

Role of Intrinsic Rewards in Employee Perception and Motivation

Qamar Farooq¹ Muhammad Nouman Shafique^{2*}
1.Lecturer, IMIT, Rawalpindi
2.Ph.D Scholar Preston University, Islamabad

Introduction

Employee Motivation has always been the central point of organizations while formulating and designing reward strategy and programs. Rewards carry planned objectives of employee motivation and performance growth completely and clearly set in the purpose behind what organizations achieve through rewards system. Employees tend to gain motivation for a defined intent while organizations focus performance growth and enhanced efficiency by rewarding employees. This study is revolved on the Motivation that employees perceive from different kinds of rewards given by the organizations to its employees. This is a conceptual paper focusing on the different rewards that may affect the performance of employees. Sample employees here taken are managers working in multinational environment from Banks, Government Organizations and LLC companies from the population on the basis of simple random sampling. Basing on dimensions of rewards (i.e. Salary, Promotion, Empowerment, and Recognition) and perceived performance of employees analysis is to be made.

Keywords: Intrinsic Rewards, Extrinsic Rewards, Motivation

Problem Statement

In recent time, the scheme of salary continues to grow as part of a system of all the combined rewards that employers offer to employees. Salary (also now known as fixed pay) is coming to be seen as part of a "total rewards" system which includes bonuses, incentive pay, commissions, benefits and a range of other tools which help employers to link rewards to an employee's measured performance. However, need is to differentiate between intrinsic and extrinsic rewards and the cost and value associated to these.

Research Questions

1. What is the level of impact of different rewards on the perceived Motivation of employees?
2. How intrinsic rewards differ from extrinsic and whether intrinsic rewards more cost effective and work better for employee perceived motivation in multinational environment or extrinsic?

Research Objectives

1. To determine if there is a relationship between rewards and the perceived Motivation of employees
2. To describe the difference between two rewards, cost associated with them and the level of impact of intrinsic rewards on the perceived Motivation of employees

Significance

Importance of rewards system cannot be denied in any field of organizational life. If rewards system has not been designed properly, it can demotivate employees and resultantly may decrease the employees' Performance. If rewards system is designed and aligned properly, it motivates employees and resultantly increases employees' performance. This study will be helpful to find out about the importance level of different rewards as per the perception of employees.

As explained earlier, no study so far has exclusively and exhaustively identified the clear cost and value associated with intrinsic and extrinsic rewards and to conclude about rewards and employee's perception and motivation, this study is aimed to describe the finding of different studies in elaborating the phenomena of intrinsic and extrinsic rewards and to compare their cost and value towards employee's perception and motivation.

Literature Review and Theoretical Framework

There are two broader forms of rewards. Rewards can be either intrinsic or extrinsic (McCormick and Tiffin 1979). Intrinsic rewards stalk from the ways that are inbuilt in the job and which the individual enjoys as an effect of successfully carrying out the task or accomplishing own goals. While extrinsic rewards are those which are external to the task, such as salary, fringe benefits, security, promotion, work condition, contract of service and the work environment. Intrinsic reward are those rewards that can be said as „psychological rewards“ and examples are empowerment, receiving appreciation, positive recognition, and being treated in a caring way.

An individual who is motivated intrinsically will be devoted to his work to the extent to which the job intrinsically contains tasks that are rewarding to him or her. And similarly an individual who is motivated extrinsically will be devoted to the extent that he can gain or receive external rewards for his or her job (Ajila 1997).

Promotions appear to be the most important type of pay for Motivation in nearly all organizations, particularly in hierarchical, white-collar firms. They are the main approaches by which workers can raise their long-run compensation (McCue 1992; Lazear 1992). They are generally given to the best performers (Medoff & Abraham 1980, 1981; Gibbs 1993). Therefore, promotions should stimulate considerable motivation in many settings.

High-performance companies value the significance of offering awards and incentives that recognize and certify outstanding work. They keep employees motivated and use effective methods of reinforcing company expectations and goals, especially in times when merit budgets are low (or even frozen), promotions are rare. As a result of latest research, it has been found that nearly nine out of ten companies put forward some type of recognition programs for employees from informal programs (a straightforward “Thank You”) to formal programs (such as service recognition programs) as a way to say, “Good job”.

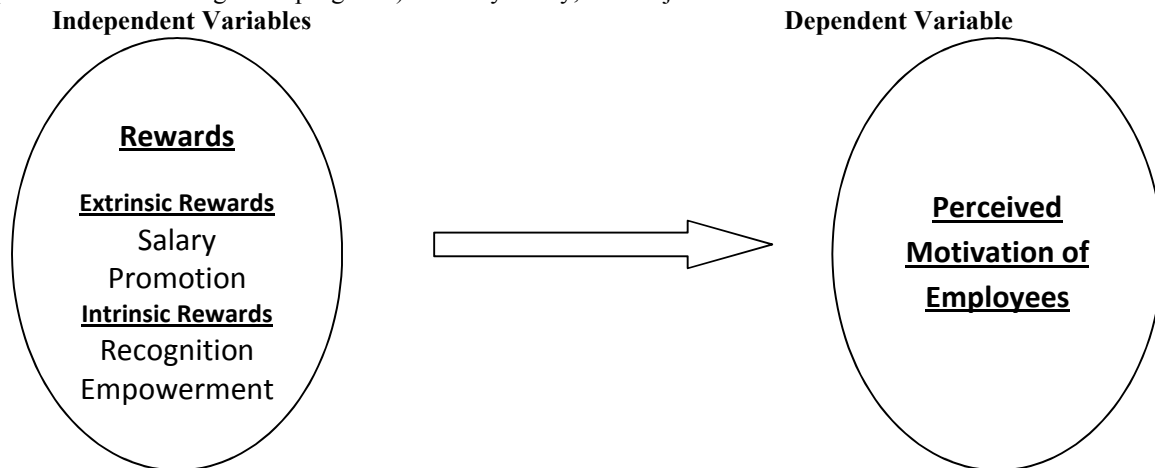


Fig.1: Research Model

Attractive remuneration has been found over the years to be one of the policies the organization can adopt to improve their workers performance and thus increase the organizations productivity. Furthermore, due to present global economic trend, most employers of labor have recognized the fact that for their organizations to compete positively, the performance of their employees goes a long way in contribution and ultimately determining the success of the organization.

Chris Ajila (2004) conducted a study to explore the relationship between rewards and performance and found that there is a significant relationship between extrinsic rewards (Bonuses, Promotion, Commission) and workers performance. He recommended that for an individual who is to be motivated in a work state there must be a need, which the individual would have to perceive a likelihood of satisfying through some reward. If the reward is intrinsic to the job, such desire or motivation is intrinsic. But, if the reward is described as external to the job, the motivation is described as extrinsic.

Intrinsic rewards are the source for making employees intrinsically motivated and extrinsic rewards result in extrinsic motivation in employees. Influence of intrinsic and extrinsic motivation on employees' performance was measured by Akanbi (2005) and it was found that there is a significant relationship between extrinsic motivation (Salary, Allowances) and employees' performance.

According to Rizwan and Ali Usman (2010), the reward and recognition programs serve as the most contingent aspect in keeping employees' self-esteem high and zealous. The highly motivated employees work as the competitive advantage for any company because their performance leads an organization to well accomplishment of its goals. Also, promotional opportunities and recognition are correlated positively and significantly with job satisfaction and work motivation.

Reena Ali and Shakil Ahmad (2008) delineated that if rewards offered to people are altered, then there would be a corresponding variation in work motivation and satisfaction and they also found that there exists a significant and positive relationship between payment, promotion, recognition and employees' work motivation and satisfaction.

Puwanthiren Pratheepkanth (2011) supported the assumption that higher employee rewards lead to higher employee motivation and lower employee rewards lead to lower the employee motivation. He investigated the impact of rewards on the motivation of employees in the commercial banking sector of Sri Lanka and found that intrinsic (Responsibility, Recognition) and extrinsic rewards (Bonuses, Promotion, Commission) both have direct relationship with motivation which consequently leads to better performance.

According to Karimullah (2010), the achievements of individuals and organizational goals are independent processes which are linked with employee work motivation. Individuals motivates themselves to satisfy their personal objectives and goals, therefore they directly invest their efforts for the achievements of

organizational objectives to meet with their personal goals also. It means that organizational goals are directly proportional to the personal goals of individuals. He examined the influence of rewards on employee motivation and found that there is positive relationship between payment, recognition, promotion and benefits with employee motivation in the commercial banking sector of Pakistan.

Human resource is one of the most important resources for getting competitive advantage over competitors of the firm. And this resource can be retained and optimally utilized through motivation by using different techniques among which reward is of significance importance.

Nadia (2011) examined the relationship between rewards and employees' motivation in the nonprofit organizations of Pakistan and found that there is a direct relationship between extrinsic rewards (Salary, Bonuses, Promotion, Fringe Benefits) and employees' motivation.

Conclusion and Implication

Employees perceive intrinsic rewards as more important source as compared to extrinsic rewards to be motivated and resultantly performing well. Marginal preference for intrinsic rewards such as accomplishment and recognition over extrinsic rewards like job promotion and salary increase was found as per the perception of middle level managers of different financial institutions of UK (Clive R. Emmanuel, George Kominis, Sergeja Slapnicar, 2008).

Khurram Shahzad, Sajid Bashir and Muhammad I Ramay (2008) conducted a study to find out the impact of HR practices on perceived performance of university teachers in Pakistan and the results of the study indicated a positive relationship between compensation and promotion practices and employee perceived performance.

Sohrab Ahmad and Khurram Shahzad (2011) studied the compensation and performance and concluded that the compensation practices in relation to the employees' performance are significantly positively correlated.

Current study shows that intrinsic rewards have substantial importance not only in human resource management but also in human capital development. These are less expensive which can yield great benefits for the organization. Employees working at middle and top level management positions have positive perception about intrinsic rewards for their motivation.

This study will have practical implication as heads of human resource departments of multinational companies can have a consideration to review the reward system of their companies for making it more cost effective and motivational for employees of their organizations.

References

1. Ahmad, S. and Shahzad, K. (2011). HRM and Employee Performance: A Case of University Teachers of Azad Jammu and Kashmir (AJK) in Pakistan, *African Journal of Business Management* Vol. 5(13), pp. 5249-5253.
2. Ajila, C. and Abiola, A. (2004). Influence of Rewards on Workers Performance in an Organization, *Journal of Social Science*, 8(1): 7-12.
3. Ali, R and Ahmed M.S. (2008). The Impact of Reward and Recognition Programs on Employee's Motivation and Satisfaction, *World Business Institute Australia*.
4. Ayobami, P.A. (2005). Influence of Extrinsic and Intrinsic Motivation on Employees' Performance, *Ajayi Crowther University, Oyo, Oyo State*.
5. Danish, R.Q. and Usman, A. (2010). Impact of Reward and Recognition on Job Satisfaction and Motivation: An Empirical Study from Pakistan, *International Journal of Business and Management* Vol. 5, No. 2.
6. Emmanuel, C.R., Kominis, G. and Slapnicar, S. (2008). The Effect of Intrinsic and Extrinsic Rewards on the Perception of Middle Level Managers, *Chartered Institute of Management Accountants*.
7. Employee's Motivation in the Non-Profit Organizations of Pakistan, *Business Intelligence Journal*, Vol. 4, No.2.
8. Hafiza, N.S., Shah, S.S., Jamsheed, H., Zaman, K. (2011). Relationship between Rewards and
9. Khan, K.U., Farooq, S.U. and Imran Ullah, M. (2010). The Relationship between Rewards and Employee Motivation in Commercial Banks of Pakistan, *Research Journal of International Studies*.
10. Pratheepkanth, P. (2011). Reward System and its Impact on Employee Motivation in Commercial Bank of Sri Lanka Plc, In Jaffna District, *Global Journal of Management and Business Research*, Vol. 11, Issue 4.
11. Shahzad, K., Bashir, S. and Ramay, M.I. (2008). Impact of HR Practices on Perceived Performance of University Teachers in Pakistan, *International Review of Business Research Papers*, Vol. 4, No.2, Pp.302-315.