

[04]

Impact of Organizational Rewards on Employee Motivation of Operational Level Employees in the Sri Lankan Large Scale Apparel Industry in Colombo District

Husain, APMS and Batagoda, CK

Abstract

Area of the Study

As a significant determinant of employee motivation of an employee, this study is to discuss the impact of organizational rewards of employee motivation of operational level employees in the Sri Lankan large scale apparel sector in Colombo district.

Problem of the Study

This research study attempts to explore the impact of organizational rewards to employee motivation of operational level employees in the Sri Lankan large scale apparel sector. Thus the research problem of this study was; "Do the organizational rewards have an impact on employee motivation of operational level employees in the Sri Lankan large scale apparel sector in Colombo district.

Method of the study

The data were collected from a convenience sample of 200 operational level employees in the large-scale apparel industry with a questionnaire consisted 39 questions with five point Likert Scales. Univariate analysis as well as bivariate analysis applied to analyze the data with the SPSS 16.0 (Version).

Findings of the Study

The result of the study emphasizes that there is a positive impact of organizational rewards on Employee motivation of operational level employees. Also, it was proved that there is a significant strong positive impact of intrinsic, extrinsic rewards on operational level employee motivation. In addition, pay and praise from supervisors have a great impact on reward.

Conclusion of the Study

It is concluded that both intrinsic and extrinsic rewards are significant predictors of employee motivation and both can be used to enhance the level of employee motivation of operational level employees in the Sri Lankan large scale apparel sector in Colombo district.

Keywords: Extrinsic Rewards, Intrinsic Rewards, Employee Motivation, Apparel industry, Operational Level Employees.

Introduction

Rewards can be defined as all types of benefits from cash payments to working conditions (Eric 1994). Organizations offer intrinsic and extrinsic rewards to members for the purpose of

improving human resources outcomes (Mahaney & Lederer 2006). The reward system should be aligned to motivate employee 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 goal, and create a supportive culture and structure (Allen & Killman 2001). Furthermore, the literature argues that alignment of the reward system with organizational strategy helps to determine organizational effectiveness (Richard & Ralph 2001). Nowadays, human asset is considered to be the most important asset of any organization (UKEssay 2013). In order to get the efficient and effective result from human resource, employee motivation is necessary. Employee will give their maximum when they have a feeling or trust that their efforts will be rewarded by the management (Baron 1983). Reward systems are strategically designed when rewards are linked to activities, attributes and work outcomes that support the organization's strategic direction and that foster the achievement of strategic goals (Heneman 2007). Such linkages can lead to increased employee knowledge or skill development, flexibility, commitment, retention and productivity (Howard & Dougherty 2004). As a whole, rewards play significant role in the context of managing employees. Therefore, this study is aimed to discuss the impact of rewards on the employee motivation.

Problem Background and Problem of the Study

Rewards that an individual receives are very much a part of the understanding of motivation (Trivedi 2015). Carraher et al. (2006) advocated that there should be an effective reward system to retain the high performers in the organization and reward should be related to their productivity. A lot of work has been done on evaluating the relationship between rewards and employee motivation (Hewett 2014) and there exist a large number of studies in the literature describing impact of reward on employee motivation. In order to maximize the performance of the employee's organization must make such policies and procedures and formulate such reward system under those policies and procedures which increase employee satisfaction and motivation.

According to different researches conducted, there are both positive (Pratheepkanth 2011; Gohari et al. 2013) and negative (Deci, Koestner & Ryan 1999) relationships between rewards and employee motivation. But there are fewer researches conducted in the Sri Lankan context. This research aims to determine the real relationship between rewards and employee motivation of the operating workers in the Sri Lankan large scale apparel industry in Colombo district.

Literature Review

Motivated employees are needed for rapidly changing workplaces (Sidikora 2011). Employees are the sole strategic assets that make organizations alive. To be effective, managers need to understand what motivates employees within the context of the roles they perform. Managers have to play different functions but motivating employees is arguably the most complex (Lindner 1998). This is due, in part, to the fact that what motivates employees changes constantly (Bowen & Radhakrishna 1991).

Rewards were defined to include all types of benefits, from cash payments to working conditions (Eric 1994). Organizations offer intrinsic and extrinsic rewards to members for the purpose of improving human resources outcomes (Mahaney & Lederer 2006). The reward system should be aligned to motivate employee 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 goal, and create a supportive culture and structure (Allen & Killman 2001). Furthermore, the literature argues that alignment of the reward system with organizational strategy helps to determine organizational effectiveness.

Types of Rewards

It is seen in the literature that reward practices of businesses are mostly analyzed under the classification of intrinsic and extrinsic rewards (Mottaz 1985, Mahaney & Lederer 2006). Intrinsic rewards are those that exist in the job itself. Examples are achievement, variety, challenge, autonomy, responsibility, and personal and professional growth. They also include status, recognition, praise from superiors and co-workers, personal satisfaction, and feelings of self-esteem (Mahaney & Lederer 2006). Intrinsic rewards increase feelings of self-esteem and accomplishment (Honig, Haftel & Martin 1993).

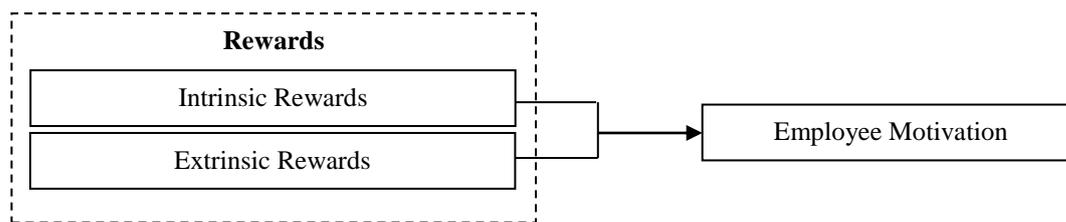
Intrinsic rewards are derived from the content of the task itself and include such factors as interesting and challenging work, self-direction and responsibility, variety, creativity, opportunities to use one's skills and abilities, and sufficient feedback regarding the effectiveness of one's efforts (Mottaz 1985). Employees are thought to be motivated to work hard to produce quality results when they have pride in their work, they believe their efforts are important to the success of the team, and their jobs are fun, challenging, and rewarding (Mahaney & Lederer 2006).

Extrinsic rewards, on the other hand, are external to the job itself. They comprise such elements as pay, fringe benefits, job security, promotions, private office space, and the social climate. Other examples include competitive salaries, pay raises, merit bonuses, and such indirect forms of payment as compensatory time off (Mottaz 1985, Mahaney & Lederer 2006). Extrinsic rewards are used to show that the company is serious about valuing team contributions to quality. The monetary rewards consist of a cash bonus allocated to each team member. The team bonus would be given separately from the salary.

On the other hand, team rewards must be used in ways that avoid destroying employees' intrinsic motivation to do their job. The need for continuous improvement requires employees to be innovators; devising novel solutions that improve a work process or that delight the customer. The use of extrinsic rewards that are tightly linked to team performance may teach team members to become money hungry and undermine their intrinsic interest in the work itself (Balkin & Dolan 1997).

Research Framework

Figure 1 – conceptual model framework



Rewards that an individual receives are very much a part of the understanding of motivation. Carraher et al. (2006) advocates that there should be an effective reward system to retain the high performers in the organization and reward should be related to their productivity. A lot of work has been done on evaluating the relationship between rewards and employee motivation and there exist a large number of studies in the literature describing impact of reward on employee motivation.

As recorded by Deckers (2010), Lawlwr (2003), Ryan and Deci (2000), Silvera (2013), Amabile (1993), George and Jones (2012), Digman in 1990 (cited in George & Jones 2012), Safiullah (2014), Seniwoliba and Nchorbono (2013) and Gohari, Ahmadloo and Boroujeni (2013), there is a positive relationship between extrinsic rewards and employee motivation. Therefore, the first hypothesis of the study was developed as:

H1: *There is a positive relationship between extrinsic rewards and employee motivation among the operational employees in the large scale apparel industry in Colombo district.*

Deckers (2010), Lawler (2003), Ryan and Deci (2000), Silvera (2013), Digman in 1990 (cited in George & Jones 2012), Safiullah (2014), Ajils in 1997 (cited in Munir et al. 2016) and Jensen, et al. in 2007 (cited in Munir et al. 2007) pointed out that there is a relationship between intrinsic rewards with employee motivation. Therefore the second hypothesis of the study is developed as:

H2: *There is a positive relationship between intrinsic rewards and employee motivation among the operational employees in the large scale apparel industry in Colombo district.*

Considering above two hypotheses, the third hypothesis was developed as:

H3: *There is a positive relationship between rewards and employee motivation among the operational employees in the large scale apparel industry in Colombo district.*

Method

Study Design

The objective of the study was to identify the impact of rewards on employee motivation of the operating employees in the apparel industry. Reward is the independent variable while employee motivation being the dependent variable. Four dimensions which are considered to

be important in both extrinsic rewards and intrinsic rewards and dimensions under employee motivation have been identified as possible contributing factors. The objective is to identify the impact of these independent variables to the dependent variable. Therefore, the type of investigation of this study was experimental because the characteristics of an experimental investigation match with this study.

Sampling

The population of the study was all operational level employees in the large scale apparel organizations in Colombo district. Using simple random sampling method, 200 employees were selected as the sample of the study.

Measures

Questionnaire was the main method of data collection and it was structured with questions for Extrinsic Rewards (Pay, Fringe Benefits, Allowances and Merit Bonuses), questions for Intrinsic Rewards (Autonomy, Responsibility and Personal, Professional growth and Praise from superiors and co-workers). Employee motivation also measured using structured questions with 05 points scales.

Reliability and Validity of Instruments

The inter item consistency reliability was examined with Cronbach's Alpha test. This test was carried out using 20 operational level employees from the apparel industry in Sri Lanka with two weeks' time interval. The results of Cronbach's Alpha test are given in Table 01, which suggest that the internal reliability of each instrument is satisfactory.

Table 1 -Cronbach's alpha coefficients

	Instrument	Cronbach's Alpha
1	Extrinsic Rewards	0.7652
2	Intrinsic Rewards	0.7912
3	Motivation	0.8812

The content validity of the instruments was ensured by the conceptualization and operationalization of the variables on literature, and indirectly by the high internal consistency reliability of the instruments as denoted by Alpha's

Techniques of Data Analysis

Collected data are analyzed using the computer based statistical data analysis package, SPSS (16.0 Version) for validity, reliability and hypotheses testing.

Results

The frequency distribution analysis was made individually for the variables of organizational rewards as intrinsic rewards and extrinsic rewards. Summary of the variables is shown in Table 02.

Table 02: Frequency distribution analysis of variables

Statistics	Extrinsic rewards	Intrinsic rewards	Rewards
Mean	3.76	3.57	3.66
Median	3.84	3.54	3.65
Mode	3.85	3.73	3.53
Std. Deviation	0.26	0.34	0.21
Variance	0.07	0.12	0.47
Skewness	-0.36	7.14	3.04
Std. Error of Skewness	0.35	0.18	0.35
Kurtosis	0.73	0.67	0.18
Std. Error of Krtosis	0.35	0.35	0.35
Minimum	2.92	3.09	3.05
Maximm	4.69	4.39	4.69

The mean value of reward is 3.66. On a Five point likert scale mean value should be 3 ($1+2+3+4+5= 15/5$). Resulted mean value is higher than the standard mean value. It indicates that most of the respondents have quiet true answers. 95% confidence level mean value close to 4. As indicated by Table 02, the mean value is 3.66. The response for the reward is “Good”. The skewness and the kurtosis of the distribution are 3.04 and 0.18 respectively.

The Correlation analysis and simple regression analysis were used to investigate the relationship between independent variables of extrinsic and intrinsic rewards and the dependent variable of Employee Motivation. Using Pearson’s correlation with one tailed test, find the correlation between two continuous variables. Results of Pearson’s correlation are shown in Table 03.

Table 03: Correlation Analysis

	Extrinsic Reward	Intrinsic Reward	Reward
Employee Motivation Sig. (2 – tailed)	0.725	0.656	0.691

** Correlation is significant at the 0.01 level (1- tailed)

Person correlation between two variables is 0.691. This shows there is a positive relationship between reward and employee motivation. The fond relationship is statistically significant as correlation is significant at 0.01 levels (2- tailed). Thus, there is a statistical evidence to claim that reward and employee motivation are positively related. When the organizational reward increases, it increases operational level employee’s motivation. Extrinsic rewards, intrinsic rewards and total organizational rewards have a highly positive relationship individually. These person correlations are 0.725 and 0.656 respectively. The entire variables are correlated positively. This means that when one of the variable increases, it causes to increase employee motivation.

Table 40: Regression Analysis

	B Constant	Beta Value	R square	F	Sig
Extrinsic Reward	0.746	0.725	0.525	380.9	0.000
Intrinsic Reward	0.623	0.656	0.430	320.4	0.000
Reward	0.22	0.691	0.477	343.1	0.000

The regression analysis results are presented in above summary and it explains that operational level employee motivation increases by 0.725 for each additional increase in extrinsic rewards, which is significant at 1% ($p = 0.000$). An operational level employee in the apparel sectors employee motivation increases by 0.656 for each additional increase in intrinsic rewards, which is significant at 1% ($p = 0.000$). For each additional increase in rewards employee motivation increases by 0.691, which is significant a 1% ($p = 0.000$). According to the results of the test, the hypothesis is accepted since $p < 0.01$. Hence the data support the hypothesis that there is an impact of extrinsic, intrinsic and reward on operational level employees in the Sri Lankan large scale apparel sector in Colombo district.

Discussion and Conclusion

It was found that there is a positive relationship between rewards and employee motivation of operational level employees in the large scale apparel industry in Sri Lanka. The correlation between these two variables was 0.691, which are significant at 0.000 levels. This correlation was found to be strong as it is more than the lower bound of strong correlation (0.5). According to the results of simple regression analysis, rewards was found to have a positive impact on employee motivation with strength of a b value 0.691. Hence, reward was found to be a predictor of an employee motivation.

Discussing the level of rewards in the sample, it was found that they have a favorable level of reward with the mean value of 3.6660 and standard deviation of 0.2158. Accordingly it was found that operational level employees in the large scale apparel industry in Colombo district were fairly rewarded in their jobs.

Pay has higher impact of 0.8146 on extrinsic rewards; this impact directly relates to the rewards, so the organizations in the large scale apparel industry in Sri Lanka should focus their attention on basic the operational employees get, the organizations should ensure the employees are satisfied with the payment to motivate them. Merit bonuses has a lower effect of 0.4146 on extrinsic rewards, which indirectly says that the operational level employees have less concerns on the merit bonuses,

In the other hand intrinsic factors, it has an impact on rewards; especially praise from supervisors and coworkers has an impact of 0.7132. The organizations in the large scale apparel sector organizations in Colombo district should value their employees. The operational level employees reluctant to take responsibilities, it says responsibility has lower impact on rewards, it is 0.3124. This says the operational level employees are reluctant to take the responsibility and they like to do what they are to do.

And also, findings say that extrinsic reward (0.725) has more effect than intrinsic reward (0.656) on reward. In order to motivate operational level employee's extrinsic reward has to be improved and it also says pay component has an effect of 0.8146 on extrinsic reward, so to increase extrinsic reward pay has to be increased. The management should pay more attention to maintain fair pay to motivate operational level employees. Operational employees have less concern on merit bonuses. Extrinsic rewards could be increased by focusing more on pay and less on merit bonuses. Higher concern on pay means it indirectly says that the organization has focused their concerns on reward.

Another major finding was that in order to increase the intrinsic rewards employees should be appreciated and recognized during their achievements. And operational employees are reluctant of taking the responsibilities. If the organizations in the Sri Lankan large scale apparel industry could focus more on the pay the operational level employees get and the system of recognition for their achievements, the operational employees could be Motivate

Recommendations

It was possible for the independent variable to account for 81% of the variation in employee motivation while the 19% of the variation was unexplained by these variables. In fact other variables, which were not considered in this study, should be the variables that may account for the expected variables in employee motivation of operational level employees in the apparel industry

The paper recommends that in order to increase the employees' motivation by redesigning the reward system.

- The basic pay of operational employees should be increased with the cost of living and other market conditions
- A system should be designed to recognize employees such as awarding ceremonies, public announcements etc.
- Employees should be educated about the salary and other allowances.
- Employees should be trained according to the present context of the environment.
- Internal work environment of factory must be pleasant. In order to satisfy the staff and
- Work with efficiency.
- Different facilities to be provided to all employees in order to enhance the employees' motivation and job satisfaction.

The research also recommends testing the impact of rewards on employee motivation for executives and above in the Sri Lankan apparel sector. The study also recommends to a research on factors other than rewards on employee motivation for operational level employees and also has to consider the different levels of employees such as executives and Non-Executives.

References

- i. Allen, RS & Kilmann, RH 2001, 'Aligning Reward Practices in Support of Total Quality Management,' *Business Horizons*, Vol. 44, No. 3, pp. 77-85.
- ii. Amabile, TM 1993, "Motivational Synergy: toward new conceptualizations of intrinsic and extrinsic motivation in the workplace", *Human Resource Management Review*, Vol. 3, No. 3, pp. 185-201.
- iii. Balki, D & Dolan, S 1997, 'Rewards for Team Contributions to Quality' *Journal of Compensation & Benefits*, Vol. 13, No. 1, pp. 41-47.
- iv. Baron, RA 1983, *Behavior in organization*, New York, Allyn and Bacon, Inc.
- v. Bhattacharya, S and Mukherjee, P 2009, "Rewards as a Key to Employee Engagement: A Comparative Study on I.T. Professionals", *ASBM Journal of Management*, Vol. 2, No. 1.
- vi. Bowen, BE and Radhakrishna, RB 1991, "Job satisfaction of agricultural education faculty: A constant phenomena", *Journal of Agricultural Education*, Vol. 32, No. 2, pp. 16-22.
- vii. Deci, EL, Koestner, R and Ryan, RM 1999, "A meta-analytic review of experiments examining the effects of extrinsic rewards on intrinsic motivation", *Psychological Bulletin*, No. 125, pp. 627-668.
- viii. Deckers, L 2010, *Motivation: Biological, Psychological, and Environmental*, 3rd Edition, Boston, MA: Allyn & Bacon.
- ix. Eric, S 1994, 'The Role of Rewards on a Journey to Excellence' *Management Decision*, Vol. 32, No. 5, pp. 46.
- x. George, JM and Jones, GR 2012, *Understanding and Managing Organizational Behaviour*, 6th edition, Reading, MA: Prentice Hall.
- xi. Gohari, P, Ahmadloo, A, Boroujeni, MB and Hosseinipour, SJ 2013, "The relationship between rewards and employee performance", *Interdisciplinary Journal of Contemporary Research in Business*, Vol. 5, No. 3, pp. 543-570.
- xii. Gohari, P, Kamkar, A, Hosseinipour, SJ and Zohoori, M 2003, "Relationship between rewards and employee performance: A mediating role of job satisfaction", *Interdisciplinary Journal of Contemporary Research in Business*, Vol. 5, No. 3, pp. 571-597.
- xiii. Heneman, RL 2007, *Implementing total rewards strategies*, SHRM foundation, Alexandria.
- xiv. Hewett, R 2014, "Reward salience and motivation attribution in everyday work; a self-determination theory perspective", *Institute of Work Psychology International Conference*, Sheffield, UK.
- xv. Honig, HS & Martin, LR 1993, 'The Effectiveness of Reward Systems on Innovative Output: An Empirical Analysis' *Small Business Economics*, pp. 261-269.
- xvi. Howard, LW & Dougherty, TW 2004, 'Alternative Reward Strategies and Employee Reactions' *Compensation and Benefits Review*, Vol. 36, pp. 41-51.
- xvii. Kohn, A 2009, "Why Incentive Plans Cannot Work", *Harvard Business Review*, September – October.

- xviii. Lawler, EE 2003, *Treat people right*, San Francisco, Jossey-Bass.
- xix. Lindner, JR 1998, "Understanding employee motivation", *Journal of Extension*, Vol. 36, No. 3.
- xx. Mahaney, RC & Lederer, AL 2006, 'The Effect of Intrinsic and Extrinsic Rewards for Developers on Information Systems Project Success' *Project Management Journal*, Vol. 37, No. 4, pp. 42-54.
- xxi. Mottaz, CJ 1985, 'The Relative Importance of Intrinsic and Extrinsic Rewards as Determinants of Work Satisfaction' *The Sociological Quarterly*, Vol. 26, No. 3, pp. 365-385.
- xxii. Munir, R, Lodhi, ME, Sabir, HM and Khan, N 2016, "Impact of rewards (Intrinsic and Extrinsic) on employee performance with special reference to Courier Companies of Faisalabad city", *European Journal of Business and Management*, Vol. 8, No. 25, pp. 88-97.
- xxiii. Pink, DH 2011, *Drive: The surprising Truth About What Motivates Us*, First Riverhead Trade Paperback Edition, New York, N.Y., U.S., Penguin Group Inc.
- xxiv. Pratheepkanth, P 2011, "Reward system and its impact on employee motivation in commercial banks of Sri Lanka Plc, in Jaffna district", *Global Journal of Management and Business Research*, Vol. 11, No. 3, pp. 84-92.
- xxv. Ryan, RM and Deci, EL 2000, "Intrinsic and Extrinsic Motivations: Classic Definitions and New Directions", *Contemporary Educational Psychology*, No. 25, pp. 54- 67.
- xxvi. Safiullah, AB 2014, "Impact of rewards on employee motivation of the telecommunication industry of Bangladesh: An empirical study", *IOSR Journal of Business and Management*, Vol. 16, No. 12, pp. 22-30.
- xxvii. Seniwoliba, AJ and Nchorbono, AD 2013, "Examining the role of motivation on employee performance in the public sector in Ghana", *Merit Research Journal of Education and Review*, Vol. 1, No. 10, pp. 2350-2482.
- xxviii. Sidikova, M 2011, "The impact of change on employees' motivation: A case of CSSC, Bachelor's Thesis, Abstract, Turku University of Applied Science.
- xxix. Silvera, I 2013, Motivation schemes can build long-term engagement, *Employee Benefits*, [Online] June 4. Available via: <http://www.employeebenefits.co.uk/motivation-schemes-can-build-long-term-engagement/>. [Retrieved 2016-02-12].
- xxx. Trivedi, A 2015, "Reward system and its impact on employee motivation", *International Journal of Organizational Behaviour and Management Perspectives*, Vol. 4, No 3, pp. 1877-1882.
- xxxi. UKEssays, 2013, Human Resources as an important asset for companies. [online]. Available from: <https://www.ukessays.com/essays/business/human-resources-as-an-important-asset-for-companies-business-essay.php?vref=1> [Accessed 18 October 2018].

Husain, APMS Department of Human Resource Management
University of Sri Jayewardenepura
shakirhusain26@yahoo.com
jhrm@sjp.ac.lk

Batagoda, CK Senior Lecturer
Department of Human Resource Management
University of Sri Jayewardenepura
jhrm@sjp.ac.lk
hansi@sjp.ac.lk
