Impact of Rewards on Employee Motivation: Food Industry in Sri Lanka

R.P.A. A. Dhevindra
Siyon Food Ingredients
Sri Lanka
arthmald@gmail.com

D M S Gayanika
Faculty of Business
NSBM Green University Town
Homagama, Sri Lanka
sashini @nsbm.lk

***Abstract*— Understanding the factors that influence employee motivation is vital because satisfied employees will improve overall effectiveness of an organization. ABC Food Ingredients Company being the Leading food ingredients providing company in Sri Lanka plays a crucial and significant role within the Sri Lankan economy; however, lack of attention has been focused on understanding the concept of employee motivation within this context. The main objective of this research was to identify whether there is an impact between financial & Non-Financial incentives and the employee motivation of the employees working in the ABC Food Ingredients company.**

Keywords—rewards, motivation, financial and Non-Financial

II. INTRODUCTION

Employee turnover has become one of the major issues faced by organizations in the global as well as local context. According to the labour turnover report published by [6] there is a steady increase in the employee turnover rates over the years 2016 to 2018. The voluntary employee turnover rate in the food ingredients industry has amounted to 17.6% in 2016 this statistic shows how that when ten professional employees leave in the organization organizational losses are estimated to be around one million Sri Lankan Rupees.

Within an organization, the best performance is feasible with most committed employees that can only be achieved through employee motivation. According to [2] assume that motivation contains "those psychological processes that cause the arousal, direction and persistence of voluntary actions that are goal directed." Motivation depends on certain intrinsic, as well as, extrinsic factors which in collaboration results in fully committed employees. Tangible incentives are effective in increasing performance for task not done before, to encourage "thinking smarter" and to support both quality and quantity to achieve goals.

III. LITERATURE REVIEW

A. Rewards and Motivation

Incentives, rewards and recognitions are the prime factors that impact on employee motivation. The employees engage in their working activities purposely for owns sake, then they will feel intrinsic motivation in their behaviors as their activities will essentially be enjoyable and satisfactory. The factors like incentives and rewards are the most preferred factors for employee motivation programs.

Employees are motivated by either financial or Non-financial instruments. This in turn leads to customer satisfaction because satisfied employees pay greater attention to meeting customers' needs/wants. According to reference [3], financial performance of a firm also improves if customers' loyalty improved. Financial incentives are the process of influencing employees to act according to plans, to achieve the mutual goals of employees and employer.

Financial or monetary incentives are used by employers to attract, retain as well as compensate best workforce for a job well done. Financial incentives are divided into direct and indirect financial reward. Direct reward includes good salary packages, profits and commission. Indirect financial reward are all those benefits that are not covered by direct financial reward.

A non-financial incentive is any benefit an employee receives from an employer beyond the compensation package with a purpose of attracting, retaining and motivating the employees. All organizations are now concerned with what should be done to achieve a high level of employee productivity through staff motivation using the right kind of incentives. Also, non-financial

recognition can be more effective than cash awards, because they can help the employees with their self-esteem, as well as giving they deserved recognition, and a feeling of fulfillment with their jobs.

B. Financial and non-financial rewards

According to [4] Cash bonus is a form of reward that organizations use to reward employees for exemplary performance that is if they have performed higher or exceed their set targets, this hence makes them eligible. The amount of cash is determined by how high the employee has over exceeded the set targets or they can also be based on ranks or job groups. Not only cash bonus but also can generate benefits to the organization through fostering greater employee cooperation by ensuring that all the employees are in pursuit of the organizational objectives, reducing employee turnover, increasing productivity, costs reduction, providing retirement security and it also gives employees a direct stake in the profitability of an organization creating an atmosphere in which employees want the business to succeed as much as management does.

According to reference [1] non-financial incentives are considered as more important incentives than monetary incentives. For an example, when employees' recognition is given, when employees are appreciated, they feel motivated to perform better on the other hand, lack of recognition has resulted in firms loosing disenchanted innovators as well as lower level of effort and even sabotage and espionage. Communication, training and employee empowerment are some of the non-monetary rewards which can make a significant impact on employee motivation.

IV. METHODOLOY

The research study relied upon the survey method for collection of data; the questionnaire-based survey has become one of the most widely used techniques. The research is based on one of the food ingredients manufacturers, and employees in Trainees, Executives assistant Managers, Mangers at each department were taken to the data collection.

The main instrument used for the data collection purpose in the research is a questionnaire, which addresses the research question broadly. A sample of 70 employees representing trainees, executives' assistant managers, mangers were taken to the survey. Method of analysis includes a statistical analysis of information collected using such tools as pie charts, Bar Charts, histograms and frequency tables. The data analysis tool is SPSS. The SPSS the most basic is a summary table of descriptive statistics that gives figures for all the measures. And it uses graphical options to make comparisons between the variables simpler. The two-hypothesis tested based on literature is as follows:

H1: There is a positive impact from Non- Financial Incentives on employee motivation

H2: There is a positive impact from Financial Incentives on employee motivation

V. DATA ANALYSIS

The reliability analysis was conducted with 30 employee sample in order to measure the degree to which a research instrument yields consistent results on data after repeated trials. The Cronbach alpha value of all three factors represented above 0.7.

TABLE I. RELIABILITY ANALYSIS

Variables	Cronbach's Alpha	No of Questions
Non-financial rewards	0.919	08
Financial rewards	0.892	07
motivation	0.894	12

With the reliability results, the relationship between financial and non-financial rewards was tested based on Pearson correlation value (figure 1).

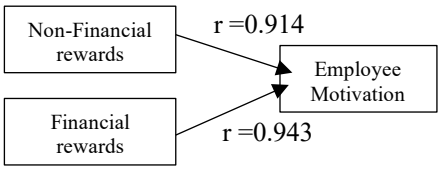

Fig. 1. Conceptual framework

According to the above correlation analysis, all the probabilities are highly significant between the Employee motivation (endogenous variable) and factors of Incentives (Exogenous variables) which is less than 0.05 (Non-financial and financial rewards p =0.000 < 0.05). Coefficients of correlation between them are positive. Their values are more than 0.7. This means that non - Financial & Financial incentives are having strong positive association with Employee Motivation.

Effect of individual factors on employees' Motivation has been analyzed using regression model. Researcher applied Classical Linear Regression Model (CLRM). Multiple correlations "R" is 0.918. This says that there is a strong joint association between the Financial & Non-Financial Incentives and Employee Motivation. R-square is 0.843. This indicates that 84.3% of Motivation (dependent variable) has been covered by the model. As the value is more than 60%, regression model is nicely fitted. Adjusted R-square is also representing that 83.9% of the dependent variable has been covered by the model. Durbin-Watson test statistic is 2.097. This is almost pass to 2 and will be between 1.5 and 2.5. Therefore, residuals are independent, and model is valid. Regression ANOVA is given by table 2.

TABLE II. REGRESSION RESULTS

R	R SQUARE	ADJUSTED R SQUARE	DURBIN - WATSON
0.918	0.843	0.839	2.092
REGRESSION			
SIG. (F)	0.000		
NON-FINANCIAL	B= 0.516	SIG = 0.000	
FINANCIAL	B=0.231	SIG =0.048	

Probability of Non- Financial Incentives & Financial Incentives is highly significant with positive beta values. Their probabilities are less than 0.01. This says that they significantly influence positively on employees' Motivation.

VI. CONCLUSION

Significant of rewards to affect to motivate employees are assessed with correlation analysis and regression analysis. In the correlation analysis, it is found that Personal Correlation has a strong significance in Employee Motivation. In the regression analysis, it has shown that strong significance in Non- Financial and Financial Rewards on employee motivation. Therefore, both hypotheses was accepted.

Recognition means acknowledgement with a show of appreciation. It is crystal clear that the main and repeated cause of turnover is the lack of employees' recognition when employees are appreciated, they feel motivated to perform better. Also, as reference [4] explains, if employees are provided opportunities for advancement and growth to develop their personality, they feel much satisfied and become more committed to organizational objectives. Active participation of employees in organizational decision-making process leads to increase the motivation of the employees [3]. According to the past literature, when management consider employees' ideas and their suggestion before making any decision, they feel belonging to the organization. They feel they are part of the organization and they engage more in their works. Hence hypothesis 1 is supported by the above literatures and therefore non-financial rewards are highly related with the employee motivation.

According to reference [2] Cash bonus is a form of reward that organizations use to reward employees for exemplary performance that is if they have performed higher or exceed their set targets, this hence makes them eligible. The amount of cash is determined by how high the employee has over exceeded the set targets or they can also be based on ranks or job groups. Nowadays, companies are rewarding performance bonuses to junior employees to increase output, unlike the past where they used to be a privilege of only the top executives. A profit-sharing plan has a formula that provides a fixed percentage of profits that will be divided among employees [5]. Consequently, employees are motivated to perform well to increase company profits which results in a cut of the profits for them.

According to reference [3] connecting employee pay raises to performance reviews can encourage a more competitive workforce. This can result in a

higher level of productivity as it is given for specific performance results rather than simply for time worked. Hence Hypothesis 2 is supported by the above literatures and all the monetary rewards are highly related with the employee motivation.

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