

## Employee Performance: The Impact of Reward and Incentive (Study at Manufacturing Company)

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Elly Romy

Universitas Prima Indonesia

E-mail: ellyromy@unprimdn.ac.id

### ABSTRACT

*This study sought to ascertain the impact of rewards and incentives for top-performing employees on employee morale at Manufacturing Company. The study population consisted of 180 employees at Manufacturing Company. The sample was selected using the random sampling approach. The sample size in this study consisted of 45 employees. This research falls under the category of quantitative research. Quantitative research focuses on measurable research objects and uses numerical or ratio-based variables to address specific problem formulations or test stated hypotheses. The multiple regression analysis yielded the equation  $Y = 5,263 + 0,422X_1 + 0,447X_2 + e$ , indicating that rewards and incentives had a statistically significant positive impact on staff morale. Concurrently, the outcomes of the test ( $t$ ) or partial test indicate that awards favorably and favorably impact staff morale. Where is the value of  $t$  count 3.286 visible? The  $t$ -table value of 2.01808 and the significance value of 0.002 indicate that the influence of the incentive variable on employee morale is positive and substantial. The  $t$ -count value of 3.693 further supports this finding. Similarly, the  $t$ -table value of 2.01808 and the significance value of 0.001 indicate a significant effect of the incentive variable on employee morale, with  $\alpha$  set at 0.05. The coefficient of determination was determined to be 0.681. The independent variables, reward, and incentives, account for 68.1% of the variation in the employee morale variable. The remaining 31.9% is attributed to other variables not included in the model.*

*Keywords: Rewards, Incentives, Employee morale*

### INTRODUCTION

Human resource management is a discipline that focuses on studying human interactions and positions within businesses. Human resource management oversees the personnel inside the organization, ensuring that the organization's objectives regarding employee satisfaction are achieved. (Sidharta & Foster, 2019) Human resource management can enhance company

performance by evaluating and rewarding each member of the firm based on their work capabilities. The global development business sector is experiencing a rise in competitiveness, which is also evident in the service sector. As a result of this advancement, organizations face increasingly intricate challenges due to heightened competitiveness. (Machmud & Sidharta, 2021) Allocating rewards to individuals should be tailored to their entitlements and responsibilities. It is essential to highlight that incentives are not solely quantified regarding material possessions but are also shaped by the interactions between individuals and the organizational setting. In certain instances, individuals are motivated by economic advantages. In contemporary society, individuals are expected to experience instances of ennui or dissatisfaction with their occupation. Several reasons contribute to this, such as the inadequate recognition provided by supervisors to high-performing staff, stagnant compensation, and limited availability of office amenities. (Ekhsan et al., 2019; Komar Priatna et al., 2020; Suryadana et al., 2014) When attempting to enhance employee work performance, it is expected to encounter issues that result in employees feeling bored or frustrated with their tasks. Work performance is the primary criterion for developing human resources.

Granting awards is a means of expressing gratitude to employees who have demonstrated exceptional organizational accomplishments. The objective is to offer positive reinforcement, hoping to enhance their productivity and inspire other employees to enhance their job performance. (Maharani & Fuad, 2020)

The primary objective of the organization is to attain optimal financial gains. The attainment of the highest profit is contingent upon elevated levels of productivity. However, optimal productivity can only be attained if the organization's personnel are excited about their work. Exemplary work performance is a crucial aspect that underlies and significantly influences employee morale. Recognizing the significance of human resources, firms must maximize staff capabilities and provide opportunities for growth and self-realization, ultimately leading to improved employee performance. The work performance program is a crucial determinant for employees and the organization. The company may cultivate highly skilled and proficient individuals in their respective fields through this program.

Implementing comprehensive employee success programs in firms can yield several advantages, including boosting staff morale and thus enhancing production levels. An employee success program can boost employees' excitement and self-confidence by

acknowledging their talent and providing opportunities for professional advancement. The research aims to investigate the impact of providing rewards and incentives to top-performing employees on enhancing employee morale at Manufacturing Company. Specifically, it seeks to determine the influence of giving rewards to the best employees on the development of employee morale at the company. (2) To assess the impact of incentives for top-performing employees on enhancing staff morale at Manufacturing Company. (3) This study aims to assess the impact of implementing prizes and incentives for top-performing employees to enhance staff Manufacturing Company Prosperous.

## **LITERATURE REVIEW**

### **Understanding Work Spirit**

Arnaud Costinot & Mohsen Bahmani-Oskooee (2023) defines work spirit as an organization's prevailing work climate or attitude that fosters passion and motivates employees to perform their tasks more effectively and successfully. Shuttleworth, (2019) defines work morale as the level of enthusiasm and dedication that employees have toward fulfilling their obligations and responsibilities inside the organization.

### **Reward (award)**

Organizations can utilize rewards to incentivize staff to achieve optimal contributions. The concept of reward encompasses a wide range of meanings and is not limited solely to financial aspects. Nurlaila (2022) categorizes rewards into two distinct types: extrinsic and intrinsic. Extrinsic rewards are external incentives provided to individuals, whereas intrinsic rewards are rewards that individuals obtain for personal satisfaction. Chakraborty & Swinney (2021) states that rewards are the compensation that employees receive in exchange for their labor.

### **Understanding Incentives**

Incentives are an incentive method that stimulates people to perform at their highest capabilities and are designed as additional earnings above fixed compensation or wages. (Ohrn, 2019) The purpose of providing incentives is to fulfill the requirements of employees and their families. Incentives can be defined as suitable remuneration provided to employees who surpass established benchmarks in their performance. (Zhao et al., 2023) Incentives serve as a means to stimulate employees to perform at their highest potential, typically in the

form of additional earnings beyond their fixed salary or wages. (Nielsen et al., 2019) Offering incentives is designed to fulfill the requirements of employees and their families. Incentives catalyze for employees to enhance their performance, leading to improved overall staff productivity.

## **METHOD**

### **Types of research**

This study employs quantitative descriptive research methodology. Quantitative descriptive method as a research approach that uses numerical or ratio-based variables to measure research objects. This method is specifically designed to address the problem formulation or test the hypothesis outlined in the research proposal.

### **Population and Sample**

#### **Demographics**

This research aims to enhance and furnish information in alignment with the research objectives. The study's population consisted of 180 employees from manufacturing company. Population refers to the complete set of individuals or objects that are the focus of a research study. "The population is an indispensable and crucial data source, as a study would be devoid of significance and impracticable without its existence.

The sample represents a population subset, including its quantity and features. The sample is a portion or representative of the population being studied. If the number of participants is less than 100, it is preferable to include all of them to conduct population-based research. However, when the subject consists of over 100 individuals, a sample size ranging from 10-15% or 20-25% is selected.

The researcher selected a sample for this study since the population consisted of more than 100 employees. In this circumstance, the researcher chose to sample 25% of the overall population, which is  $25/100 \times 180 = 45$ . The total number of respondents consisted of 45 personnel from manufacturing company.

#### **Data source**

Based on the source, the data collected by the author can be classified into two, namely: Primary data and secondary data.

#### **Method of collecting data**

Efficient data gathering in research necessitates the utilization of specific methodologies and strategies to provide a seamless research process. The data collection strategies employed in this research are as follows: Methods of data collection include observation, interviews, questionnaires, and documentation.

### **Validity and Reliability Test**

#### **Validity test**

The validity test is a valuable tool for identifying and eliminating statements in the questionnaire that are deemed irrelevant and should be eliminated or replaced. A research questionnaire is considered valid when the instrument accurately measures the variable's value under investigation.

Validity refers to the degree to which a measuring instrument accurately fulfills its intended purpose and achieves its desired outcomes. Validity testing is conducted by applying the following test criteria:

1. If the count of r is more than the count of r in the table, then the query is considered genuine.
2. If the value of r count is less than the value of r table, then the question is deemed invalid.

#### **Reliability Test**

Dependability is a method used to assess the consistency of a questionnaire, serving as an indicator of a variable or construct. A questionnaire is reliable if the respondent's answers remain constant or stable. The reliability assessment employed in this study is a single-slot or one-time measurement, wherein data is collected only once and then compared with other questions or used to assess the correlation between answers to different questions. SPSS offers capabilities for assessing reliability using the Cronbach Alpha statistical test.

## **DISCUSSION**

### **Validity Test and Reliability Test**

#### **Validity test**

**Table 1 Validity est and Reliability Test**

<b>Reward</b>	<b>Incentives</b>	<b>Employee Morale</b>
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Item	R count	R table	Item	R count	R table	Item	R count	R table
1	0,573	0,2940	1	0,523	0,2940	1	0,518	0,2940
2	0,474	0,2940	2	0,433	0,2940	2	0,515	0,2940
3	0,591	0,2940	3	0,562	0,2940	3	0,668	0,2940
4	0,438	0,2940	4	0,471	0,2940	4	0,429	0,2940
5	0,541	0,2940	5	0,427	0,2940	5	0,453	0,2940
6	0,603	0,2940	6	0,543	0,2940	6	0,386	0,2940
7	0,512	0,2940	7	0,456	0,2940	7	0,431	0,2940
8	0,378	0,2940	8	0,594	0,2940	8	0,356	0,2940
9	0,376	0,2940	9	0,512	0,2940	9	0,586	0,2940
10	0,423	0,2940	10	0,305	0,2940	10	0,746	0,2940

The validity test assesses the extent to which a questionnaire is reliable and accurate. A questionnaire is considered legitimate if its statements accurately measure the intended aspects or variables (Ghozali, 2009, p. 45). Validity can be assessed by calculating the correlation between the scores of the statement items and the overall score of the construct or variable.

According to the information provided in Table I, it can be determined that all of the validity values for the assertions related to Reward are legitimate. All values exceed the r table value ( $n-2=45-2=43= 0.2940$ ). During the testing of the Reward variable, it was discovered that the highest value for the Corrected Item Total Correlation (r count) was 0.591, which occurred on item 3. Examining the r count revealed that this value of 0.591 was more significant than the threshold of 0.2940. On the other hand, the lowest value for rcount was 0.376, which was observed on item 9.

Similarly, this value of 0.376 was also more significant than the threshold of 0.2940. Where the value of all statement items from the Reward variable exceeds 0.2940, all the items in the Reward variable are deemed legitimate and can be utilized in subsequent studies.

According to Table I.8, all the validity values of the assertions regarding the fullness of incentives are legitimate. This is because they are all more than the threshold value of r table

( $n-2=45-2=43= 0.2940$ ). The research revealed that the Incentive variable had the most excellent Corrected Item Total Correlation ( $r$  count) value on item 8, which was 0.594. This value was more significant than the threshold of 0.2940. On the other hand, the lowest  $r$  count value was observed on item 10, which was 0.305. This value was also more significant than the threshold of 0.2940. The test of all statement items about the adequacy of incentives has a value over 0.2940. Therefore, all the elements of the Incentive variable are deemed legitimate and can be utilized in subsequent studies.

According to Table I, the validity values of the statements for Employee Work Morale are all legitimate because their total validity values are higher than the  $r$  table value ( $n-2=45-2=43=0.2940$ ). The research revealed that item 10 had the most excellent Corrected Item Total Correlation ( $r$  count) value of 0.746 for the Employee Work Morale variable—above the threshold of 0.2940. Conversely, item 4 had the lowest value of 0.429, which exceeded the threshold. The value of all statement items in the Employee Work Morale test is more significant than 0.2940. Therefore, all the statements about Employee Work Morale are deemed accurate and can be utilized for future research.

### **Reliability Test**

Validity and reliability tests are conducted to determine the suitability of the questionnaire as a research instrument. Valid refers to the extent to which the data collected from the questionnaire can effectively address the study objectives. Reliable refers to the consistency of the results acquired from the questionnaire when applied to this research. The findings of the reliability assessment in this study are as follows:

**Table 2 Reliability Test**

<b>Variable</b>	<b>Cronbach's Alpha</b>	<b>Alpha Level</b>	<b>Information</b>
Reward	0,810	0,6	Reliabel
Incentives	0,804	0,6	Reliabel
Employee Morale	0,821	0,6	Reliabel

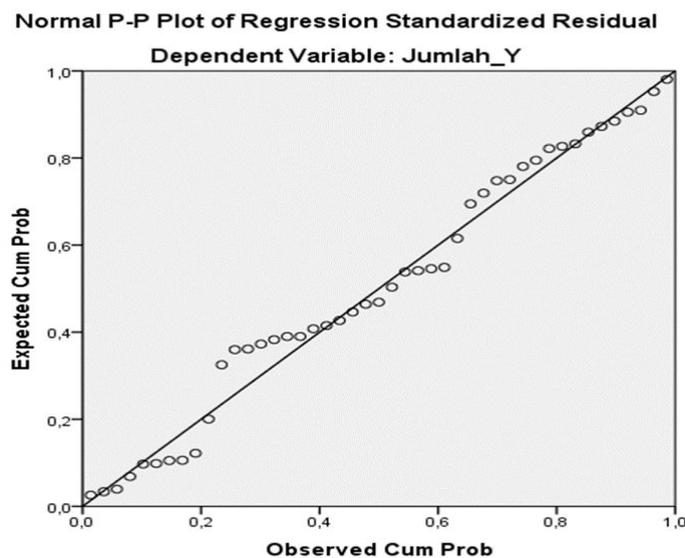
According to the information provided in Table IV.10, the Cronbach Alpha value for the Reward variable is 0.810, which indicates that the variable is reliable as it exceeds the threshold of 0.6. Similarly, the Incentive variable has a Cronbach Alpha value of 0.804, indicating validity. Lastly, the Employee Morale variable has a Cronbach Alpha value of 0.821, exceeding the threshold of 0.6.

The Cronbach Alpha value for the Reward, Incentive, and Employee Morale variables exceeds the threshold for reliable rejection. Therefore, the three factors, specifically rewards, incentives, and employee morale, are dependable.

### **Classic assumption test**

#### **Data Normality Test**

Prior to doing regression analysis, a data normality test was performed. The data normality test is conducted to assess whether the conditions for the regression equation have been satisfied by examining the p-plot image. The result of the data normality test is a graphical representation that displays the distance of the data points from diagonal lines. If the data is normally distributed, the data distribution values represented by the dots in the output will cluster around the diagonal line. Conversely, when the data is derived from a distribution that is not normal, the points do not exhibit a clustered pattern around the diagonal line; instead, they are dispersed far away from it.



Source: Processing Results with SPSS Version 22

**Table 3. Multicollinearity Test Results**

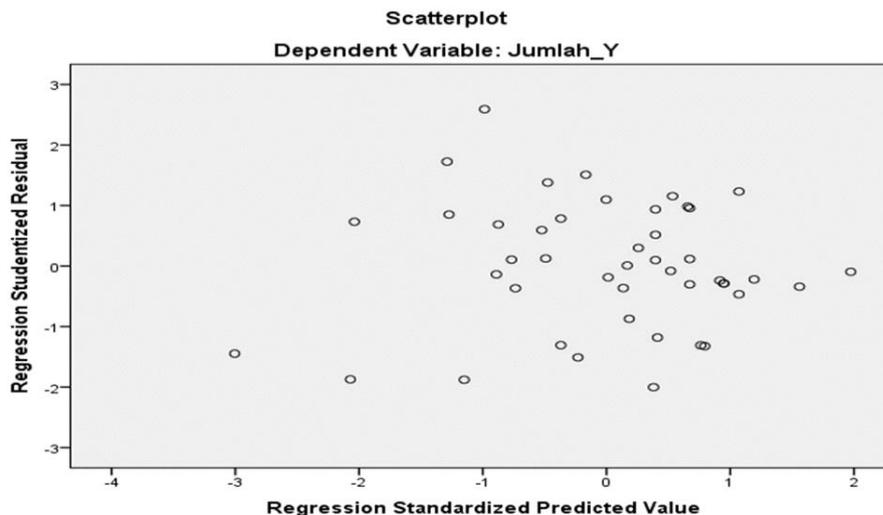
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	5,263	4,050		1,299	,201		
Jumlah_X1	,422	,128	,418	3,286	,002	,471	2,125
Jumlah_X2	,477	,129	,470	3,693	,001	,471	2,125

a. Dependent Variable: Number\_Y

The processing results in Table IV.11 indicate no multicollinearity in this investigation, as evidenced by the VIF and tolerance values of all variables. This is demonstrated by the VIF (Variance Inflation Factor) value of the two independent variables being less than ten and the tolerance value significantly beyond 0.01. These results suggest that none of the independent variables exhibit multicollinearity issues in this regression model.

**Heteroscedasticity Test**

The heteroscedasticity test is conducted to see if there is a disparity in the variance of the residuals between different observations in a regression model. Heteroscedasticity occurs when there is a specific pattern, such as dots making a regular pattern. Heteroscedasticity does not arise when there is no discernible pattern, and the points are distributed irregularly.



**Table 4. Results of Multiple Regression Analysis**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	5,263	4,050		1,299	,201		
Jumlah_X 1	,422	,128	,418	3,286	,002	,471	2,125
Jumlah_X 2	,477	,129	,470	3,693	,001	,471	2,125

a. Dependent Variable: Number\_Y

**Table 5. T Test Results**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	5,263	4,050		1,299	,201		
Jumlah_X 1	,422	,128	,418	3,286	,002	,471	2,125
Jumlah_X 2	,477	,129	,470	3,693	,001	,471	2,125

a. Dependent Variable: Number\_Y

**Table 6. F Test Results**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	524,543	2	262,272	44,731	,000 <sup>b</sup>
Residual	246,257	42	5,863		
Total	770,800	44			

a. Dependent Variable: Number\_Y

b. Predictors: (Constant), Sum\_X2, Sum\_X1

**Table 7. Coefficient of Determination Test Results**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,825 <sup>a</sup>	,681	,665	2,421	1,835

a. Predictors: (Constant), Sum\_X2, Sum\_X1

b. Dependent Variable: Number\_Y

**The Effect of Rewards on Employee Morale.**

This research aligns with Wijarmako's (2014:30) theory, which posits that a reward is bestowed upon someone as a sign of thanks and attention for their actions. Where incentives enhance employee morale. Providing prizes or honors enhances productivity and encourages exceptional employees to remain loyal to the organization. Implementing a reward system aims to incentivize employees to enhance their performance and foster motivation to achieve higher levels of productivity. In addition to expert opinion, the findings of this study are further corroborated by prior research conducted by Ima Melinda and Ratnawati Susanto (2018) at the Faculty of Teacher Training and Education, Esa Superior University, Indonesia, titled "The Effect of Reward and Punishment on Student Learning Motivation." The results indicate a positive correlation between job passion and employee work performance. Rewards exert a beneficial impact on employee motivation and passion towards work. It is evident that the value of t count, which is 9.096, is greater than that of t table, which is 0.3932. Additionally, the significance test reveals that the significance value is 0.000, which is less than the threshold of 0.05. Therefore, the null hypothesis (Ho) is rejected, and the alternative hypothesis (Ha) is accepted. This indicates a positive and significant influence between the variables of reward and punishment on student learning motivation. The analysis conducted in this research reveals that the significance value for the Reward variable (0.002) is lower than the alpha level of 5% (0.05) or  $t_{count} = 3.286 (n-k=45-3=42) > t_{table}$ . The t table value obtained is 2.01808 (attached). Based on these findings, we can reject the null hypothesis (H0) and accept the alternative hypothesis (Ha) for the Reward variable.

Therefore, the Reward variable has a partially positive and considerable impact on Employee Work Morale at manufacturing company.

### **The Effect of Incentives on Employee Morale**

This research aligns with the notion endorsed by Moehariono's statement (2012:259). Incentives are awards provided by firms to employees as a means of expressing gratitude for their accomplishments. Providing incentives can enhance employee performance at a company by offering a range of rewards such as prizes, commissions, or certificates. In addition to expert opinion, the findings of this study are further corroborated by the prior research conducted by Rendi Fitriadi (2015) at Riau University. Titled The impact of offering incentives on the performance of employees at PT. Riau Indotama Abadi Pekanbaru, a distributor of Yuasa batteries. This study establishes that incentives have a favorable and substantial impact on staff morale at PT Riau Indotama Abadi Pekanbaru. The analysis conducted in this research indicates that the Incentive variable (0.001) is significantly less than the alpha level of 5% (0.05), or  $t \text{ count} = 3.693$  ( $n-k=45-3=42$ )  $> t \text{ table} = 2.01808$  (attached). Based on the collected results, it is recommended to reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_a$ ) for the Incentive variable. Therefore, the Incentive variable has a partially favorable and considerable impact on Employee Morale at manufacturing company.

### **The Influence of Rewards and Incentives on Employee Morale**

This research aligns with Gipson's (2014: 3) view that rewards encompass everything valued and sought by employees and are provided by the organization in exchange for their accomplishments. Moehariono (2012:259) Incentives are awards provided by firms to employees to express gratitude for their accomplishments. Incentives significantly impact work morale, particularly rewards, as they contribute to economic growth in conjunction with incentives, benefiting employees, their families, local communities, and the broader society by enhancing their quality of life and generating profitable outcomes for businesses and overall development. The study conducted in this research yielded results indicating that the variables examined had a significance value of 0.000. For the F value to be considered significant, it must be less than 5% or 0.05. In this case, the F value is 44.731. The critical F value, F table, is 3.21, with degrees of freedom ( $df_1$ ) equal to  $k-1=3-1=2$  and degrees of freedom ( $df_2$ ) equal to  $n-k=45-3=42$ . Therefore, all the independent factors, namely rewards and incentives, have a positive and substantial impact.

## CONCLUSION

Based on the findings and analysis presented in the previous chapter, the following conclusions can be drawn: The research results indicated that the questionnaire statement items were deemed valid based on the validity test, as the  $r$  count value (0.591) exceeded the threshold value of 0.2940. Similarly, the reliability test confirmed that all questionnaire statement items were reliable, as the Cronbach Alpha value surpassed the acceptable limit. The partial effect of Reward (X1) on Employee Morale (Y) is positive and statistically significant. The value of the Reward variable is  $t$  count 3.286, which exceeds the critical value of  $t$  table 2.01808. Upon closer examination, it was discovered that the Incentive variable (X2) had a positive and statistically significant impact on Employee Morale (Y) when analyzed individually. The Incentive variable had a  $t$  count value of 3.693, which exceeded the  $t$  table value of 2.01808. Generally, the combined impact of Rewards (X1) and Incentives (X2) on Work Morale is positive and significant.

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