International Business Management 12 (7): 470-476, 2018
ISSN: 1993-5250

Organizational Reward Practices and Employee Job Performance in Small and Medium Enterprises in Muak Lak-Tanzania

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Abstract: This study addresses the relationship between organizational reward practices and employee job performance in small and medium enterprises. The study used descriptive and survey research design in which convenience sampling method to select 289 participants were used. It was found out that there was a positive significant relationship (r = 50.2%) between reward by profit sharing and employee performance and negative significant relationship between reward by performance pay (r = -51.1%), selection (r = -27.2%) and timeline (r = -17.3%) as criteria for rewarding workers and job performance. Although, Pearson correlation indicated that there were significant relationships between variables, observations from calculation of coefficient of determination revealed that positively reward by profit sharing predict (β = 0.281) employee job performance while reward by performance pay and selection for rewards negatively predict employee job performance (-0.304, -0.109) and that selection criteria is not a predictor for employee job performance in organization. Results show that organizational reward system is one of the factors that affect the employee job performance in small business enterprises.

Key words: Organizational reward systems, reward practices, employees, employee job performance, business enterprises, profit sharing

INTRODUCTION

The main focus of every organization is growth and productivity. Today, businesses are faced with challenges such as, competitors, product qualify, manpower performance etc. to reach growth and productivity in the market. The importance of appropriate reward has seen to be the key factor to motivate worker's performance. Organizations that are able to appropriately practice reward to motivate employee performance have high competitive advantage in the market. Successful implementation of reward systems requires good knowledge of management. Many firms offer to employee's remuneration package linked to the performance motivation to improve their efficiency reduce turnover and absenteeism in the organization.

According to Lucifora (2015), organization's productivity depends on the scheme (individual or group performance) and its design (commissions, piece-rate or sharing schemes) of wage factors of employees. It is always observed that individual incentives demonstrate the largest effect while team incentives are smaller in magnitude. Boachie-Mensah and Dogbe (2011) indicated that issue of employee's performance has occupied management attention. Differences in levels of performance have been attributed to differences in skills and abilities on one hand and reward payment on the other. The effect of performance-based pay on employee performance was found minimal and the motivational effect of merit pay was often blunted by biased performance appraisal in organizations.

It was observed that financial (incentives) and human resource management (records management, business control systems, managerial skills, etc.) were one of the most characterized internal factors that affect small business performance in Tanzania (Kazimoto, 2014). Wilton (2011) on his side stated that performance management enables, encourages, coordinates and supports employees to achieve their objectives. He added that performance management contributes to the long-term success of the organization. Reward practices improve performance by addressing each of the three dimensions: learning and development (ability), reward management (motivation) and job design and employee involvement (opportunity).

Similar researches about the impact of reward systems on organizational performance (Apeyusi, 2012) revealed that there were significant positive relationships between reward system and corporate performance, (Diankenda, 2015) engaging and motivating employees to achieve business goals. Organization's reward systems are strategies to motivate employees. Reward systems have significant contribution to the organization performance.

Literature review: Personal motivation is one of the factors for the workers to perform their works without being pushed. Managers should foster conditions that create internal motivation by establishing an organizational reward system (Grote, 2002). Rewards are benefits that are raised in the purpose to motivated workers to perform highly their tasks. Employee needs appreciation in return of the work well done for encouragement or improvement (Lin, 2007).

Employee's are rewarded for tasks performed optimally. Some rewards are based on significance importance of the task and management regulate employee's desires for job commitment (Ajila and Abiola, 2004). Employees are motivated for their contribution towards organization's productivity. Employees prove that they are highly motivated reaching a highest performance of their responsibility (Zabouj and Antoniades, 2015).

To motivate employee's organizations use combination of intrinsic and extrinsic rewards. Kramar and Syed (2012) indicated that organizations should adopt one specific system of reward. Dessler (2003) suggested payment by result. The reward is based on the number of items or units produced or time spent to produce a unit. This system has a tendency to reward quantity over quality.

Torrington *et al*. (2009) supported skills-based pay for employee motivation with emphasis on input-based payment system. Employees obtain incentives based on their services or abilities. This system motivates the employee to develop more skills for their salary benefits increment. Skills-based pay encourages multitasking and flexibility that enables the company to respond faster and more effectively to the needs of customers. Gerald and Herbert (2011) found out that skill-based pay is a compensation system that rewards employees with additional pay in exchange for format certification of the employee's mastery of skills, knowledge and competencies.

Skill-based pay may face challenges evolved to team organization and performance and poor quality of management information. One person is not able to handle many issues at once. It is observed that many employees resign from their jobs because they were unable to fulfill the requirements.

Organizations should make sure that the whole sequence of effort to reward employees is transparent and equally effective without underestimating communication and training (Reilly, 2003). Different organizations have different employees reward systems. New organization have different challenges from old organizations implementing skills-based pay. New organizations have advantage over existing organizations when implementing skills-based pay systems. Torrington *et al*. (2009) reported that another reward system is the Profit sharing. This is an incentive-based compensation program where employees are rewarded with company shares or a percentage of the compan's profit. This system increases employee's commitment to his company by linking pay to profit. The disadvantage of profit sharing in the employee's point of view is the fact that pay levels may decline if the company do not meet its profit expectations.

Favorable perceptions of profit sharing served to increase organizational commitment while only organizational reciprocity predicted trust in management (Coyle-Shapino *et al*., 2002). Sweins, revealed that the impact of pay knowledge is directly connected to performance. He suggested that pay knowledge may have a stronger independent impact on the effectiveness of the pay system than previously believed.

Many firms offer employee's remuneration package that links to pay to performance. Individual incentives demonstrate the largest effect while group or team incentives are smaller in magnitude (Lucifora, 2015). Boachie-Mensah and Dogbe (2011) stated that issue of employee's performance to achieve organization's objectives has occupied management attention. Differences in levels of performance have been attributed to differences in skills and abilities on the one hand and to different theories of monetary reward on the other.

Performance-related pay works on the assumption that if an employee is offered monetary bonuses for a job well done they will perform better. There are two distinct varieties of this system. In order for performance related pay to work well in organization there is a need of clear and measurable targets that are agreed by both the employer and employee (Torrington *et al*., 2009). For Thomas (2002), experience extrinsic rewards such as, salaries, bonuses, commissions and benefits are no longer satisfactory for employee's needs. Whereb, Intrinsic rewards is basically the satisfaction that employee's feel when they're doing their jobs.

Kaur (2013) supported that motivation play an important role in increasing employee satisfaction and job performance. Tan and Waheed (2011) stated that motivated employees in the retail industry have high level of job satisfaction. He reported that retail organizations in Malaysia plan for a reward scheme from the four significant motivational factors (working conditions, recognition, company policy and money factor) and prioritize them over other motivational factors to improve the job satisfaction of sales people and eventually worker's productivity and performance levels. Performance management has the role to examine how results are attained and provides necessary feedback that needs to be improved for better results Armstrong. Managers perform evaluation for the activities to determine the extent to which an employee performed his work (Ivancevich and Konopaske, 2003).

The purpose of performance evaluation is for development, motivation, employee's development, etc. (Ivancevich and Konopaske, 2003). Organizational job performance comprises of actual output-results of an organization. According to Neil (2009), organizational performance encompasses three specific areas of firm outcomes: financial performance, product market performance and shareholder return.

Job performance evolves both behavior and result. Performance can be perceived through behaviors, mental and physical effort applied to the task. Job performance in an organization can be determined by the productiveness of that organization. There are many factors that can affect a person's performance at work. Aguinis (2009) stated that job performance is about behavior on how employees do.

Carlson *et al*. (2006) proposed five human resource management practices that affect performance which are setting competitive compensation level, employee training and development, performance appraisal, recruitment package and maintaining employee morale. Blacklock and Jacks (2007) said that personal habits have an effect on an employee's job performance. It is the manager's duty to manage the performance of employees.

For Mathis and Jackson, performance management is to ensure that the organization gets the performance it needs from its employee' s to convert its strategy into mission and objectives outcomes. Jones (2000) pointed out that performance management is concerned with getting the best from people and helping them to achieve their potential. Human resource policy practices can improve performance by addressing each of the three dimensions; Learning and development (ability), reward management (motivation) and job design and employee involvement and communication (opportunity) (Wilton, 2011).

Some studies found that there was significant positive relationship between reward system and business performance (Apeyusi, 2012) reward management and recognition on employee's motivation in the workplace (Diankenda, 2015) significant connection between employee's commitment and achieving business goals. Organizational reward practices have significant contributions to the organization performance.

MATERIALS AND METHODS

The findings are based on a descriptive research design whereby convenience sampling method was used to select 289 participants who were workers from different small and medium business organizations in Arusha-Tanzania.

Data were collected through questionnaire. The data was analyzed using descriptive statistics and Pearson correlation was run to test the hypothesis. Multiple regression was run to calculate the coefficient of determination to find out about the predictors and the level of influence on the dependent variables. The following research questions guided the researcher to analyze the collected data:

- What are the reward systems practiced by the small and medium enterprises in Arusha
- What is the level of employee job performance in the small and medium enterprises in Arusha
- Is there is any effect of reward practices on employee job performance

Results show that majority (68.2%) of respondents were male and less than half of them (31.8%) were female. Majority of respondents were above 36 years old and only 31.1% were 35 years old and below. Majority (66.1%) of respondents were working in small business enterprises and that more than half had more than 6 years of experience.

RESULTS AND DISCUSSION

Organization reward practices: The factors identified for reward practices in small businesses were analyzed using descriptive statistics (percentage and frequencies).

Findings in Table 1 show different types of reward systems applied in organizations. It is revealed that majority of respondents agreed that their businesses used payment by result (62%) to reward their workers. These results align with Kramar and Syed (2012) who suggested that organizations should adopt one specific system of reward.

Majority of respondents disagreed that their businesses used reward performance-based (66.8%), reward skill based (64%) and reward by profit sharing (62.2%) as system to reward their employees. The results opposed Gerald and Herbert (2011) conclusion that skill-based pay is a compensation system that rewards employees with additional pay in exchange of their skills, knowledge and competencies. Asking question on which type of reward was given, 40.1% of respondents wrote

Table 1: Reward system

	Reward by payment result		Reward by skilled based		Reward by performance pay		Reward by profit sharing	
Variables	Freq.	Percentage	Freq.	Percentage	Freq.	Percentage	Freq.	Percentage
Strongly disagree	45	15.6	97	33.6	110	38.1	122	42.2
Disagree	35	12.1	88	30.4	83	28.7	75	26.0
Undecided	19	06.6	42	14.5	29	10.0	38	13.1
Agree	134	46.4	29	10.0	41	14.2	35	12.1
Strongly agree	45	15.6	33	11.4	26	09.0	19	06.6

Table 2: Level of job performance

Level of job employee	Frequency	Percentage
Poor	92	31.8
Fair	32	11.1
High	89	30.8
Highest	51	17.6
Excellent	25	8.70

that they were only appreciated verbally and 38.8% of them received food stuff as reward for their performance. According to Lin (2007), employee needs appreciation as return for work well done or encouragement for improvement. It was revealed that 5.5% of respondents received certificate of recognition, 5.5% received equipment and other materials for their appreciation, 5.2% were promoted and only 4.8% were give chance to be trained and get more skills for their job performance. These align with Carlson *et al.* (2006) showing weaknesses of management in these businesses. They found that human resource management practices affect employee performance (competitive compensation level, employee training and development, performance appraisal, recruitment package and maintaining employee morale). For Black and Jacks (2007), It is the manager's duty to manage the performance of employee's.

Employee job performance: The level of employee's performance was discussed from Table 3. The performance was rated from poor to excellent. As stated by Blacklock and Jacks (2007), personal habits have an effect on an employee's job performance (Table 2).

The purpose of performance evaluation in organization is for development, motivation and employee's training. (Ivancevich and Konopaske, 2013). Results in Table 3 reveal that majority (68.2%) of respondents were performing fairly and only 31.8% performed poorly. These results align with Aguinis (2009) study who stated that job performance is about behavior on how employees do not about what employees produce. Also, as suggested Wilton (2011), human resource policy practices play a great role to improve employee performance by addressing learning and development (ability), reward management (motivation), job design and employee commitment.

Table 3: Relationship between organizational reward practices and job performance

Org. reward practices	Level of performance of employee
Timeline for rewards	-0.173 (0.00)**
Selection criteria for reward	-0. 272 (0.00)**
Process for rewarding employee	-
Reward by payment by result	-
Reward by skilled based	-
Reward by performance pay	-0.511 (0.00)**
Reward by profit sharing	0.502 (0.00)**

** Significant values

Relationship between organizational reward practices and employee job performanc: The factors of organizational reward practices analyzed were payment by result, skill-based reward system, performance related pay and profit sharing and reward selection criteria in relation to job performance (Table 3).

The relationship between organizational reward practices and employee job performance found a positive significant relationship (r = 50.2%) between reward by profit sharing and employee performance. It means that the more employee's receive monetary reward their performance become excellent. This implies that organizational reward by profit sharing would be more appropriate for organizations to increase employee's performance. Employees work knowing and getting reports of their effort based on organization productivity. The findings are in line with other studies such as Apeyusi (2012) and Diankenda (2015) who had found that there were significant positive relationships between reward system and business performance, reward management and recognition on employee's motivation in the workplace as well as a significant connection between employee's commitment and achieving business goals. Organizational reward practices have significant contributions to the organization performance.

The results further show that there is negative significant relationship between reward by performance pay and employee job performance (r = -51.1%). This means that the workers performance in the organization is not necessary part of reward criteria. Also, the results show that selection and timeline as criteria for rewarding workers have a negative relationship with their job performance. The results assert the findings of Boachie-Mensah and Dogbe (2011) who reported that the

Table 4: Model summary for the organizational reward practices and job performance

					Change statistics				
Models	R	R^2	Adjusted R^2	SE of the estimate	R^2 change	F-change	df1	df2	Sig. F-change
1	0.173[a]	0.030	0.027	1.307	0.030	8.905	1	287	0.003
2	0.303[b]	0.092	0.085	1.267	0.062	19.408	1	286	0.000
3	0.534[c]	0.286	0.278	1.125	0.194	77.308	1	285	0.000
4	0.578[d]	0.335	0.325	1.088	0.049	20.935	1	284	0.000

[a]Predictors: (Constant), timeline for rewards in the organization; [b]Predictors: (Constant), timeline for rewards in the organization, selection criteria;[c] Redictors: (Constant), timeline for rewards in the organization, selection criteria, reward by performance pay; [d]Predictors:(Constant), timeline for rewards in the organization, selection criteria, reward by prformance pay, reward by Profit sharing; [e]Dependent Variable: tevel of performance of employee

Table 5: Coefficient of determination for the summary model between reward systems and employee job performance

	Unstandardized coefficients		Standardized coefficients		
Model	B	SE	β	t-values	Sig.
(Constant)	3.187	0.211		15.135	0.000
Timeline for rewards in the organization	-0.164	0.055	-0.173	-2.984	0.003
(Constant)	3.665	0.231		15.854	0.000
Timeline for rewards in the organization	-0.127	0.054	-0.135	-2.358	0.019
Selection criteria	-0.261	0.059	-0.251	-4.405	0.000
(Constant)	4.206	0.214		19.616	0.000
Timeline for rewards in the organization	-0.063	0.049	-0.066	-1.291	0.198
Selection criteria	-0.147	0.054	-0.141	-2.705	0.007
Reward by performance pay	-0.457	0.052	-0.461	-8.793	0.000
(Constant)	3.089	0.320		9.646	0.000
Timeline for rewards in the organization	-0.046	0.047	-0.049	-0.987	0.324
Selection criteria	-0.114	0.053	-0.109	-2.149	0.032
Reward by performance pay	-0.301	0.061	-0.304	-4.970	0.000
Reward by Profit sharing	0.293	0.064	0.281	4.576	0.000

effect of performance-based pay on employee performance is minimal and the motivational effect of merit pay is often lessened by biased performance appraisal. In line to the findings, Lucifora (2015) argues that organization's productivity depends on the scheme (individual or group performance) and its design (commissions, piece-rate or sharing schemes) of wage factors of employees. Therefore, the reward systems applied in businesses are respectively payment by result, skill-based reward system, performance related pay and profit sharing. Reward selection criteria were reports up to date, contribution with creative ideas and increased organization productivity, respectively and reward selection processes were activity's result and evaluation job reports.

Results in Table 3 revealed that timeline for rewards, selection criteria, reward by performance pay were negatively correlated to the employee performance and that reward by profit sharing was positively significantly correlated to the employee job performance. Observation on results in Table 4 show that the above-mentioned independent variables are useful to predict employee job performance in small and medium enterprises.

However, based on the calculations of coefficient of determination in Table 5 indicate the Beta (0.281) of reward by profit sharing which shows that for every 1-unit increase in this predictor variable, the outcome for employee job performance will increase by the beta coefficient value of 0.281. This implies that profit sharing contributes positively to the employee job performance. This show that workers in small medium enterprises in Arusha work hard based on the amount of profit that will be shared. reward by performance pay and selection criteria for organization rewards are negative predictors for the employee job performance. The results in Table 5 show respectively their beta of -0.304 and -0.109 which indicate that for every 1-unit increase in these predictors, the outcome for employee job performance decreases by the beta coefficient value of 0.304 and 0.109.

Contrary to the results in Table 3, findings in Table 5 show that timeline for rewards in the organization is not a significant predictor of employee job performance.

CONCLUSION

Findings for Pearson correlation indicated that there were significant relationships between variables, observations from calculation of coefficient of determination revealed that positively reward by profit sharing predict (Beta = 0.281) employee job performance, while reward by performance pay and selection for rewards negatively predict employee job performance (-0.304, -0.109) and that selection criteria is not a predictor for employee job performance in organization. Results show that organizational reward system is one of the factors that affect the employee job performance in small business enterprises. It is therefore, vital to enhance reward by profit sharing to motivate employee's to work hard in order to improve productivity. In, so, doing, however, the organizations need to draw a line in which areas such rewards can be applicable and where it cannot be applicable. Furthermore, reward by performance pay; selection and timeline as criteria for rewarding workers and job performance need to be readdressed to promote productivity of the organizations. As for Boachie-Mensah and Dogbe (2011), differences in levels of performance have been attributed to differences in skills and abilities on one hand and reward payment on the other.

RECOMMENDATIONS

In summary, there is need to investigate the factors that affect negatively job performance in order to develop alternative strategies that could bring positive job performance. Business managers need to consider the payment by result to motivate their employee's performance to and increase businesses productivity.

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