

Impact of Rewards on Employee Performance: A study of Pharmaceutical Companies

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ABSTRACT

Employee's performance plays an important role in increasing an overall business objective. If employees are properly rewarded they will perform their duties well and actively. The purpose of this research is to determine the impact of rewards on job performance of pharmaceuticals companies in India and this research also showed the relationship between employee job performance and increased customer relationship and loyalty. Data will be collected by use of questionnaire; it will be given to different levels of the employees in the organization. This study involves descriptive design study. A total number of 120 questionnaires were distributed to employees at two private organizations and a total number of 102 employees completed the questionnaire properly. Result analysis focused on need to motivate employees in pharmaceutical companies so as to improve the job performance.

Keywords: Reward, Job performance, Inducement and Loyalty.

INTRODUCTION:

Reward is considered as an important tool to check the employee's performance. Management use reward for employee motivation. So we can say that attractive reward system attract new employees for organization and motivate existing employees to perform at higher levels. Good remuneration has been found over the years to be one of the policies of the organization which can adopt to increase the organization productivity. Also, with the present global economic trends, most employers of labor have realized the fact that for their organizations to complete favorably, the performance of their employees goes a long way in determining the success of the organization. On the other hand, performance of employees in any organization is vital not only for the growth of individual employee. Performance on the job can be assessed at all the levels of employment such as personnel decision relating to promotion, job rotation, job enrichment etc and in some ways, such assessment are based on objective and systematic criteria which include factors relevant to the person ability to perform on the job. Hence, the overall purpose of performance evaluation is to provide an accurate measure of how well a person is performing the task or job assigned to him or her and based on this information, decisions will be made affecting the future of the individual employee.

OBJECTIVES:

The main objective of this study is to examine the relationship between rewards with job performance in pharmaceutical companies in India. Specifically this study is intended to achieve the following objectives:

1. To determine the impact of rewards on job performance of pharmaceuticals companies in India.
2. To identify the relationship between employee job performance and increased customer relationship and loyalty.

HYPOTHESIS:

Hypothesis 1: There is a significant and directly proportional relationship between rewards and job performance among employees in the pharmaceuticals companies.

Hypothesis 2: There is a significant and directly proportional relationship between employee job performance and increased customer satisfaction and loyalty.

Reward and incentive is an important aspect in today's competitive environment. As the role of rewards has grown a lot of changes has been taken place in reward system, so while making a reward strategy a type of industry and their future involvement is considered. The research helps the top management and human resource department to identify the best reward system and policies which helps in improving the job performance in an organization.

LITERATURE REVIEW:

Ijaz (2013)¹, the study was on the impact of non-financial reward on employee motivation in public organization of Pakistan. The study shows that in government sectors 82.5% employees were motivated from non-financial reward. The analysis shows that 87.5% was motivated from job security, i.e. they are holding permanent jobs. A good working environment and good interaction have a 60% role in motivating people. Employee recognition has 53.75% role in motivating and feedback from superior was 65%. Kathure(2014)², analyzed the "Influence of non-financial rewards on employee commitment at Kenya tea development agency". The findings highlighted that career development, recognition and offer opportunities are the tools which are used in motivating employees. In this study it is revealed that those who receive non-monetary rewards are more committed to their work than those who are not receiving. Bosco (2014)³, analyses the "Reward Management Practices and Employee Performance at NAKUMATT Holdings Ltd". This study concludes that the non-financial reward affects the performance in a better way as it involve training, promotion based on merit, good working environment and opportunities for career development. Further the study recommended employees participation in decision making so that management will be able to know the highly and underperformed employees. Chowdhury et al. (2015)⁴, emphasized the financial compensation as a strategic tool to achieve competitive advantage by survey on state-owned banks in Bangladesh. The study highlights that the financial compensation was considered to be the biggest motivator factor which affects the better performance of the employees in the organization. It has a direct and positive relation with the overall performance of the banks. Iqbal (2015)⁵, examined the factors that affecting the employee performance in banking sector of Pakistan. The variables which were considered during the study were working hours, training, communication barriers, stress and financial rewards. The result shown that the financial rewards and trainings have a positive impact on the performance of the employees but long working hours; stress and communication barriers have a negative impact on the performance of the employees in the banking sector of Pakistan. A.W N Dung'u and J.Kwasira (2016)⁶, focused on the performance based reward system for evaluating the employee performance, which helped to increase the level of motivation among employees in the banks. So, commercial banks employees are rewarded on the basis of group or individual. During the study it was noticed that career path was considered to be the most important valued reward in enhancing the employee performance. So, the commercial bank organization provided training and development programme for their staff. Irshad A (2016)⁷, conducted a study on the "Impact of extrinsic reward on employee performance in banking sector". The study disclosed that the good salary and working condition helps to increase the employee performance in the banking sector. So, there was a direct relation between reward and performance. But this study was limited because only two factors were considered due to limited time and resource and there are so many other factors which affect the performance. Ahmed et al. (2017)⁸, in their article singled out that the financial reward has a greater motivation factor for the bank employees. The finding revealed that the long term success of banks depends on the financial reward as they help to retain the most talented employee in the banks. Moreover, the study focused on both intrinsic and extrinsic rewards. They noticed that if an employee was satisfied with the intrinsic reward he can do his work effectively and efficiently, and if the employee was satisfied with extrinsic reward they help to retain and motivate employee in banks. So both were considered to be important reward which affects the performance. Widagdo (2018)⁹, had studied the effect of compensation and motivation to employee performance through commitment. This research was conducted at PT. Winn Appliance aims to analyze the partial and direct effect of commitment and motivation on employee performance. The blue assumption test was used in this study. It has been concluded that commitment as an intervening variable effects indirect to both compensation and motivation. The study suggests focusing on employee participation so that they will be more committed to toward their work and salary with other benefits should be given.

RESEARCH DESIGN AND METHODOLOGY:

Research design:

This research involves descriptive design study. It is used by the researcher to describe the characteristics of a population or phenomenon being studied. In this information is collected without changing the environment.

Sample procedure of data collection:

We conducted the research in Pharmaceutical companies in India. The two organizations were selected Org1 and Org2 for the sake of this research. Then randomly 120 employees were selected from these two organizations. A self-administered questionnaire was given to each participant to complete, within a specified time period of one week. After one week 102 questionnaire were finally obtained which are usable for the study, yielding an overall response rate of 85 percent.

Instrument and scale measurement of variables

A questionnaire comprising 30 questions relating to participants' biographical information, and Job performance variables was developed. The biographical section includes gender, age, managerial level, and position at work were collected using a nominal scale with pre-coded options. The job performance variables included 20 items which were measured using a mixture of four and five-point scales rating instrument, and also measured using closed and open-ended answers. The open-ended questions were used to determine their own lines of opinion.

To measure the relevance of job performance to employees, 8 items were measured using a five point scale with 1= Very Dissatisfied to 5= Very satisfied. The impact of rewards on employee performance was measured with four point scale from 1=Very likely to 4= Not likely, while the impact of employee performance on customer satisfaction and loyalty was measured with five item scale from 1=strongly agree to 5=Strongly Disagree. All other questions were measured with a simple 'yes and no answer', 'give reason for this', or 'mention some of the factors you think constitute job performance' The survey instrument was pre-tested with ten people before we sent them to the field. It was done to get a feedback and to enhance the internal validity of the instrument.

Data Analysis:

Descriptive and Chi-square analysis were used to interpret the data by providing percentages and numeric values of times each value was obtained. The use of the chi-square (X^2) was to test the hypotheses (H1 and H2) by determining the strength of the relationship between the variables with a .05% significant level. The premise for the validity and consistency of the analysis is the calculation of the P-value. The p-value is the probability that a sample drawn from a population is tested given that the assumptions proposed by the study are true.

RESULTS OF ANALYSIS:

Gender and level of education of participants:

Out of the 102 respondents 50 of them representing 49.01% were males, while 52 representing 50.98% were females. On education front, 60(58.82%) were holders of university first degree, 23(22.54%) had ordinary diploma degrees, 9(8.82%) had professional certificates, 5(4.90%) had Higher National Diploma (HND) certificates, and 2(1.96%) had post-graduate degrees.

Category and rank of participants:

Participants for the study were made up of the various levels of staff, and were sampled from different departments of the two organizations. Management staff comprised of 2.8%, with senior staff at 21.15%, junior staff at 66.35%, contract workers at 4.81%, and those on probation 2.88%.

Hypothesis testing:

Table 1: Observed Frequency of Higher Rewards will induce Higher Job performance

Responses	Org 1	Org 2	Total
Very likely	30	40	70
Likely	5	18	23
Fairly likely	3	3	6
Not likely	2	1	3
Total	40	62	102

Table 2: Expected Frequency and Computed Chi-Square (X²) of Rewards and Job performance

Observed Frequency (O)	Expected Frequency (E)	O-E	(O-E) ²	(O-E) ² /E
30	29.04	0.96	0.9216	0.0317
5	7.92	-2.92	8.526	1.0765
3	2.20	0.8	0.64	0.290
2	1.30	0.7	0.49	0.376
40	42.50	2.5	6.25	0.147
18	15.02	2.98	8.880	0.591
3	2.80	0.2	0.040	0.0142
1	1.22	-0.22	0.048	0.039

$\Sigma X^2 = 2.9654$

Hypothesis H1:

Tables 1 and 2 above present the observed and expected frequencies with the computed Chi-square statistics for the measures of each of the organizations studied. To test the first hypothesis-H1, the chi square statistic is calculated using the model: $X^2 = \sum \frac{(O-E)^2}{E}$

E

Where X²= chi-square

Σ = Summation

O= Observed frequency, i.e. from Table 1 below

E= Expected frequency, i.e. (row total x column total)/ grand total

H1: There is a significant relationship between higher rewards and higher job performance of employees. We use Chi-Square (x²) as test statistics at significance level of .05% (i.e. $\alpha = .05$), and the degree of freedom (df = 3), Computed Chi-square (X²) =2.9654 and Chi- Square (X²) critical =7.815

Decision: The decision is that, we accept the hypothesis (H1) at 5% level of significance since Chi-square (X²) computed (3.2) is less than Chi-square (X²) critical (7.82). Therefore, the hypothesis (H1) of the study which indicates that there is a significant relationship between higher rewards and higher job performance of employees is accepted.

Hypothesis H2: We use the same model as in H1 to test H2 thus Table 4 and 5 below present the observed and expected frequencies with computed chi-square respectively for hypothesis 2.

Table3: Observed Frequency employee job performance will increase customer satisfaction & loyalty

Responses	Org 1	Org 2	Total
Strongly disagree	4	3	7
Disagree	2	2	4
Neither	0	0	0
Agree	9	11	20
Strongly agree	30	41	71
Total	45	57	102

Table 4: Expected Frequency and Computed Chi-Square (X²) of job performance & loyalty

Observed Frequency (O)	Expected Frequency (E)	O-E	(O-E) ²	(O-E) ² / E
4	3.60	0.4	0.16	0.044
2	2.32	-0.32	0.102	0.043
9	9.70	-0.7	0.49	0.050
30	29.21	0.79	0.624	0.021
3	3.32	-0.32	0.102	0.030
2	1.77	0.23	0.052	0.029
11	10.38	0.62	0.384	0.036
41	41.70	- 0.7	0.49	0.011

$\Sigma X^2 = 0.264$

H2: There is a significant relationship between employee job performance and increased customer satisfaction

and loyalty.

We use Chi-Square (χ^2) as test statistics at significance level of .05% (i.e. $\alpha = .05$), and the degree of freedom ($df = 3$), Computed Chi-square (χ^2) =0.264 and Chi- Square (χ^2) critical =7.815

Decision: The decision is that, we accept the hypothesis (H2) at 5% level of significance since Chi-square (χ^2) computed (0.36) is less than Chi-square (χ^2) critical (7.82).

Therefore, the hypothesis (H2) of the study which states that, there is a significant relationship between employee job performance and increase in customer satisfaction and loyalty is accepted.

CONCLUSION:

The study concludes that the higher rewards help in performing better which will increase the productivity in organization and there is a significant relationship between employee job performance and increased customer satisfaction and loyalty. The finding also revealed that the respondents were not happy with their pay and recognition they received as compare to other similar type of job in other companies.

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