

The Influence of Rewards in Enhancing Employee Performance Through Psychological Empowerment

Sanjeev Janardhanan and Santhi Raghavan

OUM Business School, Open University Malaysia (OUM), Kuala Lumpur, Malaysia.

Abstract: In 2015, the non-metallic mineral products industry was ranked the 15th largest export earner for Malaysia. One main product of this industry is ceramic tiles where there are large manufacturers located in Southern Malaysia. However, tile manufacturers are facing a lot of challenges especially from cheaper imported tiles from neighbouring countries as well as from increasing raw material costs. In order for them to survive, manufacturers have to look into ways at controlling their unit labour cost which is the average cost of labour per unit of output produced. In order to do so, employers must strive to build a team of high performing employees. For this reason, this study aims to determine ways in which high performing team of employees can be formed. The findings revealed that rewards positively influence employees' performance. However with the inclusion of psychological empowerment, the effect on performance was negative indicating that the greater the proportion of psychological empowerment, the lower was the employees' performance with the presence of rewards. Therefore, employers have to ensure that the right level of psychological empowerment is felt by employees when designing the rewards system as highly rewarded employees find psychological empowerment as an additional burden to them and will hamper their performance.

Key words: *Rewards, Psychological empowerment, Employee performance, Supervisory level staff, Ceramic tile industry*

INTRODUCTION

The non-metallic mineral products industry was ranked the 15th largest export earner for Malaysia in 2015. This industry contributed about 0.8 per cent of Malaysia's total export of manufactured goods. One prominent product of this industry is ceramic tiles which has large manufacturing plants especially in the southern part of the country. However, these manufacturers are facing a lot of challenges especially from cheaper imported tiles from neighbouring countries. Furthermore, with more than 50 percent of raw materials imported from overseas coupled with the continual high prices of fuel especially gas, operational costs have become very high. With the combination of the above mentioned factors, tile manufacturers have to ensure that all costs are controlled to ensure their continuity in the business.

Therefore, to enhance the company's competitiveness, a team of high performing employees are needed. Studies have shown that poor performing employees can be a liability to any

organisation. In one study it was noted that one poor performer is enough to bring down the organisation's productivity by 30-40 percent [12]. Furthermore, poor performers normally contribute a 20 percent deficit in the organisation's output [7].

These findings indicate that despite knowing the importance of having and sustaining a team of high performing employees, the problem remains as to why organisations are unable to effectively tap their employees' full potential to develop a team of high performing employees.

For employers to develop a team of high performing employees, they have to look into ways in which their employees are always motivated. One way to do so is that employers must reward their employees appropriately every time they achieve a set target. Past literature has indicated that having a rewards programme in place lets valued employees know that their contributions are important and their efforts are appreciated [22]. A well-rewarded employee feels that he or she is being valued by the company that he or she is working for [20]. However, rewarding employees must be done

carefully as traditional rewards such as monetary compensation are not the only motivators. For example, if employees are rewarded without being empowered by their employers, there will not be much appreciation to the rewards given to them and this could result in lower performance eventually as highlighted by [13]. For these reasons, employers have to avoid creating a performance-rewards gap if they want to have a team of high performing employees. Therefore, this study is conducted to determine the role of rewards towards improving and enhancing employees' performance among tile supervisors at tile factories in Southern Malaysia.

Empowerment is the dynamic process of redistribution of power between management and the employees [14]. Psychological empowerment is defined as intrinsic task motivation reflecting a sense of self-control in relation to one's work and an active involvement with one's work role [23]. This psychological perspective is based on how employees experience or feel empowered at work as it is a psychological state residing within individual employees and reflects an active orientation towards a work role [28]. Researches have been carried out on the relationship between psychologically empowering employees and their performance. Results obtained from some past studies have shown a positive relationship between these two variables [11, 16]. Furthermore, according to The Gallop Organization, organisations that enable employees to be more empowered and engaged, experience 27% higher profits [29]. This is due to the fact that empowered employees feel comfortable sharing their innovative solutions with management as well as by providing cost-cutting measures that benefit the organization. However, not many studies to date have examined the way in which psychological empowerment moderates the relationship between rewards and employee performance. For this reason, this study will look into the effect of rewards in enhancing employees' performance through psychological empowerment.

The results of this study will contribute to the existing body of knowledge on improving and enhancing employee performance. This study will look into specifically the supervisory level of staff in the ceramic tile companies in Southern Malaysia. The supervisory level staffs was chosen as respondents for this study as they are the group of people who are in between the management and team members in any business organisation [8]. Their main job function is to link different skills, resources and knowledge in pursuit of the strategic goals defined by top management with their subordinates [6].

LITERATURE REVIEW

This section will review the variables of this study which are employee performance, rewards and psychological empowerment.

Employee Performance

Employee performance is defined as the successful completion of tasks, responsibilities or assignments by a selected employee or group of employees based on set performance objectives and indicators of efficiency and effective utilization of available resources [10]. Performance is a function of ability and motivation [3]. These two factors directly influence an employee's voluntary behavior and these results in quality of their work performance. Since ability is up to the individual employee, in order to obtain good performance from the employees, employers have to ensure that their employees are always motivated [4]. For this reason, employee motivation is one of the strategies employers use to enhance effective job performance among workers in organisations. [3] highlighted that one is motivated when the effort put in will lead to the attainment of the set goal and the rewards associated with its achievement.

Rewards

All employees want their efforts to be rewarded. Rewards system, created by employers, serves as a motivator to all employees so that they will continue to maintain their good work performance [20]. When employees feel appreciated for the efforts they have put in, they will be motivated to improve their performance [21]. A few studies have been carried out to show how rewards improve performance. One such study by showed that when management increased teachers' salaries by more than 3 percent, the average level of student learning was enhanced as the teachers showed more commitment to their jobs and thus performed better [18]. In another study, it was noted that employees' motivation increased when they were rewarded fairly by their employers based on the amount of work that they had done [2]. This shows that the rewards system is a requirement of any organisation if they want to retain and hire the most suitable candidate in a competitive environment [27]. When the rewards offered are inspiring to the employees, they will be motivated to put in extra efforts on whatever tasks assigned to them.

Based on the above reasons, it is predicted that rewards affect employee performance as stated in the hypothesis below:

$H_1 =$ There is significant positive relationship between rewards and employee performance.

Psychological Empowerment

Psychological empowerment is based on how employees experience or feel empowered at work. It can be considered as the personal belief that employees have about their role in relation to the organisation. Empowered individuals will perform better than relatively less empowered employees as

empowerment is a process that makes employees utilise their full potentials to carry out their tasks effectively, allows them to stand confidently behind their decisions, assume risks, and take the necessary actions at the workplace [28]. Furthermore, [16] analysed the relationship between psychological empowerment and employee performance and noted that empowerment had a direct and positive effect on employees' behaviours and thus improved on their performance.

Moderating role of psychological empowerment

A variable functions as a moderator when it affects the direction and/or the strength of the relationship between the independent and dependent variable [5]. Psychological empowerment is an intrinsic motivational construct originating in an employee's perception of having choice in initiating and regulating actions, having the ability to perform the job well (i.e., self-efficacy), being able to have an impact on the environment, and the job being meaningful for them [28,24]. When employees have a high feeling of psychological empowerment, they are bound to show increased good performance when it is linked with other variables such as rewards. This is because employees who feel psychologically empowered are assumed to feel an increase in intrinsic work motivation and therefore will be more motivated to perform well in their jobs even if those are difficult tasks [25]. This is further strengthened if the rewards offered are attractive to them for their efforts. Therefore, psychological empowerment should be seen as an intrinsic motivator in such a situation [15].

Based on these findings, the following relationship was hypothesized.

H₂ = Psychological empowerment moderates the relationship between rewards and employee performance

METHODOLOGY

Three established questionnaires were used in this study. Employee performance was measured using the [26] Employee Work Performance questionnaire, which was based on five factors, work skills, work duties, work enthusiasm, readiness to innovate and job performance factors. The Work Satisfaction and Motivation questionnaire developed by [9] on the dimensions of payment, benefits and recognition, was used to measure rewards. For psychological empowerment, the Spreitzer's Empowerment Scale (1995) developed by [24] consisting of a twelve item scale on four aspects: meaning, competence, self-determination and impact were used. All items were measured on a five point Likert-type scale where 1 indicates "strongly disagree" and 5 indicates "strongly agree".

600 sets of questionnaires were distributed to supervisory staffs at tile manufacturing companies in Southern Malaysia and the response rate was 39%. Frequencies and percentages of gender and age of respondents were first analysed followed by their frequency distribution for each of the study variable according to their mean and standard deviation scores. This was followed by determining the reliability of each item in the questionnaire to ensure that those measures are free from error and yield consistent results [30]. The strength of association between the variables was quantified using the Pearson Moment Correlation. The last technique applied was linear regression analysis to test the hypothesis generated in this study.

RESULTS AND DISCUSSION

Demographic Profile of Respondents

Table 1: Demographic profile of respondents

Variables		N	Percentage (%)
Gender	Male	195	82.6
	Female	41	17.4
Age	18-25 years	47	19.9
	26-30 years	48	20.3
	31-40 years	80	33.9
	41-50 years	48	20.3
	Above 50 years	13	5.5

Frequency Distribution of Variables

The frequency distribution for each variable obtained is as follows:

Table 2: Frequency distribution

Item	Mean Rating	Standard Deviation
Rewards	3.16	.66
Psychological Empowerment	3.33	.76
Employee Performance	3.59	.57

Reliability Analysis: Reliability Analysis of variables of the study

Table 3: Reliability analysis between variables

Variable	Cronbach Alpha
Performance	.885
Rewards	.893
Psychological Empowerment	.913

From the results obtained, the alpha values for all variables are greater than .70 which [19] suggested

as the minimum alpha value to be considered reliable for group research.

Correlation Analysis

Table 4: Correlations

	Performance	Rewards	Psychological Empowerment
Performance	1		
Rewards	.607**	1	
Psychological Empowerment	.747**	.681**	1

From the table above, all inter correlations among the variables researched are positive and statistically significant, ranging from $r = .607$ ($p < 0.05$) to $r = .747$ ($p < 0.01$). The relationships between psychological empowerment and employee performance as well as the relationship between performance and rewards show strong correlations.

Regression Analysis for Hypothesis

Regression analysis was used to predict the outcomes between variables. Standard regression analysis was used to study the relationship between rewards and employee performance. To study the role of psychological empowerment as a moderator in the relationship between rewards and performance, the hierarchical regression analysis was used.

Table 5: Regression analysis

Independent Variable	R ²	Beta (β)	Std. Error	t- value	Significance (F)
Rewards	.367	.606	.040	11.616	.000

From table 5, the ΔR^2 change for rewards was .367 which meant that the variability percentage of

employee performance increased by 36.7 percent with the addition of rewards

The moderating effects of psychological empowerment on the relationship between rewards

and employee performance were then tested. Table 6 depicts the regression results of the study.

Table 6: Regression Analysis of the relationship between rewards, psychological empowerment and employee performance

Model	β	R Square	Adjusted R Square	R Square Change	F Change	Sig F Change
1	.116	.668	.665	.668	231.042	.000
2	-.113	.680	.676	.012	8.643	.004

In Step 1, when both rewards and psychological empowerment were added, results show that the ΔR^2 was equal to .668. This means that both variables explained 66.8 percent of the variances in performance. In Step 2, an interaction variable was first created to test the dependency of one variable on the level of another. With the introduction of the interaction variable, ΔR^2 increased slightly from 66.8 percent to 68.0 percent. This shows that psychological empowerment moderates the relationship between rewards and performance. However, the β value of -.113 shows that the higher the rewards provided, the lower was the employees' performance in the presence of psychological empowerment.

CONCLUSION

The purpose of this research was to test the relationships between rewards and employee performance as well as the role of psychological empowerment in moderating the relationship between rewards and their performance. Based on earlier studies done, if rewards given to employees meet their expectations for the amount of efforts that they had put in, desired performance can be expected from them [17]. The overall mean rating from the frequency distribution table was 3.16. This shows that the respondents were generally happy with their organisation's rewards system. This was supported by the Pearson's Moment Correlation between rewards and performance which showed a strong degree of relationship. Results obtained from this study are similar to those of previous studies which supported the role of rewards in improving employee performance [1]. Therefore, we accept the first hypothesis.

With the inclusion of psychological empowerment as the moderating variable, the effect on employee performance was significant but the coefficient was negative. This shows that the greater the proportion of psychological empowerment, the lower was the employees' performance in the presence of rewards

offered to them. From this finding, it can be concluded that highly rewarded employees do not need additional empowerment as this could be an additional burden to them. This is because they will have to shoulder additional burden besides the tasks they already have. These findings show that employers need to be careful to ensure that the right feelings of empowerment are felt by their employees, otherwise, good performance cannot be expected.

The research results can be used as a guideline for employers from the tile industry in Malaysia to have better understanding of significance of reward system on employee performance and to design and implement strategic reward system to bring competitive advantage. At the same time too, employers have to ensure that the right level of psychological empowerment is felt by employees when designing the rewards system as highly rewarded employees find psychological empowerment as an additional burden to them and will hamper their performance.

However the current study is associated with a few limitations. The sample size was too small and considered only on the tile supervisors working in tile companies in southern Malaysia. The present study focused on one type of industry and the findings may not be generalized to a wider sector such as other manufacturing industries in Malaysia. In this study, the focus was on psychological empowerment and it is recommended for future researches to study the four cognitions that form psychological empowerment i.e. meaning, competence, self-determination and impact individually which are not analysed in this current study.

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