EMPLOYEE REWARDS AND ORGANIZATIONAL PERFORMANCE: A REVIEW OF LITERATURE

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ABSTRACT

Different individuals have different understanding of employee reward packages. Some employees consider being recognized by their superior officers is more rewarding than financial rewards. Others feel that the combination of increase in internal happiness (intrinsic rewards) and increase in external happiness (extrinsic rewards) are the best reward packages that can bring about increase in organizational performance. In this paper, we explored some thoughts and learning from previous research literatures on employee rewards and organizational performance. Information was collected from secondary source, specifically, from recent journals and textbooks. However, in most of the literatures we found that employees are positive about the combination of intrinsic and extrinsic rewards as a way of achieving high organizational performance. Nevertheless, limitations and further research were also discussed and it was recommended among other things that organizations should invest in reward packages that can improve on employee commitment because employees who are not committed in their work cannot offer their maximum efforts for higher organizational performance to be realized.

Keywords: *Reward, Intrinsic, Extrinsic, Employee, Organization, Performance, Agency, Stewar*

INTRODUCTION

Reward package is a broad construct that has been said to represent anything that an employee may value and for which the employer is willing to offer in exchange for his or her performance. Therefore, absence of a good reward package may create an unpleasant working environment that diminishes employee’ work efforts and consequently caused them (employees’) to withdraw from their jobs. For these reasons, rewards are increasingly important especially when they are strategically designed and linked to activities, attributes and work outcomes that support the organization’s strategic direction and that foster the achievement of strategic goals (Habib, Khursheed & Idrees, 2010). This is suggesting that a reward system is likely to have a direct effect on the direction of employees’ individual attention and effort. But with this in our minds, there is every need for business and non-business organizations to continue to establish or sustain an equitable balance between the employee's contribution to the organization and the organization's contribution to the employees for the purpose of achieving sustained increase in the general productivity of the organization.

Thus, increase in productivity is what is termed as increase in organizations performance which is aided by a good employee reward packages, Organizations cannot function properly without the employee as such they must rely on the employee's good performance. In this view, rewards are considered as an important tool to check the employee's performance. Further, organizations with good reward packages will always attract new and experienced employees and also motivate the existing employees to perform at higher level which will in turn bring about increase in the overall performance of the organization. Organizations are encouraged to always be in a state of devising a reward system that will motivate and encourage employees to stay and work hard to improve the performance of the organization. Nevertheless, this paper examines current literatures on employee reward and organizational performance.

STATEMENT OF PROBLEM

Employee reward, being a core factor in the employment bargaining process is one of the root problems in most organizations today. Poor reward packages make the employee not to perform at his best level and consequently organization performance may be hindered. Managers are therefore faced with difficult task of finding the ultimate meaning of good reward packages that will bring about increase in organizational performance.

OBJECTIVE OF THE PAPER

The objective of this paper is to explore relevant conceptual and theoretical frameworks on employees' rewards and organizational performance.

METHODOLOGY

The paper follows a qualitative research approach. Therefore, the information it contain were sourced mainly from existing literatures, specifically, from fairly and most recent journals and textbooks.

REVIEW OF LITERATURE

Employee Reward Package

Employee reward package is compensation by different organizations to reward performance and motivate employees on individual and/or group level. In designing a reward package, most organizations do specify group or organizational goals to be achieved and the specific behaviors or performance that will attract rewards and by so doing the reward packages will help management shape behavior of employees and at the same time achieve organization's goal. Thus, as argued in Ali, Rehman, Ali, Yousaf & Zia (2010), the notion of reward package is gradually replacing the traditional idea of a standard pay system, as it incorporates all aspects of employee compensation into the package. From this point, it is understandable that reward packages vary from one business organization to the other and that explains the variations in its structures and implementations within a given framework that guides its distribution in an organization. Nevertheless, reward package have a critical role in determining the organization's ability to attract high potential employees and retain high performing employees to achieve greater levels of quality and performance.

Types of Employee Reward Package

Employee rewards should include all types of benefits, from cash payments to working conditions. From most of the literatures studied, organizations offer intrinsic and extrinsic rewards to members for the purpose of improving both employees and organizational performance. However, Newstrom & Davis (2002) contended that in deciding on the appropriate reward package for the various categories of staff, it is important that the organization acts within its established norms of compensation. They further state that these norms or principles should be put in place to streamline the design and the implementation of reward packages in a manner that would enhance organizational effectiveness, efficiency and survival as well as satisfy individual's aspirations. Following this recommendation, we will trade on two broad constructs of reward packages, the intrinsic and extrinsic rewards.

- **Intrinsic Reward**

Intrinsic rewards are internal to the job itself. Put differently, intrinsic reward variables are derived from the content of the task itself. They are related to nonfinancial or non-cash rewards like achievement, variety, interesting and challenging work, autonomy, self-direction and responsibility, personal and professional growth, status, recognition, praise from superiors and co-workers, personal satisfaction, and feelings of self-esteem, creativity, opportunities to use one's skills and abilities, and sufficient feedback regarding the effectiveness of one's efforts among others. Non-financial rewards are in tangible rewards provided and controlled by a firm, which do not necessarily benefit employees in monetary sense (Damaris, Gregory, Elizabeth & Aloys, 2016)). Today, individuals require beyond monetary rewards for their effort (Ajila & Awonusi, 2004). This means that employees seek for other return in exchange for their contributions which is of value and meaningful to them, rather than being given just money. They increase feelings of self-esteem and accomplishment (Ismail, Muhammad, Samina, & Syed, 2013). Nevertheless, given the labour-intensive nature of some organizations and the rising pressure to control costs, nonfinancial rewards may be used increasingly to enhance employee's performance and to increase organizational performance too.

- **Extrinsic Rewards**

Extrinsic rewards are external to the job itself. They are financial rewards or cash related comprising of such factors as pay, fringe benefits, job security, promotions, private office space, the social climate, competitive salaries, pay raises, merit bonuses etc.. Some organizations (CBN, NDIC, NNPC, NEPZA, NEXIM Bank etc) are able to improve worker productivity by paying workers a wage premium a wage that is above the wage paid by other organizations for comparable labour. Thus, Ajila & Awonusi (2004) believed that a wage premium enhance productivity by improving nutrition, boosting morale, encouraging greater commitment to firm goals, reducing quits and the disruption caused by turnover, attracting higher quality workers and inspiring workers to put forth greater effort. Many persons will be attracted to well-paying jobs, extend extra effort to perform the activities that bring them more pay, and become agitated if their pay is threatened or decreased (Damaris, Gregory, Elizabeth & Aloys. 2016). For instance, where an organization decided to suspend some regular allowances, employees will become more agitated and industrial peace and harmony may be threatened. However, it is important to mention at this juncture that if there are missing factors in what the employees considered to be intrinsic or extrinsic rewards, it is possible for the employees to be dissatisfied and not able to perform in the best way that can bring about high organizational performance.

Organizational Performance

Organizational performance is one of the most important variables in the management research today. The concept is very common in the academic literatures and this make its definition is difficult because of its many meanings (Henri, 2004). For this reason, there isno universally accepted definition of this concept. For instance, Mohammed, Tanimu & Bashir (2013) contended that an organization is judged by its performance; hence the word 'performance' is utilized extensively in all fields of management. They further stated that despite the frequency of use of the word, its precise meaning is rarely explicitly defined by authors even when the main focus of the article is on performance. Today organizational performance has become one of the most important criterion for evaluating organizations, their actions, and environments. This importance, in the view of Kirby (2005) is reflected in the pervasive use of organizational performance as a dependent variable in most of the empirical researches that we have come across. On his own part, Covey (2004) asserts that organizational performance is associated with the development of personal performance, skills, knowledge and experience. Although linked by competition, organizations are in different sizes and have very different resources and strategies. For instance, Malina & Selto (2004) argued that large organizations use both financial and nonfinancial performance measures, but favor financial measures. Small organizations also use both financial and non-financial variables to measure their performance. This evidence supported in the findings of Davig, Elbert & Brown, (2004), that product or service performance is more prominent in the evaluation of performance for small organizations.

Domains of Organizational Performance
The nature of organizational performance and how to determine if the knowledge, skills and abilities of the employees are being put to their best use and are achieving the desired outcomes is at the top of discussions since organizations were first formed (Kirby, 2005).For instance, accountants devote their attention to fairly presenting the historical financial performance of organizations, while the managers focus on how to improve current and future organizational performance. Nevertheless, two domains of organizational performance have been examined.

- **Accounting Literature Domain**

One primary stream of research in the accounting literature dimension involves the information content of earnings and their relationship to the valuation of organizations (Malina & Selto, 2004). Thus, in measuring organizational performance, accounting scholars focus on the information content of the organization's financial statements and measures. The simple reason for this is to present the past financial performance of an organization both fairly and consistently. To this end, volumes of accounting rules and procedures have been developed over the years to make the information contained in organizational financial statements both meaningful (using accounting principles and conventions) and comparable (using ratio analysis) over time and across organizations.

- **Balanced Scorecard Domain**

The balance scorecard (BSC) is a business framework that utilizes operational measures through monthly, quarterly, and annual reports that are unique to each organization. These measures require primary data from management in the form of assessment of their own performance. In this regard, generalization across organization is only possible when the balanced scorecard variables utilized are applicable to the entire population of interest. The concept was proposed for use in an attempt to bridge the gap between theories and practice (Kaplan & Norton, 2008). They believed that organizational performance measurement requires measures that are not purely financial in nature, because many of the financial indicators are a result of critical operational measures. For example, accounting measures only report what has happened in the past, and not the investments in future opportunities. But at a point, they suggested that a combination of one financial (Profitability - measured by residual income) and seven operational measures (Market share, Productivity, Product leadership, Social responsibility, Personnel development, Employee attitudes, Balance between short-range and long-range objectives) is necessary for measuring overall organizational performance. The primary advantage of using operational measures in conjunction with financial performance measures is that they provide information about opportunities that have been created, but not yet financially realized (Malina&Selto, 2004).

Theories of Organizational Performance

Three theories on organizational performance and how the individual affects it have been observed in this paper. These theories are agency, stewardship and hybrid. Our preference for these theories is due to their relevance to the concepts of intrinsic and extrinsic rewards and also organizational performance.

- **Agency Theory**

This is principal-gent theory and the central idea behind it is that, the principal is too busy to do a given job and so hires the agent, but being too busy also means that the principal cannot monitor the agent perfectly. Agency theory defines employees as self-interested, opportunistic and extrinsically motivated, in need of close managerial control, which can take the form of performance measurement and evaluation systems (Segal & Lehrer, 2012). Agency theory places more emphasis on extrinsic motivation. Peters & Hopkins, (2014) found that employees were likely to resist control practices that challenged their professional autonomy. Academicians reside in this theory (if we reduce them to a homogenous group). IPPIS have been resisted by ASU and ASUP because they believed that it is an attempt to challenged their professional autonomy and will not accommodate other allowances that will take care of academic exercise like sabbatical leave etc

- **Stewardship Theory**

Stewardship theory addresses organization performance by recognizing employees as stewards, where collective behaviours are of more in use than individualistic behaviours with interests directed at achieving both organizational and individual goals. This theory assumes a focus on intrinsic rewards. Segal & Lehrer (2012) defined stewardship as the extent to which an individual willingly subjugates his or her personal interests to act in protection of others for long-term welfare. Thus, asserting stewardship behaviours can be enacted across all organizational levels; not just by those in positions of power. This is clearly linked with Public Service Motivation and assessing areas and levels of presence will be a significant challenge of the primary research.

- **Hybrid Theory**

Segal & Lehrer (2012) viewed this theory as opposing theory. But we proposed that when organizations are simultaneously pursuing goals of varying complexities and time scales, a hybrid theory of agency and stewardship can and should be used. Management team of an organization can chose to behave as stewards or agents, their choice dependent on their perception of the situation and their motivation. However, if either the management team or principals perceives that employees will act opportunistically, they will be best to act in an agency fashion (which has the lowest risk) and the organization performance will be at optimal level and if otherwise, they will be best to act as stewards (which has the higher risk) and the organization performance will be at optimal level.

LIMITATIONS AND FURTHER RESEARCH

This is not an empirical research; it is qualitative in method and approach. Therefore, establishing the relationship between employee reward package and organizational performance would be an important agenda for further research. We are of the thinking that, if we just had primary data we would be able to explore employee reward packages and organizational performance better. But with the method we have used in this paper due to time factor, we felt that this paper will be more promising if other methods are used. On this notes, we suggest that further research that will take on quantitative method be carried out by future researchers.

CONCLUSION AND RECOMMENDATIONS

In conclusion, the paper has contributed to existing knowledge by providing sound conceptual and theoretical frameworks for better analysis and understanding the basis of extrinsic and intrinsic rewards as well as organizational performance. Such understanding would enable the managers of our organizations to enhance and improve their own thinking styles, motivation, and overall performance. Nevertheless, we observed that performance improvement is more of a function of rewards. The aim of every good reward package should be to improve the quality of employee inputs to the assigned task with a view to attaining higher organizational performance. In line with the foregoing conclusion, we make the following recommendations:

i. Organizations should invest in reward packages that can improve on employee commitment because employees who are not committed in their work cannot offer their maximum efforts for higher organizational performance to be realized.
ii. The organization managers should strive to ensure that reward packages are strategically designed to have a link with activities, attributes and work outcomes that support the organization's strategic direction and that foster the achievement of high performance.
iii. The need for continuous improvement on the existing reward packages should be taken seriously by the organization managers.

iv. On the employees' side, we recommend that managers of organizations should encourage them to be become innovators by devising novel solutions that improve a work process or that delight the customer.
v. Finally, though very difficult to establish, over intrinsic or extrinsic rewards could also be harmful to the organization because it possible for the employees to create some fake needs and agitate for them. Therefore, managers should ensure that such situation would not arise.

Contribution to Knowledge

Successive Nigerian governments have in the past launched different economic recovery and national development plans aimed at boosting or reforming the economy. For instance, we have had 7-point agenda (2007) of Umar Musa Yar'Adua administration, through the Vision 20-20 (2010), National Industrial Revolution Plan (2014) and the Nigeria Integrated Infrastructure Master Plan (2014), all the way to the Muhammadu Buhari government's Strategic Implementation Plan for the Budget for Change (2016). In keeping with the ongoing tradition in this direction, Muhammadu Buhari administration has published another economic recovery plan known as the Economic Recovery and Growth Plan ("ERGP" or the "Plan"). The ERGP, which comes on the heels of Nigeria's slump into recession and the sharp fall in oil prices from about $112 a barrel in 2014 to below $50 in 2016, is targeted at propelling Nigeria back to sustainable, accelerated development and restoring economic growth in the medium term (2017 to 2020). This initiative has started achieving varying degrees of success, though there have been some challenges.

In the light of the foregoing, the writers wish to contribute to knowledge by putting forth the argument that, continuous investment on good employees' reward packages will help in achieving accelerated economic recovery and national development. This is because a good employees' reward package will motivate employees to increase the use of their knowledge, skills and experience and in so doing, there will be increase in organizational performances, affordability and quality of healthcare across the country will also increase and there will be guarantee access to basic quality education for the children of the employees and thus, accelerated economic recovery national and development will be achieved.

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