

## Fair Distribution of Rewards Leads to Employees' Motivation; Not Distribution of Rewards: A Proposed Framework

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### ABSTRACT

**Purpose-**The purpose of prospective study is to examine the Reward-Motivation relationship and highlight the role of fair distribution of rewards in employees' motivation in private sector of KPK.

**Approach-**A model is designed based on the literature, linking factors of reward distribution with employees' motivation. Two hypotheses are build based on the literature and the model, and are going to be tested in three private sectors educational institutions (COMSATS, Institute of Management Science and IQRA) working in KPK province of Pakistan. Self-designed questionnaire will be used for data collection.

**Future implications-** The prospective study focuses on the significance of fair distribution of rewards which leads to employees' motivation and ultimately results in organizational effectiveness. The organizations should design their policies, organizational structures and reward systems that ensure just and fair based distribution of rewards among employees to motivate them at optimum. This will surely lead to enhance the goodwill and growth of organization.

**KEYWORDS:** Organization, Employees, Intrinsic, Extrinsic, Reward, Fair distribution, Motivation.

### INTRODUCTION

Every organization and business wants to be successful and have desire to get constant progress. In this highly competitive era organizations regardless of their size, technology and market focus are also facing employee motivation and retention challenges. To tackle with these constraints a strong and positive relationship should be created and maintained between employees and their organizations.

Human resource is the lifeblood of every organization. It is of utmost importance to acquire right workforce and to utilize their skills and abilities effectively and efficiently. Workforce contributes their best when they have a trust that their efforts will be acknowledged by their management.

Commitment of employees is based on reward and recognition

(Andrew, 2004). While (Lawler, 2003) added that prosperity and survival of organization is determined that how they treat their human resource.

Rewards are management tools that hopefully contribute to firm's effectiveness by influencing individuals or group behavior. All businesses use pay, promotions, bonuses, or other type of rewards to motivate high level performances of employees (Reena et al, 2009). To use salary as motivator; manager must consider salary structures which should include importance attach to each job, payment according to performance, personal or special allowances, fringe benefits, pension and so on (Adeyinka et al, 2007). Here researcher pointed out the importance of justified rewards but failed to explain the opposing factors and their outcomes. Both intrinsic and extrinsic rewards motivate the employees to contribute their best to the organization (Reio and Callahan, 2004). Reward system is also a factor that affects individual's innovative performance (Eisenberger and Cmeron, 1996; Janssen, 2000; Mumford, 2000). It advocates here the importance of —rewards system in employee performance management and motivation. For example efficient reward system can be a good motivator but an inefficient reward system can lead to demotivation of the employees at workplace. There should be an effective reward system to retain the high performances in the organizations and rewards should be related to their productivity (Carrahel et al, 2006). Although researcher pointed out a sensitive issue of performance-based rewards but did not reveal the underlying reasons of this issue.

Employee motivation is one of the policies of manager to increase effectual job management amongst employees in organization (Shadare et al, 2009). A motivated employee is more responsive of the definite goal

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he/she must achieve; therefore he/she must direct their efforts in that direction. Motivation is an accumulation of different processes that influence and direct our behavior to achieve some specific goal (Baron, 1983). Motivation is a power that strengthens behavior, given route to the behavior, and triggers the tendency to continue (Farhad et al, 2011). It is an internal strength that drives individual to pull off personal and organizational goals (Reena et al, 2009). However the researcher ignored the value of external motives in achieving organizational goals. Motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organization. The success of an organization is based on how an

Organization motivates its employees and in what way they evaluate the performance of employees for job compensation (Deeprose, 1994).

One important case of interdependent relationship is between leader subordinate that is colored by concerns about fairness and morality (Vanden Boss and Lind, 2002). Leadership is about getting things done in the right way, to do that you need people to follow you, you need to them trust you, and if you want them to trust you and do things you and the organization, they need to be motivated (Baldoni.J, 2005). Motivation is purely and simply a leadership behavior, leadership and motivation are active processes (Baldoni.J, 2005). Here it means that this is leadership behavior responsible for increasing motivation and if not ethical can lead to opposing results.

-There are many variables can effect employee performance like working condition, leadership behavior, training and development opportunities, job security and company's overall policies and procedures for rewarding employees etc. Among all these factors which affect employee's performance and motivation greatly, is rewarding employees. Different researchers successfully explained the relationship between rewards and motivation in different ways. But in the present research we argue that the degree to which rewards are effective in increasing motivation depends on how fairly these are distributed. These are only "fair and just" reward distribution that motivates employees positively which leads to high performance and productivity of employee that ultimately increases organizational efficiency. In contrast "unfair " reward distribution can lead to anxiety and de-motivation which leads to lowering employee satisfaction, performance and productivity and ultimately decreases organizational efficiency.

The existing research will contribute to the growing literature on Reward-Motivation relationship and will explore the impacts of fair reward distribution on motivation as well as unfair reward distribution on employees' motivation.

The objective of this study is to examine and explore the relationship between reward distribution and employee motivation on the basis of fairness in private sector Educational institutions working in Pakistan.

## LITERATURE REVIEW

Human resource is one of the most important resources of gaining competitive advantage over competitors for a firm. Koala Consulting and Training (2008) describes that employees don't work for free. Organizations have to compensate them in some way for their time and effort. Thus it is foremost important for organizations to acquire, train, place and retain human asset and optimally utilize it through motivation that they contribute their level best to the organization. Carraher et al (2006) advocates that there should be an effective reward system to retain the high performers in organization and this reward system should be designed according to the performances of employees. Every employee should be rewarded according to their productivity and contribution to development of organization. To increase the efficiency of employee performance organization must make such policies and procedures and formulate such reward system that lead to increase employee motivation and satisfaction. Crews (1997) concluded that economic rewards are most important to private sector employees. Only limited researchers have found no significant differences for some motivational needs, containing the need for monetary rewards. Kalleberg (1977) explained that reward is the sum of benefits that workers receive from their jobs. Steer and Porter (1991) identifies significant employee job attitudes such as organizational commitment, motivation and job satisfaction. In many organizations, rewards play vital role in building and sustaining the commitment among employees that enables organization to get high standard of performance (Wang . 2004). Lawler (2003) determined that there are two aspects that decides how much a reward is attractive, the quantity of reward which is provided and the weight age an employee give to a specific reward. Bratton and Gold (1994) concluded that rewards refer to all categories of monetary benefits, tangible services and other benefits that an employee receives as part of employment relationship with the organization. Employees are certainly committed to the organization if they are given psychological rewards i.e. appreciation and recognition with others; they will show increased level of efficiency to perform their jobs.

Generally employees' job description and job specification determines rewards to maintain fairness among employees within an organization and prevailing in the marketplace (Zaini et al. 2009). According to the literature

rewards distinguishes into three main types that individuals seeks from their organization i.e. extrinsic, intrinsic and social rewards (Williamson et al. 2009). Ali and Ahmad (2009) established that there is a substantial affiliation between rewards and recognition and similarly in employee motivation and job satisfaction. Deeprose (1994) argued that employee motivation and productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of organization. The success of an organization based on how an organization keeps its employees motivated and in what way they evaluate the performance of employees for job compensation. Generally organizations pay more attention to extrinsic rewards but intrinsic rewards and psychological rewards are equally important to motivate employees. Filipkowski and Johnson (2008) examined the relationship between measures of job insecurity, organizational commitment, turnover, absenteeism and work performance within a manufacturer. A positive relationship was found between job insecurity and intentions to turnover and a small negative correlation was found between measures of job insecurity and organizational commitment.

Johnson and Mumford (2000) concluded that reward system is a factor that affects individuals' innovative performance. Efficient reward system can be a good motivator but an inefficient reward system can lead to demotivation of the employees.

Motivation is defined as a driving force that compels an individual to take some actions in order to achieve some goals. Motivational level of everyone is different (Atiya and Palwasha. 2012). Griffin (2005) explored that the performance of an individual is determined by three factors i.e. motivation, work environment and ability to do work. Chandrasekar (2011) examined the impacts of workplace environment on employee morale, productivity and job performance both positively and negatively. If there is lack of appreciation and lack of personal decision making opportunities so employees will get de-motivated and it impacts on employee job performance. A research has suggested that rewards now cause satisfaction of the employees which directly influences performance of the employees (Kalimullah et al, 2010). Motivation is purely and simply a leadership behavior. It arises from wanting to do what is right for people as well as for organization. Leadership and motivation are active processes (Baldoni.J, 2005). If an organization wants to improve and be successful, trust plays an important role so it should always be preserved to ensure an organization existence and to enhance employees' motivation (Annamalai.T, 2010). No matter how automated an organization may be, high productivity depends on the level of motivation and the effectiveness of the workforce (Adeyinka et al, 2007). Employees can be motivated best through rewards if distributed on the basis of just and fairness.

The present study will contribute to the existing literature by explaining the significance of fairness in reward-motivation relationship.

### **RESEARCH QUESTION:**

What are the impacts of just/unjust reward system on employee motivation?

### **STATEMENT OF THE PROBLEM:**

Fair and just reward system plays a vital role for employee motivation at workplace. Fair reward system greatly motivates employees to contribute their best to the organization and increase organizational efficiency. While unjust and unfair reward system creates restlessness, anxiety in employees and lead to dissatisfaction and de-motivation of employees that greatly affect efficiency of organization.

A fair and just reward system is crucial for employee retention and motivation and to achieve organizational goal.

### **HYPOTHESIS:**

H1: Fair distribution of rewards has an impact on employees' motivation.

H0: Fair distribution of rewards has no impact on employees' motivation.

H2: Fair distribution of rewards has a positive impact on employees' motivation.

H0: Fair distribution of rewards does not have a positive impact on employees' motivation.

### **OBJECTIVES OF THE STUDY:**

The broad purpose of present study is to explore the impacts of just/unjust reward system on employees motivation in NGO'S working in Pakistan.

The specific objectives will be to

1. Contribute to the literature on factors involved in reward-motivation relationship.
2. Determine either fair reward system has a positive impact on employee motivation.
3. Determine either unfair reward system has a negative impact on employee motivation.
4. Determine how reward system affects employee motivation.

5. Provide guidance to management in establishment of reward system.

**THEORETICAL FRAMEWORK:**

Figure 1: *Research Framework*

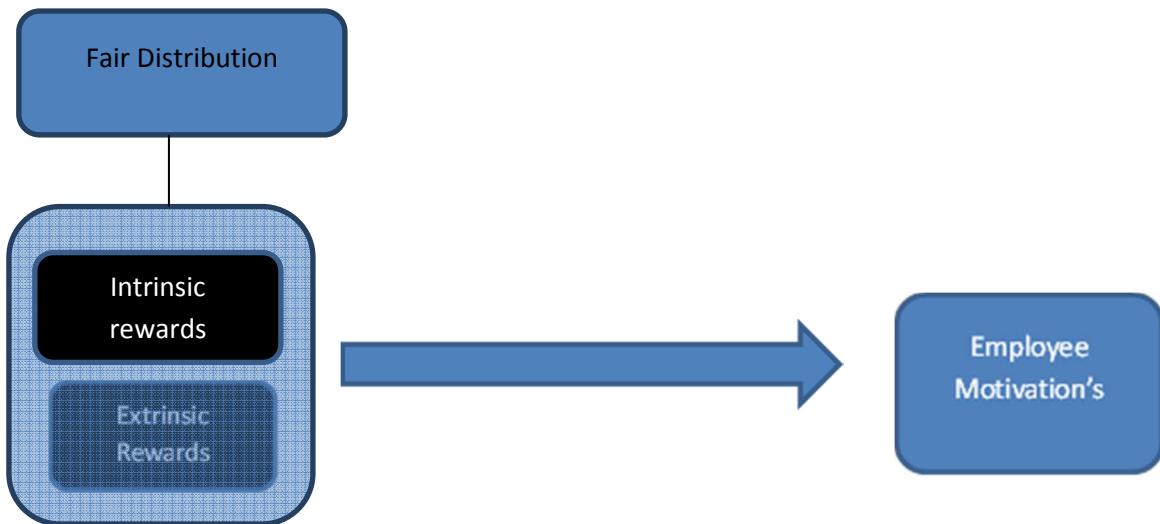
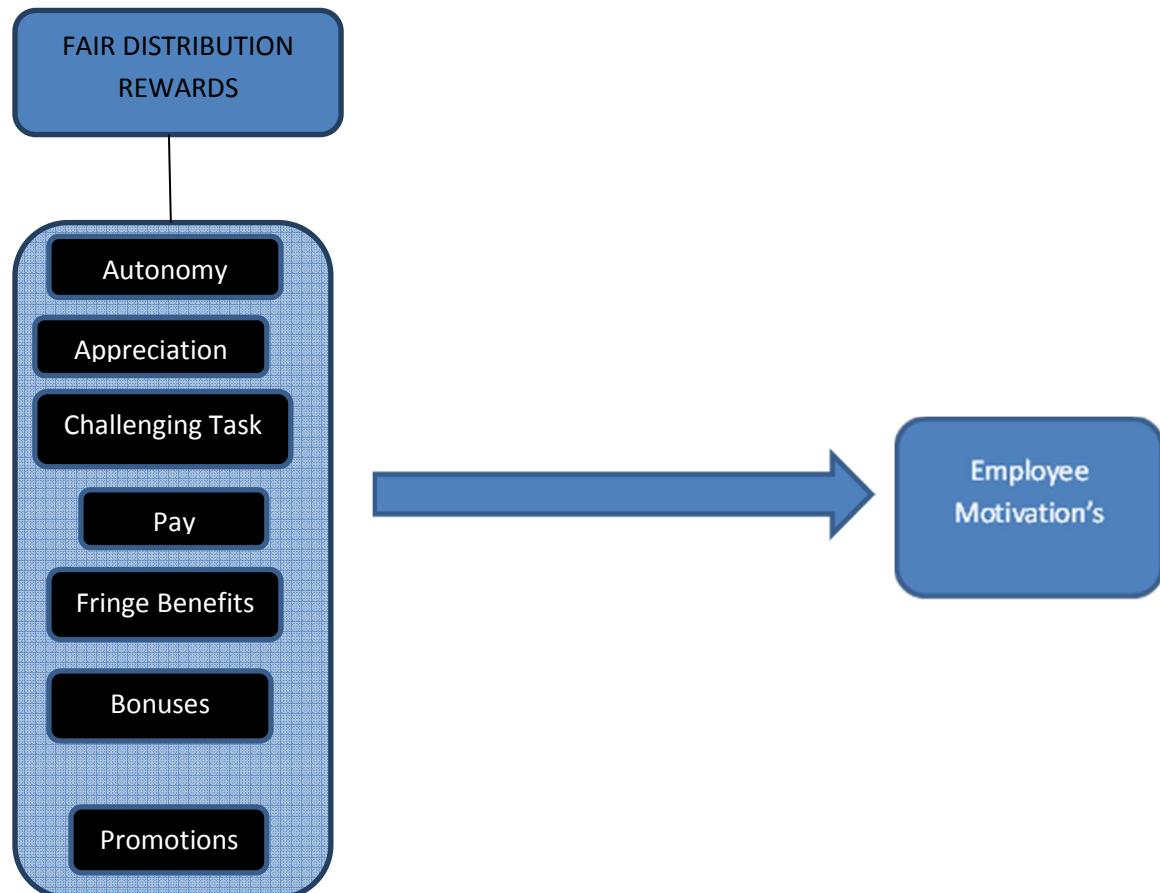


Figure2: *Intrinsic and Extrinsic rewards and Employees' Motivation*



**Fair distribution of intrinsic Rewards-** Intrinsic rewards are intangible rewards or psychological rewards i.e. autonomy, appreciation and challenging tasks. Fair distribution of intrinsic rewards can be proven strong motives to compel employees to accomplish tasks and show high level of organizational commitment and loyalty.

**Fair distribution of extrinsic rewards-** Extrinsic rewards are tangible rewards and these rewards are external to the job or task performed by the employees. External rewards can be categorized as pay, incentives/benefits, bonuses and promotions. Fair distribution of extrinsic rewards develops trust and enhances employees' satisfaction and organizational goodwill which motivates employees towards productivity.

**Employees' Motivation-**Motivation is the performance or procedure of presenting an intention of workforce to capture performance accomplishments. Employees' motivation is consists of a set of courses concerned with a kit of strength that is backed by rewards; boosts employees performance towards achieving organizational objectives. The motivated employees' works best in the interest of organization which leads them towards growth, prosperity and productivity.

## METHODOLOGY

**Population:** As the study will examine the impacts of fair distribution of intrinsic and extrinsic rewards on employees' motivation, the employees of the private sector Educational institutions working in KPK will be taken as population. Employee motivation is taken as dependent variable and fair distribution of intrinsic and extrinsic rewards are taken as independent variable.

**Sampling:** Using convenient method of sampling, 150 questionnaires will be distributed among the employees of three selected private sector Educational institutions namely, COMSATS, Institute of Management Sciences and IQRA Institute working in Peshawar, KPK.

**Data collection:** Self designed questionnaire has been developed for data collection. Questionnaire has been divided into two parts; one containing socio-demographic questions the second part containing questions related to variables that are fair distribution of extrinsic rewards and extrinsic rewards and employees' motivation. Parameters for measuring extrinsic rewards are pay, fringe benefits, bonuses and promotions while for intrinsic rewards is autonomy, appreciation and challenging tasks. Five point Likert Scale ranging from 1 (Strongly disagree) to 5 (Strongly agree) is used to measure responses.

## CONCLUSION:

Rewards play an essential role in enhancing employees' motivation towards organizational tasks. By appreciating the employees for their work done internally satisfies them with their jobs, organization and organizational environment. Thus their enthusiasm and accomplishment of tasks increases.

If the rewards are distributed unfairly on the basis of favoritism, unethical recommendation or other factors attached, it will create anxiety and lack of trust in the rest of employees which ultimately results in de-motivation of employees, effects organizational goodwill and effectiveness.

Hence fair distribution of rewards has a significant impact on employees' motivation. Organizations consider this dimension are much productive than others. It is the way of increasing employee retention, motivation, minimizing conflicts and building goodwill of the organization.

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