The Relationship between Reward Practice and Employees Performance: An Empirical Study

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Abstract—**Employees today are more concerning on the rewarding approaches in which they seek for the ground elements that should be demonstrated in accordance to ensure that one's organizational reward practice will be effective as possible. Thus, the study is to investigate the relationship between employees' perception on transparency, fairness, controllability and the reward values of reward practice and employees' performances at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah in 2009. The employees were given questionnaires regarding the reward practice in the organization to be answered. As a result of findings, the study shows that all factors were not significant to contribute employees' performances. Moreover, even the transparency factor which gives the highest degree of contribution still not significant. As recommendation, the study suggest that organization should be aware on the rights of the other potential employees to be listed in the reward programme The reward values may not only necessary to be in the monetary form, but should also alternatively being provided in other form such as the employer's appraise in the employee recognition. In future research, the employees and employer should have the good relationship to get the win-win situation in reward practice.**

Keywords- Reward, Practice, Employees, Employer, Performances, Compensation, Recognition

I. INTRODUCTION

Reward practice is essential as to be reinforced and as an incentive motivator towards achieving the organizational overall performance. Those employees with the astonishing performance will expect that their exceptional contributions will be recognized and also to be appreciated by the top management. At present, reward practice have been adopted by numerous organizations either both organizations in public or private sector. As stated by Bowen (2000) [1], in a world of downsizing, doing more with less, reward/ recognition are vitally important to boost morale and creating goodwill between employees and managers.

The employees' perception towards the transparency of a reward practice depends on two characteristics which refer to the communication and complexity. The need for a transparent system involves the preferences towards having a clear communication of how the reward are distributed and offered and also the concerns on the understanding of the methodologies, measures and targets used while introducing any rewards. The employees need to understand the connection between the company's business objectives, how they contribute, and how they are rewarded. Perceived uncertainty decreases the effectiveness of incentive compensation (Gibbons, 1998) [2].

Ivana, Lovorka, and Nevenka (2009) [3] founds that reward practice must satisfied a full and open transparency regarding awards, the communication of the availability of the rewards, the criteria to be satisfied, and the identification of the award recipients. Porter, Lawler, and Hackman (1975) [4] states that the reward process as being transparent should be demonstrated by the clarity of the link between the extra effort and the reward being given. they was also concerns with the way rewards are administered within the reward system by suggesting that, in order to acquire positive motivational properties, the distributed incentive scheme rewards made by organizations have to be

performance-dependant based. According to Janssen (2001) [5], empirically those managers who perceived the effort-reward fairness perform better than managers who perceive they are unfairly rewarded. Even though the need for having fairness in rewarding others in one organization seems to be clearly understood theoretically, biased, inaccurate and inflated, the performance evaluations have often been reported in economic studies (Prendergast, 1999) [6]. Hence, the perceived fairness is expected to have a positive relationship with the reward effectiveness in one respective organization. According to Baker (2002) [7], the definition of controllability is the extent to which the employees are able to control or influence the outcome. The effect regarding a certain amount or degree of effort on the employees performance measurement should vary as minimum as possible in order to have such control over one's reward. Therefore, it can be claims that the stronger the degree of the perceived controllability over the reward practice is, the higher will be the level of effectiveness of the reward towards achieving the employees' performance.

Galbraith (1973) [8] claims that the reward system should be aligned to motivate employees' performance that is consistent with the firm's strategy, attract and retain people with the knowledge, skills, and abilities required to realize the firm's strategic goals, and create a supportive culture and structure. As discussed by Bretz, Milkovich and Read (1992) [9], the current performance of the employees can be uplift by having a well developed performance appraisal, reward and the bonus system. So, the rewarding programs itself should have to influence the employees' performance in the positive way as expected by the employer. They also adds that the performance ratings can theoretically be used to identify further training needs, management problems, and candidates for promotions, job rotation, and dismissals or layoffs.

II. Statement of the Problem

According to Brian (2005) [10], the unreliable reward system brings the 'compensatory damage' that has hugely detrimental effects to the financial performance of the organization. It results in significantly reduced human productivity, increased human conflict within the organization, and perceptions of internal unfairness. The reward program still can be doubted and questioned on its value and the fairness or equity level in its dissemination among employees.

The organization conducts a daily report on the computerized employees work evaluation as a basis to reward their employees. Incentives are given based on the units of cars being sold or car service done and also the employees' motivation to work by referring to the hours work done in a month. In the respective organization Administrative Manager; Mr Khoo Choon Hwa point of view, the heavily dependents on the computerized performance appraisal was doubted to be reliable in evaluating all employees' performance as there are lacks of personal consideration in judging the employees work quality. Thus, this research was conducted to addressed the investigation on the implementation of the reward practice as this research seek for the ground truth of the TOYOTA's statement on its concern on the implementation of reward practice. This research were also studying on two contradictions; if successful, how effective were the elements and approaches of reward being utilized and if poorly conducted, what contributes to the undesired results of such reward programmes.

III. Methodology

This research was using the non-probability convenience sampling and provides a set of 82 questionnaires comprises of several questions upon the employees' perception of the reward practice which related to the organizational performance were all formulated as statements at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah . The collected data is using the SPSS Version 16.0 through Descriptive data and Correlation.

IV. Findings

A. Profile of the Respondents

The researchers discussed about the profile of respondents comprises of age, gender, marital status, race, years of services, monthly nett salary, level of education, reward experienced and types of rewards. It shows that the age between 20-25 years old was the highest number of respondents that have experienced the reward given by the organization which were 29 (45.3%) respondents followed by age of 26-30 years old which were 17 (26.6%) respondents, 31-35 years old which were 12 (18.8%) respondents, 36-40 years old which were 4 (6.2%) respondents, and lastly 41-45 years old which were 2 (3.1%) respondents. Male was the highest gender of respondents that have experienced the reward given by the organizations which were 36 (56.2%) respondents and followed by female which were 28 (43.8%) respondents. Highest marital status of respondents was married which was 33 (51.6%) respondents followed by single which were 31 (48.4%) respondents. Highest types of race of respondents in were Malay which was the highest one by 35 (54.7%) respondents, followed by Chinese which were 21 (32.8%) respondents, and lastly Indian were 8 (12.5%) respondents. Longest years of services respondents were 2-5 years which were 33 (51.6%) respondents followed by less than one year which were 25 (39.1%) respondents, 6-10 years which were 4 (6.2%) respondents and the least; 11-15 years and above which were 2 (3.1%) respondents. Most of the respondents receives the monthly nett salary of below RM 1000 which were 26 (40.6%) respondents, followed by RM 1501-2000

which were 15 (23.4%) respondents, then RM 1001-1500 which were 14 (21.9%) respondents, next RM 3001 and above which were 4 (6.2%) respondents, RM 2001-2500 which were 3 (4.7%) respondents, and lastly RM 2501-3000 which were 2 (3.1%) respondents. Level of education was the STPM/ Diploma holder which were 29 (45.3%) respondents and followed by SPM holder which were about 24 (37.5%) respondents, Degree holder about 8 (12.5%) respondents, and the least was the Certificate Skills/ Vocational holder which were 3 (4.7%) respondents.

Based on the Table I, the researchers found that all employees had received the reward in which all 64 (100%) respondents answers Yes and no respondents answers No (0%).

TABLE I.   REWARD EXPERIENCED BY RESPONDENTS

Reward Experienced	Frequency	Percent
Yes	64	100.0
No	0	0.0
Total	64	100.0

TABLE II.   TYPES OF REWARD

Types	Frequency	Percent
Monthly Monetary Incentives	49	76.6
Travel Incentive	4	6.2
Promotion	1	1.6
Employee Recognition Award	9	14.1
Health Care Benefits	0	0.0
Gift or Merchandized	1	1.6
Total	64	100.0

Based on the Table II, the researchers found that the most types of reward received by respondents in was the Monthly Monetary Reward which were 49 (76.6%) respondents, followed by Employee Recognition Award which were 9 (14.1%) respondents, then Travel Incentive which were 4 (6.2%) respondents, next was Promotion and Gift or Merchandized which were both equals to 1 (1.6%) respondents and there was no respondent answers for the Health Care Benefits (0%).

B.   Result of Findings (Pearson Correlation)

Hypotheses 1 The Relationship Between Employees' Perception On Transparency of Reward   Practice and Employees' Performances

H1 There is a significant relationship between employees' perception on transparency of reward practice and employees' performances at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah.

Table III shows there was no significant relationship between employees' perception on transparency of reward practice and employees' performances where $p > 0.05$ ($p = 0.366$) and $r = 0.115$. So, the researchers rejected the H1.

TABLE III.   RELATIONSHIP BETWEEN EMPLOYEES' PERCEPTION ON TRANSPARENCY OF REWARD PRACTICE AND EMPLOYEES' PERFORMANCES

	Transparency
Pearson Correlation	0.115
Sig. (2-tailed)	0.366
N	64

Hypotheses 2 The Relationship Between Employees' Perception On Fairness of Reward   Practice and Employees' Performance

H2 There is a significant relationship between employees' perception on fairness of reward practice and employees' performances at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah.

Table IV shows there was no significant relationship between employees' perception on fairness of reward practice and employees' performances where $p > 0.05$ ($p = 0.872$) and $r = 0.021$. So, the researchers rejected the H2.

TABLE IV.   RELATIONSHIP BETWEEN EMPLOYEES' PERCEPTION ON FAIRNESS OF REWARD PRACTICE AND EMPLOYEES' PERFORMANCES

	Fairness
Pearson Correlation	0.021
Sig. (2-tailed)	0.872
N	64

Hypotheses 3 The Relationship Between Employees' Perception On Controllability of Reward   Practice and Employees' Performance

H3 There is a significant relationship between employees' perception on controllability of reward practice and employees' performances at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah.

Table V shows there was no significant relationship between employees' perception on controllability of reward practice and employees' performances where $p > 0.05$ ($p = 0.514$) and $r = -0.083$. So, the researchers rejected the H3.

TABLE V.   RELATIONSHIP BETWEEN EMPLOYEES' PERCEPTION ON REWARD VALUES OF REWARD PRACTICE AND EMPLOYEES' PERFORMANCES

	Reward Values
Pearson Correlation	0.079
Sig. (2-tailed)	0.535
N	64

V.   CONCLUSION

In the overall view, all of the objectives were achieved in which were to investigate the relationship between transparency, fairness and controllability towards the employees' performance, and also to investigate the most employees' perception on reward practice assumed to contribute towards employees' performance at TOYOTA 3S Centre SP Selatan Otomobil Sdn Bhd, Kedah.

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