THE IMPACT OF REWARD ON EMPLOYEE PERFORMANCE IN APPAREL SECTOR AT KANDY DISTRICT (OPERATIONAL LEVEL EMPLOYEES)

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Research Proposal

1. **INTRODUCTION**
	1. **Background**

The major operating cost in modern organization is labor. It is a must that the organization must receive the expected performance from the employers by the employees of the organization. This helps the organization to run in an effective and productive manner. Motivating individuals or a group of individuals should be able to increase the performance of employees. Organizations use several performance management techniques to fulfill their primary objective, which relates to increase in efficiency and productivity. Organizations practice a several motivating policies and procedures, which involves employees to behave in a manner which is appropriate to the business strategy of the organization and can also meet its objective. (Hume, 1995)

An organization has to strengthen the psychological contract with employees, psychological contract is not a written legal contract which consists a set of terms and conditions of employment, remuneration and certain basic rules but employee’s filling the assigned task by the employer and what they get in return from the employer. An employer has to strengthen his psychological contract with his employees and should maintain a good working environment. (Torrington, 2008)

According to the Allen and Kilmann (2001), reward practices play a vital role in improving employee performance and to achieve organizational goals. As mentioned earlier, many researchers have identified that employee rewards directly attach to employee performance.

There are many empirical studies (Allen & Kilmann, 2001; Ajila & Abiola, 2004; Zaman, 2011, Trittle & Muller, 2011) have been conducted researches on reward system and employee performance. According to Searle (1990), rewards can be categorized into two broad areas, namely extrinsic rewards and intrinsic rewards. Extrinsic rewards are usually financial or tangible rewards which include pay, promotion, interpersonal rewards, bonuses and benefits Regarding the previous researches and studies, scholars have considered relationship between financial rewards and the employee performance. Many researchers have found that employees’ job satisfaction is affected by both financial and nonfinancial rewards (Gerald and Dorothee, 2004; Clifford, 1985; Kalleberg, 1977; and Rehman, Khan, Ziauddin and Lashari, 2010). According to Luthans(2000), there are two basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees. Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips, gratuities and gifts etc. Non-financial rewards are non-monetary/non cash and it is a social recognition such as acknowledgement, certificate, and genuine appreciations etc. The non-financial rewards is also called materials award. (Neckermann and Kosfeld, 2008)

Employees are not awarded by different intrinsic and extrinsic reward due to this they are de-motivated and dissatisfy (Kwandayi, 2013). According to the available literature (Eisenberger, 2011: Heng ,2012), they identify, if organization fails to reward employees, it will directly affect to decrease employee performance and an efficient reward system can be a good motivator but an inefficient reward system can lead to demotivate the employees in terms of low productivity, internal conflicts, absenteeism, high turnover, lack of commitment and loyalty, lateness and felling grievances. Therefore, organization needs to develop strategic reward system for employees in order to retain competent employees which result to obtain sustainable competitive advantage. Because of this researcher is focusing ideas about relative importance of extrinsic and intrinsic reward on employee performance of apparel sector (operational level) employees in Kandy district.

**Keywords:** employee performance; extrinsic rewards (Pay, Bonus, Benefits, promotion); intrinsic rewards (Recognition, career development, responsibilities, learning opportunities)

**1.2 Research Problem**

* A reward system is important for the employee performance. (The main aim of Organizations is to retain, attract, encourage and motivate their employees through benefits Bernardin, 2007). Two basic rewards (financial and nonfinancial) can be utilized positively to increase the performance of employees. (Intrinsic reward creates an emotional bounding between employees toward organization goals and objectives Burke, 2002, extrinsic reward gives external satisfaction or it is based on financial reward. It gives external motivation like bonus, salary raise, gifts, promotion, fringe benefits, profit sharing etc. it motivate employees externally. This reward is directly giving the satisfaction of money needs Armstrong's, 2010). If organizations fail to create a good reward system for the employees it will lead to employees’ dissatisfaction on their job. (Employees are not awarded by different intrinsic and extrinsic reward due to this they are de-motivated and dissatisfy Kwandayi, 2013, some employees are satisfied through intrinsic motivation and some are satisfied through extrinsic motivation khan, 2015). Because of that researcher decided to focus the impact of reward on employee performance in Kandy district apparel sector operational level employees.

**1.3 Objective of the Research**

* To identify the impact on rewards on employee performance.
* To identify the impact of intrinsic reward on employee performance.
* To identify the impact of extrinsic rewards on employee performance.
* To identify the relationship between reward and employee performance.

**1.4 Research Questions**

* What is the impact of reward practices on employee performance?
* What are the impacts of intrinsic reward on employee performance?
* What are the impacts of extrinsic rewards on employee performance?
* What is the relationship between reward and employee performance?

**1.5 Scope of the Research**

* This study is focused on apparel sector in Kandy district urban and sub- urban areas. And it’s limited to only in operational level employees (both gender). Researcher did not consider rural areas in Kandy district and managerial and top level employees in the apparel sector.

**1.6 Justification of the research**

The significance of this study would be emphasized an idea about relative importance of extrinsic and intrinsic reward on employee performance in the apparel sector organization. There are many empirical studies (Allen and Kilmann, 2001; Ajila and Abiola, 2004; Hafiza, Shah and Jamsheed, 2011, Trittle and Muller, 2011) have been conducted researches on reward system and employee performance. Ajila and Abiola, (2004) reveled that reward package can influence on employee performance. Base on their findings they concluded that reward system helps to increase employee performance by enhancing employee skills, knowledge and abilities in order to achieve organizational objectives. According to the Allen and Kilmann (2001), reward practices play a vital role in improving employee performance and to achieve organizational goals. As mentioned earlier, many researchers have identified that employee rewards directly attach to employee performance. On the other hand if organization fails to reward employees, it will directly affect to decrease employee performance. As empirical studies divulge that an efficient reward system can be a good motivator but an inefficient reward system can lead to de-motivate the employees in terms of low productivity, internal conflicts, absenteeism, high turnover, lack of commitment and loyalty, lateness and felling grievances. Therefore organization needs to develop strategic reward system for employees in order to retain competent employees which result to obtain sustainable competitive advantage.

(Mehmood, 2013) In the recent days most organizations offer performance dependent rewards in addition to wages and salaries. These performances related rewards include esteem rewards, job promotion and job security. (Ceschi, 2017) Rewarding employees both financially and non-financially, consist of certain policies, strategies, philosophies, plans and process, developed and practiced by the organization. When this process is followed by the organization gives rise to a stable reward system and structure. Based on the contribution given to the organization the employees are rewarded. (Armstrong, 2002)

Employees who are effective and efficient are likely to be limited if they are not motivated to Perform. Guest (2002)

Fisher (1978)[10] explained that “rewards play a vital role on increasing employee rewards and change the behavior of dissatisfies employees”. Entwistle (1987) is of the view that “if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance”. Furthermore he has stated that when an effective rewards and recognition are implemented within an organization, favorable working environment is produced which motivates employees to excel in their performance. Employees take recognition as their feelings of value and appreciation and as a result it boosts up morale of employee which ultimately increases productivity of organizations. Schaufeli et al (2002) “stress on the importance of rewards in order to combat burnout, which is typically experienced by most employees on the job”

The significance of this study aims to contribute to fill the gap in reward literature in the context of apparel sector organization and to identify what kind of rewards the apparel sector employees in Kandy District value most and it tries to explore the attitudes of employees towards reward policy of their organization. This study is also important as it is relevant for understanding the apparel sector employees’ reward preferences. To conclude, the results of the study may be helpful for exploring the utilization and motivational potential of the reward management in the apparel sector of Kandy district which is in second place in industrial sector for Sri Lankan economy.

**1.7 Expected limitation**

* Lack of time
* Lack of resources availability
* Difficult to excess relevantcandidates

**1.8 Chapter organization**

First chapter consist with introduction of background, research problem, objectives of the research, research question, scope of the research, justification of the research, expected limitation and chapter organization and the second chapter consist with literature review of introduction of research theme, theoretical explanation, finding by other researchers, the research gap and table for variables their definition an sources. Third chapter consist with methodology of data collections, population and sampling technics, conceptual framework, hypothesis, operationalization tables and method of data analysis. Forth chapter consist with data analysis and findings and interpretation. The final chapter ending with discussion, recommendations and conclusions.