

## REWARD SYSTEM AND ITS IMPACT ON EMPLOYEES' PERFORMANCE IN LAURUS LABS – HYDERABAD

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### ABSTRACT

A reward system in an organization refers to the structures and processes used to recognize and compensate employees for their performance and contributions. It encompasses both monetary and non-monetary rewards designed to motivate employees, improve job satisfaction, and enhance organizational performance. This study examines the impact of reward systems on employee performance at Laurus Labs Limited in Hyderabad. By analysing both primary and secondary data, the research explores how different types of rewards, including monetary incentives, recognition, and career development opportunities, influence employee motivation, job satisfaction, and productivity. Measurement methods for evaluating the effectiveness of reward systems are discussed, along with limitations of the study, such as sample size and potential biases. The research provides valuable insights for HR professionals and organizational leaders on designing and implementing effective reward systems that align with organizational goals and employee expectations, ultimately contributing to improved performance and organizational success.

**Keywords:** Reward Systems, Employee Performance, Motivation, Monetary Incentive

### 1. INTRODUCTION:-

A reward system is an important tool that managers can use to move employees' motivation the way you want. In other words, reward programs seek to attract people to join the organization to keep them coming to work and to motivate them to work at higher levels. In different words, reward system attracts people to join the organization and helps to reduce turnover intention of employees. It will encourage them to work and motivate them to perform good.

The factors that motivate and affect employee performance are rewards which can be monetary, job security, working conditions, employer-employee relationship, autonomy, relationship with colleagues, training and development opportunities, employee recognition and company's rules and policies for rewarding employees. Among all these factors, motivation that comes with rewards becomes important factor which increases the exceptional contribution by employees.

For an organization to meet its obligations to its shareholders, employees, and the public, its senior management must create a relationship between the organization and the employees that will meet the changing needs of both parties. At a minimum the organization expects employees to faithfully carry out their assigned tasks and standards, and to abide by the rules of the workplace. Managers often expect more: that employees take initiative, pay attention, continue learning new skills, and respond to business needs.

**Definition:** A reward system can be defined as a strategic mechanism utilized by organizations to distribute both financial and non-financial rewards to employees based on their job performance, skills, and contribution towards achieving the organization's goals.

### 1.1 NEED OF THE STUDY: -

Understanding the relationship between reward systems and employee performance is crucial for enhancing productivity, job satisfaction, and overall organizational effectiveness.

**Practical Implications:** Identifying effective reward strategies can help Laurus Labs attract and retain talent, foster a culture of high performance, and ultimately achieve its business objectives.

**Employee Engagement:** High levels of engagement are linked to better performance, lower turnover, and increased job satisfaction. A well-designed reward system can significantly boost employee engagement.

**Goal Alignment:** Rewards aligned with organizational goals encourage employees to focus on achieving these goals, ensuring that individual efforts are in sync with the company's strategic objectives.

**Employee Retention:** High turnover is costly and disruptive. Reward systems that recognize and value employee contributions can enhance job satisfaction and loyalty, reducing turnover rates.

**Employee Well-being:** Reward systems that include non-monetary rewards such as flexible working hours, professional development opportunities, and wellness programs contribute to overall employee well-being.

### 1.2 SCOPE OF THE STUDY:-

This research hopes to articulate more knowledge that will enable organizations to pay better attention when implementing reward strategies while also identifying ways to better motivate employees better in this sector. In addition to this, the research aims to encourage more study and discussion within this area. To determine the level of motivation within the organization's working group and to learn about individual perceptions of the company's motivational benefits, which include a reward system. Employee motivation is boosted significantly by the reward system. When an employee receives sufficient appreciation, it enhances their confidence, which in turn increases their production. And, to identify the various new reward techniques employees want the organization to adopt.

### 1.3 OBJECTIVES OF THE STUDY: -

- To assess the current reward system in organizations and evaluate its components such as clarity, transparency, fairness, and alignment with performance metrics.
- To examine the frequency and types of rewards offered to employees in various organizations.
- To measure the motivational levels of employees within different organizations.
- To investigate the relationship between the rewards received by employees and their levels of motivation at work.
- To identify the most motivating types of rewards for employees.

### 1.4 HYPOTHESIS: -

Hypothesis 1: The number of years working in the organization does not influence satisfaction with the reward system.

Hypothesis 2: There is no difference in employee motivation levels is across different reward systems (E.g., Monetary, non –monetary, hybrid)

Hypothesis 3: There is no correlation between the rewards employees receive and their motivation levels.

## 2. REVIEW OF LITERATUTRE: -

**1. Author:** Cameron, J., & Pierce, W. D. **Year:** 1994 **Title:** Reinforcement, Reward, and Intrinsic Motivation: A Meta-Analysis **Publisher:** Review of Educational Research **Abstract:** This meta-analysis examines the impact of reinforcement and reward on intrinsic motivation across various settings. Cameron and Pierce aggregate findings from multiple studies to determine the conditions under which tangible rewards influence intrinsic motivation positively or negatively. Their analysis reveals that, contrary to popular belief, tangible rewards do not inherently undermine intrinsic motivation.. By dissecting different types of rewards and their contextual applications, Cameron and Pierce provide a nuanced understanding of how organizations can leverage reward systems to foster motivation without compromising intrinsic interest in work. The findings have significant implications for educational settings and workplace environments, suggesting that carefully designed reward structures can effectively enhance both performance and intrinsic motivation.

**2. Author:** Deci, E. L., Koestner, R., & Ryan, R. M. **Year:** 1999 **Title:** A Meta-Analytic Review of Experiments Examining the Effects of Extrinsic Rewards on Intrinsic Motivation **Publisher:** Psychological Bulletin **Abstract:** In this comprehensive meta-analysis, Deci, Koestner, and Ryan evaluate the effects of extrinsic rewards on intrinsic motivation, synthesizing findings from over 100 experiments. The study focuses on various types of rewards, including tangible, verbal, and unexpected rewards, and their impact on individuals' intrinsic interest in tasks. The authors find that tangible rewards, particularly when expected and contingent on task completion, tend to undermine intrinsic motivation. The study underscores the complexity of reward systems and their effects on motivation. It suggests that while extrinsic rewards can sometimes diminish intrinsic motivation, they can also be used effectively to enhance motivation and performance if applied appropriately. The authors emphasize the importance of understanding the context and manner in which rewards are given, advocating for reward systems that acknowledge and support individuals' intrinsic interests and competencies.

**3. Author:** Eisenberger, R., & Cameron, J. **Year:** 1996 **Title:** Detrimental Effects of Reward: Reality or Myth? **Publisher:** American Psychologist **Abstract:** This article challenges the widely held belief that rewards invariably undermine intrinsic motivation. Eisenberger and Cameron review empirical evidence and argue that the negative effects of rewards are not as pervasive as commonly thought. They also discuss the role of verbal rewards, which consistently boost intrinsic motivation. The article suggests that the key to effective reward systems lies in their careful design and implementation. Rewards should be used to recognize high-quality performance and should not be perceived as controlling. Eisenberger and Cameron call for a balanced perspective on the use of rewards, recognizing their potential to motivate and improve performance when used judiciously. This nuanced understanding helps managers and educators design reward systems that support and enhance intrinsic motivation.

**4. Author:** Gagné, M., & Deci, E. L. **Year:** 2005 **Title:** Self-determination Theory and Work Motivation **Publisher:** Journal of Organizational Behaviour **Abstract:** This article explores the application of self-determination theory (SDT) to workplace motivation, offering insights into how different types of rewards influence employee motivation and performance. Gagné and Deci argue that intrinsic motivation is driven by the need for autonomy, competence, and relatedness, and that these needs must be satisfied for employees to be fully engaged and motivated at work. The article highlights the importance of creating a work environment that supports autonomy and provides meaningful feedback to enhance motivation and performance. Gagné and Deci provide practical recommendations for managers, including designing reward systems that align with employees'

intrinsic needs and fostering a supportive organizational culture. This approach not only enhances motivation and performance but also contributes to overall job satisfaction and well-being.

**5. Author:** Chiang, F. F. T., & Birtch, T. A. **Year:** 2008 **Title:** Achieving Task and Extra-Task-Related Behaviours: A Case of Gender and Position Differences in the Perceived Role of Rewards in the Hotel Industry **Publisher:** International Journal of Hospitality Management **Abstract:** This study examines how gender and job position influence perceptions of the role of rewards in motivating task-related and extra-task-related behaviors within the hotel industry. For instance, male employees and those in higher positions tended to value monetary rewards more highly, while female employees and those in lower positions placed greater emphasis on non-monetary rewards such as recognition and development opportunities. The study suggests that tailored reward systems that consider these demographic differences can more effectively motivate diverse employee groups. By aligning rewards with employees' values and expectations, organizations can enhance both task-related performance and extra-role behaviors such as organizational citizenship. This research underscores the need for a nuanced approach to reward management, one that recognizes and addresses the diverse motivations within the workforce.

### 3. RESEARCH METHODOLOGY:

Research methodology refers to the systematic approach and procedures used to conduct research and gather, analyses, and interpret data.

#### Source of data:-

- **Primary Data:** Refers to the information collected directly from first-hand sources for a specific research problem. This data is original and collected specifically for the project at hand, making it tailored to the research objectives.
- Collected directly from respondents through:

**Questionnaires:** Structured with a mix of closed-ended questions (Likert scale) to measure variables like satisfaction, motivation levels, etc. Questionnaire was divided into two sections. First part was designed to know the general information about and the employee second part contained the effectiveness of reward system on motivational level of employees.

- **Secondary Data:** refers to information that has been previously collected for other purposes and is available for use by researchers. This data is pre-existing and can be sourced from various records, publication and databases.

**3.2 Statistical tool:** - Excel- Regression analysis, Anova and correlation analysis

**3.3 Sample size:** - Collected from 100 respondents.

#### 3.4 LIMITATIONS OF THE STUDY:-

- The sample size might be limited, affecting the generalizability of the findings.
- Participants may provide socially desirable responses or may be influenced by their current job satisfaction levels when responding to surveys or interviews
- The study might be conducted over a relatively short period, which may not capture long-term effects of the reward system.
- Limited access to comprehensive and high-quality data from Laurus Labs Limited could affect the study's depth and accuracy.

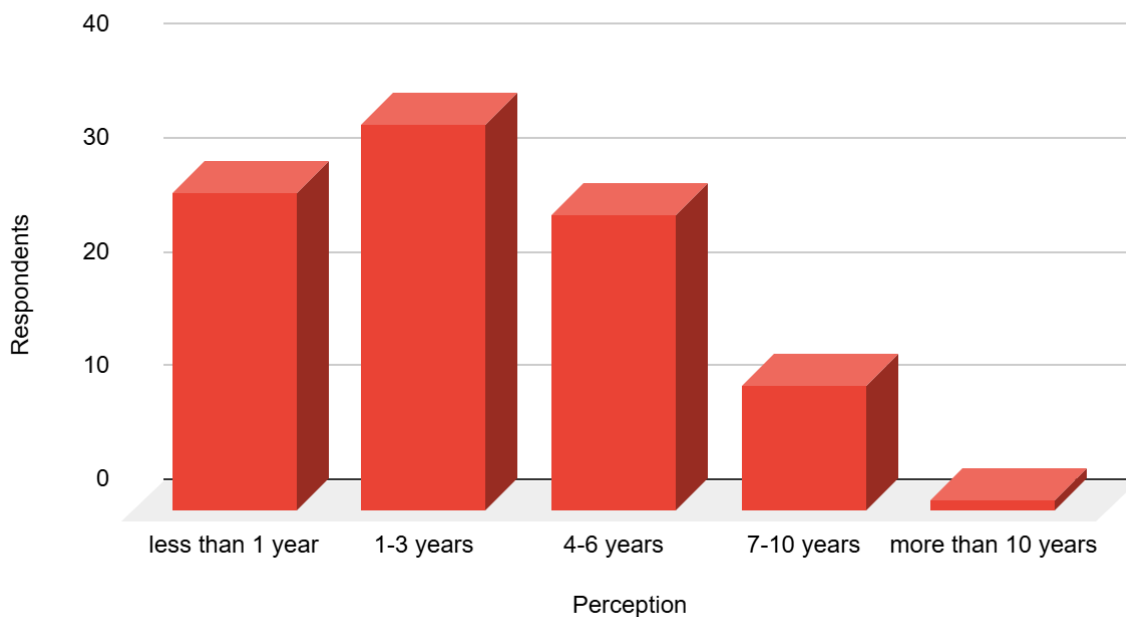
- The study may focus on specific types of rewards (e.g., monetary vs. non-monetary), potentially overlooking other important aspects of the reward system

#### 4. DATA ANALYSIS AND INTERPRETATION:

##### 1. How Many Years Have Been Working In This Organization?

S.No	Perception	Respondents	Percentage
1	Less Than 1 Year	28	28%
2	1-3 Years	34	34%
3	4-6 Years	26	26%
4	7-10 Years	11	11%
5	More Than 10 Years	1	1%
	Total	100	100%

How many years have you been working in this organization?

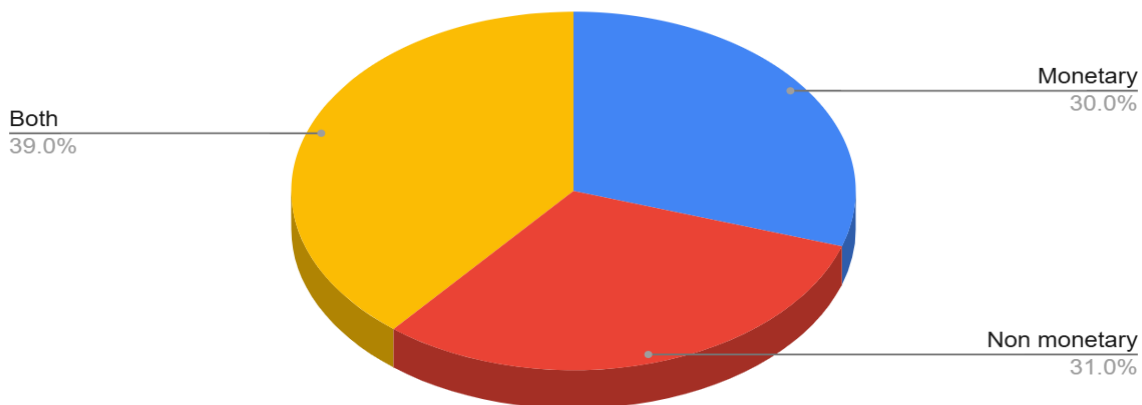


From the above chart it can be interpreted that, 28% of the respondents have a work experience between 0-1 years, 34% of the respondents have a work experience between 1-3 years, 26%% of the respondents have a work experience between 4-6 years, 11% of the respondents have a work experience between 7-10 years and 1 have work experience above 10 years

2. what kind of Reward system is implemented in your organization?

S.No	Perception	Respondents	Percentage
1	Monetary	30	30%
2	Non monetary	31	31%
3	Both	39	39%
	Total	100	100%

what kind of Reward system is implemented in your organization?



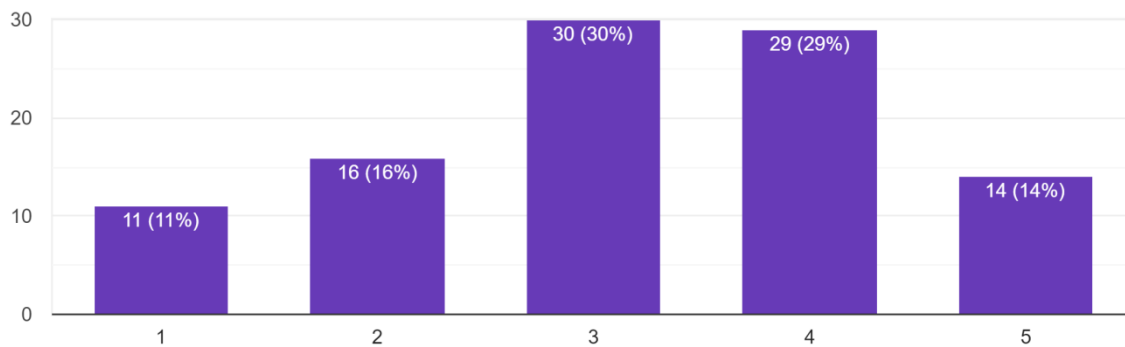
From the above table it is interpreted that the type of reward policy been implemented in the organization, monetary reward policy is 30%, both monetary and non – monetary are 39%, non – monetary reward policy is 31%. Here we can conclude each monetary and non-monetary important in employee's growth.

### 3. How satisfied are you with the current reward system in your organization?

S.No	Perception	Respondents	Percentage
1	not satisfied -1	11	11%
2	2	16	16%
3	3	30	30%
4	4	29	29%
5	complete satisfied -5	14	14%
	Total	100	100%

How satisfied are you with the current reward system in your organization

100 responses



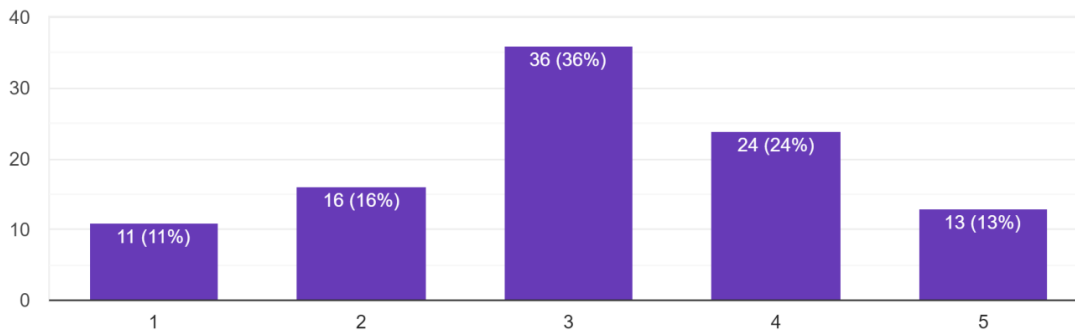
From the above chart it is interpreted that, 11 % of the respondents are not satisfied with the current reward system in the organization whereas 14% employees are complete satisfied with the reward system. Majority of the employees are neutral with the employee reward system i.e., with 30%

**4. On a scale of 1 to 5, rate your current level of motivation at work**

S.No	Perception	Respondents	Percentage
1	very low - 1	11	11%
2	2	16	16%
3	3	36	36%
4	4	24	24%
	Total	100	100%

On a scale of 1 to 5, rate your current level of motivation at work

100 responses



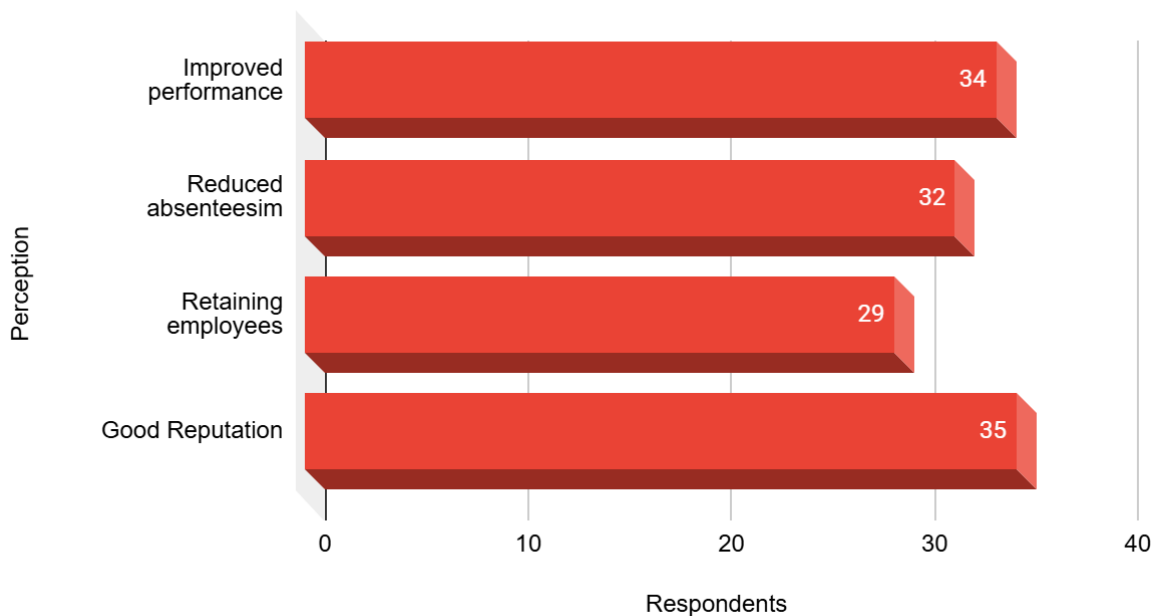
From the above chart it is interpreted that, 36% % of the respondents are neutral with the current reward system for their motivational level in the organization whereas 13% employees are complete high-level motivation with the reward system. Least motivational level was 11% of the employees are responded.



### 5. How is the company benefited from the rewards?

S.No	Perception	Respondents	Percentage
1	Improved performance	34	34%
2	Reduced absenteeism	32	32%
3	Retaining employees	29	29%
4	Good Reputation	35	35%
	Total	100	100%

### How is the company benefited from the rewards



From the above table it is interpreted that, company benefited from reward through retaining employees are 29%, improved performance is 34%, reduced absenteeism is 32%, and good reputation are 35%

### 1. HYPOTHESIS: -

**Null Hypothesis (H0):** The number of years working in the organization does not influence satisfaction with the reward system.

**Alternative Hypothesis (H1):** The number of years working in the organization positively influences satisfaction with the reward system.

SUMMARY OUTPUT								
REGRESSION STATISTICS								
Multiple R	0.3724568173							
R Square	0.1387240807							
Adjusted R Square	0.1299355509							
Standard Error	1.114724283							
Observations	100							
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	2.538763359	0.1982284442	12.80726068	0	2.145385463	2.932141255	2.145385463	2.932141255
How many years have you been working in this organization?	0.1640394562	0.04128863331	3.972993122	0.000136	0.08210350713	0.2459754052	0.08210350713	0.2459754052

- The independent variable "How many" has a coefficient of 0.164039.
- The p-value for this coefficient is 0.000136, which is much smaller than 0.05, indicating statistical significance.
- This suggests that tenure (number of years working in the organization) does have a positive and significant influence on satisfaction with the reward system.
- Therefore, we reject the null hypothesis and accept the alternative hypothesis.

## 2. HYPOTHESIS: -

- **Null Hypothesis (H0):** There is no difference in employee motivation levels across different reward systems (e.g., monetary, non-monetary, hybrid).
- **Alternative Hypothesis (H1):** There is a significant difference in employee motivation levels across different reward systems.

### Anova: Single Factor

SUMMARY						
Groups	Count	Sum	Average	Variance		
rewards system	100	209	2.09	0.6887878788		
On a scale of 1 to 5, rate your current level of motivation at work	100	312	3.12	1.359191919		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit

Between Groups	53.045	1	53.045	51.8022688	0	3.888852933
Within Groups	202.75	198	1.023989899			
Total	255.795	199				

- **P-value (1.24E-11):** This is much smaller than 0.05, indicating a statistically significant difference between the groups. Therefore, we reject the null hypothesis.
- **F-statistic (51.80227):** This is much greater than the F critical value (3.888853), reinforcing the conclusion that we reject the null hypothesis.

Based on the ANOVA results, there is a significant difference in employee motivation levels across different reward systems (e.g., monetary, non-monetary, hybrid). Thus, we accept the alternative hypothesis that the reward system significantly influences employee motivation levels.

### 3. HYPOTHESIS: -

- **Null Hypothesis (H0):** There is no correlation between employee satisfaction with the reward system and organizational benefits.
- **Alternative Hypothesis (H1):** There is a positive correlation between employee satisfaction with the reward system and organizational benefits.

### CORRELATION: -

	<i>satisfied</i>	<i>benefited</i>
satisfied	1	
benefited	0.0257361913	1

- The correlation coefficient ranges from -1 to 1.
- A value of 0.025736 indicates a very weak positive correlation between employee satisfaction with the reward system and organizational benefits.
- The closer the value is to 0, the weaker the relationship. In this case, the value is very close to 0, indicating that there is almost no linear relationship between the two variables.
- we would likely fail to reject the null hypothesis (H0) and conclude that there is no significant correlation between employee satisfaction with the reward system and organizational benefits.

## 5. FINDINGS: -

- 39% responded that both the Monetary and Non-Monetary rewards were highly recommendable by the employees for the satisfaction of the work.
- Majority employees were neutral in current reward system with 30%, remaining 14% are completely satisfied with the reward system in the organization.
- Based on the above statistics, 30% of the respondents stated that monetary rewards are highly motivating rewards.
- Based on the above data, 36% of the respondents are neutral with current reward system for their motivational level in the organization.
- Based on the above data nearly 65% employees opted for positive for the relationship between the rewards they receive and their motivational level at work.
- Based on the above information 52% respondents stated reward system is very important in any organization for the productivity and motivational at work.
- The organization considered employees for the reward system based on their productivity level and customer satisfaction.
- Based on the statistics the company benefited from the reward are through retaining employees and improved performance, reduced absenteeism.
- Rewards are important for retaining the high performers and motivating them to increase the profit, majorly employee stated neutral.

## 6. SUGGESTIONS: -

Many rewards system have been used and developed for the past few years, all the decision about the reward system have come from upper managers, the employees have not had any possibility to influence the development process.

Therefore, I suggest that the company should include the employees in the decision-making process. This could be done by giving the employees an opportunity to frequently give feedback on the reward system.

The respondents felt that it was unfair in the company-based rewards the people don't work hard get rewarded by the hard work of others.

**CONCLUSION: -** Employee's motivation is one of the most essential part in the company's development and success. It is hence vital for an employer to understand what motivates the employees and how to maximize their overall job performance.

Employee reward and recognition programs that acknowledge employee contribution to the company's goal and show appreciation for those efforts are necessary for a high-performing workplace, happier employee. The purpose of rewards is to motivate employees thereby increasing the result of the organisation.

The findings state that the employees of the company are happy with the monetary rewards that are given to them employees also agreed that monetary rewards bring positive impact in the organisation.

This study will help the company to know where it stands when it comes to reward management and how they can better themselves and improve their relationship with their employees.

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