REWARD SYSTEMS AND CORPORATE PRODUCTIVITY PERFORMANCE

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ABSTRACT

This paper is designed to motivate managers and organizational leaders in their attempt to improve corporate productivity performance within industries. The argument presented in this paper is subject to criticism and refinement for future benefits. However, as a qualitative study, evaluations were done via examinations of past studies on the concept of reward systems as it might influence corporate productivity performance. The most important aspect of the paper is on the applications of motivation theories which include the expectancy and reinforcement theories that managers or leaders can adopt in their managerial context in order to improve corporate productivity performance. Hence, conclusion was drawn that reward systems can improve quality output if management provides effective reward systems to motivate and improve positive behavior for employees to increase quality output within industries.

KEYWORDS: Reward systems, Quality output, corporate productivity performance, expectancy theories, reinforcement theories.

INTRODUCTION

Corporate performance refers to the series of achievements made by an organization or corporation at, or over a given time, measurable via several indices. It is far measured via the extent to which an enterprise achieves set goals or executes its strategies; therefore, performance measures are sourced from both company targets and techniques. In the same vein, productivity expressed the relationship between input and output at a given period of time. Scholars have found reward systems to influence behaviours (Pourkazemi & Heydari, 2002). Corporate productivity performance is a controversial concept based on its difficulties in measurement.

Few Scholars within the Nigerian context have attempted to measure corporate productivity performance but all depends on their area of study and the subject under investigation or treated (see; Umoh, Wokocha & Amah, 2013; Umoh, 2014; Zeb-Obipi, 2015). For instance, Umoh, et al. (2013) examined the relationship between product planning and corporate productivity performance in manufacturing firms in Nigeria.They measured corporate productivity performance to include; cost minimization, enhanced equity capital and growth. Their findings revealed a significant relationship between their dimensions of product planning and measures of corporate productivity performance. While, Zeb-Obipi (2015) in his harmonist framework measured corporate productivity performance with broader view to include; time minimization, cost minimization, waste minimization, product line, output level and product quality. All of these could be referred to as the indicators of corporate productivity performance.

However, it seems that the concept of corporate productivity performance and factors that influences it isstill lacking in literature which prompted this paper to develop a simple measure of corporate productivity performance through the idea from past studies reviewed.
It is obvious that all organizations be it profit making or not for profit engaged in one or the two core activities (service rendering or product manufacturing).Since their aim is to satisfy human needs voluntarily or in expectations of return from their performance, products and service offerings becomes the basic purpose for the existence of the organizations which implies that their survival depends on the extent to which they offer quality products or services that meet the expectations of the demands or users. Hence, in this work, corporate productivity performance is measured by quality output which include; quality product output and quality service output. The attempt is to examine how reward systems may be used as mechanisms to improve corporate productivity performance and encourage management to provide effective reward systems through the applications of expectancy and reinforcement theories to enhance corporate productivity performance in an organization.

LITERATURE REVIEW

Theoretical Framework

The focused on two motivating theories that managers can adopt in their operations in order to improve employees' behaviours to achieve quality output in the organizations, these theories are discussed extensively one after the other.

EXPECTANCY THEORY

This theory solely depends on the outcomes to be received if certain task is accomplished. This theory is credited to Victor Vroom in 1964 study on work motivation. He stated that employees perform or act in certain direction based on the expectation that such action will be followed by a given outcome which is attraction to the employees (Robbins & Coulter, 2013).

Managers can adopt this theory by setting appropriate reward system that will attract the attention of employees to perform in certain way in order to achieve the set outcome.
The major tenets of expectancy theory are that expectancy has effort performance linkage which is the probability perceived by the individual that putting certain level of effort will bring about a certain performance outcome which is beneficial (Robbins & Coulter, 2013). Secondly, the desire generated or developed towards the specific outcome is what Vroom (1964) termed ‘valence’ which implies attractiveness, importance or degree of preference for that particular outcome to employee (Mullins, 1999). Thirdly, the instrumentality aspect of the expectancy theory is of the idea that the degree to which employee believes that performing at a particular level is instrumental in attaining the desired outcome (Robbins & Coulter, 2013).

Hence, there is a tie among the three important aspects of expectancy theory which management can apply through provision of effective reward system in order to improve corporate productivity performance. Corporate productivity performance could be enhanced by the expectation of certain level of outcome to be achieved, such as; growth, profitability, sales volume, high market etc.

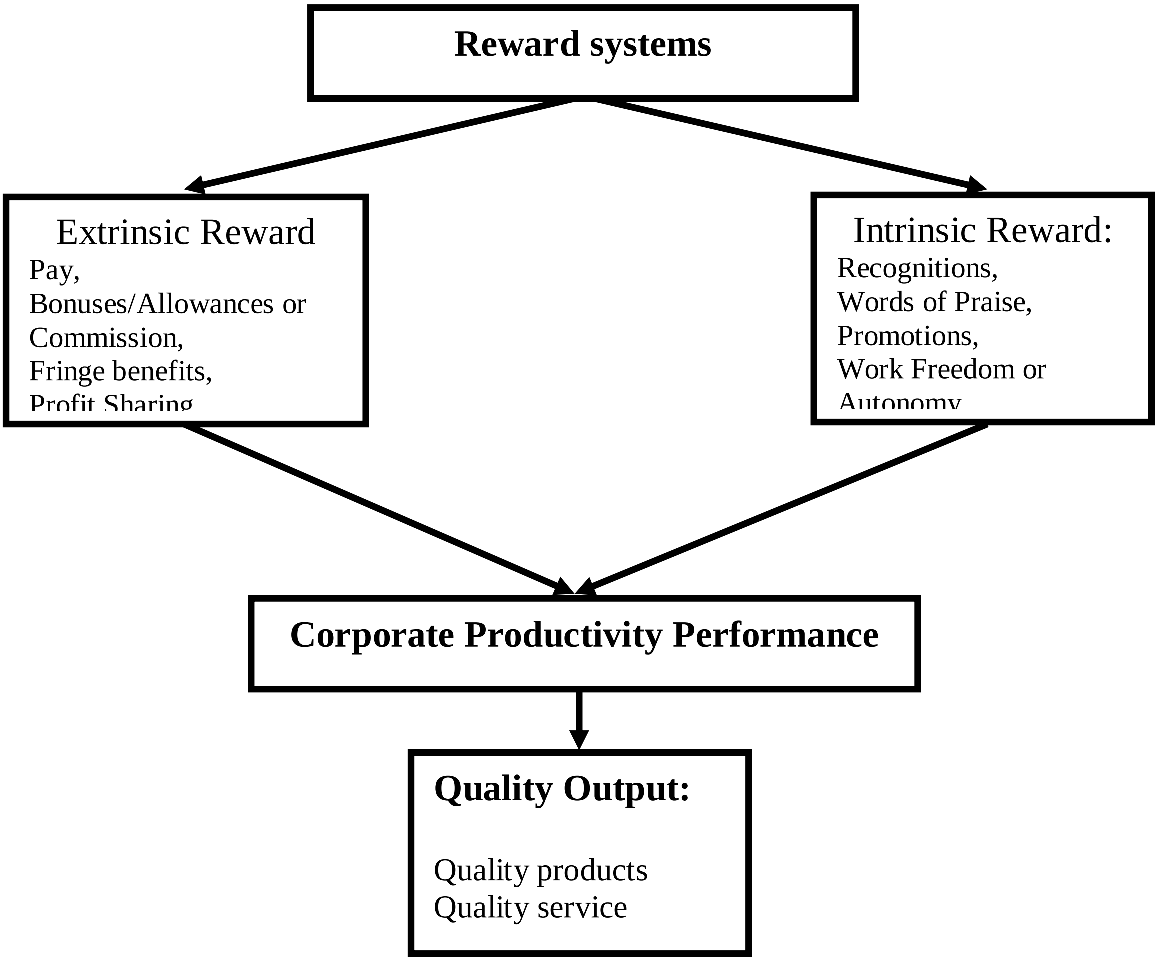
Just as individual may put more effort in performance execution to achieve certain desirable goal, organizations as well could improve their level of productivity through the expectations as set up by management of that organization. Expectancy theory provides tasks motivation that is based on reward system and encourages management to use rewards appropriately. It attempts to establish clear relationship between efforts performance and rewards as perceived by employees and the corporation focusing on high valence to be used as incentive for performance improvement (Mullins, 1999).

POSITIVE REINFORCEMENT THEORY

Another theory that widely encompasses motivating behaviour is the reinforcement theory. Hence, an attempt is to develop or strengthen desirable behaviour through reward system that is effective and without negative behaviour that affect corporate productivity performance (Quick & Nelson, 2003). Effective reward system can spur on desirable behaviour and management can improve their level of productivity as well as performance. The elements of intrinsic and extrinsic reward provided for at the end of the year by the management of the organization for success of operations are an example of positive reinforcement (Quick & Nelson, 2003).

When the subordinates are reinforced through rewards system, they try to focus on positive behaviour than negative actions. Therefore, management is encouraged to focus on positive reinforcement theory to improve corporate productivity and performance in order to grow and achieve the set goal and objectives.This is due to the fact that when reward system is properly implemented enable the subordinates and management to function properly in achieving the desired objectives. Reward systems always involve the intrinsic and extrinsic aspects. These two dimensions of reward systems were extensively discussed in proceeding paragraphs to examine how they influence corporate productivity performance under review. The framework below also depicts the elements of intrinsic and extrinsic reward system and quality output as discussed in this paper.

CONCEPTUAL FRAMEWORK



Source: Authors Research Desk (2017).

REWARD SYSTEMS

An organizational reward system is the formal and informal mechanisms to motivate employees' performance. Reward is a provision made by management to employee in exchange for his/her service rendered or task accomplishment. It is the degree to which firms or management recompense for the effort of the employees. According to Tamunomiebi and Zeb-Obibi (2009), reward system is the degree to which management provide for the performance of employees in form of salary, promotions and others. Reward serves as human resource compensation which has been effective in attracting sufficient and suitable employees. It is used in employee retention and to fulfill obligations in most organizations (Tamunomiebi & Zeb-Obibi, 2009). However, it seems that many managers lack the ability to use reward power in their managerial practice. Rewards that are tied specifically to performance have the greatest impact on enhancing actual performances (Pourkazemi & Heydari, 2002).

Managers sometimes resort to unusual rewards as a way to retain valuable employees. For instance, Mercer Management, a consulting firm, was having trouble holding on to its best consultants who were beginning to feel a bit restless. If an organization wants good performance, then it must reward good performance. If companies talk “teamwork,” “values,” and “customer focus,” then they need to reward behaviours related to these ideas. Although this idea is conceptually simple, it can become very complicated in practice. Reward decisions are among the most difficult and complicated decisions made in organizations, and among the most important decisions. As pay and rewards for performance have value, so too do trust, fun, and meaningful work. Reward and punishment decisions in organizations affect many people throughout the system, not just the persons being rewarded or punished. Reward allocation involves sequential decisions about which people to reward, how to reward them, and when to reward them. Taken together, these decisions shape the behaviour of everyone in the organization, because of the vicarious learning that occur as people watch what happens to others, especially when new programs or initiatives are implemented. People carefully watch what happens: peers who make mistakes or have problems with the new system; then they gauge their own behaviour accordingly. Thus, reward systems (intrinsic or extrinsic reward) are ingredients to corporate productivity performance.

INTRINSIC REWARD SYSTEM

This dimension of reward system provides subordinates with inner desired fulfillments (Pourkazemi & Heydari, 2002). Intrinsic rewards include those provisions that are made to workers in form of non-cash as recompense which is non-physical in type and kind. These are praise, recognitions, authority to instantaneous tasks, professional growth, appreciations and respect are good examples (Saqib, 2015). Intrinsic reward is seen as an inner factorthat motivate workers to improve their performance in congruence with the organizational goals and vision (Burke, 2002). Based on the fact and reasons, organizations tend to have productive workforce when they provide intrinsic reward that motivate the staff (Adeyemo & Aremu, 1999).

Saqib (2015) also noted that intrinsic reward provides opportunity for the workers to be closer to the organization as they perceived thatreward satisfies their inner needs or drives. This was acknowledged by Lazear (1986) who found that when management recognizes worker’s good performance and reward them appropriately, then staff tends to develop emotional attachment, trust and integrates more to their work and positively relate their personal interest to that of the organization (Lazear, 1986). Other scholars have also shared this view (see; Deci, 1971; Howard & Dougherty, 2004; Mahaney, & Lederer, 2006). Thus, intrinsic reward will enable the organization to improve in their corporate productivity performance.

Different people have different perception and therefore, there are various forms of intrinsic rewards, some of which are:

Recognition: Everyone wants to be renowned at the place where they work. It is rewarding for employees when they are recognized by the co-workers and other members of the company for the work they've done.

Words of praise from management: Employees become more than happy when their seniors or supervisors speak few words of appreciation for them in front of peers or co-workers.

Promotion: Some employees are average performing, while some others are intensely hard working, as a result of which they make huge difference on the company's status. Such employees can be rewarded by handing them over new responsibilities and duties. Promotion is directly related with increment in status, payment and power.

Work freedom or autonomy: When employees continue to make better output, supervisors may bother less to manage them. The freedom that employees receive to make their own decision and work as per their schedule is also a form of intrinsic reward.

EXTRINSIC REWARD SYSTEM

Effective reward system in an organization may serve as an engine that drives the performance of such organization (Denisi & Griffin, 2005) and may exert a direct impact on corporate productivity performance. It also influences individual and team performance as well (Denisi & Griffins, 2005). This may occur focusing on the perspective of motivation that rewards performance. A good example of extrinsic reward system includes; pay, bonuses, allowances, fringe benefits etc (Lazear, 1986; Howard & Dougherty, 2004; Mahaney & Lederer, 2006). Organizations provide rewards and incentives that can serve as positive reinforcement for desired behaviour. Similarly, most also have various forms of punishment that can be used to weaken or eliminate undesired behaviours.

Although not as extreme as the humorous example shown here, positive reinforcement and punishment that are clearly linked to desired and undesired behavioursrespectively, can play a major role in boosting employee performance and organizational effectiveness. Pay awarded to employees on the basis of the relative value of their contributions to the organization merit pay plan (Denisi & Griffin, 2005). Compensation plan formally bases at least some meaningful portion of compensation on merit piece-rate incentive plan reward system wherein the organization pays an employee a certain amount of money for every unit she or he produces. Some of the examples of extrinsic reward are:

Pay: A company can design good payment for the employees as the reward for contributing their precious time and energy in achieving the organization's goal. A good payment is motivational and is a major factor that affects job satisfaction.

Bonus/Allowances or Commission: When a company earns profit or higher income due to the effort of an individual or group of employees, the company should appreciate their contribution by giving them additional payment as a bonus/allowances or commission. Financial rewards are always known to have received more value from the employees.

Fringe benefits: Fringe benefits are extra facilities provided to the employees in addition to their salary. Fringe benefits can be a company's car, free life/health insurance, employee discount scheme, pension plan, etc.

Profit sharing: Employees are equally creditable for the organization's progress or success as much as the employers are. Therefore, a responsible organization rewards its employees by sharing the profit with it employees.

CORPORATE PRODUCTIVITY PERFORMANCE

Corporate productivity performance is measured in this study using quality output. In this, the study focused on the output level. By output level we mean the quantity, amount or unit of a good or level of service that a company offers, desires to offer or can offer. This definition suggests three concepts of output level. These are actual, desired and potential output levels. While it is possible to have a coincidence of all three at the same level, it isnot always so for one company at all times or for all companies (Mohanty, 1998). This accounts for differences in performance amongst companies; and sometimes for one company at different times.

Productivity concept has been recognized as the expression of the relationship between input and output. This has been developed from the economic view point over the centuries (Vourinen, 1998) and is now adopted by many organizations today. Scholars attributed productivity to economic system since the major aspect of the economic system is to increase output using minimal level of input (Misterik, 1992).

This belief and argument could stem from the fact that some managers do not actually grasp the idea behind productivity concept. In one study conducted, it was found that productivity is one of the major factors that affect organizational competitiveness (McLaughlin, 1990). However, several meanings are ascribed to productivity but whatsoever the idea behind productivity, scholars and managers still need deeper understanding. As noted by Koss and Lewis (1993), some mangers battled with improving productivity without knowing the actual way out. For such managers, productivity is a hard concept to treat and understand. Hence, productivity has been used by many when treating the concept performance which makes productivity and performance to be related in some instance especially when it comes to measurement. Just as productivity is a challenge to measure directly, so is performance difficult to measure unless through other variables. Therefore, productivity and performance could be measured through output level. Thus, this study used quality output as measure of productivity performance which is discussed in proceeding paragraphs.

QUALITY OUTPUT

There are different concepts of quality. It has been commonly defined as thetotality of features that characterised a product or service to satisfy stated or implied needs.A better framework of quality concepts is provided by Wild (1995). Defining quality as ―the extent to which an offering satisfies a need. He offers three concepts. These are Product Quality, Design Quality, and Process Quality. One noted variable that was not added by Wild (1995) is service quality which this paper addressed. Design quality refers to the degree to which the specification of a productsatisfies customers' requirements; process quality is the degree to which the product, when made available to customers, conforms to specifications and service quality is the degree to which the products or services are delivered to customers based on the specified and agreed purpose. As companies differ in their characteristics so also, they differ not only in the products and services they offer but also at the level at which they offer the same products and services. There is no doubt that the quantity would not be the same for all of them.

No matter the direction of the differences, they are signposts of how well or poorly a company is performing. However, a more relevant frame of reference for output level indices is what it is called: (i) Same-resource Output level, (ii) Lesser-resource Output Level, and (iii) Greater-resource Output Level.

The first defines output level in a situation where more of a product is produced with the same amount of resources. The second defines an output level in a situation where more of a product is produced using lesser amount of resources.The third defines an output level in a situation where more of a product isproduced using more resources (Zeb-Obipi, 2015).

QUALITY PRODUCT

Quality product is the degree to which a product satisfies customer requirements. Quality is not seen in the product until when it is consumed or used. According to Wild (1995), while the first two (design quality and process quality) determine product quality, they are also determined by a number of factors. However, our interest here is not on their determinants or how theydetermine product quality. The point is hit on how product quality becomes a measure of corporate productivity performance. Quality, beyond being a policy option for companies, is an indicator of their performance. It shows error-free processes and systems, substantial quality assurance and control, and adequate system capability (Wild, 1995).
A significantly positive correlation exists between product quality and return on investment, and this is because high quality business units earned more as their premium quality allowed them to charge a premium price; they benefited from more repeat purchasing, consumer loyalty and positive word of mouth; and their cost of delivering more quality were not much higher than for business units producing low quality (Kotler, 1999). In this case, we can see that quality plays an important role in corporate productivity performance.

QUALITY SERVICE

According to Parasuraman et al. (1988), service quality can be defined as an overall judgment similar to attitude towards the service and generally accepted as an antecedent of overall customer satisfaction (Zeithaml and Bitner, 1996). Parasuraman et al. (1988) have defined service quality as the ability of the organization to meet or exceed customer expectations. It is the difference between customer expectations of service and perceived service (Zeithaml et al., 1990). Perceived service quality results from comparisons by customers of expectations with their perceptions of service delivered by the suppliers (Zeithaml et al., 1990). If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1985; Lewis and Mitchell, 1990).

Services unlike tangible products are produced and consumed at the same time in the presence of the customer and the service producer. The presence of the human element during the service delivery process greatly increases the probability of error on the part of employees and customers. This error is due to intangible behavioural processes that cannot be easily monitored or controlled (Bowen, 1986). However, although a substantial amount of service quality research has focused on service customers' perceived service quality (Parasuraman et al., 1988; Carman, 1990; Parasuraman et al.,1991; Babakus and Boller, 1992; Cronin and Taylor, 1992; Babakus and Mangold, 1992), relatively little attention has been paid to exploring the factors that impact on service employees' behaviour with regard to delivering service quality.

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The power of rewarding positive behaviour cannot be overemphasized. Daft (2003) defines corporate performance as the organization's ability to attain its goals by using resources in an efficient and effective manner. Armstrong (2003) notes performance as a multi-dimensional construct, the measurement of which varies depending on a variety of factors.

Performance can be seen as a record of outcome achieved as well as a person's accomplishments. Performance can therefore be regarded as behaviour the way in which organizations, teams and individuals get work done. Armstrong (2003) concluded that when managing the performance of teams and individuals, both inputs (behaviour) and output (results) need to be considered. That is, performance management covers competency levels and achievements as well as objective setting and review. Bourne et al. (2003) recognize employees as one of the most important stakeholders in their five facets of the performance prism. This supports Balmer and Gray's (2000) assertion that for today's knowledge organizations, the key to staying competitive is the ability to attract and retain skilled and motivated employees which could be achieved through appropriate rewards systems. Thus, this asserts that intrinsic reward increased quality output and extrinsic reward improves quality output.

CONCLUSION

The attempt of this paper was to make a critical review of the concept of reward system as it can help organizations to improve the corporate productivity performance. However, it seems most scholars and researchers who studied reward systems have not been actually involved in studying corporate productivity performance at organizational level. Many tend to dwell on reward system focusing on individual employees. This paper looks at reward system on organizational perspectives.

Reward system plays a number of roles and addresses a variety of purposes in organizations. The purpose involves the relationship of rewards to motivate performance. Specifically, organizations want employee from a relatively high level and need to make it worth the effort to do so. When rewards are associated with high performance, employees will presumably be motivated harder in order to achieve those awards. At that point, employees' self-interests follow the organization's objectives.

Reward systems are predictor variables that influence organizational performance. So, organizations that follow the best practice of reward systems will increase corporate productivity and will be more profitable and competitive than companies that have poor reward systems. Again, the study concludes that organizations that provide high reward systems reduce high risks of employees' turnover because such companies improves their performance through retaining qualified employees trained to carry out quality outputs for the organization and generate returns on investments that will help the firm for more growth, development and survival.

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