

**CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI**  
**SCHOOL OF BUSINESS**  
**DEPARTMENT OF MANAGEMENT AND GENERAL STUDIES**

**AN ASSESSMENT OF THE EFFECTS OF COMPENSATION AND REWARDS  
SYSTEM ON PERFORMANCE OF AN ORGANIZATION: A CASE STUDY OF  
KUMASI METROPOLITAN ASSEMBLY**

**BY**

**ABRAHAM BOADI**  
**MARY AMPONSAH**  
**KWASI KWARTENG**  
**JANET SERWAH OFOSU**  
**DESMOND AMANKWAH**

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RESOURCE MANAGEMENT**

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## **DECLARATION**

We hereby declare that of this project work is the result of our own original research work and that no part of it has been presented for another degree in this University College or elsewhere

<b>Name</b>	<b>Student ID.</b>	<b>Signature</b>	<b>Date</b>
Kwasi Kwarteng	13011521	.....	.....
Abraham Boadi	13013430	.....	.....
Desmond Amankwah	13013351	.....	.....
Janet Serwah Ofosu	13012151	.....	.....
Mary Amponsah	13010160	.....	.....

### **Supervisor's Declaration**

I hereby declare the preparation and presentation of my project work was supervised accordance with guidelines on supervision of project work laid down by the Christian Service University College

<b>Supervisor's Name</b>	<b>Signature</b>	<b>Date</b>
Dr. Joseph Kofi Nkuah	.....	.....

<b>H.O.D Name</b>	<b>Signature</b>	<b>Date</b>
Dr. Joseph Kofi Nkuah	.....	.....

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## **ABSTRACT**

Employees are considered to the backbone of the organization. Employees helps the organization to achieve its goals and objectives. This study examined the role of compensation and rewards system on performance of an organization. The specific objectives of the study include the following: examining the current strengths and weakness in the current rewards and compensation system of the organization; examine the relationship between reward system and performance of an organization and investigating the relationship between compensation and performance of an organization. Basically, there are two types of reward system. Among them include intrinsic and extrinsic reward system. The intrinsic rewards are intangible benefits which employees receive in exchange for their efforts in the organization. Extrinsic reward system refers to income and basic needs to survive, a feeling of stability and consistency and recognition. The study employed Herzberg's two factor theory. The theory suggested that people have two sets of needs. Their needs as animals to avoid pain. Their needs as humans to grow psychologically, Herzberg's study consisted of a series of interviews that sought to elicit responses to the questions. The study concludes that human resource provides the basis for an organization to achieve sustainable competitive advantage. Attracting and retaining competent workforce is a challenging task for every organization. The study recommended that organization should set up good compensation packages that would serve to encourage the good performance of the employees in all organisations. The study further recommended that good compensation and reward policies should be established to ensure equity pay. The study recommend that reward system can be a cluster of different reward components, but it should be integrated with the organizational business strategy which means aligning reward practice with both business goals and employee values.

## TABLE OF CONTENT

DECLARATION .....	i
ACKNOWLEDGEMENT .....	ii
ABSTRACT .....	iii
TABLE OF CONTENT .....	iv
LIST OF TABLES .....	vii
LIST OF FIGURES .....	viii
CHAPTER ONE.....	1
INTRODUCTION .....	1
1.1 Background of the study.....	1
1.2 Problem statement .....	3
1.3 Research objectives .....	4
1.4 Specific objectives.....	4
1.5 Research question .....	5
1.6 Significant of the study.....	5
1.7 Scope of the study .....	6
1.8 Limitation of the study .....	6
1.9 Organization of the study .....	6
CHAPTER TWO.....	7
LITERATURE REVIEW .....	7
2.1 Introduction .....	7
2.2 The Concept of Compensation .....	7
2.3 Principles of compensation formulation.....	11
2.4 The Concept of Reward Systems.....	11
2.5 Types of reward system.....	12

2.6 Intrinsic reward system.....	12
2.7 Extrinsic reward system.....	13
2.8 Organizational performance .....	14
2.9 The relationship between compensation and reward system on performance of an organization .....	15
2.10 Theoretical framework .....	16
2.11 Herzberg's Two factor theory .....	17
2.12 Conceptual framework .....	17
2.13 Empirical review.....	18
 CHAPTER THREE .....	 20
RESEARCH METHODOLOGY .....	20
3.1 Introduction .....	20
3.2 Research Design .....	20
3.3 Population.....	21
3.4 Sample Procedure .....	21
3.5 Sample Size and sample technique.....	21
3.6 Source of Data .....	22
3.7 Data collection Procedure.....	23
3.8 Data Processing and Analysis .....	24
3.9 Ethical Issues .....	24
3.10 Chapter Summary .....	25

CHAPTER FOUR .....	27
DATA ANALYSIS AND DISCUSSION OF RESULT .....	27
4.1 Introduction .....	27
4.2 Presentation and Analysis.....	27
4.3 Background information of the respondents .....	27
4.4 Strength and Weakness in the rewards and compensation .....	29
4.5 Compensation package in the organization .....	32
4.6 Reward system in the organization.....	33
4.7 Influence of rewards and compensation in the organization .....	35
4.8 Discussion of findings .....	36
 CHAPTER FIVE .....	 38
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION .....	38
5.1 Introduction .....	38
5.2 Summary of findings .....	38
5.3 Demographic information of the respondents .....	38
5.4 Strength and weakness in the rewards and compensation .....	39
5.5 Compensation package in the organization .....	39
5.6 Rewards system in the organization .....	39
5.7 Influence of rewards and compensation in the organization .....	39
5.8 Conclusion .....	40
5.9 Recommendation .....	41
REFERENCE .....	42
APPENDIX .....	47

## **LIST OF TABLES**

Table 4.1 Background information of the respondents .....	28
Table 4.2 Strength and Weakness in the rewards and compensation.....	29
Table 4.3 Compensation package in the organization .....	32
Table 4.4 Reward system in the organization.....	34
Table 4.5 Influence of rewards and compensation in the organization.....	35



## **LIST OF FIGURES**

Figure: 2.1 The Conceptual framework.....	18
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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the study**

Employees are considered to the backbone of the organization. Employees helps the organization to achieve its goals and objectives. Employees also ensures that the organization produce goals and services to meet the need and want of customer. Employees are also expected to committed and remain loyal to the management of the organization. Ong and The (2012), mentioned that employees are the human resource of the organization and are considered as the most important asset for most organization including the banking industry. Again, most organization are beginning to recognize employees as the important asset that need high consideration in by providing them with compensation and reward. Employees working in the organization in return receive compensation and reward for their efforts in the organization. In today's business environment, compensation and rewards have become extremely important for many reasons. Reward system is very important for any organization. Reward system enable employees to actively involve themselves in the sense of the mission of the organization. An appropriate reward system provides the incentive for quality of the organization and staff performance.

Furtado et al., (2009), stated that rewarding employee is form of motivating employees for better performance in the organization. Motivation is the key within compensation and reward systems to get employees to do what they do. Kreitner (2013), indicated that employees are the driving force of every organization and must be given the needed attention. The use of rewards system drive influence to increase their performance. The rationale behind the use of rewards to employees is that employees become satisfied in terms of fulfilling their want and personal needs. Ax (2010), stated that reward systems are used as a management

tool for achieving desirable objectives. This implies that the common purpose compensation and rewards system is to motivate employees to perform better.

Compensation is a tool used by management for a variety of purposes for further existence of the organization (Armstrong and Murlis 2015). Management of various organizations uses compensation to adjust to the business needs, goals and available resources. Research have indicated that the compensation is used by the organization when they want to: recruit and retain qualified employees, increase and maintain the morale of employees, encourage peak performance, achieving internal and external equity, reduce turnover and encourage company loyalty. Reward is also defined as all forms of pay and rewards received by employees for the performance of their job (Belcourt 2011). The basic feature of any rewards system in the organization is must cause employees to give their best in the organization.

Organization are interested in increasing their performance to gain much profit. According to Daft (2014), performance of an organization is defined as the ability of an organization to attain its goals by using resources in an efficient and effectively manage. The performance of organization is regarded as behaviour of employees to get work done. Performance of organization is very important to them as it enable them to gain competitive advantage. Armstrong (2011), mentioned that compensation expenses such as bonuses, profit sharing, overtime enable employees to increase their performance. Also, reward system such as employee monetary and non-monetary rewards has an influence on the performance of employees in the organization. Ajila and Abilola (2014), stated that employees reward is among the highly demanded factors in most organization for influencing organizational performance. Managers of organization need to recognize employees by using rewards and compensation to increase motivation and better performance of employees in the organization.

Moreover, Balmer and Gray (2012), suggested that organization staying competitive is the ability to attract and retain skilled and motivated employees. Retaining competence skills and knowledge of employees is very important. Competence employees have the ability to increase the performance of employees in the organization. Compensation and reward system help organization to retain skills and competence employees. This organizations to increase its performance. This current study will examine the role of compensation and reward system in the organization.

## **1.2 Problem statement**

Jagult (2011), mentioned that for a business to succeed in today's competitive market place, employees must be at the top of their ability to increase their performance. Compensation and reward system are very important and influence employees to increase its performance. However, rewarding and providing compensation is always a challenge to management in the organization.

Employees are all different with different needs, thoughts and experiences and are motivated by different things. This implies that rewards system and compensation need to be individualized. Employers need to find what motivate each employee in the organization. Organizations are supposed to ensure that all employees have a meaningful job and reward is based on their performance. However, this is far from reality. Most employee's performance does not match the rewards they are paid. Also, what motivates employees will change over time. Jagult (2011), mentioned that a young employee are likely to be keener on development possibilities and older employees is also more anxious about job security and to be able to use experience.

In addition, employees have become more demanding about their lives. Reward and compensation are given to employees to enable them satisfy their demand. However, a lack

of understanding in how to motivate all those high demanding employees and making most of the reward system sub-optimized. For management to create effective reward system, organizations need to understand what really motivates them and what does not. Organizations only provide salary and wages to motivate employees in the organization. Also, organizations fail to compare the performance of organization to rewards. Organizations have failed to use performance-based pay. Thus, compensation and reward system are not linked in any way to business structure and employee performance, feedback and satisfaction. This implies that there are loopholes in the administration of the various way of rewarding employees in the organization. Another problem is that most organization view rewards as only monetary compensation given to employee to enable them increase their performance. However, reward should include everything that goes into motivating employees to increase their performance. This current study will examine the role of compensation and reward system on performance of an organization.

### **1.3 Research objectives**

The main objective of this study is to examine the role of compensation and rewards system on performance of an organization.

### **1.4 Specific objectives**

1. To examine the current strengths and weakness in the current rewards and compensation system of the organization?
2. To examine the relationship between reward system and performance of an organization.
3. To investigate the relationship between compensation and performance of an organization.

### **1.5 Research question**

1. What are the strength and weakness associated with rewards and compensation?
2. What is the relationship between reward system and performance of an organization?
3. Does a relationship exist between compensation and performance of an organization?

### **1.6 Significant of the study**

This current system examines the role of compensation and reward system on performance of the organization. This study is very beneficial to various stakeholders. Among them includes employees, employers, management, government, policy makers, labour union and students. To employees, a study on compensation and rewards system will provide an insight into the meaning of reward system. Employees understanding of rewards system will increase their performance. Also, employees will have an idea about how to negotiate for fair payment system. To the employers, the study will draw their attention to other forms of reward system which influence employee to increase their performance. Reward system is among the most important element in employment relationship and it is of higher interest to employers. Ability of the employers to develop good relationship through provision of appropriate help improve the performance of the organization. To the employers, the study will represent an important part of employee performance and influence them to retain employees in the organization.

The government, this study will enable them to set a fair minimum wage. This help management of various organization to pay their employees the right salary. Also, labour union will need this study to be able to know the strengths and weakness of reward system. Again, the study will serve as a reference point to various students and researchers. The recommendation and finding will go a long way to create the awareness about the how reward system influence the performance of employees in the organization.

### **1.7 Scope of the study**

The study focuses on Kumasi Metropolitan Assembly. The assumption that good reward system has an influence on performance of employees. The study was limited to employees in with the junior level in the organization. This because employees at the junior level always complain about their salary and it is not worth their effort. The use of junior staff will provide an in-depth information which will be useful for the study.

### **1.8 Limitation of the study**

Through information will be obtained from field study, it is perceived that the researcher will be countered various challenges. Among them includes lack of cooperation and delay in filling the questionnaire. Also, busy work schedule of employees will affect the administration of the questionnaire.

### **1.9 Organization of the study**

The thesis is presented in five chapters. Chapter One entails the background of the study problem statement, research objectives, research questions, significance of the study, scope of the study, limitations and organization of the study. Chapter Two is the literature review examines the concepts of poverty and microfinance and the products and services of microfinance designed to support poverty alleviation. This chapter also presents a conceptual framework and employs appropriate theory to support the study. The next chapter present the research methodology. This chapter examines the research design, population of the study, sample size and sample techniques, among others. Chapter Four is the data presentation and the analysis of the findings. It entails an analysis of data collected from the respondents. Mean, standard deviation and table are used to illustrate the findings of the field study. The last chapter presents a summary of the findings, conclusion of the study and recommendation.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter of the study review the literature review relating to the compensation and reward system on performance of an organization. The chapter is the mainstream thought contained in the contemporary literature to serve as background for subsequent analysis. It reviewed other research findings in the area of reward system and compensation. The literature review in this chapter will examine the concept of compensation, reward system and performance of the organization. The study will further examine theoretical framework and design a conceptual framework related to the study.

#### **2.2 The Concept of Compensation**

Employees are the pivot of organizational effectiveness and are the most valuable asset to the organization. Retaining employees is their respective job is the organization is very important as it increases the productivity and competitiveness of the organization. Compensation is a useful instrument which management can use to contribute organizational effectiveness. Compensation positively influence the performance of the organization. Adeoye et al., (2015), mentioned that compensation is a major factor in attracting and retaining staff in the organization. Compensation that employee receive pay a vital role in motivating and retaining talented employees in the organization. Ibrahim (2011), stated that compensation encourage employees to increase their performance and retain in employment for longer periods of time.

Compensation refers to pay provided by the employer to its employees for service rendered to the organization. Compensation includes both fixed and variable pay tied to the performance level of employees. Swanepoel et al., (2014), stated that compensation can



either be financial or non-financial rewards provided by an employer to employees for their time, skills and efforts used in fulfilling job requirements aimed at achieving organizational objectives. This implies that compensation is important for both employer and employees. Compensation is important for employees because it is one of the main reasons why they work in the organization. Nel et al., (2011), stated that compensation includes goods and service paid to an employee in the form of money in return for their service in the organization.

In addition, Khan, Aslam and Lodhi (2011), stated that every organization have compensation policies which are used to reward employees for their efforts in the organization. The compensation policies take into consideration of pay which are given to employees who are able to arise their performance. Khan, Aslam and Lodhi (2011), further indicated that compensation management is a complex process which requires management of an organization to be accurate and precision and carried out properly to avoid conflict in the organization. Most employee expresses dissatisfaction with the compensation they receive when it does not match their expectation or effort of their work done. An ideal compensation policy serves to motivate employees to increase their performance and with more determination. Also, the use of compensation helps management to set standards for job that is related, realistic and measurable.

Researchers have indicated that there are two types of compensation. They include direct compensation and indirect compensation (Jain et al., 2014). The direct compensation refers to monetary compensation provided to employees in return for their services in the organization. Among them includes: house rent allowance, leave and travel allowance, city compensation allowance, incentive allowance, special allowance and bonus. The indirect compensation also refers to non-monetary compensation provided to employees in return of their service to the organization. Indirect compensation also includes: level policy, overtime

policy, medical benefits, insurance, leave and travel allowance, retirement benefits, holidays homes, flexible timings, Compensation will be perceived by employees as fair if based on systematic components. Organizations have various compensation systems which determine the value of position. Newman (2011), stated that the components of a compensation system includes: job description, job analysis and job evaluation. The job description is an important component of compensation. The job descriptions define the duties, responsibilities, requirement, location and condition and other aspects of their jobs. Organizations can base on the job description to provide appropriate compensation for employees in the organization. Job analysis also explains the process of analysing jobs for the purpose of developing job description. The use of job analysis helps various organizations to give the right compensation to base on the nature of the work.

In addition, job evaluation is a system of comparing job for the purpose of determining the appropriate compensation level for individual jobs. Job evaluation helps management to rank, classify and compare job before pay the right compensation. Different types of compensation that employees received include: based pay commission, overtime pay, bonuses, profit sharing, merit pay, travel/ housing/ meal allowance and benefits including; insurance, vacation, retirement, taxes and retirement packages.

According to Bhattacharay (2009), provided the objective of compensation. Among them include: equity, efficiency, motivating the employees, efficient allocation labour, retain current employees, motivating employees, acquiring qualified employees and comply with legal regulation. Equity is among the objectives of compensation. Employees compensation should be measurable and equity to their performance. It includes income distribution through reducing inequalities, increasing the income of lowest paid employees, protecting wages of employees and equal pay for work of equal value. Compensation management

should strive for internal and external equity. Internal equity such that employees who engages in similar job gets the same pay. Also, equity in compensation ensures that compensation is based on differences in skills of employees in the organization.

Efficiency also ensures that pay compensation is link to productivity of employees in the organization. Thus, paying employees based on their performance, application of skills and knowledge to achieve a goals and objectives of the organization. Compensation also should motivate employees. Employees may have the competence, skill and knowledge but they will not be motivated to increase their performance unless they know that thy will be provided with pay for their contribution. Compensation motivates employees to increase their performance. Again, organization uses compensation to acquired qualified employees in the organization. Compensation needs to a high enough to attract and retain qualified applicants to the organization. The compensation level must respond to supply and demand of employees in the labour market.

Retaining current employees is among the objectives of compensation system. Employees are likely to quit an organization when compensation level are not competitive. This can result in higher turnover. Compensation plays an important role in retaining the employees in the organization. Also, compensation needs be reinforced desired behaviour and act as incentive for those behaviour to occur in the future. Compensation should comply with legal regulation. An appropriate compensation system should consider the legal challenges imposed by the government and ensure employers compliance. Examples of compensation includes the following base pay, sales commission, overtime wages etc.

## **2.3 Principles of compensation formulation**

Compensation is the total of all rewards provided to employees in return for their services. If employees believe they are not compensated well, they will not increase their performance. Therefore, payment of compensation needs to be based on principle to ensure employed receive what they deserved. According to Jain (2014), there are seven principles associated with compensation formulation. They includes: “the organization should have a unambiguous plan to determine differential pay levels in terms of different job requirements involving varied skill, responsibility and working condition, should be made to keep the common level of wages and salaries of the organization in line with that obtained in the labour market, adequate attention should be taken to distinguish employees from the job, Employees should be paid in terms of rate embodies in specific job; care should be taken irrespective of individual consideration to ensure that equal pay for equal work; should be plan to adapt an unbiased measure for identifying individual different in capacity and contribution in the form of rate ranges with in the grade increments, wages incentive schemes and a system of job promotion, should be proper procedure for handling the wage grievances in organization and adequate care should be taken to inform the employees and the union about the procedure followed in determining wage rates. This implies that there should be no confidential wages and employees should have a clear understanding of their wages structure”.

## **2.4 The Concept of Reward Systems**

All employee receives paid in return for their efforts in the organization. Lin (2011), stated that rewards is what employees receives from an organization for exchanging for service offered by the employees in the organization. Employees receive rewards as the return for work done. Rewards are used by the organization to control and regulate the behaviour of employees in the organization. Reward can be defined as sometime given in recognition of service, efforts and achievement. Most organization reward system are planned activities

implement in order to motivate employees and individuals to achieve the set goals of the organization. Newman (2014), stated that rewards are tangible benefits and provision an employee obtain as part of employment relationship. This implies that reward systems are outcome of employee performance. Effective management of employee is very necessary as employees are the valued asset of an organization. Therefore, provision of reward helps management to effectively manage employees in the organization. Rewarding employees and their output motivates them to put in more efforts, skills and ability which increase productive of the organization. Carter (2012), suggested that reward system help create a skilled, committed, competent and well motivate to ensure that the organization achieve its goal and objectives and stays ahead of its competitors. Effective reward system for an organization should be related to the productivity of employees in the organization. Organization need to make policies and procedures which will increase employees' level of commitment to the organization. Examples of rewards includes: recognition, time off, giving free vacation, employee appreciation week, profit-sharing plan etc.

## **2.5 Types of reward system**

Basically, there are two types of reward system. Among them include intrinsic and extrinsic reward system.

## **2.6 Intrinsic reward system**

According to Williamson, Burnett and Bartol (2009), stated that intrinsic reward focuses of the psychological development of employees in the organization. The intrinsic rewards are intangible benefits which employees receive in exchange for their efforts in the organization. Nawab, Ahmad and Shafi (2011), indicated that intrinsic reward systems are created by management to appreciate employees in form of self-esteem and related to their achievement

and growth within the organization. Most employees feel satisfy when they have accomplished something and is orally appreciated by the organization. Among them includes: employee autonomy over job and achievement of task.

Employee autonomy over job is among the form of intrinsic rewards. Most employees want to work in an organization that provide them with the right and freedom to make decision. They want their voice to be heard in the organization. Also, some employees want to operate without being closely supervised. Employees feeling of autonomy could result from the freedom to be what the employees considers best in a particular situation in jobs that are highly structured and controlled by management.

Achievement of task is among intrinsic reward system which influence employees to increase their performance. Achievement is somethings which you have succeeded in doing by putting put a lot of effort. When the organization provide all the needed resources they need, they are able to increase their performance to achieve their task. Achievement is a self-administered reward that is derived from reaching a challenging goal.

## **2.7 Extrinsic reward system**

Extrinsic reward system refers to income and basic needs to survive, a feeling of stability and consistency and recognition (Hellriegel 2011). This type of reward is supplied by the organization and includes salary, status, job security and fringe benefits. Hellriegel (2011), mentioned that extrinsic reward is known as financial rewards which include salaries, allowance and benefits. Among the extrinsic rewards that employees include: salaries and wages, bonus plan, fringe benefits and promotions.

Employees receive bonus as extrinsic motivation to enable them increase their performance. Bonus plans are very important part of reward system in most organization. Employees are

paid bonus based on their current performance. It is an extra amount of money added to an employee pay. The bonuses are given to employees in order to enhance their performance and effectiveness of employees on their job.

Employees receive salaries and wages for a period of month, week and days for their efforts in the organization. Salaries and wages are considered to be major mechanism for rewarding performance. Salaries and wages are powerful motivator employers used to influence employees in the organization. Fringe benefits are source of extrinsic reward system that employees receive in the organization. Benefits are the program an employer uses to supplement the cash compensation that employee receives. Fringe benefits are implemented by the employer to protect the employee and his/her family from financial risk, insurance cover, company care and annual holidays.

## **2.8 Organizational performance**

Research indicates that the term performance was introduced in the mid-nineteenth century and was used to describe the results of sporting contest (Mari and Iulinan 2016). However, currently, the term performance has developed a various definition that were meant to include the widest sense of what is perceived through performance. There term performance has no independent targeted objectives. Mari and Iulinan (2016), defined performance as having more ideas about an outcome, achieved goal, quality and less the economic aspects of efficiency and effectiveness. Performance is can be associated with result achieved.

Richard et al., (2012), stated that organizational performance can be measured based on the organizational: financial performance, product market performance and shareholders returns. The performance of an organization includes the actual result as measured against its intended outputs. Noye (2014), defined performance as achieving the goals and were given to an individual in convergence of an organization orientation. This implies that performance

is not about outcome, but rather the result of a comparison between the outcome and the objectives. Lebas (2013), indicated that organization performance measured result, higher than that provided for or arising from the previous results. This implies that performance is a process of comparing expected performance or an organization with actual performance. Organization performance is about achieving organizational objectives. Performance depends on objectives and purpose. Matei (2012), mentioned that organizational performance is closed linked to the objectives of the organization.

## **2.9 The relationship between compensation and reward system on performance of an organization**

Compensation refers broadly to all ways in which an organization may reward employees for the services that they render. These rewards may include wage and salary payments, etc. Compensation is the primary inducement offered to employees in exchange for the contributions of labour services in the employment contract (Lawler, 2013). Compensation management methods and techniques can significantly affect the relationship between an organization and its employees. Compensation should be managed in a way that reflects and is consistent with the culture of the organization. The rewards offered to employees and the occasions for these rewards are among the most visible and potent manifestations of the Organization's culture (Schuster & Zingheim, 2009).

The compensation system should be designed to drive, reinforce and sometimes alter the culture in such a way that organization's goals will be supported (Schuster & Zingheim, 2009). There are many different types of pay systems which relate performance to pay whether it is individually or through small or large groups Lawler (2013). Reward systems have been found to have an effect on both individual and organizational performance. Most



employees in an organization have reached the esteem stage of development and possibly the self-actualization phase through the impact of intrinsic rewards (Mikander, 2010).

The intrinsic rewards encourage and enhance both employees and employer to be able to challenge them and accomplish new tasks and cooperate with others to work in a harmony environment (Ong and The, 2012). Apart from that, intrinsic rewards enable the employees to have greater concentration and keep them in energizing and self-managing (Yasmeen, Farooq & Asghar, 2013). By having the high levels of intrinsic rewards, employees become the informal recruiters and marketers for their organization in which they recommend their friends to work in the organization and recommend product and services to potential customers.

Queresh, Zaman & Ali (2010) indicated that (extrinsic) financial rewards and social recognition rewards impacted on employees' performance. Generally, as, an effort to stimulate employees' creativity, many managers have used extrinsic rewards (e.g. monetary incentives and recognition) to motivate their employees (Fairbank and Williams, 2001; Van Bosede and Adeyemi (2013), found that reward dimensions have significant effect on employees' performance.

## **2.10 Theoretical framework**

Various theories have been used to explain the link between employee reward systems and organisation performance. These include Expectancy theory (Vroom, 1964), Herzberg's Two factor theory (Herzberg (1959), Maslow hierarchy of needs (Maslow, 1943) and Fifty-Fifty (Srivastava, 2005). In this study Herzberg's two factor theory was selected as the guiding theory.

## **2.11 Herzberg's Two factor theory**

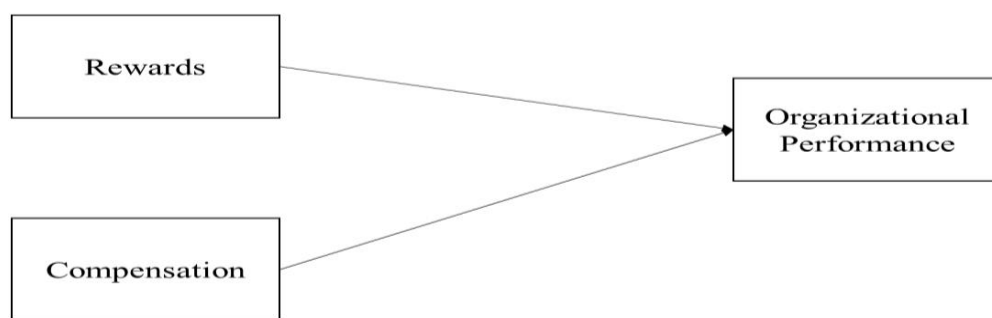
The theory suggested that people have two sets of needs. (i) Their needs as animals to avoid pain. Their needs as humans to grow psychologically, Herzberg's study consisted of a series of interviews that sought to elicit responses to the questions. Herzberg concluded that the replies people gave when they felt good about their jobs were significantly different from the replies given when they felt bad.

Intrinsic factors, such as work itself, responsibility and achievement seem to be related to job satisfaction. Clearly employees who feel good about their work tend to attribute these factors to them. In contrast, dissatisfied employees tend to cite extrinsic factors such as supervision, pay, and company policies and working condition (Dieleman, *et al.*, 2004). This theory is relevant to this study because it mentions two factors that affect work performance. That is, extrinsic which include salary and promotion and intrinsic factors which include praise and recognition. Therefore, in this research, rewarding employees' in terms of both intrinsic and extrinsic rewards would be expected to have effect on work performance of employee work which when aggregated and collectively their performance is extrapolated at company level measures overall organisational performance.

## **2.12 Conceptual framework**

In this study the conceptual frame work diagrammatically shows the relationship between the independent variables that may influence the dependable variable. The researcher considers the components of the rewards System; compensation, performance recognition, benefits, skill development and work environment as the independent variables. The organizational performance is considered by the researcher to be the dependable variable since it may be influenced by employee's compensation, performance and recognition, benefits, development and career opportunities and work environment. When the

independent variables are applied in an organization will influence the organizational performance. Reward components should be applied to ensure that there is organizational performance which encompasses employee's results or performance, innovation and creativity. Compensation management and techniques can significantly affect the relationship between an organization and its employees since it is the primary inducement offered to employees in exchange for the contributions of labour services in the employment contract. According to Armstrong and Murlis (1994) benefits are vital to an organization in that although they do not motivate employees because they do not have a direct and immediate effect on performance, they create more favorable attitudes towards the organization thus leading to increased long-term commitment and better performance.



**Figure: 2.1 The Conceptual framework**

Source: Author's construct

### **2.13 Empirical review**

Several studies have been done on the impact of reward system on organization performance in different parts of the world. Next is a discussion of some of recent studies. Quresh, Zaman and Shah (2010) in their Pakistan in cement industry found that there is a direct relationship between extrinsic rewards, intrinsic rewards and the employees' performance. The study also found that recognition techniques (approaches) used in cement factories are good for the maximum performance of employees. This study is relevant but different from the current

study as the latter is dealing with target population of white-collar jobs, while the former examined factory workers. Furthermore, this research examined the relationship between extrinsic rewards, intrinsic rewards, financial rewards and social recognition rewards and organisation performance, while the new study specifically examines the effect of intrinsic rewards (social recognition and appreciation) and extrinsic rewards on job and organisation performance.

Aktar, Sachu & Ali (2012) examined the impact of intrinsic rewards (recognition. Learning opportunities, challenging work and career advancement, and extrinsic rewards (basic salary and performance bonus) on employee performance in twelve commercial banks of Bangladesh as is in this study. The study found that each factor within both extrinsic and intrinsic reward was a highly significant factor which affects employees' performance.

The study conducted by Yasmeen, Farooq and Asghar (2013) on the impact of rewards on organizational performance in in Pakistan revealed that there exists insignificant and weak relationship between salary, bonus and organization performance. However, it found that there exists moderate to strong relationship between promotion and organization performance.

Although these two studies are similar to the current study, they were conducted outside Tanzania and because of cultural difference and other idiosyncrasies, the impact of rewards on organisation performance could yield different outcomes in Tanzania.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter will enlighten and prove the various methods to attend to the proposition presented in chapter two. The specific issues to be considered in this chapter includes the following; research design, population, sample or sampling procedure, sample size, data collection, data analysis and ethical consideration.

#### **3.2 Research Design**

Research design usually consist of planning, organization and implementation of social investigations with the ambition of guaranteeing an effective use of resources, time and money. It is the glue that keeps all the components within a study (Saunders et al 2009). Nueman (2014) indicated that, to plan the procedure for conducting research. The research design can be classified under phenomenology (qualitative) and positivism (quantitative) research. Qualitative is usually used in the arts and social studies. This type of research explores attitudes, behavior and experiences through such methods as interviews or focus groups. In quantitative research, statistics are generated through large scale survey, using methods such as questionnaires and structured interviews. For the purpose of the study, quantitative research will be used.

One classification is in terms of the fundamental purpose of the research: exploratory, descriptive or explanatory/causal. Exploratory studies are typically used in areas where there is less research and therefore requires a theoretical framework for successive studies. Descriptive studies generally offer a wide-ranging description of events and situations focused on observations. Explanatory or causal studies on the other hand seek to disclose

possible cause-and-effect relationships (Yin, 2003). Neuman (2014) mentioned that, even though a research could accept any of these purposes, these classifications are not mutually exclusive. For the purposes of this study, descriptive and explanatory methods are employed. The descriptive approach was adopted because it enabled the researchers to describe and document aspects of a situation or a phenomenon as it perceived or as it is in reality. The explanatory method enabled the researcher to access the relationship between variables involve in the study.

### **3.3 Population**

The population refers to the total number of people living in a particular geographic area (Mason et al 2007). The target population of the study is the staff of Kumasi Metropolitan Assembly (KMA) in the Kumasi Metropolis. The target population includes all heads of department and staff of KMA. The population of the study comprises of about 900 staff of K.M.A.

### **3.4 Sample Procedure**

The sample procedure forms a good representation of the entire population. Punch (2010) noted that one cannot study everyone and everywhere. Therefore, there is the need for a sample to be selected since the entire population could not be used for the study.

### **3.5 Sample Size and sample technique**

According to Rajasekar et al (2013) a sample size is the number of sample units or unit of analysis establishing a sample. The sample size is a significant feature of any experiential study in which the goal is to make inferences about a populace from a sample. The number of sample units or unit of analysis establishing a sample is known as sample size. The sample

size of the study covers one hundred and thirty respondents (130). The researcher selected (30) heads of department and (100) staff within the Kumasi metropolis. Notwithstanding, the sample size decision was directed by the consideration of resources constraints and limited time factor as well as quality of work need for the research as well as to ensure quality of work.

Sampling encompasses choosing a relatively small number of elements (characteristics) from a larger defined group of elements and expecting that the information obtained from small group of elements will give a precise judgment about the larger group. Davies and Hughes (2014) noted that, there are two types of sampling technique and these are; probability and non- probability. Probability sampling technique gives each member in a population the equal chance of being selected. Probability sampling technique consist of simple random sampling, stratified random sampling and cluster sampling. Non-probability a sampling technique in which members of the sample are selected based on personal judgment or convenience. Non-probability sampling consists of convenience sampling, quota sampling and purposive sampling (Malthotra 2007).

Convenience sampling which is a non-probabilistic sample was used to select the KMA office in the Kumasi Metropolis due to its ease of access to the researcher which a simple random sampling technique was used to select the respondents. This was done to give each staff or manager in the organization the same chance of getting chosen for the study.

### **3.6 Source of Data**

According to Walliman (2001), data may derive from a primary or a secondary source. Data is primary when the researcher does the collection to tackle a specific problem such as the research questions. Secondary data on the contrary is sourced from studies done by others for different purposes (Cooper et al 2006). In the quest to obtain ample data for this study,

combinations of primary and secondary data were used. Secondary data was obtained from various related literature on the subject from online, articles, library, journals etc.

The means of primary data collection includes questionnaires, focus group discussions, personal interviews and telephone interviews. The main method of data collection in this study was by means of questionnaires.

### **3.7 Data collection Procedure**

Data collection procedure is very significant any research study as it enables the researcher to identify the particular data collection tool that will adopted for the study. Questionnaire was the main data collection tool used in the study. Questionnaire was adopted in order to reach large number of people. According to Kumar (2011), there are many sources of data collection tools. They include, interviews, direct observation, participant observation, documentation and many others. Each data collection tool has its own strengths and weaknesses when collecting data for a study.

This study employed questionnaire as its main data collection tool. According to Neuman (2014) questionnaire is a printed self-report that is developed to cover information about the objectives of a research. It also includes written statements from the respondents. Two types of questions are usually used in developing questionnaire. This includes close-ended and open-ended questions. Close-ended questions have a specific respond to every question asked whereby open-ended questions allow the respondents to answer in their own words. The questionnaire was designed to contain only close-ended questions. The researcher avoided the use of open-ended questions because it mostly yields irrelevant responses and often fails to produce responses which reveals the intensity of an attitude. The research used closed-ended questions to in order to easily interpret responses.



A pilot study is a preliminary trial of research which is essential to the development of an questionnaire. In a pilot study the entire questionnaire is carried out but with fewer participants that would be used for understanding of the study topic. In addition to achieving all the objectives of the usual trout, such as improving data collecting routines, and checking the appropriateness of standard measures, the pilot study provides additional knowledge that leads to an improved data collection process. The pilot study greatly reduces the number of treatment errors because unforeseen problems revealed in the study may be overcome in redesigning the questionnaire.

### **3.8 Data Processing and Analysis**

According to Saunders et al (2014) data analysis involves converting raw data to information for making decision. After data collection is done, the data is organized into meaningful information for decision making. This includes using tables, frequency tables and graphs for classification. It also includes editing and correcting errors to ensure consistency in the study. The data collected was coded to enable the responses to be grouped into limited number of categories and analyze with the help of statistical package for social science (SPSS). The data was presented in tubular and narrative forms. In analyzing data, errors and omissions are corrected. Consistency is also ensured in data analysis as well as validity and reliability of the study.

### **3.9 Ethical Issues**

Ethical issues of the study were taken into much considerations. Research ethics concerning the rights and obligations of the researcher and respondents were treated. The aspect of ethics which were considered includes avoiding plagiarism, ensuring competence and reviewing literatures to provide quality of research. Giving prior notice to respondents about the

research, avoiding persuasion of respondents to participate and also protecting respondent's rights to confidentiality were assured. The researcher followed an informed consent process for this study. the process includes, some form of personal interaction with the people willing to take part in the work, the informed consent documents and the individual's own decision to take part in the study. Each respondent was provided with the necessary information about the significance of the study before he/she was given a questionnaire. Also, to ensure validity and reliability of the study, the following guidelines were adopted;

- The questionnaires were made to be as simple as possible in order to make it easy for the respondents to understand and answer it properly.
- The questions developed were minimized in order to get the needed responses without making the respondents lose interest in answering.
- The questionnaires were structured in a way that, precise and straight forward answers were given.
- The questionnaires were framed in such a way that respondents could answer honestly.
- A pre-test (pilot study) was also done to ensure internal validity of the questionnaires. Pretesting of the questionnaire was undertaken by selecting 20 respondents to indicate any ambiguity or any difficulty in answering the questions. The results were used to review the questions that were not clear. Also, the options for some of the questions were increased to get a more valid response.

### **3.10 Chapter Summary**

Chapter three of the study focused on the methodology of the research. The methodology consists of lots of issues which were treated in the study. It consists is of research design which is to plan the procedure for conducting research, in necessary to adopt a design of the

research in order to acquire the appropriate results. The study Area which indicates the focus of the study, population of the study, sample procedure which contains the sample size and sampling technique. The data collection instruments were also treated. It covered the sources of data adopted for the study. Also, the data collection procedure (s) was treated as well as the data processing and analysis. The researcher also noted the ethical standard which were followed in order to achieve quality of work.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND DISCUSSION OF RESULT**

#### **4.1 Introduction**

This chapter describes the analysis of data followed by a discussion of the research findings. The findings are related to the research questions that guided the study. The data were analysed to describe compensation and rewards on in the organization. The specific objectives of the study include the following: examining the current strength and weakness in the rewards and compensation system in the organization, examining the relationship between rewards system and performance in the organization and investigating the relationship between compensation and performance in the organization. The questionnaires were completed by 120 employees and heads of department of Kumasi Metropolitan Assembly.

#### **4.2 Presentation and Analysis**

Descriptive statistical analysis used to identify frequencies and percentages to answer all of the questions. The responses to the questions were presented in a tabular and graph form. Also, the statistical significance of relations among the selected variables using regression model.

#### **4.3 Background information of the respondents**

The background information of the respondents include gender, age of the respondents, highest educational lever and marital status.

**Table 4.1 Background information of the respondents**

Background information		Frequency	Percentage
Gender	Female	59	49.1
	Male	61	50.8
Age of the respondents	20-30 years	39	32.5
	31-40 years	24	20
	41-50 years	46	38.33
	51-60 years	11	9.16
Educational level	Degree	75	62.5
	Master's	16	13.3
	HND	29	24.1
Marital Status	Single	40	33.3
	Married	69	57.5
	Divorced	11	9.16
Years of operation	1-3 years	33	27.5
	4-7 years	41	34.16
	Above 7 years	46	38.33

**Source: Field study (2020)**

According to the result of the field study, 59 of the respondents representing 49.1% of the respondents were female and 61 of the respondents representing 50.8% were male. This result shows that most of the employees of Kumasi Metropolitan Assembly were male. The result shows that 39 of the respondents representing 32.5% were between 20-30 years, 24 of the respondents representing 20% were between 31-40 years, 46 of the respondents representing 38.33% were between 41-50 years and 11 of the respondents representing 9.16% were

between 51-60 years. This result shows that most of the respondents were between 20-30 years. Few of the respondents were within their pension age.

In addition, 75 of the respondents representing 62.5% were degree holders, 16 of the respondents representing 13.3% were master's degree holders and 29 of the respondents representing 24.1% were HND holders. This result implies that most of the respondents were degree holders followed by HND holders and lastly Master's degree holders. Also, 40 of the respondents representing 33.3% were single, 69 of the respondents representing 57.5% were married and 11 of the respondents representing 9.16% were once married but now divorced. With the years of operation, 33 of the respondents representing 27.5% have worked in the organization between 1-3 years, 41 of the respondents representing 34.16% have worked in the organization between 4-7 years and 46 of the respondents representing 38.33% have worked in the organization for more than 8 years. This result shows that most of the respondents have worked in the organization above 7 years.

#### **4.4 Strength and Weakness in the rewards and compensation**

The respondents were to indicate the strength and weakness in the rewards and compensation using in the organization using a scale of 1-strongly disagree, 2-disagree, 3-netural, 4-agree and 5-strongly agree.

**Table 4.2 Strength and Weakness in the rewards and compensation**

<b>Statement</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>N</b>
Encourage employees to work hard	4.1257	.85053	<b>120</b>
To enhance the organization's image	4.0223	.23051	<b>120</b>
Help employees to meet basic needs	3.9429	1.13407	<b>120</b>
Influence employee's performance	3.8686	.83263	<b>120</b>

Improves employee's punctuality to work	3.7371	1.05415	<b>120</b>
Increases employees committed to the organization	4.3686	0.2351	<b>120</b>
Increases employees' readiness to learn new skills	4.452	.86191	<b>120</b>
Creates a health environment for new skills	4.0457	.91389	<b>120</b>
Creates a health environment for work	4.0171	.94838	<b>120</b>
Reward enable organizations to sustain high performance	3.3750	.95589	<b>120</b>
<b>Weakness</b>			
Employee resentment	4.6250	.91062	<b>120</b>
Increase competition	3.4583	1.19786	<b>120</b>
Misaligned incentives	3.4167	.96049	<b>120</b>
Encourages deception	3.3333	1.03461	<b>120</b>
Can lead to conflict	4.9028	.92172	<b>120</b>

**Source: Field study (2020)**

According to the result of the field study, the mean score of 4.125 and a standard deviation of 0.85 shows that most of the respondents stated that to agreed that rewards and compensation encourages employees to work hard. The mean score of 4.02 and a standard deviation of 0.230 implies that majority agreed that the strength of rewards and compensation includes its ability to enhance the organization's image. The statement "help employees to meet basic needs" recorded a mean score of 3.94 and as standard deviation of 1.134 indicate that majority of the were not sure if rewards and compensation help employees to meet their basic needs is among the strength of rewards and compensation in the organization.

In addition, the mean score of 3.86 and a standard deviation of 0.832 shows that majority of the respondents were not sure if rewards and compensation influence employee's performance in the organization. Again, the mean score of 3.73 and a standard deviation of

1.05 indicates that most of the respondents agreed that rewards and compensation improve employee's punctuality to work. The mean score of 4.36 and a standard deviation of 0.235 shows that majority of the respondents agreed that the strength of rewards and compensation includes increasing employees committed to the organization.

Furthermore, the mean score of 4.452 and a standard deviation of 0.861 shows that majority of the respondents agreed that increasing employees' readiness to learn new skills is among the strength of rewards and compensation system in the organization. The mean score of 4.045 and a standard deviation of 0.913 shows that majority of the respondents agreed that rewards and compensation help create a health environment for new skills. The mean score of 4.017 and a standard deviation of 0.948 revealed that majority of the respondents agreed that rewards and compensation help in creating a health environment for work in the organization. The mean score of 3.37 and a standard deviation of 0.955 shows that majority of the respondents were not sure if rewards enable organizations to sustain high performance. The respondents were also to indicate the weakness associated with rewards and compensation. The statement "employee resentment" recorded a mean score of 4.625 and a standard deviation of 0.910 show agreed that employee resentment is among the weakness of rewards and compensation in the organization. The mean score of 3.45 and a standard deviation of 1.197 shows that majority of the respondents were not sure if increasing competition is among the weakness of rewards and competition. Also, the mean score of 3.41 and a standard deviation of 0.960 implies that majority of the respondents were not if the strength of rewards and compensation includes the misaligned incentives. The mean score of 3.333 and a standard deviation of 1.034 shows that majority of the respondents were not sure of rewards and compensation encourages deception. Lastly, the mean score of 4.90 and a standard deviation 0.921 shows that majority of the respondents agreed that rewards and compensation can lead to conflict in the organization.



#### 4.5 Compensation package in the organization

Using a scale of 1-5, 1-strongly disagree, 2-Disagree, 3-not sure, 4-Agree and 5-strongly Agree, indicate the respondents were to indicate compensation system in the organization.

**Table 4.3 Compensation package in the organization**

Statement	Mean	Standard deviation	N
Vehicle maintenance allowance	3.5775	1.16695	120
Fuel allowance	3.2083	1.16205	120
Retirement benefit package	3.3750	.91062	120
Rent loan	4.7465	1.15534	120
Car and Motor cycle loan	3.0000	1.32017	120
Regularity of promotion	3.1250	1.06066	120
Free training workshop	4.5833	.91544	120
Career development opportunities	4.1667	.99293	120
Free Medical Insurance	3.6620	.87739	120
Study leave	4.8333	1.07468	120

**Source: Field study (2020)**

The mean score of 3.577 and a standard deviation of 1.166 shows that most of the respondents were not sure if vehicle maintenance allowance is among the compensation package in the organization. The mean score of 3.20 and a standard deviation of 1.162 implies that majority of the respondents were uncertain that fuel allowance is among compensation package in their organization. Also, the mean score of 3.37 and a standard deviation of 0.910 revealed that majority of the respondents were not sure if retirement benefit package is among the compensation package in the organization.

In addition, the mean score of 4.74 and a standard deviation of 1.155 revealed that most of the respondents agreed that rent loan is among the compensation packages in the organization. The mean score of 3.00 and a standard deviation of 1.155 indicate that most of the respondents mentioned that car and motor cycle loan is among the compensation packages in the organization. The mean score of 3.125 and a standard deviation of 1.06 revealed that most of the respondents were uncertain if regularity of promotion is among the compensation packages in the organization.

Moreover, the mean score of 4.58 and a standard deviation of 0.915 shows that most of the respondents agreed that free training workshop is among the compensation packages that management offers to employees in the organization. The mean score of 4.166 and a standard deviation of 0.99293 shows that most of the respondents agreed that career development opportunities is among the compensation packages of the organization. The statement “free medical insurance” recorded a mean score of 3.662 and a standard deviation of 0.87739 shows that majority of the respondents were not sure if free medical insurance is among the compensation packages of the organization. The mean score of 4.833 and a standard deviation of 1.07 shows that majority of the respondents agreed that study leave with pay is among the compensation package of the organization.

#### **4.6 Reward system in the organization**

Using a scale of 1-5, 1-strongly disagree, 2-Disagree, 3-not sure, 4-Agree and 5-strongly Agree, indicate which of the following statement about reward system in the organization.

**Table 4.4 Reward system in the organization**

<b>Statement</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>N</b>
Piecework scheme	3.5775	1.16695	<b>120</b>
Individual performance-related pay schemes	3.2083	1.16205	<b>120</b>
Knowledge contingent pay	3.3750	.91062	<b>120</b>
Commissions	4.7465	1.15534	<b>120</b>
Profit-related pay	3.0000	1.32017	<b>120</b>
Sharing of bonuses	3.1250	1.06066	<b>120</b>
Variable pay	3.5775	1.16695	<b>120</b>

**Source: Field study (2020)**

According to the result of the field study, a mean score of 4.70 and a standard deviation of 1.89 shows that most of the respondents agreed that piecework scheme is among the rewards packages of the organization. The mean score of 4.40 and a standard deviation of 1.71 shows that most of the respondents indicate that individual performance-related pay schemes is among the rewards that management gives to their employees in the organization. The mean score of 4.46 and a standard deviation of 1.89 implies that most of the respondents agreed that knowledge contingent pay is among the rewards provided by management to employees in the organization.

In addition, the mean score of 4.875 and a standard deviation of 1.87 implies that majority of the respondents agreed that commissions is among the reward packages of the organization. The mean score of 4.57 and a standard deviation of 1.97 shows that most of the respondents agreed that profit-related pay is among the reward packages of the organization. The mean score of 4.45 and a standard deviation of 1.00 implies that most of the respondents agreed that sharing of bonuses is among the reward packages of an organization. Again, the mean score of 4.94 and a standard deviation of 1.90 shows that majority of the respondents agreed that variable pay is among the reward packages of an organization.

#### 4.7 Influence of rewards and compensation in the organization

Using a scale of 1-5, 1-strongly disagree, 2-Disagree, 3-not sure, 4-Agree and 5-strongly Agree, indicate which of the following statement about reward system and compensation package in the organization.

**Table 4.6 Influence of rewards and compensation in the organization**

<b>Statement</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>N</b>
Reward systems and compensation can improve employee growth and retention	4.145	1.871	<b>120</b>
Reward systems compensation package can increase the company's market share	4.630	1.825	<b>120</b>
Effective and efficient rewards and compensation system has reduced the rate of employee turnover	3.5775	1.16695	<b>120</b>
Reward systems and compensation is a key indicator for achieving growth in organizational profits	3.2083	1.16205	<b>120</b>
Rewards play a key role in corporate expansion, opening of new branches and establishing subsidiaries	4.671	.96049	<b>120</b>

Source: Field study (2020)

According to the result of the field study, a mean score of 4.145 and a standard deviation of 1.871 show that majority of the respondents agreed that rewards and compensation system in the organization improves employee's growth and retention in the organization. The mean score of 4.630 and a standard deviation of 1.825 implies that majority of the respondents agreed that reward system and compensation package can increase an organization's market share

In addition, the statement “effective and efficient reward and compensation system has reduced the rate of employee turnover” recorded a mean score of 4.538 and a standard deviation 1.558 show that majority of the respondents agreed that effective and efficient reward system has reduce the rate of employee turnover in the organization. Also, the mean score of 4.015 and a standard deviation of 1.19 shows that majority of the respondents agreed that reward system and compensation package is a key indicator for achieving growth in organizational profits. The mean score of 4.671 and a standard deviation of 0.950 revealed that most of the respondents agreed that rewards and compensation system is a key role in corporate expansion, opening of new branches and establishing subsidiaries.

#### **4.8 Discussion of findings**

The findings of the study were based on the research objectives. The first objectives examined the strength and weakness of rewards and compensation. The strength of compensation and reward system includes the following: encouraging employees to work hard, enhancing the organization’s image, increase employees committed to the organization, increase employees’ readiness to learn new skills, create a health environment for new skills and create a health environment for work and a the weakness includes employee resentment and leading to conflict. The findings further revealed that compensation packages offered by management in organization includes rent loan, free training workshop, study leave, career development opportunities and study. Chhabra (2014), stated that rewards package provides by most employees and management staff include salary, fuel allowance, overtime allowance, risk allowance, car maintenance and achievement benefits.

In addition, the rewards system in the organization includes the following: piecework scheme, individual performance-related pay schemes, knowledge contingent pay, profit-related pay, sharing of bonuses and variable pay. Also, the findings show that the influence of rewards and compensation in the organization includes the following: improving employee

growth and retention, increases organizations company's market share, reduces the rate of employee turnover in the organization, a key indicator for achieving growth in organizational profits and a key role in corporate expansion, opening of new branches and establishing subsidiaries in the organization. Bratton and God (2014), stated that rewards and compensation is designed by management to increase employee's performance and encourages them to remain within the organization. Hope and Fraser (2012), stated that the basic salary, wages and fringe benefits are seen as a contractual element of remuneration that an employer provides for employees in the organization.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

This chapter is done to discuss the findings of the study as presented in chapter four. The discussion is done in relating to the research objectives. The discussion of result is based on research objectives which involves: examining the current strength and weakness in the rewards and compensation system in the organization, examining the relationship between rewards system and performance in the organization and investigating the relationship between compensation and performance in the organization.

#### **5.2 Summary of findings**

The summary of the findings includes demographic information of the respondents, human capital development, work engagement and task performance of employees in the organization.

#### **5.3 Demographic information of the respondents**

The findings from the study show that majority of the respondents were male. The findings further revealed that most of the respondents were between 41-50 years, followed by respondents who were between 20-30 years. The findings of the study show that most of the respondents were degree holders followed by respondents who were HND holders. The findings revealed that majority of the respondents were married and some of the respondents were single. The findings of the study show that majority of the respondents have above 7 years of working experience followed by respondents who were between 4-7 years.

#### **5.4 Strength and weakness in the rewards and compensation**

The findings show that the strength in the reward and compensation includes the following: Encourage employees to work hard, to enhance the organization's image, increases employees committed to the organization, increases employees' readiness to learn new skills, creates a health environment for new skills and creates a health environment for work. Also, the findings show that the weakness of employee resentment and can lead to conflict.

#### **5.5 Compensation package in the organization**

Based on the finding of the study, the compensation package that employees received in the organization includes the following: rent loan, free training workshop, career development opportunities and study leave. The findings of the proves that the respondents were not sure of the compensation package in the organization: Vehicle maintenance allowance, fuel allowance, retirement benefit package, car and motor cycle loan, regularity of promotion and free medical insurance.

#### **5.6 Rewards system in the organization**

The findings of the study revealed that the reward package that employees received in the organization includes the following: commission, individual performance-related pay schemes, sharing of bonuses, variables pay, profit-related pay and piecework scheme.

#### **5.7 Influence of rewards and compensation in the organization**

The finding revealed that the influence of reward and compensation system in the organization includes the following: Reward systems and compensation can improve employee growth and retention, Reward systems compensation package can increase the



company's market share and Rewards play a key role in corporate expansion, opening of new branches and establishing subsidiaries.

## **5.8 Conclusion**

Human resource provides the basis for an organization to achieve sustainable competitive advantage. Attracting and retaining competent workforce is a challenging task for every organization. It is illustrious that employee performance can be improved when employees are motivated to achieve their goals. Based on the findings of this study, it can be recapitulated that employee reward package plays a significant role in employee performance. It means that reward is directly proportion to employee performance. The changes in rewards directly affect to the changes of the employee performance.

From the above the study concludes that the strength in the reward and compensation includes the following: Encourage employees to work hard, to enhance the organization's image, increases employees committed to the organization, increases employees' readiness to learn new skills, creates a health environment for new skills and creates a health environment for work. Also, the findings show that the weakness of employee resentment and can lead to conflict. The study further concludes that the compensation packages are rent loan, free training workshop, career development opportunities and study leave. The study concludes that the rewards package that are given to employees include: commission, individual performance-related pay schemes, sharing of bonuses, variables pay, profit-related pay and piecework scheme. Again, the finding of the study shows that the influence of rewards and compensation system in the organization includes the following reward systems and compensation can improve employee growth and retention, reward systems compensation package can increase the company's market share and rewards play a key role in corporate expansion, opening of new branches and establishing subsidiaries.

## **5.9 Recommendation**

The study recommended that organization should set up good compensation packages that would serve to encourage the good performance of the employees in all organisations. The study further recommended that good compensation and reward policies should be established to ensure equity pay. Doing so, employees will be committed towards achieving performance.

On top of better compensation packages, the universities should ensure well defined promotion policies to give opportunities to the best performing employees. This will boost employee morale prompting them to work much harder, be self-driven.

A reward system can be a cluster of different reward components, but it should be integrated with the organizational business strategy which means aligning reward practice with both business goals and employee values. The aim of creating an attractive reward strategy is to deliver a distinctive reward programmes that support the achievement of organizational goals as well as to meet the needs of stakeholders. In addition to above recommendation, the management can improve their existing reward system by linking performance with the pay, handling the reward communication in a positive manner and maintaining internal equity and external competitiveness.

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**APPENDIX**

**QUESTIONNAIRE**

**THE ROLE OF COMPENSATION AND REWARDS SYSTEM ON**

**PERFORMANCE OF AN ORGANIZATION**

**SECTION A: BACKGROUND OF THE STUDY**

1. Gender a) Female ( ) b. Male ( )
2. Age of the respondents a) 20-30 years ( ) b) 31-40 years ( ) c) 41-50 years ( ) d) 51-60 years ( )
3. Highest educational level a) Bachelor's ( ) b) Master ( ) c) HND ( ) d) SHS
4. Marital Status a) Single ( ) b) Married c) Separate ( ) d) Divorced ( )
5. Number of years working in organization. a) 1-3 years ( ) b) 4-7years ( ) c) 8-12 years ( ) d) 13 years and above ( )

**SECTION B: Strength and weakness of rewards and compensation system**

**Using a scale of 1-5, 1-strongly disagree, 2-Disagree, 3-not sure, 4-Agree and 5-strongly Agree, indicate which of the following statement on sales promotional packages.**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Encourage employees to work hard					
To enhance the organization's image					
Help employees to meet basic needs					
Influence employee's performance					
Improves employee's punctuality to work					
Increases employees committed to the organization					
Increases employees' readiness to learn new skills					



Creates a health environment for new skills					
Creates a health environment for work					
Reward enable organizations to sustain high performance					
<b>Weakness</b>					
Employee resentment					
Increase competition					
Misaligned incentives					
Encourages deception					
Can lead to conflict					

#### SECTION C: Compensation package in the organization

**Using a scale of 1-5, 1-strongly disagree, 2-Disagree, 3-not sure, 4-Agree and 5-strongly Agree, indicate which of the following statement about compensation system in the organization.**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Vehicle maintenance allowance					
Fuel allowance					
Retirement benefit package					
Rent loan					
Car and Motor cycle loan					
Regularity of promotion					
Free training workshop					
Career development opportunities					
Free Medical Insurance					
Study leave					

SECTION C: Reward system in the organization

**Using a scale of 1-5, 1-strongly disagree, 2-Disagree, 3-not sure, 4-Agree and 5-strongly Agree, indicate which of the following statement about reward system in the organization.**

Statement	1	2	3	4	5
Piecework scheme					
Individual performance-related pay schemes					
Knowledge contingent pay					
Commissions					
Profit-related pay					
Sharing of bonuses					
Variable pay					

SECTION C: Reward system on organizational performance

**Using a scale of 1-5, 1-strongly disagree, 2-Disagree, 3-not sure, 4-Agree and 5-strongly Agree, indicate which of the following statement about reward system in the organization.**

Statement	1	2	3	4	5
Reward systems can improve customer growth and retention					
Reward systems is a key indicator for achieving growth in organizational profits					
Individual performance-related pay schemes					
Reward systems can increase the company's market share					

Effective and efficient rewards has reduced the rate of employee turnover					
Rewards serve as a chief source of product and service spin-off and growth					
Sharing of bonuses					
Rewards play a key role in corporate expansion, opening of new branches and establishing subsidiaries					