

Reward Management System and Employee Performance in the Fast Moving Consumer Goods (FMCGS) Sector in Nigeria

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Abstract: *This study evaluated the relationship between rewards systems and employee performance in the FCMGs firms in Nigeria. It specifically evaluates the relationship between extrinsic and intrinsic rewards among employees of consumable goods firms. Survey design method was adopted and descriptive statistics based frequency tables were used in the study to provide information on demographic and research questions variables. The results analysis was followed by inferential statistics on the variables with the use of correlation coefficient at 0.05 level of significance. A total of 234 questionnaires were distributed to employees of the selected FCMGs and a total of 180 employees completed the questionnaire properly. The study finding revealed that there is a statistical significant relationship between the independent variables and that of dependent variables. The intrinsic reward has positive correlation with the performances. The study recommended that the FMCG organizations should get to know their employees more better so that they can employ the right motivational and compensation packages and strategy.*

Keywords: *Rewards, Motivation, Intrinsic/Extrinsic and Employee performance*

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INTRODUCTION

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 is reward. 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 performance at all levels employee' and them 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) argues that once pay exceeds a subsistence level, intrinsic factors are stronger motivators, and staff motivation requires intrinsic rewards such as satisfaction at doing a good job and a sense of doing something worthwhile.

There is mix finding in the literature to determine which type of reward is more effective to increase employees' performance. According to Perry et al (2006) financial rewards is not the most motivating factor and financial results have a de-motivating effect among employee (Srivastava, 2001). Several studies have found that among employee surveyed, money was not the most important motivator, and in some instances managers have found money to have a demotivating or negative effect on employees (University of Texas, undated). On the other hand, it is also indicated that non monetary types of rewards can be very meaningful to employees and very motivating for performance improvement. According to him, creative use of personalized non -monetary rewards reinforces positive behaviours and improves employee retention and performance. These types of recognition can be inexpensive to give, but priceless to receive. In this work we will found out the rewards systems that become more imperative to employee performance. The study evaluates the nature of the relationship between intrinsic, extrinsic rewards and employee performance.

LITERATURE REVIEW

The Concept of Reward Management Systems

In the globalization age, the workplace realities of previous organizations no longer exist. It is necessary to revise carefully. It is also important for the organizations to meet and introduce new motivational tools of employees since the change has been observed on the (Roberts, 2003). Beer et al, (1984) strongly asserts in their research of changing work environment the reality that organizations today have totally changed, therefore it is more important for the top management to carry out new methodologies of developing strong and durable relationship between the organization and employees for meeting the organizational goals and fulfilling the continually changing needs of both parties. Most of the organizations have gained the immense progress by

fully complying with their business strategy through a well balanced reward and recognition programs for employee.

Deeprase (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. According to Babakus et al. (2003), the perceptions that employees have with regards to their reward climate influences their attitude towards their employees. In addition, the commitment of managers towards their organization is also shown by how the manager rewards his/her employees. Goulder (1960) mentions the norm of reciprocity, which focuses on the ability of organization to accommodate the needs of their employees, and reward them for their effort. In exchange for the rewards provided to them, employees should reciprocate by increasing their commitment towards their organization and their work. Many studies in the creativity literature have shown that the firm's perform creatively (Eisenberger, 1992; Eisenberger, Armeli and Pretz, 1998; Eisenberger and Rhoades, 2001).

Rewards Based System

The effectiveness of skilled employees is likely to be limited if they are not motivated to perform. One of the means that organizations can use to enhance employee motivation and performance is to provide performance-related compensation (Delaney and Huselid, 1996). A reward and compensation system is based on the expectancy theory, which suggests that employees are more likely to be motivated to perform when they perceive that there is a strong link between their performance and the reward they receive (Fey and Bjorkman, 2001; Guest, 2002; Mendonca, 2002). In other words, the compensation system (e.g. profit sharing) contributes to performance by linking the interest of employees to those of the team and the organization, thereby enhancing effort and performance (Kalleberg and Moody, 1994; Huselid, 1995; Kling, 1995). According to Nelson & Spitzer (2002) although cash rewards are welcomed by employees, managers should never use this as a tool to motivate their employees to improve their performance levels. Should this happen, there is a change that the essence of the reward would be forgotten. In a study conducted by (Bewen, 2000), the researcher warns that managers should be aware of 'nonrewards'. Such rewards should be utilized to its full.

Every organization's reward system should focus on these major areas; compensation, benefits, recognition and appreciation (Sarvadi, 2010). Benefits such as car loans, medical covers, club membership, ample office space, parking slots and company cars are ways of rewarding and employees do note the types of benefit that their organization offers.

Recognition and appreciation are another integral component of a winning strategic reward system. Recognition is to acknowledge someone before their peers for desired behaviour or even for accomplishments achieved, actions taken or having a positive attitude. Appreciation on the other hand centers' on showing gratitude to an employee for his or her action. Such rewards help employees to gauge their performance and know whether they are doing good or bad (Sarvadi, 2010).

Cash bonus is another form of reward that organizations use to reward employees for exemplary performance that is if they have performed higher or exceed their set targets, this hence makes them eligible (Finkle, 2011). The amount of cash is determined by how high the employee has over exceeded the set targets or they can also be based on ranks or job groups. Nowadays, companies are rewarding performance bonuses to junior employees to increase output, unlike the past where they used to be a privilege of top executives. Performance bonuses are now on the rise in many organizations because managers want to link performance to reward. (Block & Lagasse, 1997).

Companies use cash bonuses to reward their employees' performance during the year under appraisal. But there is also the unspoken expectation that these bonuses will be a factor in motivating employees' performance next year as well. Employees who receive a large bonus will likely want to get it next year too. On the other hand, employees who receive a miserly bonus and it reflects how the company assessed their performance, might consider improving next year (Finkle, 2011). The task of developing a strategic rewards framework for organizations is usually challenging but necessary to survive in the competitive and changing market place. The process however cannot be copied from the organizations but needs to be designed, developed and grown within the unique environment of the organization (Wilson, 2003). A well designed incentive program rewards measurable changes in behaviour that contribute to clearly defined goals. The challenge in developing such a program lies in determining what rewards are effective agents of change, what behaviours can be changed and the cost and benefits of eliciting change (Hartman et al, 1994).

Employee Performance

Measuring performance is of great importance to an incentive plan because it communicates the importance of established organizational goals. "What gets measured and rewarded gets attention" (Bohlander et al, 2001). In discipline of human resource management, different writers suggest the following indicators for measuring employee performance and they include: quality that can be measured by percentage of work output that must be redone or is rejected; Customer satisfaction that can be measured by the number of royal customers and customer feedback. Also, timeliness, measured in terms of how fast work is performed by the employee when given a certain task; absenteeism/tardiness observed when employees absent themselves from work; and achievement of objectives measured when an employee has surpassed his/her set targets, he/she is then considered to have performed well to achieve objectives (Hakala, 2008; Armstrong, 2006).

The management of individual performance within organizations has traditionally centered on assessing performance and allocating reward, with effective performance seen as the result of the interaction between individual ability and motivation. It is increasingly being recognized that planning and an enabling environment have a critical effect on individual performance, with performance goals and standards, appropriate resources, guidance and support from the managers all being central (Torrington, Hall & Stephen, 2008). Human resource policies and practices indeed do affect organizational as well as individual performance. Job satisfaction for example, has for a long time been seen as key to affecting business performance as well as commitment. In addition researchers have also identified motivation as the mediating mechanism and some identify trust and morale. In spite of more recent attention to commitment, motivation is still considered to be an important influence to performance (Torrington et al, 2008).

Rewards Systems and Employees Performance: The Nexus

Rewards can be used to improve performance by setting targets in relation to the work given e.g. surpassing some sales targets. When the employee surpasses their target, he or she can be given an additional amount to their salary; this will make them strive to achieve more (Maund, 2001). Employees should be aware of the relationship between how they perform and the rewards they get. Organizations should apply performance management programs which assist in planning employee performance, monitor performance by effecting proper measuring tools Rewards should be used as a way of strengthening good behaviour among employees as well as productivity. Hence reward systems should focus on reinforcing positive behaviour. Employees could be rewarded for working overtime, taking initiative, team work, reliability, exceptional attendance, outstanding customer feedback, meeting deadlines or timeliness, productivity etc. Employers and managers should then design or come up with a system to measure or quantify all these aspects so that rewards are then given accordingly. A good reward system that focuses on rewarding employees and their teams will serve as a driving force for employees to have higher performance hence end up accomplishing the organizational goals and objectives.

An effective reward program may have three components: immediate, short-term and long term. This means immediate recognition of a good performance, short-term rewards for performance could be offered monthly or quarterly and long-term rewards are given for showing loyalty over the years (Schoeffler, 2005). Immediate rewards are given to employees repetitively so that they can be aware of their outstanding performance. Immediate rewards include being praised by an immediate supervisor or it could be a tangible reward. Short term rewards are made either monthly or quarterly basis depending on performance. Examples of such rewards include cash benefits or special gifts for exceptional performance.

Research has proven that when human being are appreciated and praised they tend to improve their performance. This is another way an organization can apply as a reward so as to improve performance. Praise could be shown in the organization newsletter or in meetings. When managers take time to meet and recognize employees who have performed well, it plays a big role in enhancing employees' performance (Torrington & Hall, 2006). Organizations should reward employees more often. This greatly improves performance compared to having the rewards maybe only once a year. This is because frequent rewards are easily linked to the performance. (Thomson & Rampton, 2003). Another way through which organizations can use reward systems to increase output is by personalizing the reward. When rewards tend to be so general, employees do not value them. Organizations can use rewards to improve employee performance by incorporating appraisal or promotion for employees who have a good record of performance. Managers should be on the lookout for employees who perform well.

Theoretical Frameworks

This study anchored on Vroom's expectancy theory. Vroom suggested that individuals will choose behaviours they believe will result in the achievement of specific outcomes they value. In deciding how much effort to put into work behaviour, individual are likely to consider three things; valence, instrumentality and expectancy. All these factors are often referred to as 'VIE' and they are considered to influence motivation in a combined manner. Managers should therefore attempt to ensure their employees that increased effort will lead to higher performance which will hence lead to valued rewards (Ryan & Pointon, 2005).

The relevance of this theory to the study is that most FMCGs have put up rewards (cash bonuses) that are supposed to be attractive so as to achieve a desired outcome which is employee performance. Thus employees have to exert effort in their work that will lead to a certain level of performance that is desirable by management, which will then result to a reward.

METHODOLOGY

This research adopts a "*survey method*" and design. This is so because survey research focuses on the people, the vital facts of people and their beliefs, opinion, attitudes, motivation and behaviour. The population of this work consists of the staff of three selected FMCGs Offices in Enugu State, Nigeria. They are Dangote Nigeria Plc, Unilever Nigeria Pls and Cadbury Plc. The populations of this staff are 899. From the population, sample size is developed through Trek (2006) formula and 234 sample size was drawn. Also, the non-probability *convenience* sampling was used as the sampling technique for this study. Data for this study were collected mainly from primary source. Data were gathered from the primary source through questionnaire that was self-administered. The questionnaire was pre-tested on 20 respondents at Unilever Office in Enugu. In this study, a reliability co-efficient (Alpha value) result of 0.87 was derived and this indicates that the instrument is very reliability. The objective of pre-testing was to allow for modifications of various questions in order to rephrase, clarify and clear up any shortcomings in the questionnaire.

RESULTS AND FINDINGS

The table below shows the means and standard deviation for key items for both intrinsic and extrinsic rewards used in the study. This shows that the basic pay, performance bonus, career advancement,

recognition, learning opportunity and challenging work ranged from a low 3.03 to a high of 7.46. Results of the descriptive statistics in terms of arithmetic mean and standard deviation show that reward of the employee in the sample are relatively good. The mean values for the entire variable are relatively high. Above mean values show the employees recognition, challenging work and basic pay compared to other variables. Mean value for employee performance is 2.23 which shows that employees of the staff in the selected FMCGs are well rewarded.

Table 6.5: Descriptive statistics: Overall mean for rewards and employee work performance

Variables	Mean	Standard Deviation
Employee's Performance	2.2320	127.83857
Basic Pay	5.1840	229.76140
Performance bonus	7.1240	330.77984
Career Advancement	7.4580	393.25208
Recognition	3.0300	143.65584
Learning opportunity	6.0700	331.09817
Challenging Work	4.1740	193.30753

Question 2: Extrinsic and Intrinsic Rewards and Employees Performance

Dimension Correlations between rewards and employees' performances

	Employees' performance	Extrinsic rewards	Intrinsic rewards
Employees' performance	1	.549(.169)	.496(.197)
Extrinsic rewards	.549(.169)	1	.994**(.000)
Intrinsic rewards	.496(.197)	.994**(.000)	1

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

Table shows all the correlations between the variables examined in the study. The correlation coefficient was shown a strong relationship, $r = 0.549$ between the correlation coefficient was shown a strong relationship, $r = 0.49$ performance. Meanwhile intrinsic rewards also showed a strong relationship $r = 0.994$ toward extrinsic rewards with the significant level less than 0.01.

T-test of employees' intrinsic performance and extrinsic rewards

Model	Standardized Coefficients	t	Sig.
	Beta		
Basic Pay	.642	1.452	.121
Performance bonus	.478	.941	.208
Career Advancement	.491	.977	.200
Recognition	.374	.698	.267
Learning opportunity	.427	.819	.236
Challenging Work	.671	1.566	.107

Dependent Variable: Employee performance

The above shows that there is a relationship between extrinsic and intrinsic rewards with the employees' performances. Based on a result from Pearson Correlation Analysis, it showed that there was a positive relationship between rewards and employees' performance and also there is a highly positive and

significant relationship between intrinsic and extrinsic rewards. The results of correlation matrix have supported the hypothesis that there exist a positive relationship among extrinsic rewards, intrinsic rewards and employee performance.

There are two factors included in the extrinsic rewards such as basic pay and performance bonus. Basic pay is a highly significant factor which affects employee performance than performance bonus. Both are positive significant factors which affect employees. There performance has four factors included in the intrinsic rewards such as recognition, learning opportunity, challenging work, career advancement. Among all of the four factors challenging work is a significant factor which affects employees' performance. The key finding from the analyzed data is summarized below:

Summary of Hypothesis Results

Hypothesis		Result
H₃:	There is a significant relationship between intrinsic reward and extrinsic rewards on employee performance.	Strongly Supported

CONCLUSIONS AND RECOMMENDATIONS

Nowadays human resource has been considered to be the most effective resource of an organization to remain competitive in the business world. Acquiring the right workforce and then retaining that force is one of the challenges to the organization. The result from this study examined and determined the relationship between rewards and employees'. Based on result of the study, it is showed that only extrinsic or intrinsic rewards are not sufficient to motivate employee to perform work highly. Hence, if the FCMGs key both types of rewards for the employees then it will increase their employees' performance because both intrinsic and extrinsic rewards both have different relevance. In line with this conclusion, the study recommends that:

- i. Rewards have been known to have a positive effect on employee performance .Therefore, the FMCGS organization should get to know their employees well so that they can employ the right motivational strategy.
- ii. Herzberg's motivator-hygiene theory says that if higher level needs (like a sense of achievement or opportunities for personal growth and having responsibility) were met, individuals would be motivated. The FMCGS organizations need to change the intrinsic nature and content of jobs by enriching them so as to enhance employees' sovereignty. This will foster opportunities for them to have additional responsibilities and as well gain recognition so as to be stellar achievers.

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