Impact of Rewards on Employees’ Motivation:  
A Study of a Pakistani Firm

Sadia Khalid\textsuperscript{1}, Rafia Ayub\textsuperscript{2}

\textsuperscript{1}Student, Jinnah University for Women  
\textsuperscript{2}Assistant Professor, Department of Business Administration, Jinnah University for Women

ABSTRACT

Employees are highly valuable asset for an organization. It is important for an organization to keep their employees happy, satisfied and motivated as motivated work force can help organizations in achieving the strong competitive edge and tremendous profitability. Reward management is a tool that organizations use in order to attract, retain and motivate their employees as reward is counted as a major reason behind employee motivation. This study is conducted to analyze the impact of rewards on employee motivation. The study follows quantitative research approach. Reward is taken as independent variable whereas employee motivation is taken as dependent variable. The study aims to highlight the relationship between these rewards and employee motivation. 100 questionnaires were distributed among the employees out of which 93 questionnaires were returned back with response. The figures and results show that there is a positive association between motivational factors and different types of reward offered to employees. The study implies rewards provided to the employees are increased then an equivalent improvement can be observed in the employee motivation and satisfaction. The article also provides some necessary recommendations to enhance employee motivation through effective reward system.

Keywords: Rewards, employee motivation.

INTRODUCTION

In this modern era of technological advancement organizations around the world are continually striving to achieve strong operational excellence. They are doing so by adopting best practices, effective tools, finest technologies and excellent business tactics. All these factors play an important role in attaining organizational goals and targets however motivated work force is the major contributor in overall organizational success. Employees are like family to an organization, they work together, share together and posses’ one common goal of organizational prosperity. If they are rewarded well by an organization they will feel more dedicated, confident and committed to the company and generate better output that will ultimately benefit the organization. According to Mikander 2010 if an employer wants to maximize overall organizational efficiency then it becomes essential to recognize what factors enhance employee motivation and how to make employees feel satisfied. Therefore it is necessary to develop an effective reward system that not only incites workers but also compliments the organizational design, strategy and philosophy.

Employee motivation is an important factor as satisfied employees may generate greater organizational productivity. Satisfied and motivated workforce is a highly valuable asset for an organization. Numerous factors affect the satisfaction level of employees, among all these factors reward is of great importance. The reward system design has a major impact on individual employee performance (Shahzadi & Farooqi, 2014). Most of the organizations today believe that money is the only reason behind employee motivation and retention. Money
plays an important role but it should not be count as an only cause of employee satisfaction and inspiration instead there are other variables too that greatly contribute in making workforce happy (Al-Harthy, 2008).

There have been numerous researches carried out on this subject at the international level. (Mikander 2010, and Njanja, et.al, 2013) but at national level most of researches are directed towards banking, telecommunication and educational sectors (Danish, 2010, Ali, 2012, Cheema, et.al, 2013) This study will contribute in gaining deep knowledge about reward system and its impact on employee motivation in corporate culture of Pakistan especially related to oil and gas sector.

Oil and gas sector of Pakistan has flourished a lot in last few years and still it is constantly putting efforts to fulfill national demand which has now also become a center of attraction for foreign investments (Elahi & Ali, 2014). Pakistan's oil and gas sector is wide, well regulated, formulated and highly adaptive in order to keep up the pace with the emerging global challenges. It consists of numerous companies that hold several employees associated with these companies and each and every employee therefore need to be competent, confident and comfortable so that this sector can achieve higher levels of growth. Employees can gain these attributes when companies will provide them with fair and sound reward mechanism which will help them in their career progression. (Ali & Akram, 2012)

Every organization expects conformance to the policies, procedures and principles of organization from its employees and in the same way employees expect for healthier working environment, fair treatment and stable pay. So if employees will feel that they are appraised fairly and get the returns they deserve, this will ultimately generate the feeling of appreciation and hence employee will end up benefitting the company with glorious profitability.

The study has targeted a renowned firm in oil and gas sector of Pakistan It is the Pakistan's foremost integrated Gas company involved in the business of transmission and distribution of natural gas along with the manufacturing of Gas meters across two provinces of Pakistan.

PROBLEM STATEMENT
Organizational success is highly dependent on employees. So it has become necessary for employers to keep their employees motivated, satisfied and pleased by offering an appropriate reward system and compensation package in order to obtain best possible outcomes in business processes. This paper has targeted oil and gas sector of Pakistan specifically because this sector is one of the largest sector and plays a major role in our economy. In order to recognize why motivation is becoming a subject of matter in oil and gas industry of Pakistan we need to look at the recent changes emerging in the industry (Al-Harthy, 2008). The company selected for this research paper is a Gas Company. At this company management has established reward system in their organization; these include financial rewards and non financial rewards to ensure employee efficiency. This paper therefore aimed at determining the extent to which these rewards effect on employee motivation which may consist of monetary rewards such as salary, bonuses, allowances and non monetary rewards such as responsibility, recognition and appreciation. This paper will highlight the influence of rewards on the employees engaged with the company.

SIGNIFICANCE OF THE STUDY
The article can be used as a guideline for the organizations to have better understanding of significance of reward system on employee motivation and furthermore it will help to design and implement strategic reward system
in order to attract, retain and motivate their workforce. This study will act as beneficial source for the individual employees in their self development and career growth. Specifically this study will be of greater importance for the management of the firm as it will direct them to focus more on having motivated and competent workforce that not only perform effectively but also assure organizational productivity.

**LIMITATIONS OF THE STUDY**

The current study associates with the certain limitations that should be taken into account for further studies to be held in future. This study has only focused one company for the research so the findings of this study may not generalized to wider sectors or other industries of Pakistan. The number of female respondents in this study is less; also the sample size selected for the study is not representative of whole of the country/population. Another important limitation that goes with this article is short time frame as several factors are overlooked due to limited time span. These limitations can be avoided while doing future research on this scenario in order to obtain clearer picture of the facts.

**LITERATURE REVIEW**

**Motivation**

Motivation is a Latin word originated from movere, means to move. (Dr. Green and Butkus, 1999) analyzed that motivation comes from a word “motivate”, which means to move forward, go ahead, drive and influence an individual behavior to fulfill his need. It is a force residing inside a person that triggers stimulation of effort, commitment and goal direction. It is an inclination to excel beyond expectations, caused by either intrinsic or extrinsic factors that keep the person engaged in continuous struggle for improvements (Taylor & Atkinson, 2009). Arnold (1991) classifies motivation into three components namely direction, effort and persistence.

Motivation is an intrinsic force induced either from external or internal factors that exerts pressure on someone to do some piece of work with greater distinction. It can act as a catalyst in our working activities and behavioral actions that not only boosts employee performance but provides them strength to face challenges in an efficient manner. The most significant factor that is responsible for arising motivation in employees is reward which can improve employee job performance if implemented fairly (Agwu, 2013).

Increasing the motivational level of employees is the soul practice of human resource management. Motivation is a force that drives an employee to behave and perform in a manner that leads to many beneficial returns, so the employees expect that they are going to be rewarded with all the compensation and benefits from their management that they perceived for themselves and their families in return for their hard work and dedication towards the company. Motivation is a motion or inside desire that directs an individual towards specific behavior, an aspiration to achieve something bigger and better with enormous enthusiasm, keenness, and dedication. The more an employee is motivated, the better he will carry out his job and the greater will be organizational productivity (Yousaf et.al, 2014)). At the field of battle soldiers fight with weapons like swords and guns to take a victory. Similarly motivation is a tool used by employees to encounter all the challenges arising during target accomplishment to grab a success at job activities.

**Motivational Theories**

There are various theories related to motivation have been published, all of them are equally important but few of them got famous and receive wide acknowledgement are discussed below:
Maslow’s Hierarchy of Needs
Abraham Maslow (1943, 1954), outlined five basic needs, according to him the needs that remain unsatisfied creates demotivation, some of the needs are required to be fulfilled called as deficiency needs. As soon as these needs are fulfilled the person become satisfied and jump towards higher order needs. Maslow’s hierarchical needs include physiological need, security need, belongingness need, esteem need and self-actualization need.

Alderfer’s ERG Theory:
The Alderfer’s ERG theory (1969) is the continuation of Maslow’s theory. According to him needs can classified into three groups, existence which includes (psychological and security needs), relatedness (belongingness and esteem needs) and growth (self actualization).

This theory exhibit some contrast effects with Maslow’s theory as Alderfer says that more than one need may be satisfied at the same time, it is not necessary that lower order needs should be met first before moving towards higher order needs as the sequence of the needs may vary person to person.

Frederick Herzberg’s Motivator hygiene theory:
Herzberg’s motivator hygiene theory (1959) is in close context with Maslow’s theory but is more focused towards how to increase motivational level of employees at their work place. Herzberg suggested that person is influenced by two set of factors,

Hygiene factors: these factors are named as lower order needs by Herzberg.

Motivator factor: these factors are called as higher order needs by Herzberg.

Herzberg theory examined that fulfillment of hygiene factors will not drive motivational effect in an individual to exert their efforts or to improve their performance; however it will just prevent them from getting dissatisfied. But if motivator factors are joined along with these hygiene factors then it can work well and may result in employee motivation.

Victor Vroom’s Expectancy Theory:
Victor Vroom (1964), theory is based on three factors

Valence: the extent to which how much an expected outcome is attractive or unattractive to an individual

Expectancy: is the extent to which employees think that they are putting all of their efforts together in order to achieve the target of known criteria of performance.

Instrumentality: is the level to which employees believe that their efficient performance and meeting the standard performance level will lead to certain kind of rewards.

Here motivation is a product of combination between valence, expectancy and instrumentality. If any of the factors from this combination is missing then employee will not feel motivated for the task. So management must ensure that increased efforts from employees will lead to improved performance and this improved performance will come up with certain sort of rewards.

Equity Theory:
John Stacey Adams in 1963 proposed that there always exist a comparison among individuals on their efforts (inputs) and the rewards (outputs) that they got. According to this theory equity occurs when an individual's efforts and rewards provided to them are in conjunction with other person's efforts and given rewards. Similarly an inequity exists when there is a misfit between efforts and the rewards. The reward system established in organizations should be fair, clear and justified to assure employee motivation. Individuals feel good when they believe that the ratio between their efforts and returns is equal to whom they are comparing.
B.F. Skinner's Reinforcement Theory:
In Reinforcement theory B.F. Skinner (1957), motivational theory is considered along with learning theory. According to this theory, motivated behavior exhibit by a person is the ultimate result of reinforcements made that actually cause the behavior to occur. It further says that it is vital to quantify the results of that behavior as opposed to comprehend cognitive or forms of motivation. Such behavior that was already compensated will be preceded in future also from an individual as opposed to that behavior which was not remunerated or for which he was being rebuffed. The theory recommends to the employers that they can deal with the behavioral alterations by reinforce desired practices and rebuff undesired practices.

Rewards
A benefit that is generated as a result of performing a task, accomplishing a target or completion of work activity is called as reward (Pitts, 1995). It is the most significant and motivating benefit that someone receives in return for performing the task. It is the reward that stimulates a person to go out and seek work. Reward is something that accelerates the frequency of an employee action (Jack Zigon, 1998). On the other hand reward can also act as powerful demotivator if employees will not feel satisfied with the reward package then company might incur loss in the form of poor employee retention and engagement (Pitts, 1995).

Rewards are the tools that persuade employees to perform harder and with total efficiency by putting all of their efforts, resources and power together to attain a maximum level of perfection. Most of the researches have concluded that there is a considerable relationship between reward and recognition and employee motivation and satisfaction respectively. As per their study if the amount of rewards and recognition provided to the employees is changed there will be a drastic parallel effect on work motivation and employee satisfaction.

Mehmood (2013) identify reward as a major contributor in changing the mood and behavior of the dissatisfy employees. He added that building fair reward system policy could promote productivity and satisfaction within the employees. Reward system not only helps to improve employee performance but it can also act as helping source in meeting the objectives of legal compliance, labor cost control and effective employee retention to attain outstanding organizational profitability and greater customer satisfaction. He recognizes reward system as an important functional unit of organization in order to hire, retain and inspire the entire work force to gain strong competitive edge in this era of globalization.

Rewards can be broadly divided into two basic categories namely: financial rewards and non financial rewards. Financial rewards are also termed as extrinsic or tangible reward, whereas non financial rewards are usually believed to be intrinsic and intangible in nature. Ajilis (1997) explained that non financial rewards are built-in component within the job itself and which provides an individual a sense of internal joy after successfully accomplishing the underlying tasks. These rewards can be given the name of psychological rewards as they create instinct feeling that can be experienced from inside examples are recognition, appreciation, job autonomy and empowerment that all belong to intrinsic rewards. He further illustrated that financial rewards are attached externally to the job aspects such as pay, bonuses, and allowances.

Relationship between Rewards and Motivation
Various researches have proven that whenever human beings are praised and admired for their efforts they have shown remarkable improvement in their performance. Organizations can also use this approach to enhance employee performance and ensure strong employee motivation. Employers could show praise for employees in newsletters or in
organizational meetings (Torrington & Hall, 2006).

Khan, K.U and Farooq, (2010) conducted a research on commercial banks of Pakistan. They distributed 200 questionnaires among employees of different banks and the response rate was 167 employees. Their study reveals that there is positive statistical relationship between reward system and employee motivation among the employees of banking sector. It shows that rewards are directly proportional to employee motivation. Ali, R.and Ahmed, M. S. (2009) carry out a research on Uniliver Company Lahore, by taking the sample size of 80 employees and drives the conclusion that there is a positive significant relationship between reward system and employee satisfaction. There is also the positive correlation exist between reward recognition and motivation, satisfaction. According to the study of Rehman K.U, Zaheer.B and Sufwan .N. (2007) about human resources strategies like promotion, pay and training on job satisfaction in Pakistan the findings suggest that promotion, pay and training have positive significant impact on job satisfaction of employee. They also further added that most employees give less importance to training as compared to pay and promotion. Edirisooriya (2014) perform a research at ElectriCo, Sri Lanka with a sample size of 100 employees. The findings of the study revealed that there is positive relationships exist between extrinsic rewards, intrinsic rewards and employee performance. The study concludes that reward plays a vital role in employee performance in ElectriCo

Reviewing all these empirical studies and findings this study examines the impact of rewards on employee motivation in a public sector service organization. Hypotheses are developed and will be tested based on the conceptual framework.

RESEARCH OBJECTIVES

The aim of this study is to examine the relationship between rewards and employee motivation in Pakistani firm. The more specific objectives to find out in this study are as follows

- The impact of rewards on employee motivation

Research hypothesis

Based on the above research objectives, the study attempts to test the following hypothesis statements

H0: There is no relationship between rewards and employee motivation

H1: There is a relationship between rewards and employee motivation

![Conceptual Framework](image)

Fig: 01 Conceptual Framework

![Operationalization of Variables](image)

Fig: 02 Operationalization of Variables

RESEARCH METHODOLOGY

The aim of this research is to explore the impact of rewards on employee motivation. More specifically it aims to find out the impact of rewards on employees of firm. Quantitative research methodology was adopted in this research as an absolute form of data is gathered that can be examined in an unbiased manner is possible through this method. Reward is taken as independent variable to find out its impact over motivation level of the employees
– dependent variable. Primary data was collected through structured questionnaire. The representative sample of 100 employees are selected from a whole population of employees in the firm.

**Research Instrument**
100 questionnaires were distributed among the employees of out of which 93 questionnaires were returned back with response. Questionnaire consisted of three parts. Part one focuses on demographic factors of employees. Part two involves questions about independent variable i.e. reward (salary, bonus, appreciation, promotion etc) whereas part three includes questions on dependent variable i.e. employee motivation (punctuality, training, job security etc). Questionnaire follows five point Likert scale method for data collection.

**Data Analysis and Presentation**
SPSS (Statistical Package for Social Sciences) version 17 of the software and Microsoft Excel were used for analysis of study data. Regression analysis was used to analyze the relationship between independent and dependent variable. Specifically, it sought to establish degree to which reward influence employee motivation.

**Results and Discussions**
In order to find out the nature of relationship between two variables regression analysis is carried out. The regression method explains the pattern of variation of depended variable in relation to the independent variable. In this research, in order to find what relationship exists between reward system and employee motivation, regression method is applied. Correlation test is also applied to determine the degree of relationship between variables.

**Table 01**

<p>| Variables Entered/Removed&lt;sup&gt;b&lt;/sup&gt; |
|-----------------------------|------------------|</p>
<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>reward</td>
<td></td>
<td>Enter</td>
</tr>
</tbody>
</table>

a. All requested variables entered.

b. Dependent Variable: motivation

The above table tells us about the independent variable and the regression method used. Here we see that the independent variable i.e. reward is entered for the analysis as we have selected enter method.

**Table 02**

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), reward

This table gives us the R-value which is called the coefficient of determination it gives the adequacy of model. Here the value of r-square is 0.072 that means the independent variable in the model can predict 7.2 of the variance in the dependent variable.

**Table 03**

<table>
<thead>
<tr>
<th>ANOVA&lt;sup&gt;b&lt;/sup&gt;</th>
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<tbody>
<tr>
<td>Model</td>
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<td>------</td>
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<tr>
<td>1</td>
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<td></td>
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<td></td>
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</tbody>
</table>

The above table gives the test results for the analysis of one way ANOVA. The results are given in three rows respectively. The first row labeled Regression gives the variability in the
model due to known reasons. The second row labeled Residua gives the variability due to random error or unknown reasons. F-value in this case is 6.907 and the P-value is given by 0.010 which is less than 0.05, so we reject our null hypothesis and conclude that there is a positive relationship found between reward and employee motivation and reward has great impact on employee motivational level.

Table 04
Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>3.505</td>
<td>.160</td>
<td>21.940</td>
</tr>
<tr>
<td></td>
<td>reward</td>
<td>.117</td>
<td>.045</td>
<td>.268</td>
</tr>
</tbody>
</table>

a. Dependent Variable: motivation

**Motivation** = 3.505 + (0.117) (Reward)  ..............  R-Square = 0.72

Regression equation given above shows the positive effect of reward on employee motivation. That, when reward is increased by one unit, then motivation increased by 0.117, so we can say that motivation is directly proportional to rewards and that motivation depends on rewards. P-value is 0.010 which is less than 0.05, so we reject our H0. The value of R-square is 0.72 which shows the explanatory power of regression model and employee motivation is accepted by Reward.

Table 05
Correlations

<table>
<thead>
<tr>
<th></th>
<th>Reward</th>
<th>Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reward</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>93</td>
</tr>
<tr>
<td>Motivation</td>
<td>Pearson Correlation</td>
<td>.268**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>93</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The above table shows the correlation value of all pair test, here we have two correlation values:

- Reward and motivation
- Motivation and reward

The value of correlation coefficient is 1 where SPSS compare two same variables (motivation and motivation) which mean that there is perfect positive correlation between the variables. From the output we can see that the correlation value between reward and employee motivation is 0.268 and p-value for two tailed test is less than 0.05. From these figures we can conclude that there is positive correlation between the reward and motivation.

Similarly, the correlation for reward and motivation is 0.268 and its p-value is 0.010 so we reject our null hypothesis and conclude that
there is some correlation between these two variables.

**CONCLUSION**

Human resource serves as the basis for an organization to capture a strong competitive advantage. It has become a very important task for every organization to attract and retain competent employees who not only act as proficient workers but dedicate themselves for organizational betterment. The main aim of this research is to identify the impact of reward on employee motivation and based on the findings it is revealed that there is statistically significant relationship between reward and employee motivation. The results reflect that if a clear focus is placed on rewards then it could generate a positive impact on employee motivation and thus result in higher levels of job performance.

In this study every factor like salary, bonus, certificate of appreciation, medical benefits, working conditions is in congruence with the rewards and employee motivation. The figures and results show that there is a positive association between motivational factors and different types of reward offered to employees. The study implies rewards provided to the employees are increased then an equivalent improvement can be observed in the employee motivation and satisfaction.

On the other hand similarities are also recognized that when reward is increased by one unit then motivation also increases by 0.117 which shows that motivation is dependent on reward. It signifies that a change in reward offer to employees can bring an alteration in employee work motivation. Hence reward system plays a vital role in enhancing employee motivation.

**REFERENCES**


