



A STUDY ON EFFECTIVENESS OF REWARD SYSTEM

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Abstract : Rewards are a powerful motivational tool for employees, crucial in aligning strategic goals with business objectives to enhance performance and productivity. This project explores various organizational reward systems and their impact on employee performance, aiming to suggest improvements based on findings. Using a descriptive research design and simple random sampling, data from 123 employees were collected through questionnaires and interviews. Statistical tools like Percentage method, Chi-square, Correlation, and Weighted average were used for analysis. The study reveals that employees are satisfied with the company's remuneration, bonuses, incentives, and promotion criteria, feeling these are competitive with current market trends. Both monetary and non-monetary rewards are valued, with a preference for bonuses, incentives, and quality control awards. The study suggests focusing on these preferred rewards to further enhance employee performance.

Key words- Reward system, motivational, employee satisfaction, employee performance.

I. INTRODUCTION

A reward system is a vital tool for managers to influence employee motivation, attract new hires, reduce turnover, and boost performance. Rewards can be monetary or non-monetary, including job security, working conditions, relationships, autonomy, training opportunities, recognition, and company policies. Effective reward systems enhance employee contributions.

To meet obligations to shareholders, employees, and the public, senior management must develop a relationship that addresses the evolving needs of both the organization and its employees. Organizations expect employees to fulfil their duties and adhere to rules, while also taking initiative and continuing to learn. In return, employees expect fair pay, safe conditions, and proper management. Expectations may vary based on individual needs for security, status, involvement, challenge, power, and mission.

OBJECTIVES OF THE STUDY

The study aims to evaluate employee attitudes and satisfaction with the current reward system, assess its impact on motivation and performance, and identify key factors influencing its success or failure. Additionally, it seeks to provide valuable suggestions to enhance the existing reward system adopted by the organization.

LITERATURE REVIEW

- 1. Reward systems: Emerging trends and issues:** The article provides an overview of key considerations for developing organizational reward systems, examining four emerging approaches: skill-based pay, broad banding, variable pay, and team rewards. It discusses relevant design issues for implementing these approaches and concludes that the underlying logic is sound. Industrial-organizational psychologists and behavioral scientists are noted as crucial in addressing these design challenges.
- 2.** This study examines the effectiveness of reward management systems on employee performance, focusing on the mediating role of employee motivation. It highlights the importance of understanding incentive schemes and reward systems, covering topics such as the goals, principles, types, and characteristics of rewards and punishments. The section explores individual and group incentive systems, reward-to-payment management methods, and the concept of the reward system. It then discusses motivation and performance, and reviews applied studies on how rewards and incentive schemes affect job performance, satisfaction, motivation, and related variables
- 3.** The strategic design of organizational reward systems is reviewed, considering objectives like motivation, attraction, retention, culture development, and skill development. The relationship between these objectives and design options—

such as performance pay, skill-based pay, flexible benefits, market position, and internal versus external pay comparisons—is examined. The importance of openness and participation in pay system administration is also discussed. The conclusion emphasizes that pay system design is crucial for an organization's effectiveness in relation to its external environment.

4. This chapter delves into the design of effective reward systems, emphasizing their significance as a key aspect of organizational management. Rather than focusing on specific pay system technologies, it explores the choices involved in managing a reward system and their impact on organizational effectiveness. The underlying premise is that a well-designed reward system can significantly contribute to organizational success. However, achieving this requires careful analysis of the role that reward systems should play within the strategic plan of the organization.
5. Increasing the effectiveness of reward management: an evidence-based practice. This paper seeks to explore the reasons why many organisations do not evaluate the effectiveness of their reward policies and practices, examines the approaches used by those organizations which do evaluate, and develops a model of evidence-based reward management which describes how evaluation can take place.
6. Nirma Sadamali Jayawardena and Darshana Jayawardena (2020) Studied on the extrinsic and intrinsic rewarding system on employee motivation. The study contributed to identify the employee motivational factors in the selected company and to reduce current labour turnover ratio by identifying the factors which motivate the current workforce.
7. In a study by Walters T. Ngwa (2019), the impact of reward systems on employee performance was examined, particularly focusing on profit sharing's effect on employee commitment. The study emphasized the need to explore how reward systems influence performance specifically in service firms, where tasks tend to be more routine and creativity levels may be lower. Additionally, it highlighted the significance of wages and salaries as a substantial expense for firms and the importance of using reward systems to attract, retain, and motivate employees effectively.
8. Belachew Kassahun (2019) highlighted the critical importance of employee motivation in business organizations. Specifically focusing on one and two-star rated hotels, the study emphasized the need for adequate motivation to enhance service quality and promote tourism development. However, findings revealed that the reward systems in these hotels were inadequate, leading to negative perceptions among employees. The study identified shortcomings in payment, promotion, recognition, benefits, work content, and conditions. Employees felt the reward system lacked transparency, fairness, competitiveness, and appropriateness.
9. Zhen Zhang, Lianying Zhang, Aibin Li(2019) found that reward system as an ineffective tool to manage NPD(new product development) collaboration. Yet, our understanding about what types of rewards should be used for NPD collaboration is still unclear. This research examines the effects of reward interdependence and nonfinancial incentives on NPD collaboration, as well as the moderating roles of team size and deep-level heterogeneity.
10. In their 2017 study, Felista Ngozi Abasili and Abdu Ja'afaru Bambale explored the correlation between rewards and employee performance. They used variables like salary, bonus, incentive, promotion, recognition, pension, and gratuity to gauge this relationship, with performance as the dependent variable. Their findings emphasized the direct impact of compensation packages and reward systems on employee performance, job satisfaction, and commitment. They highlighted the importance of adequate compensation, incentives, and motivational techniques in fostering employee commitment and enhancing performance. Rewards were identified as pivotal for nurturing a robust employee-employer relationship, valued by both parties.

RESEARCH METHODOLOGY

Research methodology serves as a structured approach to solving research problems. Research involves investigating a problem to find solutions that inform future actions. Research design outlines the framework guiding data collection and analysis. It encompasses various types such as exploratory, descriptive, and experimental. The study described here utilizes a descriptive research design, which portrays existing conditions without manipulating variables. Sampling design involves fieldwork at Hindustan Unilever Limited (HUL) with a sample size of 123 chosen through simple

random sampling. Data collection methods include primary data obtained through questionnaires and secondary data sourced from company records, discussions, and literature. The questionnaire consists of open-ended and closed-ended questions, including Likert scale and dichotomous questions. Analysis tools such as percentage method, chi-square, correlation, and weighted average were employed, with SPSS software version 17 used for analysis and interpretation.

DATA ANALYSIS AND INTERPRETATIONS

PERCENTAGE ANALYSIS

Demographic variables	Group	Frequency	Percentage
Gender	male	87	70.7%
	female	36	29.3%
	total	123	100%
Age segmentation	18-29	51	41.5%
	30-39	32	26%
	40-49	22	17.9%
	50 & above	18	14.6%
	Total	123	100%
Education qualification	HSC	31	25.2%
	ITI & Diploma	43	35%
	UG	26	21.1%
	PG	23	18.7%
	Total	123	100%
Income level	Below 10,000	38	30.9%
	10,001 – 20,000	32	26%
	20,001 – 30,000	26	21.1%
	30,000 & above	27	22%
	Total	123	100%
Experience	0 -1 year	52	42.3%
	2 – 5 years	36	29.3%
	5 – 10 years	23	18.7%
	10 & above years	12	9.8%
	Total	123	100%

DEMOGRAPHIC FINDINGS:

- Majority (70.7%) of respondents are male, with 29.3% female.
- Most respondents (41.5%) are aged 18-29, while 14.6% are 50 & above.
- Education-wise, 35% have ITI & Diploma, and 18.7% are PG.
- Income-wise, 30.9% earn below 10,000, and 21.1% earn between 20,001 – 30,000.
- Experience-wise, 42.3% have 0-1 year in the organization, and 9.8% have 10 & above years.

EMPLOYEE PERCEPTION AND SATISFACTION

FACTORS	Highly satisfied	satisfied	neutral	dissatisfied	Highly dissatisfied
Rewards boost my profit	22%	37.4%	26%	13%	1.6%
Rewards retain top performers	17.1%	39%	30.1%	10.6%	3.3%
Aligned rewards reinforce desired behaviors and outcomes	21.1%	29.3%	32.5%	10.6%	3.3%
Transparent criteria promote fairness and motivation	26%	30.9%	18.7%	20.3%	4.1%
Fair rewards boost motivation and commitment	45.5%	26%	17.1%	8.9%	2.4%
Consistent rewards enhance motivation and goal achievement	30.1%	35%	18.7%	13%	3.3%
Inclusive rewards boost belonging and engagement	23%	28.5%	34.1%	12.2%	1.6%

Inference:

- A significant majority (59.4%) of respondents are satisfied or highly satisfied that rewards boost profit.
- A majority (56.1%) are satisfied or highly satisfied that rewards help in retaining top performers.
- While a plurality (50.4%) are satisfied or highly satisfied with aligned rewards reinforcing behaviors, a notable portion remains neutral.
- A majority (56.9%) find transparent criteria promote fairness and motivation, but dissatisfaction is relatively high (24.4%).
- The highest satisfaction levels (71.5%) are seen here, indicating strong belief in fair rewards boosting motivation and commitment.
- A clear majority (65.1%) agree that consistent rewards enhance motivation and goal achievement.
- While 51.5% are satisfied or highly satisfied with inclusive rewards, a significant portion (34.1%) remain neutral.

I. CORRELATION**CORRELATION BETWEEN TRANSPARENCY OF PRESENT REWARD SYSTEM AND SATISFACTION TOWARDS CURRENT REWARD SYSTEM****HYPOTHESIS:****NULL HYPOTHESIS:**

There is no significant relation between the transparency of present reward system and satisfaction towards current reward system.

ALTERNATIVE HYPOTHESIS:

There is a significant relation between the satisfied with the present reward system and provided in the company.

CORRELATIONS:**Correlations**

		Transparency of present reward system	Satisfaction towards current reward system
Transparency of present reward system	Pearson Correlation	1	.906**
	Sig. (2-tailed)		.000
	N	123	123
Satisfaction towards current reward system	Pearson Correlation	.906**	1
	Sig. (2-tailed)	.000	
	N	123	123

** . Correlation is significant at the 0.01 level (2-tailed).

INFERENCE:

From the above table , it is seen that the correlation value is $r = 0.906$. The results indicates that there exist a strong relationship between the transparency of present reward system and satisfaction towards current reward system.

CHI – SQUARE

I. CHI – SQUARE BETWEEN EXPERIENCE AND IMPROVEMENTS TOWARDS EMPLOYEE PERFORMANCE OF THE RESPONDENTS

HYPOTHESIS:

NULL HYPOTHESIS (H₀):

There is no significant association between experience and improvements towards employee performance.

ALTERNATIVE HYPOTHESIS(H₁):

There is a significant association between experience and improvements towards employee performance.

CHI-SQUARE:

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
experience* improvement towards employee performance	123	100.0%	0	.0%	123	100.0%

Experience * improvement towards employee performance Crosstabulation

Count		improvement towards employee performance					Total
		training to develop their skills	any counselling been done	demotion	termination	pay/ salary cut	
experience	0 - 1 year	51	1	0	0	0	52
	2 - 5 years	0	36	0	0	0	36
	5 - 10 years	0	5	11	3	4	23
	10 & above years	0	0	0	0	12	12
Total		51	42	11	3	16	123

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.788E2 ^a	12	.000
Likelihood Ratio	253.133	12	.000
Linear-by-Linear Association	106.865	1	.000
N of Valid Cases	123		

a. 13 cells (65.0%) have expected count less than 5. The minimum expected count is .29.

INFERENCE:

Since, the SPSS generated value 0.000 is less than the significance level 0.05, the null hypothesis is rejected. Therefore, there is a significance association between experience and improvements towards employee performance.

I. CHI – SQUARE BETWEEN EXPERIENCE AND SATISFACTION TOWARDS CURRENT REWARD SYSTEM OF THE RESPONDENTS

HYPOTHESIS:

NULL HYPOTHESIS (H₀):

There is no significant association between experience and satisfaction towards current reward system.

ALTERNATIVE HYPOTHESIS(H₁):

There is a significant association between experience and satisfaction towards current reward system.

CHI-SQUARE:

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Experience * satisfaction towards Current reward system	123	100.0%	0	.0%	123	100.0%

Experience * satisfaction towards Current reward system Crosstabulation

Count		Satisfaction towards Current reward system				Total
		yes, regularly	no	neutral	yes, occasionally	
experience	0 - 1 year	52	0	0	0	52
	2 - 5 years	1	15	20	0	36
	5 - 10 years	0	0	12	11	23
	10 & above years	0	0	0	12	12
Total		53	15	32	23	123

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.081E2 ^a	9	.000
Likelihood Ratio	226.881	9	.000
Linear-by-Linear Association	105.347	1	.000
N of Valid Cases	123		

a. 6 cells (37.5%) have expected count less than 5. The minimum expected count is 1.46.

INFERENCE:

Since, the SPSS generated value 0.000 is less than the significance level 0.05, the null hypothesis is rejected. Therefore, there is a significance association between experience and satisfaction towards current reward system.

SUGGESTIONS:

- Encourage gender-balanced participation by actively involving more females in surveys and organizational activities.
- Customize communication and development programs to cater to diverse age groups' needs and perspectives.
- Provide tailored skill development opportunities and educational support for employees with varying education levels.
- Ensure compensation structures meet the expectations of employees across different income brackets, fostering fairness and competitiveness.
- Foster employee engagement and retention through transparent feedback channels, diverse recognition programs, and equitable performance management processes.

CONCLUSION

Rewards are considered as a powerful tool which is used by an organization to motivate its employees and it is an important part of an organization's human resource planning. Reward system is always link reward to performance. Workers who work hard and produce more or give better quality results would receive greater rewards. Hence, the employees should have a thorough knowledge about the criteria for receiving rewards. The Research discloses that the remuneration, bonus and incentives offered by the company is satisfactory and even the employees feel it is equivalent to the current market trend. In addition to that, the employees feel satisfied with the promotion criteria and they are receiving continuous motivation from superior in the organization. The awareness about the reward system among the employees is high. But it should be useful in improving their performance. While designing the reward system; the company organization can give more importance bonus and incentives for monetary reward and quality control award for non-monetary reward as they are more preferred by the employees.

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