

IMPACTS OF REWARD MANAGEMENT ON EMPLOYEE'S MOTIVATION IN ORGANIZATIONS

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Abstract

This study assessed the impacts of reward management on employee's motivation in organizations. The objectives of the study included: to ascertain how management of organizations should know the appropriate reward management to be adopted in organizations as effective reward management; to obtain from management of organizations on how to conduct individual's pay review as a method of reward management; to investigate how management of organizations will be enlightened on the various benefits of effective reward management; to find out how management of organizations should try to overcome the challenges militating against effective reward management. The findings included that management of organizations should not know the appropriate reward management to be adopted in organizations as an effective reward management. Management of organizations do not conduct individual's pay review as methods of reward management. Management of organizations are not enlightened on the various benefits of effective reward management. Management of organizations do not overcome the challenges militating against effective reward management. The researcher concluded that reward management has a significant impact on employee motivation and it was recommended that management of organizations should know the appropriate reward management to adopt in organizations, management of organizations should undergo training on how to conduct individual's pay review, management of organizations should be enlightened on the various benefits of effective reward management and management of organizations should try to overcome the challenges militating against effective reward management.

keywords: Reward, Motivation, Management, Organization

Introduction

Today's working society has evolved from previous years, with many working expectations growing and dramatically changing. With the workplace environment constantly changing, so is the attitude of the employees and overall basic motivators. There have been dramatic changes in the working environment, suggesting that the realities of yesterday no longer exist. As the workplace rules have changed, so is has the way organizations meet the new motivational needs of their employees. Reward constitutes an important element in Human

Resource Management. Reward Management is essentially about designing, implementing and maintaining pay systems which help to improve organizational performance. Reward management is the process of developing and implementing strategies, policies and systems which help the organization to achieve its objectives by obtaining and keeping the people it needs and by increasing their motivation and commitment (Nelson,2013). The reward management system should be designed to support the achievement of the organization's strategies; it should be based on a philosophy of reward which matches the culture of the organization.

Reward management is also concerned with the development of appropriate organizational cultures, underpinning core values and increasing the motivation and commitment of employees (Uroom, 2015). There is only good practice which is best for the organization. And also what is best practice for an organization at one stage of its development may no longer be best practice as it moves its life cycle. Practices, which were effective when they were introduced, may degenerate as the organization evolves or it degenerates. Reward management is not only about money, it is also concerned with intrinsic, as well as extrinsic motivation; with non-financial, as well as financial rewards. The design and operation of reward management processes and practices should start from an understanding of the implications of the psychological contract concept, motivation theory on the factors affecting pay levels. But it must focus on the needs of the organization and the people who work in it. These needs are most likely to be met if reward processes are based on an articulated and integrated approach to the development of a frame work of reward philosophies, strategies and policies that will support the achievement of the organization's business strategies, as well as acting as levers for change. Reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the development of reward strategies and the design, implementation and maintenance of reward systems (reward processes, practices and procedures) which aim to meet the needs of both the organization and its stakeholders. Reward can be regarded as the fundamental expression of the employment relationship.

Reward constitutes an important element in human resource management. It is seen largely about what employees expect from their employers and what employers expect from their employees in return for their pay and the opportunity to work and develop their skills.

Expectations are built into the employment relationship, the starting point of which, from the reward point of view, is an undertaking by an employee to provide effort and skill to the employer, in return for which the employer provides the employee with a salary or a wage (Armstrong, 2012). Reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly and equitably in accordance with their value to the organization. It deals with the development of reward strategies and the design, implementation and maintenance of reward systems (reward processes, practice and procedures) which aim to meet the needs of both the organization and its stakeholders. It is an important tool that management can use to channel employee motivation in desired ways. In other words, reward systems seek to attract people to join the organization to keep them coming to work and motivate them to perform to high levels.

It has been noted that, if reward management is not taken into consideration in an organisation. It will affect the firm, employees, and customers. If reward management is not taken into consideration there will be low service and product quality because the employee will not be putting a maximum effort in carrying out their duties and there will not be encouraged to bring in new ideas that will help improve productivity and profitability of the organisation. There will be a high rate of turnover of labour in an organisation where reward management is neglected. This simply means that employees will be leaving the organisation to another, where they can obtain a fair payment backup with fringe benefit. If reward management is neglected employees will not be motivated to work, or bring in new ideas and this will affect the quantity of the organisational services and product thereby making customers to use services and product of low quantity, since they are loyal to the organisation.

Objectives of the Study

The broad objective of this study is to investigate the effect of reward management on organisational performance in an organization

The specific objectives are:

1. To ascertain how management of organizations should know the appropriate reward management to be adopted in organization as an effective reward management.
2. To obtain from management of organizations on how to conduct individual's pay review as a method of reward management.

3. To investigate how management of organizations will be enlightened on the various benefits of effective reward management.
4. To find out how management of organizations should try to overcome the challenges militating against effective reward management.
5. To find out how extent the transparency as an aspect of reward management practice have an impacts on the efficiency in organizations.

Concept of Reward Management

Schewe (2004) is of the view that the concept of reward management adopts a total reward approach, with emphasize the importance of considering all aspect of reward as a whole that is linked to other human resource management initiatives, designed to achieve the commitment engagement and development of employees. This requires the integration of reward strategies including talent management and human resource development. Reward management an integral part of an HRM approach to managing people. According to Armstrong and Baron (2006) Reward Management is about the design, implementation, maintenance, communication and evolution of new processes which help organization to improve performance and achieve their objectives. They also opined that reward processes are based on reward philosophies and strategies and contain arrangements in the shape of policies, guiding principles, practices, structures and procedures which are divided and managed to provide and maintain appropriate types and levels of pay, benefits and other firms of reward. This constitutes the financial reward aspect of the process which incorporates processes and procedure for tracking market rates measuring job values, designing and maintaining pay structures paying for performance, competence and skill and providing employee benefits. However, reward management is not just about money. It is also concerned with those non-financial rewards which provide intrinsic or extrinsic motivation.

Reward Management has an important part to play in the development of cultures in which individuals and teams take responsibility for continuous improvement. It affects organizational performance because of the impact it has on employee's expectation as to know how they will be rewarded. Oguonu (2003) is of the view that organization must reward employees because in return they need competent individuals who agree to work with a high level of performance and loyalty. Individual employees in return for their commitment

expect certain extrinsic reward in the form of salary, promotion, fringe benefits, bonuses or stock options. Employees also seek intrinsic reward such as feeling of competence, achievement, responsibility, significance, influence, personal growth and meaningful contribution.

Aspect of Reward Management

Onyeka and Nebo (2005) describe the various aspect of reward management thus:

1. Distributive Justice: It refers to how rewards are provided to people. They feel that they have been treated justly if they believe that the reward has been distributed in accordance with the value of their contribution that they received what was promised to them and that they need.

2. Procedural Justice: Tyler and Bies (2007) stated that procedural justice refers to the ways in which managerial decisions are made and reward policies are put into practice. The five factors that affect perceptions of procedural justice are identified as follows:

- 1) The view point of employees is given proper consideration
- 2) Personal bias toward employees is suppressed.
- 3) The criteria for decision are applied consistently to all employees.
- 4) Employees are provided with early feedback about the outcome of decision.
- 5) Employees are provided with adequate explanation of why decisions have been made.

3. Fairness: A fair reward system is one that operates in accordance with the principles of distributive and procedural justice. It also confirms to the “felt fair” principle formulated by Eliot (2004) which states that pay system will be fair if they are felt to be fair. The assumptions under pinning the theory are that

- There is an unrecognised standard of fair payment for any level of work
- Unconscious knowledge of the standard is shared among the population at work.
- Pay must match the level of work and the capacity of the individual to do it.
- People should not receive less pay than they deserve by comparison with their fellow workers.

4. Equity: Equity is achieved when people are rewarded appropriately in relation to other within the organisation. Equitable reward processes ensure that relativities between jobs are measured as objectivity as possible and that equal pay is provided for work of equal value consistency. A consistent approach to reward management means that decision on pay do not

vary arbitrarily without due cause between different people or at different times. They do not deviate irrationally from what would generally be regarded as fair and equitable.

5. Transparency: Transparency exist when people understand how reward processes function and how they are affected by them. The reasons for pay decision are explained at the time they are made and employees have a voice in the development of reward policies and practices.

6. Developing a high-performance culture: A high performance culture is one in which people are aware of the need to perform well and behave accordingly in order to meet or exceed expectations. Such a culture embraces a number of interrelated processes that together make an impact on the performance of the organisation through its people in such areas as productivity, quality, level of customer service, growth, profit and ultimately in profit making firms the delivery of increased share holder value. In our more in equality service and knowledge-based economy, employees have become the most important determinant of organisational success. Onah and Thomas (2006) produced the following definition of what they mean high performance organisation.

- People know what is expected of them.
- They are clear about their goals and accountabilities.
- They have the skills and competencies to achieve their goals.
- High performance is recognised and rewarded accordingly
- People feel that their job is worth doing and that there is a strong fit between the job and their capabilities.
- Managers act as supportive leaders and concerns, providing regular feedback, performance reviews and development.
- A pool of talent ensures a continuous supply of high performance in key roles.

7. Reward Strategy: Reward strategy sets out what the organization intends to do in the longer term to develop and implement reward policies, practices and processes which will further the achievement of its business goals.

8. Total Reward: Total reward is the combination of financial and non-financial rewards available to employees. They include:

9. Basic Pay: The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for manual workers, the level of skill required. Basic pay will be influenced by internal and external relativities.

The internal relativities may be measured by some form of job evaluation. External relativities are assessed by tracking market rates.

10. Total Remuneration: Total reward is the combination of financial and non-financial rewards available to employees.

The Aims of Reward Management

The aims of reward management include: to reward people according to what the organization values and wants to pay for, reward people for the value they create, reward the right things to convey the right message about what is important in terms of behaviour and outcomes, develop a performance culture, motivate people and obtain their commitment and engagement, help attract and retain the high quality people the organization needs, develop a positive employment relationship, align reward practices with both business goals and employee values and to operate fairly (Mullins, 2012). Osborne (2013) asserts that reward management is based on a well-articulated philosophy (a set of beliefs and guiding principles that are consistent with the values of the organization and help to enact them). These include beliefs in the need to achieve fairness, equity, consistency and transparency in operating the reward system. The philosophy recognizes that if human resource management is about investing in human capital from which a reasonable return is required, then it is proper to reward people differently according to their contribution (the return on investment they generated). The philosophy of reward management recognizes that it must be strategic in the sense that it addresses longer term issues relating to how people should be valued for what they do and what they achieve.

The Benefits of Effective Reward Management

Rewarding people according to what the organization values and wants to pay for.

- i. Rewarding people for the value they create.
- ii. Rewarding the right things to convey the right message about what is important in terms of behaviours and outcomes.
- iii. Developing a performance culture.
- iv. Motivating people and obtain their commitment and engagement.
- v. Helping to attract and retaining the high quality people the organization needs.
- vi. Developing a positive employment relationship and psychological contract.
- vii. Aligning reward practices with both business goals and employee values.

Ways of Managing Reward in Organizations

According to Armstrong (2010), the various ways of managing reward include:

1. **Controlling Reward:** The implementation of reward policies and procedures should be monitored and controlled to ensure that value for money is obtained. Control is easier if the grade and pay structure is well defined and clear guidelines exist on how the benefits arrangements should be managed. Control should be based on forecasts, budgets and costing and by monitoring and evaluating the implementation of reward policies.
2. **Conducting General Pay Reviews:** General reviews take place when employees are given an increase in response to general market rate movements, a rise in the cost of living or union negotiations. General reviews are often combined with individual reviews but employees are usually informed of the general and individual components of any increase they receive. Alternatively the general review may be conducted separately to enable better control to be achieved over costs and to focus employees' attention on the performance-related aspect of their remuneration at a later individual review. Employees expect that general reviews will maintain the purchasing power of their pay by compensating for increases in the cost of living. They will want their levels of pay to be competitive with what they could earn outside. And they will want to be rewarded fairly and equitably for the contribution they make.
3. **Communicating To Employees Collectively:** Transparency is important. Employees need to know how reward policies will affect them and how pay and grading decisions have been made. They need to be convinced that the system is fair. Employees and their representatives should be informed about the guiding principles and policies that underpin the reward system and the reward strategies that drive it. They should understand the grade and pay structure, how grading decisions are made, including the job evaluation system, how their pay can progress within the structure, the basis upon which contingent pay increases are determined and policies on the provision of benefits including details of a flexible benefits scheme if one is available.
4. **Managing the Development of Reward Systems:** Johnson (2012) stated that in the development process, employees should be treated as stakeholders and given every opportunity to contribute to the development of reward policies and practices. This is a matter of involvement in working parties, project teams and panels, not just

consultation, although the normal consultative channels have to be used. Trade unions and their representatives should be involved in the initial stages, to sound out their opinions and reach as much agreement as possible on what needs to be done, especially if this affects job evaluation, pay structures, contingent pay schemes and flexible benefit.

Challenges Militating Against Effective Reward Management

The challenges militating against effective reward management could be categorized into two: Challenges due to internal and external environment

1. The Internal Environment: Reward policy and practice will be affected by the characteristics of the organization with regard to its purpose, products and services, processes, sector (private, public, voluntary or not-for-profit) and, importantly, culture, which is influenced by all the other characteristics. The culture of the organization can make a significant impact on reward management policy and practice. Corporate or organizational culture consists of shared values, norms, attitudes and assumptions, which influence the way people act and the way things get done. It is significant because it is rooted in deeply held beliefs and reflects what has worked in the past. A positive culture can work for an organization by creating an environment conducive to performance improvement, the management of change and a sense of identity and unity of purpose. It can help to shape behaviour by giving guidance on what is expected. The wrong culture can work against an organization by erecting barriers that prevent the attainment of reward strategic objectives. These barriers include resistance to change and lack of commitment. In reward management, the most important aspect of culture that needs to be taken into account is the core values of the organization. Values are expressed in beliefs as to what is best for the organization and what sort of behaviour is desirable. The 'value set' of an organization may be recognized only at top level, or it may be shared throughout the firm, so that the enterprise can be described as 'value-driven'. The stronger the values the more they will affect behaviour. Values are concerned with such matters as care and consideration for people, the belief that employees should be treated as stakeholders, employee involvement, equity in the treatment of employees, equal opportunity, care for customers, innovation, quality, social responsibility and teamwork. These values may influence policies in such areas as performance management, paying for contribution, resolving the often competing pressures for internal equity and external competitiveness, the equity and 'transparency' of reward arrangements and the extent to which employees are involved in the development of reward processes and

structures. They should be taken into account in determining the criteria to be used in reviewing performance and rewarding people for their contribution.

2. The Business of the Organization: The business of the organization – manufacturing, profit-making service, not-for profit services, public sector services, education – will govern its ethos and therefore core values. It will influence the type of people it employs and the degree to which it is subject to turbulence and change. All these factors will contribute to the reward strategy. For example, in the public and voluntary sector the tradition of paying service-related increments rather than progressing pay according to performance or contribution dies hard, although successive governments have driven the adoption of performance pay in the Civil Service.

3. Technology: The technology of a business exerts a major influence on the internal environment how work is organized, managed and carried out. The introduction of new technology may result in considerable changes to systems and processes. Different skills are required; new methods of working and therefore reward are developed. The result may be an extension of the skills base of the organization and its employees, including the use of knowledge and expertise, and multi skilling (ensuring that people have a range of skills that enable them to work flexibly on a variety of tasks, often within a team working environment). Traditional piecework pay systems in manufacturing industry have been replaced by higher fixed pay and rewards focused on quality and employee teamwork.

4. People: The type of people employed and therefore the approach to reward will clearly be dependent on the type of business and its technology, for example the growing importance of ‘knowledge workers’. But what has become increasingly recognized by management is that ‘people make the difference’ and that unique competitive advantage is achieved by having better people who are capable of doing better things than those in other businesses. The aim is to acquire, develop, motivate and retain people who possess distinctive capabilities (competencies) that arise from the nature of the firm’s activities and relationships.

5. Business Strategy: Where the business is going (the business strategy) determines where reward should go (the reward strategy). Integrating reward and business strategies means combining them as a whole so they contribute effectively to achieving the mission or purpose of the organization. The process of linking strategies is the best way of achieving vertical integration, or ‘internal fit’, in the sense that business and reward strategies are in harmony.

6. Globalization: Traditionally, discussions of international reward strategies and practices have tended to focus on elite of expatriate workers and rewarded in isolation from local

country staff. We are now seeing a more diverse and complex pattern emerging, requiring a much more strategic approach.

7. Employment Trends: An increasing demand for skills and qualifications is taking place, especially for managerial and professional workers, knowledge workers, customer service staff, technical and office staff and skilled manual workers. This, coupled with the skill shortages associated with low levels of unemployment, influences reward strategies designed to attract and retain people.

Theoretical Framework of the Study

Expectancy Theory by Porter and Lawler: The expectancy theory details the relationship between performance and expectations and is given in two dimensions. One dimension is the expectation of an employee of reward equal to the input on the organization and the other dimension is the expectation of the organization of an output by the employee equal to the reward given. This theory thus explains the delicate balance relationship between reward management and employee performance as seen where each depends on the other such that performance depend on reward while at the same time reward depends on performance. This thus become the basis on which reward management operates in using rewards to optimally influence employee performance.

Instrumentality theory is another theory that is anchored to this study. It is the belief that if we do one thing it will lead to another. It assumes that people will be motivated to work if reward and penalties are tied directly to their performance thus the reward are contingent upon effective performance. Instrumentality theory has its root in the scientific management method. It is impossible through any long period of time to get workmen to work much harder than the average men around them unless they are assured a large and permanent increase in their pay. This theory focuses on the content of motivation in the shape of needs. It provides guidance on what needs should be satisfied by the reward system if motivation is to occur.

Empirical Review

Samuel M.W (2014) and Kepha Ombui O. (2014) did a research on “Effect of Reward Strategies on Employee’s Performance using a case study of Kabete Technical Training Institution, Nairobi, Kenya. The study was guided by four major specific objectives: to determine the extent to which personal drive for achievement influences employee’s

performance at Ktti: to determine how growth opportunities influence employee's performance at Ktti; to establish the extent to which recognition's performance at Ktti. Stratified random sampling technique was used to select a sample of 59 respondents from a target population of 270 employees. The study adopted a descriptive research design and utilised primary and secondary data. Data analysis was carried out using both qualitative and quantitative techniques with the aid of SPSS while the method of data presentation was frequency distribution, pie chart graphs and cross tabulation. The study found a significant relationship between the reward strategy and employee work's performance. The study concluded that personal need achievement play a key role of influencing employee's performance and given a choice employee show preference for promotion, better remuneration, cash gift and training opportunity has reward strategies. This study recommended that Ktti should: leverage on the intrinsic motivation factor by providing a working environment that encourages employees sense of achievement develop and maintain a training policy for all categories then establish a criterion for recognising employee's performance to ensure the whole process of reward strategies is deem fair by all employee's design an attractive skims of service that will also enhance retention. So in this study reward is also in cash gift and training opportunity to employees, it can be abided on as well.

Summary of Findings

1. Reward management has no impacts on employees' motivation in organizations to a significant extent.
2. Conducting individual's pay reviews is not a method of managing reward in organizations.
3. To an extent there are no benefits of effective reward management in organizations.
4. There are no challenges militating against effective reward management in organizations.

Recommendations

Based on the findings, the research recommends that:

1. Management of organizations should know the appropriate reward management to adopt in the organization as an effective reward management has a positive impact on employee's motivation.

2. Management of organizations should undergo training on how to conduct individual's pay review as a method of reward management.
3. Management of organizations should be enlightened on the various benefits of effective reward management.
4. Management of organizations should try to overcome the challenges militating against effective reward management.
5. Management must have impacts of equity as an aspect of reward management practice on the profitability of organizations.
6. Management of organizations to an extent must be transparency as an aspect of reward management practice on efficiency of the organizations

Conclusion

Reward management is concerned with the formulation and implementation of strategies and policies in order to reward people fairly and equitably in accordance with their value to organizations. It deals with the development of reward strategies and the design, implementation and maintenance of reward systems (reward processes, practice and procedures) which aim to meet the needs of both organizations and its stakeholders. It is an important tool that management can use to channel employee's motivation in desired ways. In other words, reward systems seek to attract people to join organizations to keep them coming to work and motivate them to perform to high levels.

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