

## EMPLOYEE REWARD SYSTEM AND CORPORATE EFFECTIVENESS

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### ABSTRACT

*This paper undertook a theoretical examination of the role of effective and robust reward system on corporate effectiveness in modern day organization. In this highly competitive, globalized and technology driven-business environment, organizations need employees with the best skills, capabilities, knowledge expertise, motivation and the right attitudes towards work to compete favourably in the industry. Reward system consists of a number of interrelated processes and activities which combine to ensure that reward management is carried out effectively to the benefits of the organization and the people who work there. The processes and activities are embodied in reward strategies, reward policies, reward management and total reward. The reward system an organization favours will attract the best skills and commitment needed to enhance effectiveness. Therefore, this paper recommends that, organization should put in place flexible and effective reward system to attract, motivate, retain and satisfy their employees. This will in turn spur the employees to go the extra mile to achieve the goals and objectives of the organization*

**Keywords:** Reward, Corporate effectiveness, Employees reward system, Extrinsic reward and Financial effectiveness

## Introduction

The people in an organization, depending on the quality and quantity of their skills, expertise and experience serve as competitive advantage to the organization because the most important resources of every organization is her employees. According to Gareth (2018), in this highly competitive and globalized business world, organizations need employees with the best skills, capabilities, knowledge expertise, motivation and the right attitudes towards work to compete favourably in the industry. Interestingly, people join organizations for three crucial reasons: (1) To achieve personal goals that they may not be able to achieve outside the circumference of organizational life. According to Bernard (2001) people come to the organization in order to work with others to achieve those things they will not achieve working as an individual. The expectations and willingness to pursue an individual goal propels employees to offer his/her services to the organization and in turn the organization pay for the services employee renders. (2) To meet the need of the organization in order to achieve organization's set goals while developing their skills and enjoying formal life. Every organization hires people because they have a goal to be achieved and the services of the employees would be most needed in that direction.

The organization values the quality of service employees bring. People are rewarded according to what the organization values and wants. (3) For prestige and respect; there are a lot of people who work for prestige and respect and not necessarily for money. They might have made their money as individual in other endeavours but the prime motivation to identify with a certain organization because of the value and respect people of the society have for that organization could spur the individual to join the organization. For example, an individual journalist may be making good money as a consultant to highly place politicians and business leaders in terms of speak writing and content development. However, such a person for the mere fact of prestige and respect, will be willing to offer his/her services to CNN, BBC, AP or New York Times due to the respect these organizations have in the world. People feel good to be introduced as staff of any of the organizations mentioned above. The reward system an organization has plays a determining role for employee's productivity or effectiveness all things being equal. If the employee discovers that the reward is so meagre that he/she may not be able to meet his goal, the tendency to withdraw his/her services anytime is high but in the other way round, if employee realized that the reward system is good enough, he will go the extra-mile to ensuring his best is leveraged on for the good of the organization.

Reward system is in two folds; tangible and intangible. Tangible rewards are those rewards that can be seen and touched while intangible rewards are those ones that can only be felt and appreciated. Employee reward system has tremendous impact on corporate effectiveness. Reward system according to Armstrong (2012), consists of a number of interrelated processes and activities which combine to ensure that reward management is carried out effectively to the benefits of the organization and the people who work there. The processes and activities are embodied in reward strategies, reward policies, reward management and total reward. The reward management prefer to the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization (Armstrong, 2012). When there is a robust reward system in place, corporate effectiveness is predictable due to the fact that, employees will naturally reciprocate good reward with performance. This paper examines the relationship between employee reward system and corporate effectiveness.

## REVIEW OF RELATED LITERATURE

### Theoretical Framework

#### Efficiency Wage Theory

Efficiency wage theory was developed by Smith in 1986 to provide an analysis on the relationship between reward and performance. Every organization appreciates value they receive from the employee and it is that value they reciprocate in form of salary or wages and other allowances. This value contribution by an employee is measured with the market rate, however, organization may pay above the market rate if the value is higher. Smith noted that organizations will pay more than the market rate because they believe that high levels of pay will contribute to increase in productivity by motivating superior performance, attracting better candidates, reducing labour turnover and persuading employees that they are being treated fairly and well. Motivation is very crucial and pertinent in modern organization. In a developing country like Nigeria, employees appreciate monetary motivation a lot because it can go a long way to solve their personal problems at home. Paying above market rate and little higher than similar organizations is a strategic way to attract and retain the very best.

#### Concept of Reward

The significance of reward to boost performance cannot be underestimated especially in a country like Nigeria where poverty and unemployment are still raging. It is safe to say that people work for the reward they hope to receive from their services. Reward is the compensation which an employee receives from an organization for exchanging his/her service offered or as the return for work done (Lin, 2007). Employee offers something the organization values in terms service (skills, expertise or knowledge and time) and in return the employee is paid or compensated for his/her services. This service is employed to perform a task which enhances the chances of the organization to achieve her goals. According to Tamunomiebi (2018), reward is the level of compensation due legally to an employee for services rendered for a particular period. There factors that determine the levels rewards that is due to employee. These factors include but not limited to the following; skills, knowledge, expertise, years of service, time of service per day, position and the creativity of the employee. In every organization employee are not rewarded in the same manner.

The factors mentioned here differentiate the reward (pay) parity. This reward is divided into intrinsic and extrinsic, financial and non-financial rewards. Some scholars argued that employees are rewarded on basis of different techniques of significance in line the performance of each employee which ultimately culminate into the cumulative corporate effectiveness of the organization. To effective ensure fair and equitable rewards, most organizations have a set of procedures, techniques and policies called rewards system. Armstrong and Murlins (2012) opined that reward system is the general term that refers to all forms of payment going to employees at all organizational levels and arising from employment in the organization. It is also a system set up by an organization to reward performance, effectiveness and motivate employees or group levels for their positive contributions to the growth of the organization. Reward system may be seen as the procedures, rules, techniques and standards associated with allocation of material benefits and compensation to employees according to the value of their service. Rewards are intended to motivate certain behaviours but for it to be effective, it must be timely and tied to effective performance.

Tamunomiebi (2018) explained that, reward system is the major link in the exchange process between individual workers and the organization. Employees contribute many resources to the organization in form of time, effort, knowledge, skills, creativity and energy. In return, the organization rewards them with both tangible and intangible packages. Some elements of reward system include; pay rise, bonuses, leave allowance, health allowance, transport allowance official car and driver, tourism benefits, extra time allowance, furniture and electronic devices as well as promotion. Others are higher position and responsibilities, recognition, award, etc.

According to Armstrong (2012), a reward system consists of a number of interrelated processes and activities which combine to ensure that reward management is carried out effectively to the benefits of the organization and the people who work there. The processes and activities are embodied in reward strategies, reward policies, reward management and total reward. The reward management prefer to the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance with their value to the organization. The goal of reward system is to attract qualified, experienced, skilled people to the organization, to retain employees and to motivate them to on the job.

## **Dimensions of Rewards**

### **Intrinsic Reward**

There are several types of reward systems that organizations can leverage on. According to Armstrong (2012), the system of rewards can be classified as intrinsic and extrinsic, financial and non-financial rewards. Intrinsic rewards are those that are inherent in the job and which the individual enjoys as a result of successfully completing the task or attaining his goals. According to Armstrong (2012), intrinsic reward provides internal motivation from self-generated factors that influence employee behavior such as feeling of high esteem with one's job, quality of work life and prestige. Intrinsic reward concerns with psychological development of employees (Williamson, Burnett & Bartol, 2009). They are intangible benefits and include the characteristics such as autonomy, feedback and decision making participation (Hackman & Oldham, 1976). The intrinsic reward system is created purposely to appreciate employees in form of self-esteem and related to their feeling of achievement and growth with organization. Employees are feel satisfy when they have accomplished something worthy in workplace and are being appreciated by the organization (Nawab, Ahmad & Shafi, 2011). The job itself must provide sufficient variety, sufficient complexity, sufficient challenge and sufficient skills to engage the abilities of the employees (Armstrong, 2012)

### **Extrinsic Rewards**

The extrinsic rewards cover the basic needs of salary and wages (to pay bills), a feeling of stability and consistency (job security), and recognition (my workplace values my skills). Hellriegel (1999) opined that an extrinsic reward is compensation an organization exchanges with employee for a job well done and includes salary or wages, job security and other fringe benefits.

**Job security:** The Nigeria's labour environment is fraught with several abnormalities which has impedes employees' mobility from lack and want to robust self-economic sustenance and wealth creation. Due to the deprivation and oppression the workers suffer, it has become extremely difficult for average Nigerian worker to earn a wage that will sustain him/her and

their families. Things have really gone worse for the average worker with the new normal practice of labour casualization. Otuturu (2021) noted that, casualization is a global phenomenon. It is a form of nonstandard work arrangements practiced in both developed and developing countries with varying degrees of regulation but the developing countries have turned casualization to exploitation and undignified way to cut cost and increase profitability. To this end, job security has become a very important component of job satisfaction for employee. Job security has the tendency to propel an employee to be more committed and dedicated to his/her job.

**Opportunities for advancement:** Every employee aspires to reach the zenith of their career. Self-actualization is the dream and desire of all humans irrespective of the size of their organization, they want to be on top. If there are opportunities for employees to self-actualize, they will be moved to put in their best.

**Recognition:** It is important that the employer recognizes hard work. Even a word of appreciation from manager/supervisor would motivate the employees to maintain the same level of performance or do even better. Recognition needs not necessarily be in the form of tangible benefits to employees. It may be any gesture from the employer which should come at the right time

**Financial Rewards:** According to Omolawal and Bawalla (2019), financial reward involves money payments by the employer either directly or indirectly. Higher wages and salaries, bonus, profit-sharing, commission and increment among others are direct financial incentives. It is possible through any long period of time, to get workmen to work much harder than the average men around them unless they are assured a large and permanent increase in the pay'. However, Financial rewards include the following; bonus: a bonus is a supplemental payment as an incentive or reward for hard work, it is often connected directly to performance, such as generating more sales or motivating a production line to meet or exceed a quota. Knowing there is a tangible financial reward for increased productivity can be precisely the kind of motivation many employees need. Employees can use the promise of bonus pay to entice managers to motivate their subordinates towards a specific goal. Sometimes simply maintaining an accident-free work environment can result in a performance bonus. Basic pay; this refers to the fixed monthly salary or weekly wages employee is entitled to that constitutes the rate for the job.

### **Corporate Effectiveness**

Corporate effectiveness comprises the actual output or results of an organization as measured against its intended outputs (goals and objectives). According to Richard, (2009), corporate effectiveness encompasses three specific areas of firm outcomes: (a) financial effectiveness (profits, return on assets, return on investment, etc.); (b) product market effectiveness (volume of sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc). Corporate effectiveness is the systematic process by which an organization involves its employees, as individuals and members of a group, in improving work in the accomplishment of vision, mission and goals. Onyeonoru, (2015) defines corporate effectiveness as the ability to successful achieve intended and desire outcome in a given period of time. Every organization set out goals and objectives it hope to achieve within a given period. These goals could be financial goal, market share, growth and expansion, etc. For the purpose of this paper we will consider financial effectiveness-profit and product market-market share.



## **Financial Effectiveness**

Many scholars have advanced several factors to measure the effectiveness of organization which includes profit maximization, shareholders' wealth maximization, societal value maximization and personal reward maximization. Notably among the aforementioned suppose objectives of organization, profit maximization holds a central position so far as business organizations are concern. Dean (2014) opined that profit is the lifeblood and livewire of every private organization while service equate the mission of public organizations. The survival and expansion of every organization among other things depends on its profitability and robustness of management practices. Financial effectiveness simply means the ability of organization to achieve its financial goals in terms of profit maximization and return on investment for stakeholders. Khan (2017) noted that, the Profit Maximization approach proposes that the prime objective of a business concern is to maximize its profits. Every decision should therefore be gauged by the profit criteria only and should be taken only if it ultimately leads to the maximization of profits.

An organization with sound profits is perceived as effective and efficient both in terms of operation as well as investment. Profit refers to excess of sales over cost. For a business to maximize profits either the sales value increases or the cost value decreases. If we see the possibility of increasing sales value, it can be obtained by either increasing the selling price of products or by increasing the total sales (Khan, 2017). Profit is central because organization that makes profit will be able to acquire new technology and hire experts to advance its operations and investment portfolio. The central significance of profit maximization cannot be overemphasized. So we can safely and confidently measure corporate effectiveness in terms of its financial viability through the instrumentality of profit maximization.

## **Product Market Effectiveness**

Obasan, Ariyo and Hassan (2015) explained that the fundamental intent of every business entity is to produce goods and services that satisfy the unfulfilled needs and wants of a target audience at a profit. Marketing as a managerial function identifies such unfulfilled needs and wants, measure their magnitude, determines which target markets the organization can best serve and decides on appropriate products, services and programs to serve these markets. This connotes that marketing serve as the link between material requirements and its economic patterns of response (Shama, 1993). Product market effectiveness entails the degree of success of new products as well as the financial results of market competition which is reflected in profit or market share. Griffin and Page (1993) summarized three most common indicators used to measure product effectiveness to comprise market share, profitability and technological prowess for product development and rapid implementation plans to achieve the desired goals. Organizations make profit through the sale of their goods and how the goods perform in the market will attest their profit maximization goal.

## **Conclusion and Recommendations**

Drawing from the above, it is clear that, reward system enhances corporate effectiveness. Kotler (2002) explained that individuals and groups obtain what they need and went through creating and exchanging products and value with customers and this stands to increase the effectiveness of the organization. Therefore, the organization and the market can benefit from a robust relationship developed in pursuance to profit maximization and provision of quality goods and services. Secondly, a good reward system provides a positive vibes and energy for

fulfilling the needs and wants of employees which generally gives good impetus to satisfy the psychological needs as well as the aspirations of employees.

Good rewards essentially serve an encouragement for higher performance and commitment. It is like a stimulus to greater action. One can imagine the extent to which additional remuneration or benefit to an employee in recognition of achievement or better work can go. It spurs the employees for better performance. Therefore, a hope for a reward is a powerful incentive to motivate employees because these rewards are used in organization to induce better performance of employees so as to achieve the desired aims and objectives of the organization. We therefore recommend that, organizations should put in place flexible and effective reward system to attract, motivate, retain and satisfy their employees. This will in turn spur the employees to go extra mile in supporting the achievement of the organizational goal and objectives

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