

# Driving employees' motivation through reward system in selected organisations in Lagos State, Nigeria

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## Abstract

In contemporary times, for organisations to meet up with expectations of employees and retain talents, an indebt study of employees' motivation is desirable. The broad objective of the study is to examine the effect of reward system on employee motivation in selected organisations in Lagos state, Nigeria. The population of the study comprises full time employees of both private and public organizations in Lagos state. A 25-item validated structured questionnaire served as the research instrument. A sample size of 500 was drawn from 20 randomly selected organizations. The relative frequency and multiple regression analysis were employed as the analytical techniques. The findings showed that the dimensions of reward system, such as employee promotion, bonus pay and employee recognition exhibited positive effect on employee motivation. On the bases of these findings, the study concluded that reward system is critical to employees' motivation and commitment in any organisation. Given that rewards enhance motivation, foster employees' commitment and create a sense of belonging, which enables employees to be in alliance with organisational goals. Finally, it is recommended that organizations should design a well-structured system of promotion, bonuses and recognition for their employees in order to improve employee motivation. More emphasis should be given to intrinsic reward system. This is because intrinsic motivation where work is its own reward seems the best way to accomplish transformative, creative and innovative goals by organizations.

**Keywords:** reward, promotion, bonus, recognition, employee motivation

## 1. Introduction

There can be no doubt that in this day and time many firms like to focus on gaining a competitive lead in the market place. The advancement in equipment, good marketing strategy and excellent consumer services seem to be the factors to build up for the lead. However, human resources are the most important assets of an enterprise and it is employee motivation that determines its success or failure. A poorly motivated employee may be pricey to the organisation in terms of lower performance and productivity, excessive staff turnover, negative effect on the self-esteem of colleagues Jobber and Lee (as cited in Wilson 2004).

In order for the organization to meet its duties to shareholders, employees and the society, top management must build up relationship between the organization and employees that will fulfil the continuously changing needs of both parties. All over the world organizations, expect employees to carry out unflinchingly the responsibilities assigned to them and at the standards set for them, and to follow the rules that have been established to oversee the workplace.

Just as organizations want their employees to perform the responsibilities assigned to them, employees anticipate their organization to provide fair pay, good working conditions, and just treatment to them. Like management, employees often expect more, depending on the potency of their needs for contribution, security, status, power, and responsibility. Employees seem to be shifting from organizations that do not reward them for work done to other more rewarding organizations. They appear no longer to dwell in jobs that do not motivate or gratify them. Fair salaries are no longer adequate reward system to keep them loyal.

In contemporary times, organisations are expected to do more to ensure that they retain talents. How determined the expectations of each party are, vary from organization to organization. For organizations to attend to these expectations, an indebt understanding of employee motivation is required. According to Khan, Farooq and Ullar (2010), a reward strategy may perhaps have the control of enhancing motivation in one way and declining it in other ways.

To certify the success of reward strategies, it is very important to consider the uniqueness of the situation at hand and the diversity of employees. Today, the employees are expected to do more with less and continuously prove their worth. The very factors that mostly influence worker attitude, productivity and organizational competitiveness are rewards and recognition. This will influence not only in servicing customers better, but also may help to attract and retain human resources (Bowen and Radhakrishna 1991). Many factors control the success of an organization, e.g. its markets, products, capital, technology and government regulations. To what extent these factors will provide a competitive lead for the organization depends on what people do with them. Any organization that manages to make best use of their human resources will achieve a significant competitive advantage (Wilson 2004).

The art of motivation is to help people put their thoughts on performing their work as effective as possible (Gellerman 1992). Bruce (2002) argued that employees are not truly motivated for the company's reasons and objectives except there

are something in it for them. They work for their own benefit. Therefore, it is indispensable that companies find out what is important for the employees and then help them to connect these motives to the goals and activities of the organization. If this is accomplished, it will affect each workers performance positively, and the importance of motivated employees to effective commitment has been highlighted in an organizational perspective (ibid.).

Employees, who are motivated, are more dynamic and willing to work towards achieving organizational goals than the employees who are not motivated or experiencing low levels of motivation (Hunter, Schmidt and Judiesch 1990). Motivated employees serve as a competitive edge, as their performance enhance the realisation of organizational goals (Rizwan and Ali 2010). To motivate employees, reward is an effective tool to use, but it is not as simple as it might sound. How rewards can motivate the individuals and how much it varies across cultures and societies is a subject that appears not fully understood. Rewards in some way or form are used in most corporate environments across the world (Adler and Gundersen 2008). However, a number of ways of measuring employee motivation have been developed but in general the particular procedure chosen varies with the type of work. To bring to focus how an appropriate reward system can motivate workers to develop positive approach towards their job and thereby enhance their productivity calls for more research. It is against this background that it becomes pertinent to examine the effect of reward systems on employees' motivation and to bridge this gap in knowledge.

### 1.1 Statement of the Problem

One major challenge that is facing today's organization is how to effectively motivate employees. In this regard, organizations who do not recognize talent and hard work through appropriate incentives are at the risk of losing the hard working employees. Most organisations in the world today seem to suffer high labour turnover and truancy, which in turn require high cost of selection and training. This is sometimes accredited to the neglect of the reward system. Every manager at all levels finds it hard to build a more effective reward and compensation system to integrate both organisational goals and individual needs. It is often said that, the leading cause of industrial conflict is due to employees' perception that their benefits have been denied or will be denied. Thus, the implication of compensation and reward system is to make available an equitable platform for all that is concerned. An organisation with unhappy employees create social imbalance, which results to low productivity and growth. Consequently, any society that is comprised of frustrated employees will be insecure.

However, employees' dissatisfaction with their work environment will engender low job performance. An initial enquiry showed that employees particularly in government owned organizations, preferred to do private works, than official works in order to earn extra money. Consequently, these organizations are experiencing low production, resulting in low wages and even outright dismissal of staff and low job performance. The question then is what organizations are not doing that are necessary to motivate their employees.

### 1.2 Objectives of the Study

The main objective of this study is to examine the effect of reward systems on employee's motivation in selected public and private organizations in Lagos State, Nigeria. The specific objectives are to:

- determine the effect of promotion on employee motivation
- ascertain the effect of bonus on employee motivation
- examine the effect of recognition on employee motivation

To achieve these objectives, there is need to understand the underlying concepts that are germane to employee motivation through rewards systems. For this purpose, the relevant literatures on reward systems and motivation, intrinsic versus extrinsic-driven people, and the empirical perspectives were reviewed in section 2. The applied methodology employed a cross-sectional survey research design. The cross-sectional research design method is centered on studying a cross-section of the population and captures a snap shot of the specific situation that is of interest to this study. This methodology is explained in section 3, which is in alignment with the objective of this study. The results of the data analysis are presented in section 4 and the discussion of findings in section 5.

## 2. Literature Review

### 2.1 The Concept of Reward Systems and Incentives

In today's competitive business climate, more business establishments are looking for ways to improve in service delivery with a reduced cost structure. At the forefront of achieving this is the reward systems put in place. Both small and large businesses the world over are desiring to get more from their employees, also their employees desire more from their organization as well. Therefore, the concepts of reward systems are put in place by organizations to motivate employees

in order to change work habits and encourage behaviour that will benefit the organisation. Reward systems are well-thought-out programme set up by companies to evaluate and compensate employees based on their performance on individual or group levels. They can be classified as tangible or intangible reward systems. In the first case, they refer to benefits and awards given to employees based on tasks performed, which meet or exceed the expectations initially established.

It is worth accentuating that reward systems are designed with the objective of increasing organizational efficiency, and rewarding those who attain an expected level of performance. According to Mahaney and Lederer (2006), the reward system of an organization has influence on workers' motivation. Workers may be rewarded in a tangible way such as cash bonuses, or intangible ways such as praise or public recognition because they have demonstrated behaviours considered enviable for the organization. Defining criteria on how the reward should be distributed among the employees has been observed as one of the major challenges of designing an effective reward system. The use of standards of differentiation that people consider are fair and consistent as standards within the organizational context are essential for the attainment of employees' commitment. Rewards include all types of benefits, from cash payments to working conditions.

The reward system should be modelled in such a way that it will motivate employee's performance that is consistent with the firm's strategy. This is with a view to attracting and retaining people with the knowledge, skills and abilities required to realizing the firm's strategic goal and as well creating a supportive culture and structure (Allen and Killman 2001). Reward systems are carefully designed to link to activities and work outcomes that support the organization's strategic direction and foster the achievement of strategic goals. These linkages lead to increased employee knowledge or skill development, commitment, retention and productivity (Howard and Dougherty 2004).

To qualify for a reward, the goal must be made clear, meaningful and consistent with other rewards for related goals. For a reward system to be effective and be able to motivate, it needs to suit some employees' individual needs in particular and keep track of the changes in their needs. Otherwise, it is unlikely to accomplish the performance desired. In a more recent study, Kaplan and Henderson (2005) state the significance of formal or informal reward systems in organizations and their use in some companies, as a way of stimulating an increase in the performance of employees. They posit that reward systems are generally based on processes that are subjected to interpretation.

Mendonca (2002) sees reward and compensation system that is based on the expectancy theory, and suggests that when employees perceive that there is a strong link between their performance and the reward they receive, they are more likely to be motivated to perform well. Guest (2002) opined that reward is one of the keys that motivate employees to perform as expected. Reward system can come in the form of monetary benefits, merit increase, recognition and praise or a combination of both. A group or team of employees can be rewarded with cash payment for achieving an agreed target within the time frame (group performance-related schemes reward). These schemes are all designed to enhance company performance by aligning the interests of employees with the financial performance of their companies (Tsai 2005). Reward systems can refer to that system that contributes to performance by connecting the welfare of employees to those of the team and the organization, thereby enhancing effort and performance. Thus, performance at job is the result of ability and motivation Huselid (1995). When the performance of an employee is deemed to be successful, it leads to organizational rewards and as a result, motivational factor of employees lies in their performance level (Fisher 2005).

Recognition as seen by employees is their feelings of value and appreciation and as a result, it boosts up their working experience, which ultimately increases productivity of the organizations. Rewards play an essential role in determining the significant performance in job, and it is positively linked with the process of motivation (Rizwan and Ali 2010).

Factors intrinsic within or inside the work itself are, referred to as motivators, such as the recognition of a task completed, achievements, opportunities for growth and advancements. According to Wong, Siu and Tsang (1999), the true motivators that engender job satisfaction are the intrinsic factors. Thus, according to the dual factor theory, posits that sales force can only be motivated by motivators force, while hygiene factors can be a demotivating factors to sales force if absent. Hair, Black, Babin and Anderson (2010) of the view that sales managers improve the productivity of the sales force by maintaining hygiene factors at the same time as providing motivators such as responsibility, authority, job freedom, new tasks and communication.

This study provides an investigation into the relationship between reward systems and employee motivation and its relative effect on employee performance. Therefore, the rewarding systems are considered as independent and the employee motivation as dependent variables.

## 2.2 Employee Motivation

Motivation refers to the level of energy, commitment, creativity and forces that a company's employees bring to their job. Motivation is either internal or external to a person, and it stirs up enthusiasm and persistence to chase a certain course of action (Daft 2005). Motivation is an internal drive and employees intrinsic enthusiasm that makes an individual to take actions in order to accomplish organization activities. Most employees need support and unique reward system to allow them to work to the best of their abilities (Blem 2007). These employees usually work alone; their hours are irregular; and they are often away from home. They are confronted by competing employees of other companies; they have substandard status relative to the 'buyer' (for example, medical doctors); they often do not have the power to do what is

necessary in order to win an account; and they occasionally lose large orders they have worked hard to obtain (Kotler and Keller 2006). One major role played by management is to influence the morale and performance of the employees through the organisational climate, guidance and positive reward system (Blem 2007).

Employee motivation is most important element for all organization to attain achievement weather these are public or private (Chintallo and Mahadeo 2013). Employees who are competent, motivated and satisfied lead to more productive organizations overall (Caligiuri, Lepak and Bonache 2010). Employee's job satisfaction offers important clues concerning the health and performance of an organization and provides information on where improvements can be made to the organization (Mussie, Kathryn and Abel 2013). Research shows that both financial and nonfinancial rewards impact the job satisfaction and motivation of employees (DeCenzo and Robbins 2010).

The success of any facet of the business can almost be traced to motivated employees (Osabiya 2015). This is especially true and important in today's turbulent and often chaotic environment where commercial success depends on employees using their full talents. The ability to attract, retain and develop talented employees is a key feature of a successful business. The success of any organization depends on the ability of managers to provide a motivating environment for its employees (ibid.).

Most firms use a mix of fixed salary and commissions in that while the fixed salary controls for behaviour, commissions motivate outcome (Kuester and Canales 2011). A user-centered design with meaningful game elements and caution about the use of external rewards will create meaningful gamification, which can increase motivation (Kananen and Akpinar 2015; Nicholson 2012). It is also important to note that motivational factors can differ by cultures (Moberg and Leasher 2011).

If a company's level of morale and productivity is low then the company will have difficulty even many companies lose money if not promptly treated. One way to overcome the problem of morale and job satisfaction in order to improve the productivity of employees is to appropriately provide promotion and compensation is appropriate and feasible (Saharuddin 2016).

For the employee to successfully achieve his goals managers in charge of employees should settle on the amount of motivation that will be needed and they should determine the methods of motivation that are best for the situation at hand. Finally, management should develop well-made motivational programmes that are synchronized with other organizations management activities (Futrell 2011).

### 2.3 Extrinsic and Intrinsic Rewards

Every organization needs a reward and recognition system, which exhaustively addresses four main areas; they are compensation, benefits, recognition and appreciation. The system should also aim to reward two types of employee's activities: performance and behaviour (Daniel 2017). Extrinsic rewards are actually tangible rewards presented to the employees by the management. They could be in various forms like pay rises, promotion, bonuses and respective benefits. Rewards are termed as extrinsic because they external to the work itself. These kinds of rewards had played a dominant role in earlier eras whereby the job employees were involved in was routine and bureaucratic. The work at this era offered employees with few intrinsic rewards and therefore there were the only available motivational tools. The extrinsic rewards bring about extrinsic motivation. Extrinsicly motivated employees tend to focus on performance outcomes (ibid.).

On the other hand, intrinsic rewards also come from verbal rewards such as positive feedback and praise, which lead to job satisfaction (ibid.). Intrinsically motivated employees participate eagerly in their jobs for internal reasons. This is from pure enjoyment and satisfaction. Behaviours brought about by intrinsic motivation can be better task – relevant focus, less distraction, less stress when mistakes are made and improved confidence. There are two kinds of rewards: extrinsic rewards, which provide extrinsic motivation and in turn encourage better performance, and intrinsic rewards, which likewise promote intrinsic motivation and lead to better performance.

#### 2.3.1 Are Reward Systems Equally Influential in All Types of Jobs?

When it concerns motivation, it appears there is a gap between what business does and what science knows. Many managers believe that extrinsic motivators work and regard them as a useful means to control people. However, most business operating systems that are hinged around external carrot and stick motivation hardly works and as such needs an upgrade. There is an increasing awareness that people are more motivated by internal drivers than by external factors. Once basic financial needs are fulfilled, people appear more motivated by having a desire for mastery and a sense of autonomy towards a driving purpose.

##### *Extrinsic vs. Intrinsic driven people.*

Pink (2011) defined two types of people: Type X (Extrinsic) are primarily driven by external factors, such as money, fame, status symbol, etc. They can be successful but can be troubled by an insatiable appetite for more 'stuff' (for example, the monetary success joy can never be fully satisfied, instead it quickly evaporates and is replaced by further yearning and longing for more)

Type I's (Intrinsic) motivation comes from within – to achieve something meaningful to them. Success is measured by task not by added-on reward. Type I behaviour is propelled by three factors: (i) purpose, (ii) mastery, and (iii) autonomy.

*Purpose:* The passion that is behind and associated to a meaningful purpose, inspires and makes us more motivated and engaged. The burning passion for a purpose

*Mastery:* The urge to get better and better at something that matters. An innate desire to become really good at something, to grow and develop. Mastery is a mindset, what people believe shape what they can achieve.

*Autonomy:* The desire to direct own lives. People want autonomy in four areas: Task, time, techniques and team. Having a sense of autonomy has been shown to have significant effect on attitude, job satisfaction and performance.

The important lessons from Daniel Pink's summary of drive and the new science of motivation are: reward systems seem not equally influential in all types of jobs, as a result every organization needs to learn how to motivate employees in order to get the most out of its people. The new science of motivation is that greater freedom often results in greater responsibility. If employees have a spirit of purpose, mastery and autonomy, they will have the freedom and inner mind to develop truly creative solutions. Thus, in jobs that demand creativity and innovativeness, monetary rewards will not be influential at all. Maximizing human potential starts with establishing trust in employees and giving them the freedom to innovate. Intrinsic motivation where work is its own reward is the best way to accomplish transformative, creative and innovative goals by organizations.

#### 2.4 The Relationship between Rewards and Employee Motivation

Motivation rewarding is as essential as incentive and an indestructible motivator to realize the organizational performance. No wonder, virtually every organization both the public and private sector has adopted it. In downsizing, for example, doing more with reward is very important to lift up self-worth and to establish thoughtfulness between managers and their employees (Bowen and Radhakrishna 1991). Simply put, the employee's insight into the reward practice clearly depends on two factors: these factors are complexity and communication. The relationship between the firm's goals and the system of reward need to be known by the employees. In addition, uncertainty in this regard will decrease the motivation rewarding value (Gibbons 1998).

The only way employees will fulfil a dream is in sharing it. Above all, reward schemes provide mechanisms for this to happen. Likewise, you get more of the behaviour you reward. Subsequently, the purpose of many rewards and recognition programs are multi-layered but motivation of employees to increase performance is the key objective in reaching corporate goals (Daniel 2017). This is because motivated employees perform. Organizations in this dynamic globalized world are continuously trying to develop and motivate their employees to help achieve enhanced performance with various human resource applications and practices (Irum, Ayesha, Syed, Shagufta and Farida 2014).

#### 2.5 Promotion and Employee Motivation

Two extrinsic reward types, which include suitable earnings (promotion) and job security, are the most central factors between intrinsic and extrinsic rewards (Kulkarni 1983). One vital factor, which affects employee's motivation, is promotion. Promotion is an important part of the employee's life style and employee who feel that there is little opportunity for growth and no reward for their effort, will feel not motivated and as such will not put the best in his work and this can have an obvious impact on the job. Organizations who do not recognize talent and hard work through promotion are at the risk of losing the hard working employees.

Promotion is an opportunity provided by the organization towards its employees and normally only those who achieved the standard set by the organization may be promoted (Adnan and Mahazril 2011). Promotion is also an important aspect of a worker's career and life, affecting other facets of the work experience including workers' labour mobility that resulted in the wage increases (Kosteas 2009). Promotion opportunity is always associated with an increase in workload and responsibility. Firms can use promotions as a reward for highly productive workers, creating an incentive for workers to exert greater effort. Adnan and Mahazril (2011) opined that promotions will only be an effective mechanism for eliciting greater effort if workers place significant value on the promotion itself. Workers may value promotions because they carry an increase in job amenities such as a bigger office or spending account (factors which are observable but for which we do not have the information) or because they enjoy the acknowledgement of work well done and the ego boost that comes with a promotion (factors which are not easily observable) (Kosteas 2009). To avoid this, the firm can apply promotion as a motivational factor for high performance employees, developing an encouragement for them to do superior extra effort. Promotion plans are usually based on an individual's performance and is assessed by an employee performance judgment (Campbell, Champbell and Chia 1998; Schwab and Olson 1990). Efforts by management to begin promotion opportunity contributes to employee's job satisfaction and acts as a motivation for job performance.

Thus, we propose that:

*H<sub>1</sub>: There is a significant relationship between promotion and employee motivation.*

## 2.6 Bonus and Employee Motivation

One of the best ways of motivating the individual in the work place is by paying generous bonus to him. No wonder organizations are in the habits of spending billions of naira yearly on bonuses alone. Thus, a monetary reward given to employees in addition to their fixed compensation is referred to as bonus pay (Milkovich and Newman 2005). This pay plan is also presumably based on individual performance, but bonuses do not increase employees' base pay and as a result are not permanent (Sturman and Short 2000). Bonus pay also has been used everywhere in organizations to motivate employees' performance and to foster competitive spirit in the workplace (Joseph and Kalwani 1998; Sturman and Short 2000), and a number of surveys reported that the popularity of bonus pay is increasing (Sturman and Short 2000). Bonus pay is attractive from the company's point of view because the one-time cash reward links pay to performance and increased loyalty and commitment (Lawler 1981; Lowery, Petty and Thompson 1996) but does not increase fixed labour costs (Sturman and Short 2000).

In a study titled the effect of cash bonuses on employee performance in the Kenya Power and Lighting Company Ltd. Njanja, Maina, Kibet and Njagi (2013) found that the majority of staff surveyed had a perception that cash bonuses motivate performance, the study concluded that these cash bonuses had no effect on employee performance. Those who had received a bonus and those who had not, perceived it to affect their performance the same; hence it did not have a significant effect on performance.

Bonuses are offered to employees when they achieve certain standards and quotas. Berger and Berger (2015) argued that employees prefer to have monetary incentives in return to their successful accomplishments. Well performed employees should be given incentives with monetary compensation, which is an easier and the best way to encourage employees so as to be effective and efficient (Pink 2011).

Sometimes, optional payment has failed to provide a strong link between pay and employees' true performance. The motivation, which is the result of employees' encouragement by cash or other effects such as bonuses (e.g., car loan and payment increase), will lead to employees increased productivity and performance. Therefore, it is essential to recognize which rewarding strategies lead to higher employee's motivation and creativity. Taking into thought the result of this study, it can be determined that diverse motivating elements like promotion and bonuses, and suitable payment compensation have significant connection with higher employee's performance (Oyegbaju 2009).

Thus, we propose that:

*H<sub>2</sub>: There is a significant relationship between bonus and employee motivation.*

## 2.7 Recognition and Employee Motivation

Recognition and appreciation play an important role in motivating employees and raising their performance. Recognition follows trust as a factor in satisfying employee. In other words, recognition is the identification or acknowledgment given for something. As simple as saying thank you for work done which is an informal recognition can motivate employees to greater performance levels. To have a valuable and motivated staff, best effort put by workers in their tasks must be praised and encouraged by the organization. Employees are obliged to be recognized and rewarded for their excellent work and involvement to the organization.

Although reward and recognition seems to be common, it is complex and painstakingly difficult as a result of the fact that, the work environment is complex and is made up of a heterogeneous workforce. Employees have a variety of needs, aspirations, as well as differing perceptions of what constitute appropriate rewards and recognition for effective motivation. For this reason, motivating workers and increasing their job satisfaction require an in-depth understanding of individual differences and perceptions of appropriate rewards and incentives, as well as a combination of extrinsic and intrinsic rewards.

Employees do not only want attractive pay and benefits, but also expect that their efforts are valued, appreciated and treated fairly. Recognition is the timely, informal or formal acknowledgement of a person's or team's behaviour, effort or business result that supports the organization's goals and values, and which usually is beyond normal expectations.

A meaningful, thoughtful employee appreciation program is about valuing employees' efforts and having respect for who they are and what they do (Hart 2011). According to Long and Shields (2010), recognition can be categorised into formal or informal, cash or noncash, and individual or collective. Similarly, recognition, which is a central point towards employee motivation, adores an employee through appreciation and assignments (Danish and Usman 2010). Employees are likely to be motivated to improve their performance with nonmonetary rewards such as employee recognition. Recognition is the acknowledgement, appreciation, or approval of the positive accomplishments or behaviours of an individual or team (Caligiuri, Lepak and Bonache 2010). There are two aspects to employee recognition. The first aspect is to actually see, identify or realize an opportunity to praise someone. If not in a receptive frame of mind, it is easy to pass over many such opportunities. This happens all too frequently. The other aspect of employee recognition is, of course, the physical act of doing something to acknowledge and praise people for their good work (Shariful, Al Shahrani, Sahabuddin and Selina 2013).

Employee recognition is a judgment on a worker's contribution, in terms of the work process as well as dedication and motivation (Baskar and Rajkumar 2015). It also involves evaluating and acknowledging the results of this work. In short,

it looks at the unique contribution of each worker and stresses the value of his or her professional expertise and experience. Baskar and Rajkumar (2015) state that by creating a culture of recognition, employees become more engaged. Engaged employees are happy, loyal, and productive.

The relationship established is based on trust, so that people find out that their leader keeps their best interest at heart. Indeed, individual roles will be done better with the availability of social support and membership intelligence. In this regard, the staff with a good performance will foresee that their significant contributions will be realized and appreciated by the top managers (Bowen and Radhakrishna 1991).

Thus, we propose that:

*H<sub>3</sub>: There is a significant relationship between recognition and employees motivation.*

## 2.8 Empirical Review

Similar works on reward systems and employee motivations and its components that provide empirical evidence will serve as empirical anchor to this study. There is a statistically significant relationship between reward and recognition respectively, also motivation and fulfilment. If rewards or recognition offered to employees were to be distorted, then there would be a related change in work motivation and satisfaction. Banker and Lee as cited in Tsai (2005) supports the theoretical prediction that stores that implement a bonus plan will have a positive impact on sales, earnings and customer satisfaction.

Extrinsically motivated individuals seek to be rewarded for doing what is expected of them. On the contrary, intrinsically motivated employees get pleasure out of completing a task, recognition or the job itself. A study was done to find the effect of employee motivation on employee performance in which it was concluded that if employees are more motivated then their performance will increase (Asim 2013). Similarly, a study was conducted in which it was found that employee performance is directly influenced by intrinsic rewards. Because when intrinsic rewards are given to them they came to know about their performance and do more work hard to gain appreciation (Edirisooriyaa 2014).

In their evidence based research, which includes a survey of over 173 reward and human resource practitioners, Armstrong, Duncan and Reilly (2011) revealed that while many organisations are still not evaluating the effectiveness of their reward systems. This reluctance relates to team rewards just as it does to individual reward structures. The researchers showed that although evaluation of the reward systems in question displayed a higher level of employee engagement after a change in that system, it could not conclusively be linked to improved performance. It was not possible to develop a reward system with a system of logical steps that concluded with a well-developed and operational reward system. As the very nature of reward is specific to an individual or team for only a certain period in time, and as all organisations are different or may have different cultures and designs, they will use different criteria and measures in their approach to reward systems. What works for one organisation may not work for another.

However, in the evidence based research on organisational rewards systems carried by Datta (2012) an ORD (optimised rewards distribution) model was developed where rewards distribution followed 'well-grounded strategy which best corresponds to the exchange'. In this sense human resources are considered as portfolio or capital assets. So this research considered rewards distribution as a human capital management system with performance reviews as inputs in the process and the actual end rewards as the outputs. A team of eight employees were closely monitored in terms of job tasks and performance output. Results showed that using this evidence based model, both individuals and the entire team could be measured effectively in what was seen as an unbiased and transparent way. Effective measurement made the distribution of rewards more relevant and ultimately reflected positively on performance. When rewarding knowledge workers or those tasked with innovating as part of their role, a motivated employee is more productive and thus a higher performer. Intrinsic motivation is more important for productivity and performance when relating to creative or innovative workers (Markova and Ford 2011).

This study focused on employees in over 30 large companies. Through a scaling system rated by supervisors, it found that neither monetary nor non-monetary rewards had any direct effect on performance. However, they did have an effect on motivation and the more motivated the employees were, the more time they spent on job tasks and therefore positively affected performance in the long term. This in turn is important for organisational competitiveness. It also shows how non-pay based rewards, performance and innovation can intertwine with positive outcomes.

## 3. Methodology

### 3.1 Research Approach

In the methodology of the study, a cross-sectional survey research design technique was employed. Cross-sectional study involves classification by time in which data are collected at the same time. It is the type that studies a cross-section of the population at a single point in time. People or objects are examined by taking a snapshot of some situation and analyzing it. The cross-section survey design produces a picture of business or situation in which the decision maker is

interested. The empirical study for this research was conducted at both private and public organizations located in Lagos State, South West Nigeria. Given that the population of the study was near infinite, the Cronbach formula (as cited in Bartlett, Kotrlick and Higgins 2001) for sample size determination for a large unknown population was used to arrive at a sample size of 500. The participants of the study were 500 employees sampled through convenience sampling technique, which was drawn equally from 25 respondents each from 20 organizations (10 private and 10 public selected organizations in Lagos State).

The questionnaire was used to extract data on the study variables and was administered on all concerned categories of staff. To estimate the reliability of the questionnaire, the test retest method was employed, to estimate the internal consistency of the questionnaire. Favourable reliable scores were obtained from all the items since all values were above the coefficient value of 0.6, exceeding the minimum benchmark value recommended by Malhotra (2004).

### 3.2 Data collection

The structured and validated questionnaire was used to collect primary data for the study. The collected data was based on the primary data collected from 500 employees. Primary data are information that has to be collected for the first time from the subjects. Such information is obtained by administering questionnaire to the respondents. Therefore, direct collection of facts and figures relating to the population provides the primary data. The questionnaire was used to extract data on the study variables and was administered on all concerned categories of staff.

### 3.3 Data analysis

Data analysis is the breaking down and ordering of quantitative information collected through research. It is the efforts to edit, code, categories, summarize and seek patterns, trends and relationship with the information collected. The purpose is to derive useful meaning and extract pertinent findings from data generated. The relative frequency and multiple regression analysis were employed as the analytical techniques. Multiple regression analysis attempts to sort out the individual effect of each explanatory variable. An explanatory variable's coefficient estimate allows us to estimate the change in the dependent variable resulting from a change in that particular explanatory variable while all other explanatory variables remain constant.

### 3.4 Validity and Reliability

In research, validity refers to that quality of data gathering instrument or procedure that enables it to measure what it is intended to measure. The study employed content validity. Content validity refers to the degree to which the test or questionnaire measures an envisaged content area or is specifically related to the trait being measured. A test with a good content validity therefore adequately samples the appropriate content area.

It is only experts versatile in that area, who can assess the appropriateness of the test content. The researchers initially develop the test and make a judgment on how well the items represent the intended content area.

Reliability of an instrument refers to the consistency of the instrument. It is the extent to which a research instrument produces same results on repeated trails. Test-retest reliability was used for the study. This involves repeated application of the same measure at different point in time. The same measuring instrument was administered more separate measurements on different occasions to the same sample. In this approach, the instrument was administered two times. The essence of test-retest reliability is to be able to establish that score a person obtains from a test will be the same or close to the same score that the person will obtain when the test is administered another time. Favourable reliable scores were above the coefficient value of 0.6, exceeding the minimum benchmark value recommended by Malhotra (2004).

## 4. Results

Out of the 500 copies of questionnaire administered, 368 copies representing 73.6% were returned and found utilizable. 200 respondents or 54.3% of the total number of respondents were employees from of public organisation while 168 (45.7%) of the respondents were employees of private organizations. In addition, 210 (57.0%) of the respondents were female while 158 (43%) were male. With respects to age, majority of the respondents 110 (29.9%) were below 31 years, while 100 (27.2%) of the respondents were in the age bracket of 31-36 years. Also, 80 (21.7%) of the respondents were within the range of 37-45 years while 78 (21.2%) respondents were above 45 years old. With respect to their year of service in the organization, majority of the respondent employees 230 (62.5%), have spent more than 5 years with their respective organization.

**Table 1.** Descriptive statistics: Mean Scores and Standard Deviation for Promotion, Bonus and Recognition

	N	Mean (M)	Std. Deviation (SD)
Promotion	368	4.0249	0.71069
Bonus	368	3.4473	0.51534
Recognition	368	3.4129	0.53072
Reward System	368	3.8221	0.517645
Valid N (list wise)	368		

Table 1 revealed the mean scores and standard deviations for promotion, bonus and recognition on a five point Likert rating. Promotion returned a mean (M=4.025), with a standard deviation of (SD=.711); bonus returned a mean of (M=3.447), with a standard deviation of (SD=0.515); recognition returned a mean of (M=3.413), with a standard deviation of (SD=0.531) and the overall reward system returned a mean of (M=3.822), with a standard deviation of (SD=0.518). In addition, from Table 1 we deduced that overall the level of reward system appears to be fairly high among the sampled employees, and the level of promotion as a reward system seems to be higher than bonus and recognition.

**Table 2.** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.531	0.286	0.279	0.6402996

- a. Predictors: (constant), promotion, bonus, recognition
- b. Dependent variable: employee motivations

Table 2 shows that Adjusted R Square for the regression model is 0.279 (28%). This indicates that the independent variables (promotion, bonus and recognition) accounted for 28% of the systematic variations in the dependent variable (employee motivations).

**Table 3.** Multiple Regression Analysis for Dimension of Rewards System and Employees' Motivation.

Model	Unstandardized Coefficients <sup>a</sup>		Standardized coefficients	T	Sig.
	B	Std. Error			
(Constant )	1.586	.379		4.175	0.081
Promotion	.434	.127	.346	4.114	0.000
Bonus	.236	.460	.264	3.318	0.000
Recognition	.323	.120	.282	3.712	0.001

- a. Dependent variable: employees motivation

Source: Analysis of Field Survey 2016.

In Table 3 as reported in the regression table, promotion ( $\beta=.346$ ,  $P<0.01$ ), bonus ( $\beta=.264$ ,  $P<0.01$ ) and recognition ( $\beta=.282$ ,  $P<0.01$ ) exhibited positive significant effect on employees' motivation.

**Table 4.** ANOVA for the Regression Model

Model	Sum of square	Df	Mean square	F	Sig.
Regression	16.135	5	3.227	7.871	.000 <sup>b</sup>
Residual	101.266	247	0.410		
Total	117.401	252			

- a. Predictors: (constant), promotion, bonus, recognition
- b. Dependent variable: employees motivation

Table 4 simply shows that the model is significant (F = 7.871,  $P<0.05$ ).

## 5. Discussion of Findings

The study focused on the effect of reward system on employee motivation. The results from the multiple regression analysis (MRA) reported the effect of reward system on employees' motivation. Specifically, promotion exhibited positive effect on employees motivation ( $\beta=.346$ ,  $P<0.01$ ). This findings is agreement with results of  $H_1$  test, [ $P(\text{cal}) 0.00 < P(\text{crit}) 0.05$ ] which indicated that there is a significant positive relationship between promotion and employees' motivation. This implies that promotion is a motivator to performance.

Similarly, bonus as a variant of reward system, showed a positive effect on employees motivation ( $\beta=.264$ ,  $P<0.01$ ). This findings is consistent with  $H_2$  test result [ $P(\text{cal}) 0.00 < P(\text{crit}) 0.05$ ] which reported that there is a significant positive relationship between bonus and employees motivation. This finding confirmed the postulation of Sturman and Short (2000), that bonus pay has been widely used in organizations to motivate employee' performance. This implies that given bonus to employees can reduce employee turnover.

Finally, the study revealed that recognition has positive effect on employees motivation ( $\beta=.282$ ,  $P<0.01$ ). This finding is supported by  $H_3$  test result [ $P(\text{cal}) 0.00 < P(\text{crit}) 0.05$ ] which reported that recognition has significant positive relationship with employees motivation. The implication of this is that recognition will lead to employee concern for the survival of the organization.

### 5.1 Conclusions

Based on the results of this study, it can be concluded that, reward system is critical for the success and survival of any organisation in this era of globalization. Reward builds commitment, motivates employees and creates a sense of belonging. Acceptance and ownership are basic human needs that are satisfied through reward system, which in turn reduces turnover and enhances retention capacity of organizations. Employees who consider themselves well rewarded are unlikely to express conflict and ambiguity in their roles to certain extent, as they are capable of controlling their work environment because they have been motivated.

Promotion has significant effect on employee motivation. When workers are promoted as at when due and to the rightful position by their organizations their work motivation improves and the organizations get the best from them.

Bonus has a positive statistical positive relationship with employee motivation. This is so because one of the best ways of motivating the individual in the work place is by paying generous bonus to him. By this, the employee is motivated to work and gives his best to the organization. This is why organizations spend billions of naira yearly on bonuses alone.

Recognition has significant effect on employee motivation. This is so because when employees are recognized for work done either by way of praised and encouragement by the organization, they tend to give their best to work and this has a positive effect on performance.

To develop an effective reward system within the organization, we therefore, argued that promotion, bonus and recognition should be considered as a reward system and as a tool to motivate employees.

### 5.2 Recommendations

The study recommends that public and private organizations should promote their employees as at when due so that they will be able to put their best into the job in which they are employed. Organizations should be flexible in giving bonuses to their employees who are performing beyond expectations. This will make them go the extra mile to achieving the organizational goals. Organizations should recognize their performing employees with well proportionate reward that will make others to pick the challenge and perform accordingly.

Regular review of salary and other incentives should be carried out. Job enrichment among employees in both public and private organizations in Lagos State should be encouraged. This will give greater responsibility and recognition to employees. More emphasis should be given to intrinsic reward system. This is because intrinsic motivation, where work is its own reward, seems the best way to accomplish transformative, creative and innovative goals by organizations.

### 5.3 Further Studies

The scope of this study was limited to some selected organizations in Lagos State, Nigeria. However future research could go ahead to expand the scope to involve other sectors of the economy. The research design method, which was adopted through the questionnaire distributed, was the cross-sectional research design. Hence future researchers could also adopt the longitudinal research design to elicit a more reliable response. Finally, further research work should focus more on intrinsic reward. Intrinsic motivation relates to self-motivation which appears more affective in accomplishing innovative and creative organisational goals.

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**Appendix 1. Structured Questionnaire**

**Promotion and Employee Motivation**

S/N	Statement	SA	A	U	D	SD
1.	Employee performance is enhanced by regular promotion payment					
2.	Promotion is a motivator to performance					
3.	Promotion encourages high-level performances of employees					
4.	Promotion is a vital factor which affects employees' motivation					

**Bonus and Employee Motivation**

S/N	Statement	SA	A	U	D	SD
5.	Payments in addition to promotion increase workers performance					
6.	Giving task related bonus to employee can reduce employee turnover					
7.	I am motivated to perform when paid bonus					
8.	Performance related bonus can motivate me to be more committed to my job					

**Recognition and Employee Motivation**

S/N	Statement	SA	A	U	D	SD
13.	Commitment to the attainment of job goals is attained through recognition					
14.	Recognition leads to employee concern for the survival of the organization					
15.	Willingness to remain in the service of an employer is enhanced by recognition					
16.	Recognition helps to elicit workers motivation to performance					

**Employee Motivation**

S/N	Statement	SA	A	U	D	SD
17.	Employees need support to allow them to work to the best of their abilities					
18.	Morale and performance of the employees are enhanced through positive reward system					
19.	Motivated employees have high commitment to work					
20.	When employees are motivated it leads to higher productivity and better performance					