

# A Survey of the Relationship between Reward and Performance of Employees by Moderating Role of Motivation (Case study: The Main Office of Renovation of Yazd Schools)

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## ABSTRACT

The present study aimed to evaluate the relationship between reward and performance of employees by moderating role of motivation in main office of renovation of Yazd schools. The present study is applied in terms of purpose and correlation in terms of nature and is field in terms of data collection method. The study population of present study is all employees of main office of renovation of Yazd schools. The sample size is selected as 63 among 75 employees of this office by Morgan Table. The data collection measure is a questionnaire with 47 close questions, of which 15 questions are dedicated to reward, 27 questions to motivation of employees and 5 questions are about their performance. The content validity of questionnaires is verified by specialized opinions of supervisor and some experts. To verify reliability of questionnaires, Cronbach's alpha test is used and the results show suitable reliability of study measure. The relations between variables are supported by confirmatory factor analysis and structural equations technique and PLS software. The results of study showed that there was a significant relation between reward and performance of employees and a significant relation between motivation and performance of employees.

**KEYWORDS:** Reward, Motivation, Employees' performance, Main office of renovation, Yazd

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## 1. INTRODUCTION

In the current changing world in which organizations compete with each other strongly, a great part of organization energy is dedicated to considering its employees as it is found that the people in organization are the main factors of staying in this competition field and their productivity is the main factor of organizations movement direction (Esmaili, 2004). Management requires maintaining the environment in which people make efforts with each other as a group to achieve common goals. A manager cannot be successful in this regard unless he knows what makes people motivated to working (Kontez and Vihrikh, 1999, 222). The needs, abilities, features and perceptions of employees are effective on the job behaviors of people. Efficient managers are familiar with the impact of these variables on employees and they know how we can create mutual consistency between these variables and create good behavior among the employees. Only by systematic awareness of major variables and their effect, the managers can create performance-based and satisfactory environment in organization (Parhizgar, 1994, 178).

Correct management in organizations requires that managers by prediction of human resources motivations under their management can provide their real output and activity for organization goals by correct and timely satisfaction of their demands. The managers successful in motivating their employees provide the environment in which suitable goals are provided for meeting their demands (HosseinKhanzade, 2010).

One of the considerable methods of human resources management system is reward management system. Reward management system is a main function of human resources discipline and is a strategic partner with company management. Reward management system contains policies, processes and organization methods for rewarding its employees in accordance with their contribution, ability and artifice (Gungor, 2011).

Barber and Bretz (2000), mentioned that reward management systems have major impact on organization ability to catch, retain and motivate high potential employees and as a result getting high levels of performance (Gungor, 2011).

The present study aimed to evaluate the relationship between these important factors, reward and motivation on performance of employees.

## 2. REVIEW OF LITERATURE

Gharibi et al., (2011) published a study "explaining effective model of rewarding employees of public sector with total reward approach". Based on total reward approach of Armstrong, effective model was presented for public sector employees. The results showed that there was a significant correlation between total reward elements, motivation and performance. Also, there was a positive and significant association between total reward elements and motivation and total reward and performance. But there was no significant relation between work motivation and performance of employees (Gharibi et al., 2011).

Hossein Khanzade (2010) conducted a study aimed to define reward and punishment system and its impacts on motivation of employees. The results showed that some factors as encouraging creative works, clear criteria in reward and punishment, meritocracy, not acting based on taste and creating job security had important effects on motivation of employees. In addition, according to many studied people, reward and punishment system of employees had no efficiency and emphasized on revision in evaluation and encouragement and punishment system and designing a new system (Hossein Khanzade, 2010).

Asili et al., (2008) in a study “evaluation of comprehensive system of reward and payment in knowledge-based organizations” based on the results of all components of comprehensive system of reward had positive and significant impact on four indices of research centers performance of oil industry (Asili et al., 2008).

Gungor (2011) in a study “relationship between reward management system and performance of employees” besides considering the role of motivation as a moderating factor evaluated the relationship between applied plans of reward management systems and performance of employees of 12 banks in Istanbul. The results showed that there was a positive and significant association between reward management system and employees’ performance and there was a positive and significant association between reward management system and motivation of employees and these relations were formulated by linear regression (Gungor, 2011).

Chang (2003) in a study “the integrated effects of extrinsic motivation on work effort, showed that external measurements were effective significantly on extrinsic perceptions of employees and perception of employees of intrinsic stimuli affected their work effort level in an inverted-U shape (Chang, 2003).

Aguinis and Gottfredson (2013) in a study “What monetary rewards can and cannot do: How to show employees the money” found that for human performance, which cash rewards and for what reason can or cannot lead to improvement of employees’ performance. Indeed, this study presented some recommendations enabling the managers and other organizational decision makers to find what time and for which reason cash reward system is successful in increasing motivation and performance of employees (Aguinis and Gottfredson, 2013).

Pratheepkanth (2011) in a study “Reward System and Its Impact on Employee Motivation “showed that there was a direct and significant association between reward system and motivation (Pratheepkanth, 2011).

### 3. Study method

The present study is applied in terms of purpose and correlation in terms of nature and is field in terms of data collection. The study population of the present study is all employees of main office of renovation of Yazd schools. The sample size is 63 among 75 employees of this office by Morgan table and the sampling is done by simple random method. The data collection measure is a demographic questionnaire about gender, education and work experience and is consisting of 47 close questions, 15 questions are about reward, 27 questions about employees’ motivation and 5 questions are about their performance as distributed among the studies samples. Content validity of questionnaires is supported by specialized opinions of supervisor and some experts. Cronbach’s alpha test is used to determine reliability of questionnaires and the results are shown in Table 1. As the reliability of questionnaires is higher than 0.7, the study measure has good reliability. The support of the relations between variables and factors is performed by confirmatory factors analysis and structural equations technique by PLS software.

**Table 1:** Calculation of reliability of questions of questionnaire

Number of questions	Cronbach’s alpha	Index	Variable
4	0.706	Financial	<b>Reward</b>
11	0.752	Non-financial	
17	0.859	Job satisfaction	<b>Motivation</b>
5	0.654	Intrinsic	
5	0.670	Extrinsic	
5	0.800	-	<b>Performance</b>
47	0.810	<b>Total questionnaire</b>	

### 4. Findings of study

#### 4.1. Confirmatory analysis of variables

The following Figure shows the output of PLS software (Figure 1). The circular figures show each of the factors separately and directed lines show the relevant path of each factor. Each equation indicates the coefficient of path between observed and latent variable and its significant test is based on T attribute and R<sup>2</sup> value is coefficient of determination or determined variance by latent variable.

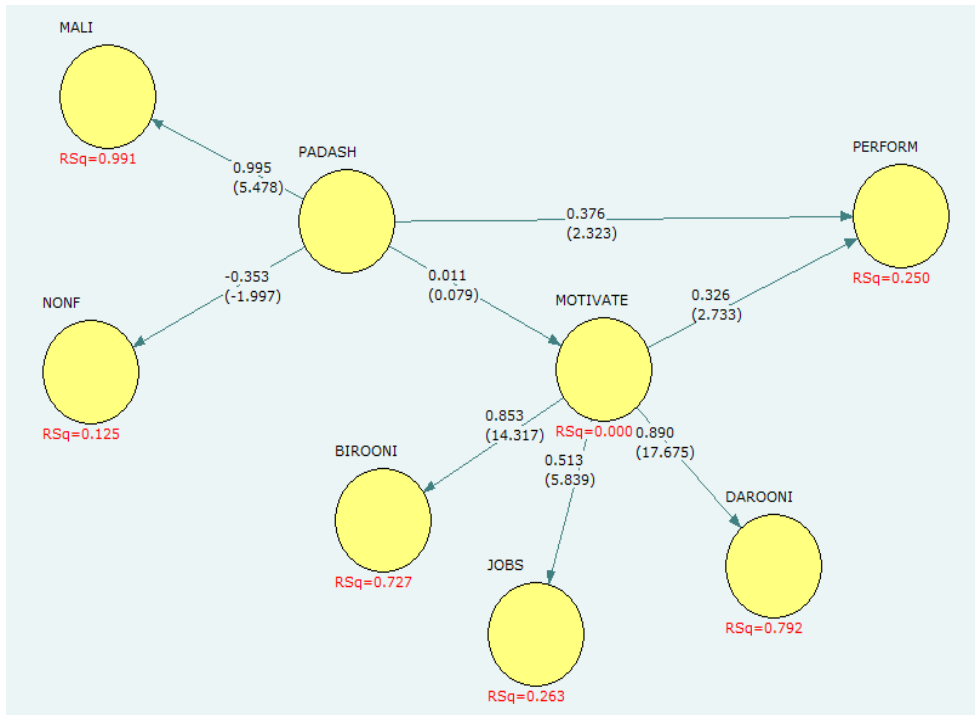


Figure 1. Output of PLS software

4.2. The investigation of model with t statistics of path coefficient and error value in various factors

a. Reward

Table 2 shows the indices of reward variable with absolute value of t-statistics greater than 1.96 and the coefficients of their path with minimum standard 0.2 as suitable.

Table 2. The evaluation of coefficients and t-value for reward variable

R <sup>2</sup>	T statistics	Path coefficient	Items
0.991	5.478	0.995	Financial reward
0.125	-1.997	-0.353	Non-financial reward

B. Motivation

In Table 3, all indices of motivation variable have absolute value of t-statistics greater than 1.96 and the coefficients of their path as minimum 0.2 are suitable. More details are mentioned in the following.

Table 3. The evaluation of coefficients and t-value for motivation variable

R <sup>2</sup>	t-statistics	Path coefficient	Items
0.263	5.839	0.513	Job satisfaction
0.727	14.317	0.853	Extrinsic motivation
0.792	17.675	0.890	Intrinsic motivation

The matrix of factor structure of latent variables is one of the outputs of PLS software as factor loading of questions of each of indices is shown. At standard mode, it is better to remove the indices with factor loading below 0.4 and at ideal level, we can keep the indices with factor loading higher than 0.7 and exclude the rest. For financial implementation of model, in this study the indices with factor loading higher than 0.4 entered the model and the rest were excluded and then the mode was re-implemented. Based on matrix of factor structure of latent variables and factor loading of relevant questions with each of the indices (Table 4), the excluded indices are q10,q11 ,q15 ,q27 ,q30,q34 and q42.

Table 5 shows model variables correlation matrix.

Goodness of fit in this model is based on GOF criterion and based on 0.411727823 shows good fitness and is supported.

By t-statistics and path coefficient, we can evaluate the impact of independent variable on dependent variable of model.

**Table 4.** Matrix of factor structure of latent variables and factor loading of relevant questions with each of indices

Index	Extrinsic	Job satisfaction	Intrinsic	Performance	Motivation	Reward
q1	0.7758					
q2	0.7589					
q3	0.8623					
q4	0.4941					
q5		0.5647				
q6		0.4684				
q7		0.7053				
q8		0.6476				
q9		0.6007				
q10		0.3652				
q11		0.3749				
q12		0.6635				
q13		0.6459				
q14		0.7691				
q15		0.3167				
q17			0.6573			
q19			0.8259			
q21			0.6823			
q22			0.7434			
q26			0.7727			
q29				0.5829		
q31				0.6949		
q33				0.7504		
q35				0.7572		
q47				0.4949		
q16					0.6029	
q18					0.5651	
q20					0.4470	
q23					0.6026	
q24					0.4549	
q25					0.4448	
q27					0.2832	
q28					0.5197	
q30					0.2382	
q32					0.4011	
q34					0.3893	
q36					0.6193	
q38					0.5512	
q40					0.4318	
q42					0.3082	
q44					0.6432	
q46					0.5208	
q37						0.7157
q39						0.5515
q41						0.7580
q43						0.6150
q45						0.6536

**Table 5.** Correlation matrix of latent variables

	Financial	Non-financial	Reward	Motivation	Performance	Intrinsic	Job satisfaction	Extrinsic
Financial	1.000							
Non-financial	0.293	1.000						
Reward	0.995	0.353	1.000					
Motivation	-0.016	0.382	0.011	1.000				
Performance	0.371	0.248	0.380	0.330	1.000			
Intrinsic	-0.105	0.399	-0.077	0.890	0.360	1.000		
Job satisfaction	-0.332	-0.063	-0.327	0.513	-0.073	-0.404	1.000	
Extrinsic	0.201	0.349	0.219	0.853	0.306	-0.575	0.253	1.000

### 4.3. Data analysis

By discussed output, besides the investigation and support of main model, the study model hypothesis is evaluated and the hypotheses of each question are tested by t-statistics value.

- Hypothesis 1: There is a significant relation between reward and performance of employees.  
H<sub>0</sub>: Reward has no direct and significant impact on performance of employees.  
H<sub>1</sub>: Reward has a direct and significant impact on performance of employees.

If t-statistics is smaller than 1.96 of Table, H<sub>0</sub> is considered and if t-statistics value is bigger than Table value 1.96, H<sub>1</sub> is supported.

**Table 6.** T statistics of hypothesis 1

Impact value	Result	Value of Table	T statistics
0.376	Effective	1.96	<b>2.323</b>

In Table 6 as t statistics value is 2.323 and bigger than table value 1.96, H<sub>0</sub> is rejected. It means that reward has significant impact on performance of employees and impact is 0.376 and positive (direct).

- Hypothesis 2: There is a significant association between motivation and performance of employees.  
H<sub>0</sub>: motivation has no direct and significant impact on performance of employees.  
H<sub>1</sub>: Motivation has a direct and significant impact on performance of employees.

**Table 7.** T statistics of hypothesis 2

Impact value	Result	Value of Table	T statistics
0.326	Effective	1.96	<b>2.733</b>

In Table 7 as t statistics value is 2.733 and bigger than table value 1.96, H<sub>0</sub> is rejected. It means that motivation has significant impact on performance of employees and impact is 0.326 and positive (direct).

- Hypothesis 3: There is a significant association between reward and motivation.  
H<sub>0</sub>: Reward has no direct and significant impact on motivation.  
H<sub>1</sub>: Reward has a direct and significant impact on motivation.

**Table 8.** T statistics of hypothesis 3

Impact value	Result	Value of Table	T statistics
0.011	Not effective	1.96	<b>0.079</b>

In Table 8 as t statistics value is 0.079 and smaller than table value 1.96, H<sub>0</sub> is not rejected. It means that reward has not significant impact on motivation.

- Hypothesis 4: Reward is effective on performance of employees via motivation.  
H<sub>0</sub>: Reward is not effective on performance of employees via motivation.  
H<sub>1</sub>: Reward is effective on performance of employees via motivation.

**Table 9.** T statistics of hypothesis 4

Impact value	Result	T statistics	Path	
0.011	Not effective	0.079	reward ← motivation	<b>1</b>
0.326	Effective	2.733	Motivation ← Employees' performance	<b>2</b>

In Table 9, based on above Table for path 1, t statistics is 0.079 and smaller than 1.96 and H<sub>0</sub> is not rejected for the total path; it means that reward is not effective on employees' performance via motivation.

Table 10 shows a summary of the results of hypotheses test

**Table 10.** The summary of results of hypotheses test

Result of hypothesis	Hypothesis	
Supported	There is a significant association between reward and performance of employees.	<b>1</b>
Supported	There is a significant association between motivation and performance of employees.	<b>2</b>
Rejected	There is a significant association between reward and motivation.	<b>3</b>
Rejected	Reward is effective on employees' performance via motivation	<b>4</b>

## 5. Conclusion

The present study aimed to evaluate the relationship between reward and performance of employees by moderating role of motivation in main office of renovation of Yazd schools. The results of study are as follows:

Hypothesis 1: There is a significant association between reward and performance of employees.

As absolute value of t statistics is 2.323 and bigger than table value 1.96, it can be said the reward has significant impact on employees' performance and the impact is 0.376 and positive (direct). This result is in line with the results of study in Gangur (2011), Alvani et al., (2011) and Asili et al., (2008).

Hypothesis 2: There is a significant association between motivation and performance of employees.

As absolute value of t statistics is 2.733 and bigger than Table value 1.96, it can be said motivation has significant effect on employees' performance and the impact value is 0.326 and positive (direct). Gangur (2011) in the studies supported the impact and significant relation of motivation and performance of employees.

Hypothesis 3: There is a significant relation between reward and motivation of employees.

As absolute value of t-statistics is 0.079 and smaller than Table value 1.96, it can be said reward has not significant impact on motivation.

Hypothesis 4: Reward is effective on performance of employees via motivation.

As absolute value of t statistics is 0.079 and smaller than Table value 1.96, it can be said reward is not effective on performance of employees via motivation.

Of four tested hypotheses, two hypotheses are supported and two hypotheses are rejected. The results of investigation show that one of the effective reasons on opinions and responses of employees is job satisfaction of employees is low. In other words, the existing job condition is not good from the view of studied employees. Thus, it is recommended to consider the important issue that is effective on motivation of employees. Based on the investigations on reward system, it is defined that in the studied population, there is not purposeful and effective mechanism for reward or punishment and rewarding is only based on non-reliable parameters as physical presence in office, delay and haste in entrance and exist, service years etc. This type of reward is paid without considerable efficiency and effectiveness and leads to unfairness and discrimination among the employee and can be turned into an anti-motivation and is effective on performance of employees. Thus, it is recommended that for high effectiveness of reward system and creating justice among employees, an evaluation system of performance be designed and this system be used for rewarding the employees that employees are rewarded and punished based on real performance and their competence.

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