



# EFFECTS OF REWARD MANAGEMENT SYSTEM ON EMPLOYEE PERFORMANCE, A CASE STUDY OF INTERNATIONAL TRAINING AND MOTIVATION AFRICA LIMITED, RWANDA

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## ABSTRACT

*This present study explored the effects of rewards management system on employee performance. A case study of international training and motivation Africa Limited, Rwanda. The researcher targeted ITM Africa Ltd employees. Case study design was adopted for the study that also targeted 20 employees of ITM Africa Ltd company. The census technique was used due to the small study population. The data was collected using pretested questionnaires. Data was analysed using descriptive and inferential statistics aided by Statistical Package for Social Scientists (SPSS) version 21. The findings revealed that most employees were not content with their pay and also there was uncertainty on whether the current monetary rewards in the firm led to improved employee performance. Second, employee enjoyed communication, teamwork and even collaboration done with the top management of ITMA Ltd company. Lastly, the study findings also revealed that recognition strategies as currently practiced in the firm were having a considerable outcome on employee performance. The study recommends that management should adopt performance-based pay, by compensating employees based on their productivity and job performance which is expected to motivate employees more and to align their behaviour towards improving performance and output.*

**Keywords:** Reward strategies, employee performance and promotion system

## INTRODUCTION

Most employers have attempted to adequately reward their employees for services rendered. However, rewards vary greatly in content and size across the countries, and this partly explains why in some countries there arise disagreements between management and employees. According to Armstrong and Brown (2019), reward management revolves around preparation and execution of policies and strategies that aim to be aligned along with the organization values that are channelled towards fair reward system, with equity and in agreement with reliability. The maintenance of reward practices and various designs as well as their implementation allows

one to review motivation by evaluating each employee performance and how it assists an organization to improve its position. Therefore, reward management revolves around strategies that are established to promote salary increment, management of payment and its structure as well as the benefits that are allocated to an employee as a recognition method.

Reward is a return for a service rendered, an act performed to strengthen approved behavior and equates to achievement. There are monetary rewards which covers the basic need of survival, a feeling of stability and consistency and acknowledgement. These are the basics of

Maslow's Hierarchy of needs, these are the lower-level needs. Non-monetary benefits, however, are in most cases individual in nature and psychological rewards for self-efficacy, competence. They are associated with the feeling of enjoyment after a successful completion of a challenging task, social interactions and even enjoyment found in the workplace and are considered higher level needs in the need's hierarchy (Bratton et al 2017).

Performance-based reward systems are always considered as being the most effective in enhancing productivity, however, they are also marred with challenges since performance is for the most part relative and set performance standards might not always match with employee's capabilities. Performance is affected by the rewards that the employee gets. In a situation where rewards are present and they are given to the remain at their jobs as long as they wish. Each time a new employee is hired, the enterprise spends money on engagement and training that it could have spent elsewhere. Having a good reward system helps keep employees happy, loyal to the company, and eager to move up the ladder. Rewards, like public recognition and additional pay, motivate. In the case of ITM Africa Ltd company, operating a differential reward system where it subjects its employees in different reward programmes has been suspected to result in low employee performance. In the units where reward systems were better, the employees were reportedly motivated resulting to good performance. On the contrary, employees in low reward programmes appeared not to be motivated and performed poorly. Therefore, in order to increase overall performance, the management of ITM Africa Ltd company

employee accordingly, then there are chances of performance improvement being very effective in comparison to a situation where an employee receives less or no rewards. The reward package differs from one organization to the other depending on the level or even the activities of the organization. For example, organizations dealing with sales and marketing are likely to include commissions as one of their benefits while those involved in production may tend to exclude commissions from their compensation package (Armstrong, 2017).

Numerous studies have demonstrated that rewards have a positive influence on the employee's health and workplace safety. It is one of the factors that stimulate employee's engagement in the workplace, which is the key element in the employee's performance (Fisher, 2017). Nowadays, people often don't employees to work harder. It becomes a bone on the throat of every enterprise over the world, on active human capital tactics to enhance their productivity. It is obvious that enterprises can achieve high productivity if they put more effort on reward management and it will enhance employees' performance.

replaced the differential reward strategies with a central reward system where employees were rewarded uniformly. However, the result of the new strategy has not been well documented and as such it was unclear whether the centralized reward system had any effect on employee performance. This, therefore, motivated the need for the present study to examine the effects of rewards strategies on employee performance focusing on ITM Africa Ltd company, Rwanda.

### **Objective of the study**

Specifically, this study attempts to:

- To determine the effect of promotion on the performance of employees in ITM Africa Ltd company

### **Hypothesis of the study**

- There is no significant effect between the effect of staff promotion on employee performance in ITM Africa Ltd company

### **LITERATURE REVIEW**

This section presents a review of literature on effect of staff promotion on employee performance in ITM Africa Ltd company. Promotion is one of the tools which organizations use to motivate employees to improve their performance or continue working with them for a much longer period. According to Yousaf, Latif, Aslam and Saddiqui (2014), the employee will feel valued if they are given career development opportunities which will lead them to move one step ahead on the promotion ladder. Najafi (2016) points out that the intent behind the organization's investment in the career development needs of the employees is to increase the employee self-esteem and motivation with their professional development. Employees are motivated if they are given opportunities for learning and growth because the learning opportunities lead them towards future promotions and career growth (Khattak, Bashir & Qureshi, 2016). So, the career development opportunity motivates the employees by aligning their expectation with the organizational goals. Lack of praise and promotions in the workplace environment affect the motivation of employees (Yousaf et al., 2016).

According to several previous studies, in most organizations, the expectation that there were job promotions when employees

meet their performance thresholds acts as the major job satisfaction (Igbaekemem, 2018). Prospective employees will often seek for employment opportunities in organizations that present opportunities for career growth through fair promotions. According to Robbins et al. (2016) The challenging problems in industries such as retailing and fast foods is how to motivate workers who work for very low wages and have minimal opportunity to increase their pay or promotions. These jobs are filled with people who do not high qualification and skills and whose pay levels are minimum wage, thereby dominated by lower order needs.

Moreover, Armstrong (2017) indicated that employees are rewarded in accordance with their skills, contribution and competence and their market worth. Therefore, subordinate employees can be motivated by increasing their compensation thus improving employee retention. Khan et al. (2016) found that there exists a positive relationship between the perceived performance of employees and an organization's promotion practices. Further, their research results found out that for organizations to accelerate the performance of their employees, it is inevitable for them to employ fair promotional opportunities. They based their research on the following two hypotheses. First, Khan et al. (2015) asserted that there exists a positive correlation between promotion and job satisfaction which subsequently improves performance. Tausif (2017) in a study on Pakistan's educational sector found out that job satisfaction is significantly influenced by non-monetary rewards. From the results obtained from the data which was collected from employees in public schools illustrated that job enrichment, autonomy and satisfaction is influenced by non-financial incentives and increase with age. From the results, older employees were observed to

prefer non-financial rewards than younger employees.

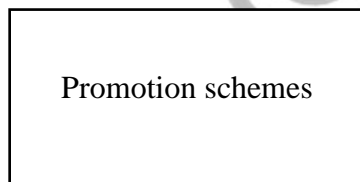
A study by Gupta and Kumar (2016), evidently suggested that promotion-based incentives are integral for the increased employees' performance in organizations, generating substantial interest among theorists. Apparently, these studies are more skewed on the theoretical end giving very little empirical interest creating a giving rise to conduct the evidence-based study. After distributing 250 questionnaires, a regression analysis was conducted where job satisfaction and employee performance was regressed against promotion. Beta values indicated that job satisfaction was the major mediator compared to employee performance though both of them had a positive relationship with promotion. In conclusion, Gupta and Kumar (2016) asserted that promotion as a facet of job satisfaction significantly affected the level

of job satisfaction of employees hence the need for management to consider promotion in a bid to promote job satisfaction which eventually translates to higher Performance rates.

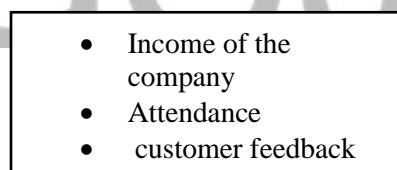
### Conceptual framework

According to the conceptual framework in Figure1, the harmonized monetary reward instituted by organizations are also expected have a bearing on the employee performance such as salary reviews, performance related pay and allowances. Similarly, harmonized non- monetary rewards as a reward system are expected to influence the employee performance especially by influencing the level of gratification derived from the work experience. Employee performance is also expected to be affected by harmonized promotions schemes where promotion is associated with a rise in pay, perks and level of responsibility in the organization.

#### INDEPENDENT VARIABLE REWARDS MANAGEMENT SYSTEM



#### DEPENDENT VARIABLE EMPLOYEE PERFORMANCE



**Figure 1:** Conceptual framework

**Source:** Researcher, 2023

### METHODOLOGY

The descriptive survey and multiple regression, correlation, coefficient for effective size  $-r$  was adopted in this study. The purpose of this descriptive survey was to find factual and accurate information about the current state, in order to reach a general conclusion on the findings.

The population involved in this study was consisted of all employees in ITM Africa Ltd company. They are about 612 people. These

included 21 top managers 55 middle level managers, 536 support staff from ITM Africa Ltd company. Simple random sampling was used in this study. This was used during the selection of top management, middle level management and other staff.

In addition, the study used the following formula proposed by using Yamane (1973) to determine the sample size because that is too large waste scarce resources and could

expose more participants than necessary to any related risk.

Using Yamane formulae:

$$n = \frac{N}{1 + (N) e^2}$$

Where:

n = sample size

N = the population size

e = the acceptable sampling error (7%) at 93% confidence level

Thus;  $n = 612 (1 + 612) (0.07)^2$   
 $n = 153$  respondents

A sample of 153 respondents targeted to participate in this study. This formula was used to estimate a representative sample. A total number of 153 respondents was to be taken as simple size. The following is the table showing sample size for each category.

**Table 1. Table representing sample size**

Category	Target population	Sample size
Top Management	21	5
Middle Level Management	55	14
Other staff	536	134
Total	612	153

**Source:** Primary data, 2023

The research instruments were pre-tested prior to the main study on 15 staff from ITM Africa Limited company of similar characteristics as the target population but which was not included in the final study. Validity of research instruments was established when what was targeted to be measured was carried out clearly without accidentally including additional factors. The validity of this research instrument was measured through the opinion of experts especially the research supervisor, who is knowledgeable in this field. To test reliability, the questionnaire's reliability was statistically measured by measuring the internal consistency using Cronbach's alpha. Cronbach alpha, which was a measure of internal consistency, was used to test the internal reliability of the measurement instrument. This was developed by Lee Cronbach in 1951 as a measure of internal consistency of a test or scale, and normally expressed as a number between 0 and 1.

**FINDINGS**

The study sought to establish the relationship between staff promotion and employee performance in ITM Africa Limited company. The respondents were asked to rate the statements by indicating the extent to which they apply to their organization in 5-point Likert scale. 5. Strongly Agree (SA), 4. Agree (A), 3. Neutral (N), 2. Disagree (D) and 1. Strongly Disagree (SD). Besides, the mean and deviation were used for interpretation of the findings where mean (M) is the average of group of scores and it is sensitive to extreme score when the population samples are small. Moreover, the standard deviation (SD) was also used to measure the variability in those statistics as it shows how much variation is there from the average (mean). The findings of the study revealed that the company implemented a promotion system which was based on the competence of the employees (Mean = 3.74). The company also bases employee promotion on their performance (Mean = 3.88). In addition, promotion in the company was also based on years of service (Mean = 3.42). The company also used other non-performance related issues such

as level of education are used when promoting an employee (Mean = 3.11). Most were of the view that the promotion criteria in the company was fair (Mean = 3.81). Most respondents (Mean = 3.4) believed that the promotion scheme in the company encouraged staff retention and also

encouraged the employees to improve their performance in the company (Mean = 3.72). The aggregate score (Mean = 3.58) further indicates that the promotion schemes in the company were instrumental in improving employee performan

**Table 2: Model summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.777 <sup>a</sup>	.604	.599	.69075

a. Predictors: (Constant), promotion schemes

The Table indicates the model summary and the results of the R value obtained, in which  $r = 0.777$  represented the correlation coefficient of the model whose order value  $> 0$ . This illustrates that the incorporation of many variables improved the model when analysing the impacts of rewards strategies on employee performance in ITMA Ltd

company. The adjusted  $r^2$  value of,  $r = 0.599$ , also indicates that the multiple linear regression model could explain for approximately 60% of the variations in employee performance in the company. To identify the independent variables that were mostly responsible for effective devolution in the area, the beta value was used.

**Table 3. Significance of Independent variables**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	440.192	4	110.048	14.978	.000 <sup>b</sup>
	Residual	778.817	106	7.3473		
	Total	1219.01	110			

a. Dependent Variable: Employee performance

b. Predictors: (Constant), Promotion Schemes

The table above indicated standard regression which provides the effect of individual predictor variables. Those variables are rewards, Staff appraisal, Promotion Schemes, Recognition. The table shows the output analysis and whether there

is a statistically significant difference group mean. As seen, it, the significance value is 0.000 and the mean is 7.34 which is above 0.05. Therefore, there is a statistically significant difference in the mean length of model.

**Table 3. Summary Result of Hypothesis Testing**

Hypotheses	Relationship	Correlation matrix	Decision
H <sub>1</sub>	There is no significant effect between the effect of promotion schemes on employee performance in ITM Africa Ltd company	$r = 0.508^{**}$ ; $p\text{-value}=0.000 < 0.01$ .	Rejected

The variation of Spearman Coefficient correlation is between -1 and 1. Spearman Coefficient correlation is significance when it is equal or greater than 0.01 level. According to the research, the correlation of 0.508 (50%) which is positive and very high correlation. As the significant level is at 0.01 (1%), the p-value of 0.000 (i.e. 0.0%) is less than 1%. This leads to confirm that there is significant relationship between promotion schemes on employee performance in ITM Africa Ltd company.

Therefore, the researcher can conclude by saying that the research hypotheses all were tested; verified and then they are rejected referring to the statistical (regression analysis) findings and then according to the research, the correlation of 50% categorized as positive and very high correlation; this leads to confirm that there is significant relationship between promotion schemes on employee performance in ITM Africa Ltd company.

## DISCUSSION

The study findings revealed that promotion system is based on the competence of the employee. Other non-performance related issues such as level of education are used when promoting an employee but also based on years of service. The promotion criteria in ITMA company is fair and it encourages staff retention but also it encourages the employees to improve their performance in the organization.

The regression results revealed that promotion schemes significantly affected employee performance in ITMA Ltd Company shows a relationship exists ( $r = 0.503$ ,  $p < 0.000$ ). The coefficient of correlation of Pearson's product moment suggests that the two variables had a strong positive relationship. This indicates that the current promotion policies were instrumental in encouraging employee performance in the company. These findings concur with those of Khan et al. (2012) who established that there is a positive correlation between the perceived employees' performance and an organization's promotion practices. They also agree with Tausif (2012) who found a strong relationship of non-monetary rewards with employee performance.

## Conclusion

It is evident from the findings that there are important aspects associated with rewards strategies being used to encourage employee performance in ITMA Ltd company. The study concluded that the promotion schemes in the company were instrumental in improving employee performance. The study recommends that ITMA Ltd company management should adopt performance-based pay, in which employees are compensated on the basis of their performance as an element of organizational pay structure, as this would help in motivating employees to commit much of their efforts on improving their individual output, behaviour, and performance. This would help in enhancing employees' efforts and improving the quality of the workforce, motivate employees to

continuously improve their contributions, and attract better talents of the employees. ITMA should review salary system. Paying a competitive salary is important because salary levels are still a crucial element when it comes to attracting and retaining the best people. Lastly, ITMA Ltd company managers should recognize employees effectively with clear and effective means of recognition, the actions and behaviour that they want to see will often be repeated. An effective employee recognition system should be simple, immediate, and powerfully reinforcing and at the same time ensure fairness, clarity and consistency are applied. It is therefore important that organizations establish clear criteria for what makes an employee eligible for recognition.

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