

Does intrinsic rewards and extrinsic reward system matter for employee performance? Evidence form IT Sector of Pakistan

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ABSTRACT

Aim of this study is examined the effect of intrinsic reward and extrinsic reward system for employee performance in higher education institutes of Hyderabad, Pakistan. Primary data is collected through self-administered adopted questionnaire from previous studies. Faculty member and staff of higher education institute and from cases of the total 200 cases from higher education Institutes of Hyderabad, Pakistan. For the analysis of gathered data many tests were applied such as reliability test, regression analysis. Findings, revealed the intrinsic reward and extrinsic reward system are found to positive and significant impact employee performance in higher education institutes of Hyderabad, Pakistan. In past studies various sector of Hyderabad, Pakistan have been explored in regard of intrinsic reward and extrinsic reward system and employee performance, based on our limited this is first study is explored in context of higher education institutes of Hyderabad, Pakistan.

Key words: Intrinsic Reward, Extrinsic Reward, Employee Performance

1.INTRODUCTION

The world is changing and adopting new styles in every part of work and style of work, in education constantly evolving and rapidly changing style of educations and introduced new theories in institutions for the betterment of education, institutes are concluding that employee motivation and productivity have been the most important assets that they have [1]. In all-over the world, the enhancement of employee motivation and productivity is becoming a major concern for organizational management. The aspect of the reward system has recently gained significant attention of researchers in the last few years, as academicians and researchers have started focusing since the late 1990s on the concept of the reward system and its contribution to the improvement of employee motivation and productivity [2]. Employee motivation and productivity have come under consideration due to the ongoing war of talent referring to the significance of talented employees and their role in helping organizations in accomplishing their goals and objectives. In accordance with the study of Boston Consulting Group in 2017, it has been clearly mentioned that

oriented smart devices. Malaysian Communications & employee motivation and productivity are becoming major concerns for organizational managements to experience in near future, as organizations have started improving the design and implication of their reward system and compensation strategies in order to motivate the employees and enhance their productivity [1].

In the 21st century, the profession supporting employee motivation and productivity management has become increasingly formalized. Several researchers have used employee management as a term that involves everything in association with employees. Whereas, some researchers have used the term talent management and defined it as the science of using planning and strategy for human resource (employee) for improving the business profits and, making it likely for business firms towards achieving their companies' goals [3]. Organizations are working over their reward systems in order to them more attractive to improve the motivation of employees to transform their performance in a positive manner. however, reward management is every activity performed by the organizational management for compensating or rewarding employees to encourage them to perform to their potential [4]. An organization having a strengthened reward system tends to motivate and encourage employees to perform to pre-determined standards for gaining intrinsic and extrinsic rewards from the organizational management as a result of high productivity. Employees' productivity at the workplace depends on several factors, as rewards awarded as a result of better performance is a major factor that influences employee productivity. Reward systems play a vital role in influencing the motivation and productivity of employees.

In this highly competitive business world, organizational managements need to motivate their employees to achieve their goals and objectives in the determined time frame and with available resources. Hence, organizational management must design and implicate an effective reward system to encourage employees to perform their job-related activities in an appropriate manner [5]. Organizational management can focus on the needs and demands of their employees while designing their reward systems or compensation strategies, as designing of reward systems by organizational managements in accordance to employees' needs and demands could eventually result in improving motivation and productivity of their employees [5]. Throughout the

world, Educational institutes are experiencing serious competition from domestic and foreign competitors due to advancements in technology. Educational institutes are facing difficulties in gaining a competitive advantage within the Educational institutes because of increased competition. However, increased employee motivation and productivity through an effective reward system could be an appropriate source for these firms to improve their performance and gain a competitive advantage. Various IT firms have already started designing and implementing effective reward systems to increase the level of motivation of employees and gain higher productivity from them [1].

In Pakistan, growth within the IT sector is rapid, as it has been one of the major industries that is playing its part in the overall economy of the country and growth of the country. A couple of decades ago, IT was not playing such a major impact because the concept of IT sector was not so common amongst the people of Pakistan [3]. In the last 15 years, IT sector has evolved with the advancement in technology, as a revolution in the form of technological advancements have given necessary awareness to the people of Pakistan regarding IT Sector and the use of it. Companies associated with the Educational institutes of Pakistan have certainly emphasized developing such an effective reward system that assists employees in improving their motivation and productivity [2]. In addition to that, employees working in IT Sector of Pakistan have been well aware of the intrinsic and extrinsic rewards they can get as a result of improved productivity. Hence, there has been a plenty of scope within the Educational institutes to testify the relationship between reward system (intrinsic and extrinsic reward) and employee motivation & productivity.

2. RELATED WORK

Reward system is the process of rewards paid by the management to its employee based on the performance. Simply, reward system is a systematic procedure through which reward is earned by an employee as a result of providing her services to the organization helping the organization in accomplishing its goals and objectives. Reward could be monetary (such as commission, salary, wages, etc.) or non-monetary (such as promotion) [6]. Similarly, rewards could be intrinsic (autonomy, relatedness, etc.) or extrinsic (recognition, flexibility, etc.). Ganta (2014) has explained that there exists a direct relationship between reward system and productivity of an employee. Similarly, this study has also highlighted the indirect relationship between employee turnover and reward system. This study has also advocated that there is a significant role played by the reward system within an organization in attracting or retaining of highly talented and qualified employees. Whereas, [4], has shown that employees' productivity is certainly increased with the increase in incentive pay plans. In addition to that, another survey performed by [3] has shown the increase within organizational and employee commitment due to implementation of effective reward system. Researchers in the past has revealed a link between rewarding hard work and employee productivity. Although the reward system depends on different variables such as understanding, location and ability, the overwhelming component is still productivity. This is why great productivity is constantly compared to better rewards [1].

Rewards offered to employees could be monetary and non-monetary. Availability of growth and promotion opportunities within the organization is a source of non-monetary rewards. Employees tend to feel fairly treated and get satisfied by their jobs in case of getting growth and promotion opportunities (non-monetary rewards). Such satisfaction enforces them to work to their full potential in order to help the organization accomplish its goals and objectives [2]. Rewards provided by the organization to its employees through a reward system result in enhancing of employee commitment towards the work. In addition to that, internal promotion is another form of non-monetary reward which is given basically for the creation of sense of justice and fairness amongst the employees. Performance appraisal is very necessary for the developing and offering of growth opportunities to the employees on regular basis [5]. Evaluation of productivity provide a strong base for offering of a growth opportunity to any employee. They have explained that salary provided to the employees has been the major expenditure that an organization has to experience. Payment of salary to the employees is 60 percent of the total cost that organizations has to experience. Payment of rewards by the employer to employees enhances the overall cost of organizations. Increased rewards paid to employees could either help organizations in obtaining or losing of competitive advantage. Likewise, Therefore, for improving the motivation of employees, an effective reward system is needed to be designed and implemented by the organizations.

Intrinsic rewards are such rewards which come from within an employee. Employees who is intrinsically motivated tend to work for personal satisfaction and mostly focuses on performing challenging tasks which are considered as highly meaningful for the firm. Choices an individual has over his/her schedule, work, and other activities within the workplace shows the total amount of control of a performer on the job could be the source of intrinsic reward. Intrinsic reward involves self-directed behavior and consequences faced due to such behavior. Basically, intrinsic reward can be referred as employees' discretion with which people carry out the responsibilities and obligation of their jobs [5]. Based on findings of [6], characteristics of job design could result in causing intrinsic motivation. Referring to the study of [4], intrinsic reward could be defined as an employee's discretion towards performing his/her duties and responsibilities of the assigned tasks in job. With respect to the findings of [7], intrinsic reward is explained as extent up to which an individual has independence, freedom, command, discretion and control over the scheduling and responsibilities of work to be performed within the given job.

[2], has explained that intrinsic rewards emphasized majorly as a global concept. Intrinsic reward has been measured globally by the researchers in past. With the passage of time, there has been a drastic change in construction of intrinsic reward. Job autonomy has been expressed as an underlying concept which act as a discretion for an individual to have control over the schedules and methods associated with the work. Referring to early work of on intrinsic reward, it is recognized as independent discretion that allows individual to have control over decision making regarding doing of work when and how an individual.

3.METHOD AND MATERIAL

In this research, the researcher has chosen the Higher Education Institutes of Hyderabad. Hence, employees working in Higher Education Institutes of Hyderabad have been requested to fill the questionnaire to get the relevant data. The population size chosen has been the employees working in IT sector of Pakistan. Primary data is something that is directly collected from the selected sample of the population selected for the experimentation in the research. It can be collected through various methods. The researcher has certainly gathered the data through questionnaires and for that purpose, appropriate sample has been finalized through the software named ‘Sample Size Calculator’. Therefore, a sample of 200 employees working in IT sector of Pakistan. A structured questionnaire has been adapted and used as a research tool for the collection of data from the respondents (IT sector of Pakistan). The study research Questionnaire has been adapted from previously conducted research studies.

4. RESULTS AND DISCUSSION

4.1 Reliability Analysis

Table. Reliability Analysis

Variables	Cronbach Alpha	No. of Items
Intrinsic Reward	.920	6
Extrinsic Reward	.933	6
Employee Performance	.920	4

Reference to the above table 1 in Reliability statistics, the value of “the Cronbach’s Alpha” is used for the final decision for the reliability of studies data. In our study, “the Cronbach’s Alpha” values are Intrinsic Reward .920, Extrinsic Reward. .933, Employee Performance, .920. The conclusion for reliability for this study can be drawn as data is reliable.

4.2 Regression Analysis

Table. 2 Regression Analysis

Variables	Beta value	P-value	VIF value
Intrinsic Reward	.423	.000	4.249
Extrinsic Reward	.481	.000	4.249

In regression analysis table 2, the variables we studied, Intrinsic rewards (IR), and Extrinsic Rewards (ER), are observed very strong positive and important relationship with a dependent variable Employee Performance (EP) for achieving the desired results, in higher educational institutes, we have to implement strong performance appraisal systems in all Higher Educational institutes. Above the table, we can see the VIF value is “4.249” and it is smaller than “10”

which specifies that our study has no multicollinearity. It means that our actual results are as per the requirement and not overestimated.

4.3 DISCUSSION

H₁: There is a positive impact of intrinsic reward on workers’ performance in higher education institutes of Hyderabad Pakistan.

The result of Regression analysis exposes that in this case the null hypothesis is rejected and its alternative hypothesis accepted ($P < 0.05 = 0.000$) and the beta value is 0.008. Based on both values it is found to reliability has a positive and significant impact on the higher education of Hyderabad. Intrinsic rewards play a vital role in institutes’ progress. The actual objective of this research was to understand and evaluate the actual relationships among intrinsic & extrinsic rewards on work routine in Higher Educational Institutes of Hyderabad, Sindh. According to the mentioned above-mentioned results, there is a strong connection between intrinsic rewards on employee work routine. The finding also revealed that the study outcome has a positive influence on intrinsic rewards towards employee good performance. This research supported H₁, which analyzed and evaluate the relationship concerning extrinsic rewards and employee performance. Intrinsic rewards encourage employees to reach his/her goals. It is also known as ‘the psychological rewards’ a sense of test and success, receiving appreciation. These rewards increase self-confidence and employees’ self-development, create employee’s satisfaction where they work with fun and a sense of responsibility (Deci et. al 1972).

H₂: There is a positive influence of extrinsic rewards on employee daily performance in higher education institutes of Hyderabad Pakistan.

The result of Regression analysis exposes that in this case the null hypothesis is rejected and its alternative hypothesis accepted “ $P < 0.05 = 0.000$ ” and the Beta value is “0.008”. based on both values it is found to reliability has a positive and significant impact on the higher education of Hyderabad. extrinsic rewards play a vital role in institutes’ progress. These results showed that an employee enjoyed the tangible rewards like payment given security and the atmosphere in the workplace including their connections among other workers and it may enhance his/her level of performances. Everybody knows that These are the fundamental needs of every employee in the workplace as they need to fulfill the other needs. When an individual’s very basic desires are fulfilled, the individual improves and gives good results and improvements to the next level to achieve their aims in life, (Kalizani, et al. 2011), (Ryan and Deci 2000). Simply whenever an employer offers good extrinsic rewards, to their work they feel more secure, and work with dedications increase their loyalty and profitability for the higher institution.

5. CONCLUSION

The actual target of the study is to determine the relationship between intrinsic and extrinsic rewards impact an employee's performance. After having 200 respondents of Higher Educational Institutes of Hyderabad. This study concluded the impact of intrinsic rewards and extrinsic rewards on employee's performance in higher educational institutes. Intrinsic reward is related to the worker's inner self-satisfaction or psychological win attitude and in intrinsic reward the employee sets their target and works unconditionally and reaching their goals and company's targets as well. The Intrinsic rewards create self-confidence, and self-development inside the employee, employee satisfying with their own fundamental rights and loving their needs of employees it automatically boosts the employee confidence level and create professional jealousy among them. This study examines both intrinsic and extrinsic rewards and both are important for Employee Performance and quality of work.

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