. 18 – 23
  - b. 24-29
  - c. 30-35
  - d. 36-41
  - e. 42-47
  - f. 48 and above 48
4. Field of the respondent -----
5. Educational career of the respondent
  - a. BS(4 year)
  - b. MA /MSc
  - c. M.phil
  - d. PHD
  - e. Any other diploma
6. Family of the respondent
  - a. Joint family
  - b. Nuclear family
  - c. Extend family
7. Marital status of the respondent
  - a. Single
  - b. Married
8. Do you know about Reward?
  - a. Yes
  - b. No
9. If yes, then what does it mean?
  - a. Motivation of employee
  - b. No motivation of employee.
  - c. No impacts
  - d. Any other
10. Does the reward bring positive impact of employee performance?
  - a. Yes
  - b. No



- 
11. If yes, clarify for what aspect..
    - a. keeps more employee
    - b. Lower turnover
    - c. To achieving the target goals
    - d. Any other
  12. Which reward is more important for employee to motivate.
    - a. Financial reward
    - b. Non financial reward
    - c. any other
  12. Pay decisions are linked to performance achievements?
    - a. Yes
    - b. No
  13. The reward system facilitates implementation of strategy by motivating desired levels of performance.
    - a. Yes
    - b. No
  14. The reward system facilitates the implementation of strategy by attracting and retaining the right kind of people.
    - a. Agree
    - b. Strongly agree
    - c. Disagree
    - d. Strongly Dis-agree
  15. Positive and negative financial and non-financial consequences of performance (e.g. salary adjustments, recognition) are utilized effectively.
    - a. Yes
    - b. No
  16. Performance goals are mutually developed and have specific time frames.
    - a. Agree
    - b. Strongly agree
    - c. Disagree
    - d. Strongly Dis-agree

What are your suggestions regarding the reward on employee performance.

## References

- [1] Fareed E, abidan Z, shahzad F, ameen U, lodhi N R, 2013, "The Impact of Rewards on Employee's Job Performance and Job Satisfaction," *management and administrative science*, (2), 5, 431-442.
- [2] Bishop, J. (1987). "The recognition & Reward of Employee Performance." *Journal of Labor Economics*, 5 (4), 36-56.
- [3] Ali, R., & Ahmad, M. S. (2009). "The impact of reward and recognition programs on employee's motivation and satisfaction: an empirical study." *International Review of Business Research Papers*, 5 (4), 270-279.
- [4] Farooqui, S, & Nagendra, A, (2014). "The Impact of Person organization Fit on Job Satisfaction and Performance of the Employees," *Procedia Economics and Finance*, 11, (2014) 122 – 129.

- 
- [5] Kabak, E, K, Gocer, K, S, A, Kucuksoylemez, S, Tuncer, G, (2014) “strategies for employee job satisfaction: a case of service sector,” *Procedia - Social and Behavioral Sciences* 150 (2014) 1167 – 1176.
- [6] Oshagbemi, T, (1997) “job satisfaction and dissatisfaction in higher education”, *Education + Training, Volume*, (39) 9, 354–359.
- [7] Grooy, W, brink, D, V, M, H, (1999), “job satisfaction of older worker,” *International Journal of Manpower, Emerald*, (20), 6, 343-360.
- [8] Waal, D,A,A, (2007), “the characteristics of a high performance organization, *Emerald Group Publishing Limited*, (8),3, 179-185.
- [9] Armstrong, Reilly, P, & Brown D, (2011),”increasing the effectiveness of reward management,” *Employee Relations, Emerald Group*, (33), 2, 106-120.
- [10] Bourne,M, kennerley,M, & santos,F,M, (2005), “ managing through measures a study of impact on performance,” *Journal of Manufacturing Technology Management*, (16) 4, 373-395.
- [11] Helgesen, O, nest, E, & volsund, T,(2008),” Marketing perceptions and business performance implication for marketing education, *Marketing Intelligence & Plannin*, (27) 1, 25-47.