

# **THE IMPACT OF REWARD SYSTEMS ON EMPLOYEE PERFORMANCE: A STUDY OF SELECTED OIL SERVICING COMPANIES IN BAYELSA STATE**

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## **ABSTRACT**

The research studied the connection between reward systems and worker performance in selected oil servicing companies in Bayelsa State. The study espoused the cross – sectional survey, a type of quasi experimental research design. A population of 385 core employees was obtained and the Taro Yamane formula was used to arrive at a sample size of 108. Primary data was used, and the questionnaire was the main instrument for data collection. The Spearman Rank Correlation Coefficient was used to test our hypotheses. The findings revealed a significant and positive relationship between reward systems and employee performance. The study also revealed a positive and significant relationship between pay incentive and service delivery as well as a positive relationship between fringe benefits and quality service delivery. It was concluded that both pay incentive and fringe benefits are very critical and important aspects of employee motivation. It was recommended that organizations must learn to deploy the both forms of reward systems to achieve their goals.

**Keywords:** Reward systems, employee performance, pay incentives, fringe benefits, and service delivery.

## 1.0 INTRODUCTION

Business environments are becoming more challenging and dynamic than before, competition in the industry is also getting tougher than could ever be imagined, and the change is coming at a neck breaking speed. For organizations to remain in business, make profit, compete in the industry, they need to gain some level of positive financial and non-financial performance (Rabindra and Laltendu, 2017). Each firm has an unwritten goal which is to survive, grow and make profit and these goals drive the activities of the organization in making business decisions towards the accomplishment of firms' objectives (Schiemann, 2009). Profitability and growth has been a key measure of organizations performance and in many cases depend vigorously on the commitment and performance of employees in the organization (Mone & London, 2009). Employee performance has been linked to various factors including reward systems, remuneration, training and development as well as other forms of motivation.

Improvement of efficiency is an imperative issue in today firms. Profitability through employment execution emerges as a broadly inquired about area in writing of hierarchical conduct and human asset advancement (Bommer et al., 1995; Lawler, and Worley, 2006; Schiemann, 2009). Job performance with regards to performance assessment and management is a basic piece of viable HR administration and it is a most looked for after formative mediation in HR portfolio (Bateman & Snell, 2007; Fay & Luhrmann, 2004; Hellriegel *et al.*, 2004). The expression "worker performance" connotes person's work accomplishment in the wake of applying required exertion at work which is related through getting an important work, drew in profile, and empathetic partners/bosses around (Hellriegel, Jackson, & Slocum, 1999; Karakas, 2010). Keeping in mind the end goal to use HR completely and enlarge hierarchical achievement, viable representative execution administration framework is basic for a business association. The performance-driven target is relied upon to be lined up with the authoritative approaches so the whole procedure moves from being occasion headed to wind up more vital and a people-driven point of view (Jena, & Pradhan, 2014; London, 2003; Mone, & London, 2009).

Employee performance manifests the effectiveness of employees' specific actions that contribute to attaining the overall organizational goals. It is characterized as the best approach to play out the activity undertakings as per the recommended set of working responsibilities. Performance is the workmanship to finish the assignment inside the characterized limits. There are heaps of variables that influence the execution of workers. For what reason show improvement over others and get recorded as most favoured business of the year? Prior discoveries have proposed for sending lucrative motivator plans for propelling the representatives toward important occupation cooperation (Friedman, and Sunder, 1994; Roth, 1995; Smith, 1991; Sprinkle, 2000). In the meantime, there is adequate down to business confirmation demonstrating that money related offers have differing impacts and may not be of much noteworthiness for heightening worker execution (Bonner et al., 2001; Camerer, & Hogarth, 1999; Gupta, & Shaw, 2014). This is because of the changing idea of work and rise of knowledged workers in post-globalization era, which has defied the familiar views of individual work performance (Frese & Fay, 2001;

Ilgen & Pulakos, 1999). The inquiry that emerges here is, if fiscal impetuses are incongruent on one's exertion and execution, at that point what are the other related conduct factors that influence employee performance. In the meantime, with the changing authoritative necessities, the capacity to adjust remains as one of an imperative measure to absorb in performance. Tragically, little endeavours have been made to confirm those repressed factors together experimentally. One of the reasons may be that performance is a difficult concept to outline and measure.

The theory on compensate frameworks and their effects on performance cannot be evaluated without looking at how work motivation is also affected by these rewards and how motivation is directly linked to performance. Kanfer *et al.* (2012) portray inspiration in the work sense as a set of processes which are ultimately used to determine a person's actions, and which actions they will use to accomplish a coveted result. This psychological system decides how individual exertion is utilized in the 'direction, intensity and persistence' of these activities in connection to your work. How you are compensated for this function will greatly affect this heading, power and steadiness. Ensuring you have the right reward strategy and structure in place in your organization is vital for the positive performance and motivation of your staff and these rewards systems should be based on what is needed to achieve the wanted level of execution and motivation. Adams (1965) describes equity theory as the perception of how you are treated compared to others and in essence that you will be more satisfied furthermore, propelled in the event that you think you are been genuinely treated. The procedural equity component to how remunerations are translated runs somewhere down as far as performance and motivation. Armstrong (2010:41) states that "in general, use of an evidence-based approach, which essentially means overseeing reward frameworks based on prove instead of assessment, on seeing as opposed to suppositions, and on a persistent pledge to accumulate the fundamental actualities to settle on more astute and educated choices".

The main objectives of this work are;

- i. To establish the relationship between reward systems and employee performance.
- ii. To ascertain the relationship between pay incentives and service delivery.
- iii. To establish the relationship between fringe benefits and service delivery.

## **2.0 LITERATURE REVIEW**

### **2.1. REWARD SYSTEMS**

Most organizations have one form of reward system or another today. The rewards are in most cases deployed as a management tool to facilitate the achievement of pre-determined objectives. The most common reason for these reward frameworks is to spur workers to attain greater heights of performance than previously achieved. Motivation could be achieved through monetary and non-monetary forms (Kanfer et. al., 2012). The monetary rewards could appear as

short-term incentives such as bonuses based on a year's performance or could as well be long term incentive, this time based on performances over a given timeframe usually more than one year. Non-monetary rewards on the other hand includes: growth and development opportunities, promotion and extra vacation days, recognition and awards (Woodbury, 1983).

People are inspired by various factors; hence the need to properly identify which reward system would yield the best possible desired outcome. As stated by Maslow, any need that is satisfied would no longer motivate an individual and the next need forms the basis of motivation. Managers must ascertain the necessities of their workers before designing a reward system that captures the need or forms part of the employees' motivation. A young employee who is starting life and career would probably be more motivated with money and career growth opportunities as well as opportunities for self-development. A more matured employee who has a young family might consider the option of extra vacation days to enable them invest more energy with the family and reduce work life conflict as well. Human resource managers must ensure they make reward system an individual affair so employees are fitted where they belong (Anna, & Sandra, 2009).

## **2.2. EMPLOYEE PERFORMANCE.**

Performance is a multicomponent idea and on the key level, one can recognize the procedure part of execution, that is, conduct commitment from a normal result (Borman, & Motowidlo, 1993; Campbell et al., 1993; Roe, 1999). The behavior here signifies the activity individuals show to achieve a work, while the result viewpoint expresses the outcome of person's activity conduct (Campbell, 1990). Apparently, in a workplace, the behavioural engagement and expected outcome are related to each other (Borman, & Motowidlo, 1993), but the comprehensive overlap between both the constructs are not evident yet, as the normal result is influenced by factors such as motivation and cognitive abilities than the behavioral aspect. Performance in the form of task performance comprises of job explicit behaviours which include fundamental job responsibilities assigned as a part of job description. Task execution requires more psychological capacity and is basically encouraged through undertaking information (essential specialized learning or standards to guarantee work performance and having an ability to handle multiple assignments), task skills (application of technical knowledge to achieve an assignmentsuccessfully without much supervision), also, undertaking propensities (a natural capacity to react to relegated occupations that either encourage or block the execution) (Conway, 1999). Therefore, the essential forerunners of assignment execution are the capacity to carry out the activity and related knowledge. In an organizational setting, task execution is a legally binding comprehension between a supervisor and a subordinate to achieve an allocated undertaking. Depended undertaking execution is broken into two fragments: technical– managerial assignment execution and leadership task performance. The expected employment execution including arranging, sorting out, and controlling the everyday work through one's specialized capacity, business judgment et cetera are termed as technical–administrative task performance.

### **2.3. PAY INCENTIVE**

Monetary incentive is a basic part in the enrollment and maintenance process; in any case, benefits are similarly vital and can regularly be the deciding factor in whether an individual accepts an offer or even stays. Switzer (2004) presumes that as the opposition increments for organizations, employees with the right abilities and learning that most organizations need should be well paid. Many organizations rely on their benefit packages to give them the leading edge. It is appropriate thusly that present day Human Resource pros are very much educated about the different advantages accessible with the goal that they can sufficiently oversee recruitment and employment.

Profit oriented organization typically offer an extensive variety of benefits to their employees to establish them; and employees are provided the same institutional benefits. These include retirement plans, medical care, sick facts fall into an individual's job satisfaction differently. In the interim, one may imagine that compensation is thought to be the most imperative segment in work fulfillment particularly as it has been certified that cash propels people; and in job situations, money motivates behavior when it rewards people in connection to their performance and when it is perceived to be fair, equitable, also, giving prizes that an employee truly value (Bernadin, 2007; Tella, Ayeni and Popoola, 2007).

In any case, this has not been observed to be valid. Employees are more worried about working in a situation they appreciate. This is a pointer to the way that incentive and advantage issues are not to be underestimated by bosses in light of the fact that compensation as well as periphery incentives influence employees' productivity and make them remain with the organization.

**H<sub>01</sub>: There is no significant relationship between pay incentive and service delivery**

### **2.4. Fringe Benefits**

Fringe benefits can affect work fulfillment in a few different ways. Initially, incidental advantages remain as a vital segment of labourer remuneration. The National Compensation Survey led by the Bureau of Labor Statistics assessed that advantages made up 30% of aggregate pay for every single regular citizen specialist in 2006. A few advantages, for example, Social Security and Medicare are legitimately required and make up approximately 27% of all benefit compensation. The remaining 73% of favourable position pay is involved for the most part of paid leave, protection designs and retirement and funds plans. These advantages are frequently not subject to tax assessment and are thusly less expensive to increase through a business than through the market (Alpert, 1987). Consequently, less expensive advantages should build labourer work fulfillment.

Second, incidental advantages can go about as substitutes for compensation. Baughman, DiNardi and Holtz-Eakin (2003) analyzed business study information and found that businesses

diminished wages once a few advantages had been offered to representatives following a couple of years. Woodbury (1983) found that labourers likewise see advantages and wages as substitutes, willing to surrender compensation in return for more advantages. This substitution can expand work fulfillment if the labourer's peripheral salary assess rate increments. The less burdened incidental advantages can be substituted for compensation and increase job satisfaction by saving the worker from increased tax burden

*H<sub>02</sub>: There is no significant relationship between fringe benefits and service delivery*

## **2.5. SERVICE DELIVERY**

Employees perform various tasks in small units to enable the association to accomplish its broad objectives. The performance of the organization to a vast degree relies upon the execution of the employees. With the market getting more competitive and threatening, businesses are ensuring they compete on all fronts more; quality administration conveyance is a major area where organizations seeking to create unique point faces. The output of an organization is an end product of the activities of its employees, as such, organizations ensure their employees give their very best towards making the product output a unique quality one. Differentiation of products leverages the organization especially in quality and service delivery. Organizations hereby motivate employees through divers reward systems with the hope of getting the very best from them.

## **3.0 METHODOLOGY**

The study would adopt the cross sectional survey, a type of quasi experimental research design. A total of 12 oil servicing firms are registered with the Bayelsa State branch of PENGASEN and they formed our population. The accessible population however comprised of the 385 (core) employees of the selected three oil servicing firms in Bayelsa. The selected three include: Alcon Nig. LTD., Pelfaco Nig. LTD. and MORPOL Engineering LTD. The Taro Yamane sample size determination formula was used to arrive at a sample of 108. Primary data was largely utilized here and the questionnaire was the main source of gathering the primary data. Content and face validity of the instrument to ascertain if the instrument measured what it set out to measure. A pilot testing was done using 10 workers of Alcon Nig. LTD., responses gotten helped in further strengthening the instrument which was also given to the researchers superior for validation. The reliability was tested using the Cronbach Alpha and it returned an acceptable figure of 0.8. The Spearman Rank Correlation Coefficient was used to test our hypotheses.

## **4.0 FINDINGS**

Data is analyzed here in four major phases, namely: the demographic, univariate, bivariate and multivariate. Our demographic phase entails the demographic distribution of our respondents and covers areas such as gender, status, organizational existence, qualification as well as the job

status of respondents which were used in describing the sample characteristics. The univariate analysis covered a statistical assessment of individual variables using frequency distributions, mean scores and standard deviations. The bivariate phase of analysis is concerned with the test of already expressed theoretical relationships between variables.

Table 1 showing the outcome of distributed questionnaires

Number of Questionnaire Distributed	108	100%
Number of Questionnaire Retrieved	83	77%
Number of Usable Questionnaire	78	72%

Source: SPSS Output  
 Demographic Data

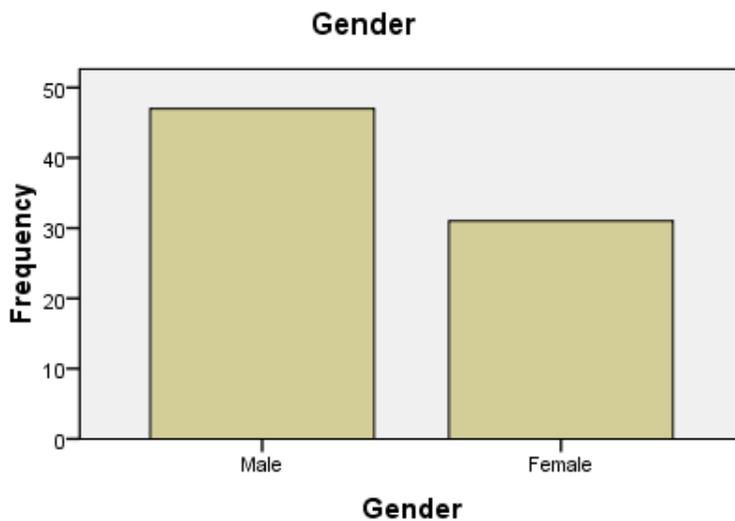


Fig 1 showing the bar chart for Gender

From the above table and bar chart, the male in the study exceed the number of female respondents in the companies by 47 (60%) to 31 (40%). This shows a more noteworthy number of men make up the respondents for the study compared to their female counterparts.

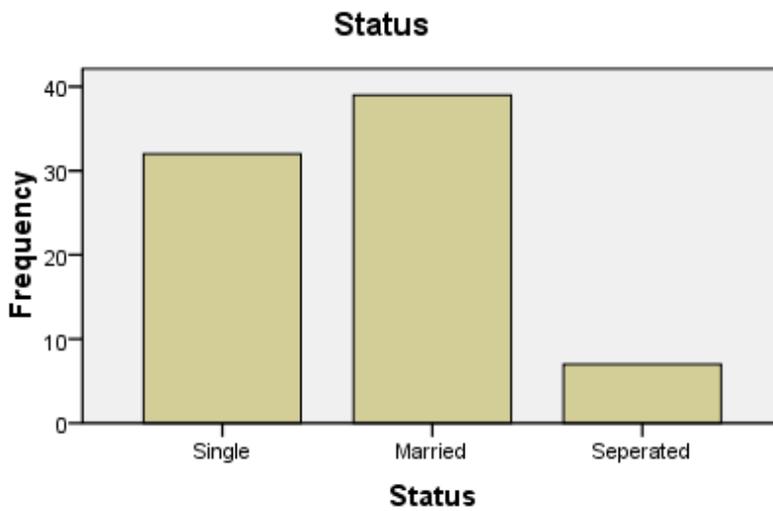


Fig 2 showing the bar chart for marital status

Fig 2 clearly shows the marital status of respondents with a more prominent level of respondents falling into the married category (50%) followed by those who are still single (41%). The least comprises of respondents in the separated category (9%).

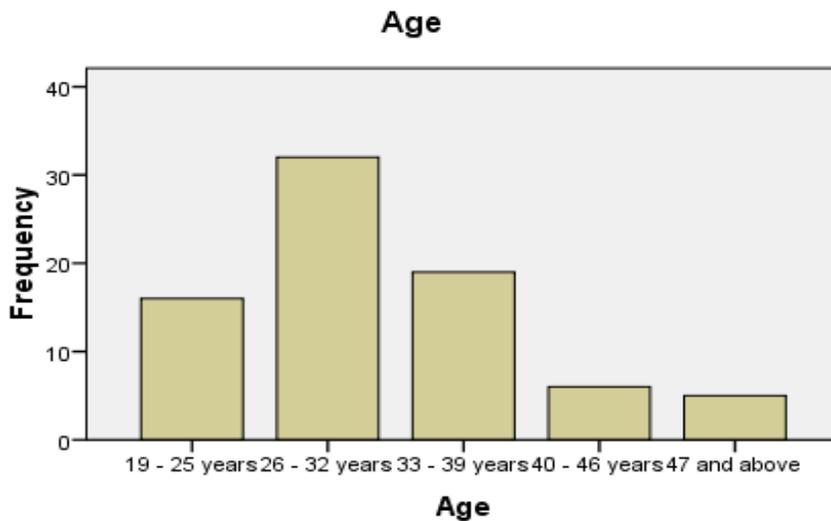


Figure 3 bar chart on Age distribution

Fig 3 illustrates that more of the respondents fall between the (26 - 32) years age bracket, followed by the (33 - 39) years bracket, then the (19 - 25) years age bracket, and the (40 - 46) years bracket, and finally the (47 and above) age bracket.

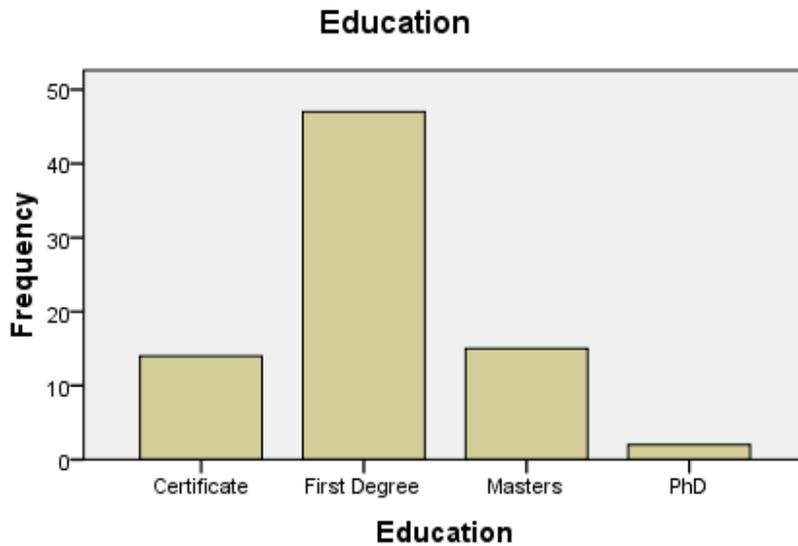


Fig 4 bar chart for Qualification attained

Fig. 4 is used to portray the educational level and qualification distribution of the respondents. From the chart it can be observed that a more noteworthy level of respondents have obtained first degrees (60%), this is followed by those with other masters degrees (19%), then those with professional certificate qualifications (18%) and finally those who have obtained a Ph.D (3%).

#### 4.1 Univariate Analysis

This section covers the univariate analysis on each variable, their indicators and measures and finally the latent concepts. Analysis here includes the use of frequency tables, mean scores, standard deviation coefficients which are used to assess the normality of data distributions. The study variable includes pay incentive, fringe benefits and service quality delivery.

Table 2 Statistics for reward systems

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>Reward systems</b>	78	1.00	5.00	3.9541	.99518
<b>Pay incentive</b>	78	1.00	5.00	3.9423	1.13955
<b>Fringe benefits</b>	78	1.00	5.00	3.9359	1.11762
<b>Service quality</b>	78	1.00	5.00	4.0705	1.10408
<b>Valid N (listwise)</b>	78				

Source; research data 2018

### Secondary Data Analysis (hypotheses testing)

For the secondary data analysis, all hypotheses are tested and bivariate relationships examined based on the adoption of a 95% confidence interval and therefore a 0.05 level of significance.

Table 3 test for hypothesis one

		<b>Service quality</b>
<b>Spearman's rho</b>	<b>Pay incentive</b> Correlation Coefficient	.661**
	Sig. (2-tailed)	.000
	N	78

Source: Research data, 2018

From the table it can be observed that the relationship between pay incentive and service quality delivery ( $H_{O1}$ ) is significant at a probability value of 0.000 and a rho value of 0.661 where ( $p < 0.05$ ).

Table 4 test for hypotheses two

		<b>Service delivery</b>	
<b>Spearman's rho</b>	<b>Fringe benefits</b>	Correlation Coefficient	.677**
		Sig. (2-tailed)	.000
		N	78

From the table it can be observed that the relationship between fringe benefit and service delivery (HO<sub>2</sub>) is significant at a probability value of 0.000 and a rho value of 0.677 where (p<0.05).

The findings revealed a significant and positive relationship between the autonomous variable (reward systems) and the criterion variable (employee performance).

The first hypothesis also showed strong relationship between pay incentive and service quality delivery. As a result of that, the null hypothesis was rejected. The study also revealed that employees were ready to go the additional mile to guarantee that they maintain a high level of quality service in their organization and believe that their efforts would be rewarded with bonuses and pay rises. These findings agree with the work of Anna, & Sandra (2009) which suggested that most employees easily felt motivated by pay incentives and are willing to give their best for that purpose. Woodbury, (1983) also highlighted the importance of pay incentive when quality service delivery is the goal to be achieved.

The second hypothesis also showed a significant and positive relationship between fringe benefits and service delivery. As a result, the null hypothesis was rejected and the alternate was accepted. These discoveries recommend that employees are well motivated by fringe benefits such as paid holidays, leave, bonuses, etc. and are not only motivated by pay increase or bonuses. Rabindra & Jena (2016) also suggested that employees that are motivated intrinsically have a passion for delivering superior service quality, just as Conway (1999) also suggested that fringe benefits could be the best way to deal with motivation in the service industry especially where performance is not tied to quantity of sales or output. He suggested that fringe benefits available to everybody could form a culture that affects the entire service delivery process of the organization and the general execution of the representative and the organization at large.

## 5.0 Conclusion

It is concluded that both pay incentive and fringe benefits are very critical and important aspects of employee motivation and organizations must learn how to deploy both forms of reward systems to achieve their objectives and targets. While different individuals are inspired by

various reward systems, organizations must endeavour to create a link between the needs of employees and what they use in motivating them.

## **6.0 Recommendations**

It is recommended that organizations deploy pay incentive and in addition, incidental advantages to achieve motivational objectives. It is also recommended that organizations treat each employee as a distinct individual to be able to ascertain the motivators for various individuals.

Management of organizations should also employ non-monetary forms of incentives e.g. Introduction of awards (best performing staff of the month department for the purpose of encouraging such staff to continue to give off their best in terms of performance).

Management must also ensure the provision of a congenial working environment for improved service delivery.

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