

Reward & appraisal system, organizational environment and motivational effect on employee performance

Khuram Shafi^{1,*}, Liu Hua¹, Zahra Idrees¹, Amna Nazeer²

¹School of Management, HuaZhong University of Science and Technology, Wuhan, China

²Schools of Statistics and Mathematics, HuaZhong University of Science and Technology, Wuhan, China

Email address

shafikhuram@yahoo.com (K. Shafi)

To cite this article

Khuram Shafi, Liu Hua, Zahra Idrees, Amna Nazeer. Reward & Appraisal System, Organizational Environment and Motivational Effect on Employee Performance. *American Journal of Business, Economics and Management*. Vol. 3, No. 1, 2015, pp. 19-23.

Abstract

Economic and psychological theories predict that the design and implementation of a performance measurement and compensation system affect the motivation of employees. This study examines to find out the significant relationship between different Motivation factors used by the organization and their effects on the performance and efficiency of employees. This research study used qualitative method to analyze deeply the positive and direct relationship between motivation factor (reward systems, appraisal system and organizational environment) and working performance of organization's employees. The relationship between Motivation factors and employees performance is a much significant and debatable issue in the current period. After conducting our study successfully we have concluded that the motivation factor is a very handy and useful tool to enhance the performance of employees.

Keywords

Reward System, Organization Environment and Motivation Factors

1. Introduction

In the process of employee motivation, organizations give some incentives and facilities to the employees to get their maximum possible satisfaction level so that eventually they perform their tasks, duties and responsibilities with 100% intention and interest. The existence of a relationship between the different components of work motivation is not generally called into question. However, the nature and the measurement of this relationship give rise to numerous differences of opinion. Economists have greatly neglected the psychological effects; organizational psychologists have analyzed the concept of motivation for many years. They have explored relationships with all sorts of external and internal conditions, both theoretically and empirically. The result is a variety of psychological theories on work motivation that help understanding the impact of a compensation system on effort.

Porter and Lawler (1968) proposed a model of intrinsic and extrinsic work motivation. Intrinsic motivation involves

people doing an activity because they find it interesting and derive spontaneous satisfaction from the activity itself. Extrinsic motivation, in contrast, requires an instrumentality between the activity and some separable consequences such as tangible or verbal rewards, so satisfaction comes not from the activity itself but rather from the extrinsic consequences to which the activity leads. They also advocated structuring the work environment so that effective performance would lead to both intrinsic and extrinsic rewards, which would in turn produce total job satisfaction.

This was to be accomplished by enlarging jobs to make them more interesting, and thus more intrinsically rewarding, and by making extrinsic rewards such as higher pay and promotions clearly contingent upon effective performance. So, this research study advocate the work of the Porter and Lawler (1968) in order to find out the relationship of appraisal and reward system and organizational environment to the motivational effect on employees performance in context of organization Gagné et al., (2005).

2. Literature Review

George (1979) examined and concluded that based on the systematic empirical analysis of the effect of union membership on job satisfaction and wages, and shows how the interaction between these effects leads to empirically observable relations between unionization and individual quit probabilities. Using the National Longitudinal Survey of Mature Men, several empirical results were obtained. First, union members, on average, report lower levels of job satisfaction. Interestingly, unionization causes greater dissatisfaction at higher tenure levels. These findings are attributed to both the politicization of the unionized labor force and the fact that union members face flatter earnings profiles. The importance of the latter effect is reflected by the empirical fact that unions have a strong negative effect on quit probabilities at low levels of tenure, but the effect diminishes (absolutely) as tenure increase. P. J. White (1980) searched that recent statutory and other developments in UK seem to have stimulated the introduction of share-ownership schemes for employees. In this article consider the merits of such schemes, and their potential role within companies. The article also points up some weakness in the 1978 Finance Act, and suggests the need for caution on the part of those in industry who might contemplate the introduction of share-ownership arrangements. Loren (1987) this paper observed that Employers are investing large amounts in employee fitness programs unfortunately, the value of physical exercise and lifestyle programs has yet to be established. This paper provides a critique of the applied and experimental research related to the impact of employee fitness programs on work-related variables and discusses future research directions. Dawn and Constance (1997) this paper concluded that much research on top management compensation has focused on the relationship between pay and firm performance. Firms, however, may compensate executives for inputs such as skills, as well as for outputs such as firm performance. This study refocuses attention on the links between managerial abilities and compensation by examining pay differences between types of CEO successors who have differential skills-namely, internal and external successors. Jacques and Patrice (1999) observed that this study applied the theoretical framework based on expectancy and discrepancy theories to examine how the elements of total compensation might influence work motivation and job satisfaction. The principal dimensions of total compensation that give rise to distinct reactions among employees were examined. Two samples of employees, 269 exempt employees and 297 nonexempt employees were studied separately in order to identify the differences of reaction between these two groups. The relationships between the elements of total compensation, work motivation and job satisfaction were analyses by a structural equations model. Proposals were developed to predict the conditions of compensation efficiency on work motivation and job satisfaction in the cultural context of employment in France. The three principal conclusions of the study were: (1) under certain conditions, individualized

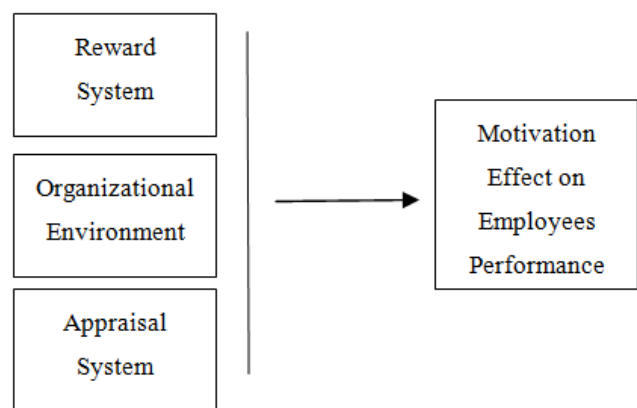
compensation of exempt employees can be a factor of work motivation; (2) flexible pay of nonexempt employees neither motivates nor increases job satisfaction; (3) benefits of exempt and nonexempt employees neither motivate nor increase job satisfaction. Brenda and Hy (1999) examined that It is widely recognized that the relationships between organizations and there is departments are changing. This trend threatens to undermine the retention of IS workers and the productivity of IS operations. In the study reported here, we examine IS employees 'motivation and intent to remain using structural equation modeling. A survey was conducted among existing IS employees. Results showed that latent motivation has an impact on latent retention, with job satisfaction and perceptions of management on career development as indicator variables for the former, and burnout, loyalty, and turnover intent as indicator variables for the latter. Implications for management in developing strategies for the retention of IS employees are provided. Weathington (2000) this paper concluded that Past research suggests that employee perceptions of the benefits provided to them by their organization can influence employee attitudes. Three factors that appear to influence the perception of benefits by employees are benefit satisfaction, benefit after reading this paper I noticed that importance, and the perceived motive of the organization in providing the benefit to employees. However, it also appears that some benefits are perceived as rights that are owed to employees by the organization. This study proposes and tests a model of benefit perception that incorporates all of these factors. Results suggest that benefit satisfaction and the perceived motive of the organization in providing a benefit both have a direct relationship with employee attitudes. The perceived right status of a benefit appears to moderate this relationship. Andrew et al, (2001) concluded that this paper explained that this paper uses National Child Development Study data for a large cohort of British individuals, to explore the influence of education, inheritance and other background characteristics on the propensity to become self-employed; and also on subsequent success, as measured by job and wealth creation. For the first time, we study the effects of our regress or variables on our success measures via disaggregation of our sample by gender – and, in this way, reveal striking differences between the determinants of male and female entrepreneurial performance. Elli et al, (2002) examined that although employee stock options are gaining in popularity as a compensation plan aimed at improving work performance, there is neither theoretical nor empirical evidence that they are indeed superior to other incentive schemes, such as profit sharing and gains haring. This paper examines, from a theoretical perspective, the possible effects off our incentive plans on employee motivation and performance: merit pay, profit sharing, gain sharing, and employee stock options. The analysis relies on two behavioral theories, Expectancy and Equity, and a conceptual financial frame work. The different approaches yield in congruent predictions as to which of the four schemes can be expected to most enhance employee motivation. While the managerial theories favor stock options

over profit or gain sharing, financial theory makes the case that all plans are identical in a competitive labor market, where as if stock options are restricted and the labor market exhibits some degree of imperfection, gain and profit sharing plans may prove superior. Alsabriet al., (2012) observed that conducting an extensive literature search of both published and unpublished sources to assess the use and effectiveness of worksite interventions that offer financial and other incentives. Many companies are using financial incentives, either alone or in combination with other interventions, to motivate employees to adopt and maintain healthier lifestyles. These incentives include cash bonuses, paid vacation days, and health insurance rebates. Although more research is needed, the literature suggests that financial incentives, if properly implemented, may successfully promote behavioral change among employees. Rachel et al, (2004) concluded that Research on employee referrals demonstrates positive outcomes for the recruited individual and the organization. However, little research addressed employees who make employment referrals, also known as employee recommenders. To address this gap in knowledge, we developed a conceptual model and present the theoretical basis for addressing the motivation of, and organizational outcomes associated with, employees who make employment recommendations. The model is based on the theories of word-of-mouth communication, cognitive dissonance, self-perception, and attitude change through self-persuasion. Partial support for the model was found in an experimental design simulating an employee referral situation. Results showed an increase in normative commitment of recommenders. Robert et al, (2005) pointed out that four attributes of benefit systems thought to influence employee attitudes and behavior: employee participation, system quality, communication quality, and benefit importance. Survey data from 974 employees of a Fortune 500 energy industry firm supported a partially mediated model in which these benefit system features exerted both indirect and direct effects on benefit knowledge and use, as well as on affective and continuance commitment. However, the findings differed across benefit system features and across types of benefits. Specifically, improving organizational communications about benefits appears more useful than increasing employee participation or improving benefit system service quality. Agliardi et al, (2005) noticed that explicitly the effort as a choice variable in a continuous time utility maximization framework of an executive who is partly compensated with stock options. We solve the model in the case where the executive is not allowed to trade in the company's stock but is able to achieve a partial insurance through trading in a correlated market portfolio. They find the executive's value of the options through a certainty equivalence approach both in the case of Europe and call options and non-standard capped stock options and study the behavior of the reservation price as relevant parameters change (Salin, 2003). Van et al, (2005) analyzed empirically the relationship between pay and performance. Economic and psychological theories predict that the design and implementation of a performance measurement and

compensation system affect the motivation of employees. Our survey results demonstrate appositve relationship between the perceived characteristics of the complete compensation system and extrinsic motivation. Intrinsic motivation is not affected by the design of monetary compensation, but by promotion opportunities. The compensation system also significantly affects work satisfaction and turn over intent. Our results have both managerial as well as policy implications. Valentinov (2007) focused that the standard property rights approach to nonprofit organization claims that attenuation of property rights in the form of non distribution constraint stimulates managerial shirking in nonprofit firms and thereby makes them less efficient than for-profit firms. This paper argues that this view neglects the important role played by intrinsic motivation in nonprofit organization. Intrinsically motivated stakeholders provide resources to nonprofit firms and there by facilitate their economic survival. However, intrinsic motivation is subject to the crowding out effect, i.e., the danger of being displaced by the use of extrinsic (monetary and administrative) incentives. The property rights structure in nonprofit organization is designed to minimize the crowding out effect by dampening monetary and administrative incentives through non distribution constraint and self-governance orientation, respectively. This facilitates not only economic survival of nonprofit firms but also maximization of utility of their intrinsically motivated stakeholders Griffin et al., (2011).

3. Methodology

Aim of study is to determining those factors which is effect the motivation of the employees. For this purpose a model is used which is given below:



Model. Motivation Effect on Employees Performance

The data for this research paper is collected from the Primary source of data collection through questionnaire. The sample size is 248. This research study has been conducted on the basis of non-probability sampling in which convenience sampling was used. Convenience sampling refers to the collection of information from members of the population who are conveniently available to provide it.

So the hypothesis is;

Ho: There are positive relationship between Motivation effect Employees Performances with Appraisal System, Organization Environment and Reward System.

Ha: There are no relationship between Motivation effect Employees Performances with Appraisal System, Organization Environment and Reward System

For our research the data was collected from about 248 people through questionnaires using gender (male, female), age group include (20-30, 31-40, 41-50, Above 50) and educational level (middle, bachelors, masters, others) as nominal scale. Data is analyzed on SPSS (Version-16.0). Different tests were applied on the data such as reliability test, descriptive measures, regression and correlation coefficients in order to analyze the data, interpret it and check its effectiveness. Reliability of each question was calculated and it can be checked. The measurement scale used was the interval scale having five intervals. Like, strongly Agree, Neutral, Agree, Disagree and strongly Disagree. All these were given weight age as 1, 2, 3, 4 and 5 respectively. This scale was selected because it allows the respondents to stay neutral too if they do not know the answer or they either do not want to respond to any of the questions. It tells us the degree to which the respondents will responds to the question asked.

4. Data Analysis

With the help of this descriptive analysis the researcher can acquire the feel for the data by checking the central tendency and the dispersion. The mean, the range, the standard deviation, and the variance in the data will give the researcher a good idea of how the respondents have reacted to the items in the questionnaire and how good the items and measures are.

In this research study the range of the data of every variable was calculated which helped to find out that which variable data falls where on the interval scale. For Motivation, the data lied between; (2-3) which means that most of the respondents agreed to the questions asked. For Reward System, the range was (2-3) which means that the respondents were slightly agreed upon the question. For Organization environment, it was between; (2-3) so, most of the Employees satisfied by the organization environment. The range of the data of Appraisal System was (2-3) which tells us that mostly people agreed and finally the appraisal System is the good check and creates the high level of motivation among the employees. So, overall we can say that most of the respondents were agreed, on the questions asked to collect data for every variable.

Table 1. Correlation Analysis

Variable	(r)
Motivation on Employee Performance	1.000
Reward System	.276
Org Environment	.445
Appraisal System	.290

This data analysis uses Pearson correlation. As this table shows that there exists a positive relationship between Reward System, organization environment and Appraisal System with

Motivation. And also this table shows the Positive Correlation one variables to each other variable. Result showed that there exists a strong relationship of organizational environment among the three variables toward motivational factors. The weak relationship exists between reward system and the motivation among the variable.

Table 2. Regression Analysis

R	R Square	Adjusted R Square	Std. Error of the Estimate
.476	.226	.217	.63086

To test the hypothesis of this research we have used multiple regression analysis. The results of regressing the three independent variables can be seen in the above table. R is the correlation of three independent variables with Motivation effect employee's performance.

Table 3. Coefficient Analysis

Variables	t	Sig.
Motivation on Employee Performance	.870	3.983
Reward System	.095	1.579
Org Environment	.412	5.984
Appraisal System	.125	1.839

For the relationship of dependent and independent variables, the value of t tells us about it. It shows that how much is the impact of independent variables on the Motivation effect employees' performance that is the dependent variable. In this research study as the value of t is greater for high motivation which is significant at 0.000 levels so, its impact will be more on employees' performance. The value of t for independent variable is also significant at 0.000 level.

5. Conclusion

Motivation is most essential component of an Employee overall performance and it has opened a new strategic window for the organization. Future research is needed to identify organization results most affected by motivated employee's activities, and to determine in which situation intrinsic rewards are more beneficial and in which extrinsic are more useful. After conducting our study successfully we have concluded that the motivation factor is a very handy and useful tool to enhance the performance of employees. By using this tool the managers of any organization will be in a position to open new windows and opportunities for them. In advanced the results gained by any organization can be checked by observing the on job working activities and also to find out in which situation the rewards are beneficial for the performance enhancement.

References

- [1] Agliardi, E., & Andergassen, R. (2005). Incentives of stock option based compensation. *Review of Quantitative Finance and Accounting*, Vol. 25(1), pp. 21-32.

- [2] Alsabri, M. A., & Ramesh, H. N. (2012). Impact of Employees Motivation on Banking Effectiveness-A Study of Selected Banks In Shimoga City India. *International Journal of Research in Computer Application & Management*, Vol. 2(7).
- [3] Andrew E. Burke, Felix R. FitzRoy and Michael A. Nolan, (2001), "Self-employment Wealth and Job Creation: The Roles of Gender, Non-pecuniary Motivation and Entrepreneurial Ability", *Small Business Economics*, Vol.19, pp. 255-270.
- [4] Brenda L. Maka, Hy Sockelb, (1999), "A confirmatory factor analysis of IS employee Motivation and retention", *Information & Management*, Vol. 38 (2001), pp.265-276.
- [5] Dawn Harris and Constance Helfat, (1997), "Specificity of CEO Human Capital and Compensation", *Strategic Management Journal*, Vol. 18, No. 11, pp. 895-920
- [6] Elli Kraizberg, Aharon Tziner and Jacob Weisberg, (2002), "Employee Stock Options: Are They, Indeed Superior To Other Incentive Compensation Schemes", *Journal of Business and Psychology*, Vol. 16, No. 3
- [7] Gagné, M., & Deci, E. L. (2005). Self-determination theory and work motivation, *Journal of Organizational behavior*, Vol. 26(4), pp. 331-362.
- [8] George J. Borjas, (1979), "Job Satisfaction, Wages, and Unions", the *Journal of Human Resources*, Vol. 14, No. 1, pp. 21-40.
- [9] Griffin, R., & Moorhead, G. (2011). *Organizational behavior*. Cengage Learning.
- [10] Jacques Igalens and Patrice Roussel, (1999), "A Study of the Relationships between Compensation Package, Work Motivation and Job Satisfaction", *Journal of Organizational Behavior*, Vol. 20, No. 7, pp. 1003-1025.
- [11] Loren E. Falkenberg, (1987), "Employee Fitness Programs: Their Impact on the Employee and the Organization ", the *Academy of Management Review*, Vol. 12, No. 3, pp. 511-522.
- [12] P. J. White, (1980), "Share-Ownership Schemes for Employees-Proposals and Prospects" *Managerial and Decision Economics*, Vol. 1, No. 3, pp. 158-161.
- [13] Porter, L. W., & Lawler, E. E. (1968). *Managerial attitudes and performance*.
- [14] Rachel S. Shinnar, Cheri A. Young, Marta Meana, (2004), "The Motivations for and Outcomes of Employee Referrals", *Journal of Business and Psychology*, Vol. 19, No. 2, pp. 271-283.
- [15] Robert R. Sinclair, Michael C. Leo and Chris Wright, (2005), "Benefit System Effects on Employees' Benefit Knowledge, Use, and Organizational Commitment" *Journal of Business and Psychology*, Vol. 20, No. 1, pp. 3-29.
- [16] Salin, D. (2003). Ways of explaining workplace bullying: A review of enabling, motivating and precipitating structures and processes in the work environment. *Human relations*, Vol. 56(10), pp. 1213-1232.
- [17] Van Herpen, M., Van Praag, M., & Cools, K. (2005). The effects of performance measurement and compensation on motivation: An empirical study. *De Economist*, Vol. 153(3), pp. 303-329.
- [18] Valentinov, V. (2007). The property rights approach to nonprofit organization: The role of intrinsic motivation. *Public Organization Review*, Vol.7 (1), pp. 41-55.
- [19] Weathington, B. L., & Tetrick, L. E. (2000). Compensation or right: An analysis of employee "fringe" benefit perception. *Employee Responsibilities and Rights Journal*, Vol. 12(3), pp. 141-162.