

# **Effective Reward System and Employees Performance: A Comprehensive Review**

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## **ABSTRACT**

It is widely acknowledged that having a reward system that is both well-designed and well-implemented is one of the most important factors in determining the level of performance achieved by employees and in cultivating a thriving culture inside an organisation. This research study intends to give a comprehensive analysis of the relationship between an efficient incentive system and improved employee performance in contemporary office settings through the use of quantitative and qualitative methods. In this study, a mixed-methods research strategy was taken, and both quantitative data analysis and qualitative insights from employee surveys and interviews were combined to offer a comprehensive understanding of the myriad of ways in which rewards influence employee productivity.

This study sheds light on the theoretical foundations and empirical data supporting the positive association between reward systems and employees' performance by conducting an exhaustive review of academic literature and empirical studies. It studies the essential components that make up an efficient reward system, which includes the creation of goals that are both clear and detailed, the provision of incentives that are based on performance, the differentiation of rewards, and the provision of timely acknowledgment. In addition, the article investigates the psychological and motivational bases of incentives. Specifically, it investigates how extrinsic and intrinsic motivators interact with one another to influence employee behaviour and engagement. It highlights the necessity for personalization and inclusion in the design of reward systems by illuminating the significance of an individual's preferences and perceptions in relation to the success of the rewards being offered.

**Keyword:** reward system, employees performance, intrinsic reward, employee motivation

## **INTRODUCTION**

The term "employee rewards" refers to the incentives that are presented to staff members depending on their individual performance, the success of their teams, or the performance of the organisation as a whole. These rewards may be distributed in the form of commission payments, one-time bonuses, pay rises, stock options, and "swag" items such as corporate discounts, athletic event tickets, and additional time off work.

The positive value that an individual ascribes to an object, behavioural act, or an internal physical state can be objectively described using the term "reward," which is an objective approach to explain the term "reward." Food and successful aggressiveness are examples of primary rewards. These are the types of rewards that are essential to the continued existence of a species. It is possible to obtain secondary awards by first obtaining the basic rewards.

The research identifies successful implementations of reward systems and their tangible impact on employee performance metrics by analysing various industry case studies and identifying successful implementations of reward systems. These metrics include increased productivity, increased job satisfaction, reduced turnover rates, and improved overall organisational outcomes.

### **The Importance of the Study**

Performance reviews serve as a motivator for workers, urging them to do a good job and encouraging them to perform to the best of their abilities; as a result, production is increased. Therefore, the level of motivation of employees has an indirect effect on their level of production. In addition, a motivated employee produces work of a higher quality and a great level of achievement. In this age of globalisation, there are many different kinds of incentive systems that a concern needs to use in order to encourage its employees and ensure that it meets its organisational goals. Even if there are many different kinds of rewards now in use, it can be a challenging endeavour to select and put into practise a system of rewards that is appropriate for the personnel working for a business. The adopted and put into practise reward system ought to be one that the employees and the organisation are happy with. It is essential that workers feel motivated and that they enjoy their work, and it must also be cost effective and have a positive impact on the

organization's overall success. As a result, this study is being carried out in order to examine the impact that an effective reward system has on the performance of employees.

The study also explores various problems and pitfalls that may develop in the implementation of incentive systems. These challenges and pitfalls include unexpected consequences, questions regarding fairness, and declining returns on rewards. It places an emphasis on the significance of aligning the reward system with organisational principles, cultivating a pleasant work culture, and incorporating continuous feedback mechanisms for the purpose of maximising an individual's potential for improvement in performance.

### **Different Types of Rewards:**

The role of theoretical underpinnings that support the role of rewards in influencing the behaviour of employees is initially investigated in this paper. It does so by delving into well-known motivation theories, such as Maslow's Hierarchy of Needs, Herzberg's Two-Factor Theory, and Expectancy Theory, all of which give a framework for understanding how different kinds of rewards can satisfy employees' intrinsic and extrinsic drives, respectively.

This research contributes to a greater understanding of how an effective incentive system may be a catalyst for increasing employee performance and organisational success by synthesising empirical facts and the thoughts of industry experts. The findings of this study can be helpful to corporate leaders, HR practitioners, and policymakers in establishing and implementing incentive systems that inspire and motivate employees, leading to a more engaged and high-performing workforce in today's dynamic and competitive business landscape. The study was conducted by the Society for Human Resource Management (SHRM).

When a company wants to boost the performance of its employees and increase overall productivity, one of the most important tools they can use is an efficient compensation system. The purpose of this literature review is to summarise the previous research that has been conducted on the connection between reward systems and the performance of employees. This review gives useful insights into the essential aspects that contribute to the effectiveness of a reward system in increasing employee motivation and engagement by studying the theoretical frameworks, empirical studies, and case examples. These are all explored in order to provide a comprehensive understanding of the topic.

### **Components of Effective Reward System:**

In the following paragraphs, the basic elements that make up an efficient incentive system will be discussed. According to studies, the establishment of goals that are both explicit and specific, the linkage of rewards to performance results, and the differentiation of awards based on individual contributions are essential components. This review also investigates the role of non-monetary benefits, like as recognition, possibilities for career promotion, and programmes that promote work-life balance, in the process of improving employee performance.

## **VARIOUS FORMS OF REWARDS**

### **Intrinsic and Extrinsic Motivation:**

This paper investigates the complex relationship that exists between intrinsic and extrinsic motivators in determining the behaviour of workers. According to research, monetary incentives may be able to produce improvements in performance for a short period of time; but, research also reveals that intrinsic motivators, such as autonomy, mastery, and purpose, play a vital role in maintaining long-term high performance and job satisfaction.

### **Individualization and openness to participation:**

According to the findings of studies, the design of reward systems should prioritise personalisation and inclusion. The evaluation demonstrates how the impact of the incentive system can be maximised on employee performance by adapting awards to the preferences of individual workers and acknowledging the contributions of a wide range of individuals.

### **Reward for Effort and Motivation**

In order to retain an efficient workforce that is willing to work towards achieving strategic organisational goals, organisations require employees that are motivated. The term "motivation" refers to "a set of energetic forces that originate both within and beyond an individual's being to initiate work-related behaviour, and to determine its form, direction, intensity, and duration." This definition describes motivation as "a set of energetic forces that originate both within and beyond an individual's being to initiate work-related behaviour."

It is possible to utilise rewards as a tool to influence motivation. Financial incentives are by no means the only method of motivation; rather, there are a variety of HRM practises that try to encourage employees. There is a wide range of options available, which can be categorised as a combination of components such as direct, indirect, and fixed incentives.

### **IMPACT OF EFFECTIVE REWARD SYSTEM ON EMPLOYEES PERFORMANCE**

Empirical studies evaluating the impact of reward systems on employees' performance are extensively analyzed. According to the findings of these studies, there is a direct link between well-designed reward systems and enhanced levels of productivity, efficiency, and overall job satisfaction among employees. The evaluation also emphasises how an efficient reward system may cultivate a sense of ownership, loyalty, and commitment among employees, which can lead to lower turnover rates and increased employee retention.

When it comes to motivating workers and encouraging improvement in their performance, an efficient reward system plays a critical role. A well-planned and well-structured reward system has the potential to contribute to enhanced productivity, better job satisfaction, decreased turnover, and overall organisational success when it is established and implemented effectively. When designing an efficient system of rewards to motivate employee performance, the following are some of the most important factors to take into consideration:

- **Goals That Are Clearly Defined and Specified:** You need to make sure that the performance goals are clear, measurable, and within your reach. The employees should have a crystal clear awareness of the requirements that must be met in order for them to be eligible for the incentives.
- **Performance-based awards:** Make a direct connection between the awards and an individual's or team's level of accomplishment. This contributes to the development of a sense of justice and inspires employees to use their utmost effort in order to accomplish the goals set for them.
- **Vary Your Rewards:** Give employees different kinds of recognition and rewards based on the level of achievement they have achieved. The remarkable efforts of those with the highest performing skills ought to be recognised with incentives of a greater significance.
- **Prompt Acknowledgment:** It is important to provide prompt and consistent acknowledgment of accomplishments. An immediate appreciation not only encourages employees to continue their high level of performance, but it also reinforces positive behaviours.
- **Make Sure That the Reward System Is All-Inclusive and Caters to all elements of Performance:** Make sure that the reward system is all-inclusive and caters to all elements of performance, such as individual achievements, team efforts, and contributions to the general aims of the organisation.
- **Customizable prizes:** Provide workers with the opportunity to select prizes that are personally significant to them. Some people may place a higher value on monetary compensation, while others may place a higher value on additional time off or opportunity to further their careers.
- **Ensure all employees have access to accurate information regarding the criteria for and process of receiving rewards.** This transparency serves to cultivate a sense of trust, and it also helps to eliminate favouritism and prejudice in the distribution of the rewards.
- **Peer acknowledgment:** Create a system where employees can nominate and reward their peers for extraordinary contributions by instituting a programme that allows for peer acknowledgment. Acknowledgment from one's peers has the potential to boost both team spirit and bonding.
- **Continuous Feedback:** Combine the points-based reward system with consistent evaluations of your performance. Employees are better able to identify their own areas of strength and growth when they receive constructive criticism.
- **create Collaboration, Innovation, and Continuous Improvement in the Workplace** The incentive system ought to be in accordance with the values of the organisation and ought to create a positive work culture that stimulates collaboration, innovation, and continuous improvement in the workplace.
- **Long-Term Incentives:** If you want to motivate staff to continue dedicating themselves to the success of the organisation, you should think about implementing long-term incentives like profit-sharing programmes, performance-based bonuses, or stock options.

- Training and Development possibilities: As a kind of compensation, you should provide possibilities for your employees' skill development and career advancement. The opportunity to increase one's knowledge and competence is highly valued by staff members.
- Work-Life Balance and Flexibility: Acknowledge the significance of maintaining a healthy work-life balance by providing rewards in the form of additional time off or flexible working arrangements.
- Continue to Monitor and Improve the System On a regular basis, evaluate the efficacy of the incentive system and make modifications as required depending on the feedback received and the ever-evolving requirements of the organisation.

It is important to keep in mind that a solution that is "one size fits all" may not be appropriate for every company or every worker. As a result, it is imperative that the reward system be adapted to fit the culture of your organisation as well as the preferences of your employees, while maintaining the emphasis on recognising and reinforcing positive behaviours and performance.

### **Obstacles to Overcome and Restrictions:**

The review highlights the difficulties that must be overcome in order to successfully adopt reward systems, despite the potential benefits. These difficulties include the possibility of unforeseen effects, such as abuse of the system, a perception of unfairness, and declining returns on rewards.

### **Suggestions to Make the Reward System More Effective**

If employers want their workers to be motivated in the workplace, they need to provide employees with just compensation policies and benefits. In order for the organisation to successfully win the loyalty of its workers towards the business, it must provide a number of different welfare options. The wage that is being offered for the current position needs to be one that is equitable and on par with the pay that is given by other companies in the industry that are comparable.

### **CONCLUSION**

In conclusion, the review emphasises the necessity of an efficient incentive system in driving the performance of people and the success of organisations. Organisations are able to build incentive systems that inspire and engage their staff by taking into consideration both intrinsic and extrinsic motivators, as well as introducing personalization and inclusivity into their programmes. In today's highly competitive business world, this analysis offers practitioners, human resource managers, and policy makers useful insights that can be used to optimise their reward schemes, thereby promoting a motivated, high-performing and pleased staff.

Every design for an organisation must have some kind of just reward mechanism. Both the efficiency with which the organisation operates and the quality of life its workers experience are significantly influenced by the degree to which these systems are integrated with the rest of the organization's infrastructure. The primary purpose of the study is to evaluate the effect that monetary rewards have on the levels of intrinsic motivation possessed by workers. According to the results of the questionnaire study, workers perceive the incentive system as a tool that can encourage and motivate them, in addition to increasing their overall productivity. The analysis of the data showed that the majority of participants desired both monetary and non-monetary rewards as a means of being motivated, and the findings demonstrated that this preference was supported by the data. As a consequence of this, there is a continuous signal to management indicating that there is potential for enhanced employee performance as a result of various motivating events and financial awards. As a consequence of this, there may be a connection between the awards the company offers and the motivation it provides to its workforce. The purpose of incentives is to serve as motivation for workers, with the end goal being an improvement in the performance of the organisation.

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