

# Research on Rewarding and Impact of Rewards on Performance

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## Abstract

*Public institutions must develop performance indicators to measure the progress made toward achieving the stated objectives. The performance management system aims to measure individual performance by defining the critical contributions expected during the year, compared with the actual achievements at the end of the year. Based on the performance evaluation, the managers should decide to reward or sanction the staff according to their progress towards achieving the objectives. Therefore, it is essential to evaluate the effects of the reward on performance. In the paper, we aim to evaluate the influences of reward on individual and collective performance in the tax administration.*

**Key words:** performance, managers, supervisors, reward

**J.E.L. classification:** L25

## 1. Introduction

To use the full potential of employees, managers need to know what stimulates them to increase their level of performance so that this energy can be channeled appropriately to specific results, which add value to the resources consumed in the production process. A motivational work environment is one of the critical forces that stimulate individuals to ensure superior performance (Sitnikov and Bocean C.G. 2010; Sitnikov et al. 2017). The motivational work environment increases morale, creates professional satisfaction, reduces unnecessary stress, decreases absenteeism, and the rate of abandonment of the organization by employees, promotes performance; in other words, motivates employees. Moreover, managers' supportive behavior is one of the crucial factors in creating a motivational work environment (Varzaru, 2015). Creating a positive work environment in which employees are productive is a fundamental responsibility of every manager. One of the fundamental factors underlying creating a motivational environment is a reward that decisively influences individual and collective performance.

The paper contains five sections. The first section provides an introduction to the research issue (influence of employees' reward on performance) and the second section gives a brief theoretical background of the researched issue. The third section describes the research methodology. The fourth and fifth sections deliver the results and conclusions of the research.

## 2. Theoretical background

Creating a motivational job is essential to an organization's success, and managers can create motivational jobs for their employees by establishing and maintaining good relationships, cultivating teamwork, and encouraging innovation (Ruth et al., 2012). Lelebici (2012) argues that a motivational work environment is essential because it motivates employees to perform better and productivity. The workplace environment can positively and negatively impact employee morale, productivity, and employee involvement. As such, the creation of a motivational work environment must be the goal of all managers because work environment factors influence employee involvement in their immediate environment, quality of work, level of innovation, teamwork, absenteeism, and, finally, length of employment in the organization (Aubray and Bailey, 2014). One of the crucial ways to create a motivational work environment is to adopt a leadership style that positively impacts

employees' ethics, behavior, commitment, professionalism, leadership, and interpersonal relationships (Aubray and Bailey, 2014). Aubray and Bailey (2014) add that a motivational work environment can also be created if managers provide the necessary support for their employees. Management support can be demonstrated by delegating responsibilities to the necessary authority, holding employees accountable for their actions, encouraging teamwork, displaying confidence in team members' ability, and treating them as professionals (Varzaru et al. 2012; Varzaru and Varzaru, 2013, 2015). Such an environment will promote trust, loyalty, and identification with the organization and influence the quality of work, innovation, and team spirit. Also, direct managers must act as employees' lawyers before senior management. Moreover, they must provide positive recognition and encouragement when the work is well done (Bocean, C. G., 2007; Murphy et al., 2018).

The main factor contributing to a motivational work environment (Sternberg and Turnage, 2017) is the provision of incentives in the workplace, management ensuring that the rewards must correspond to the efforts and performance obtained by comparing with the standards initially set.

### 3. Research methodology

In order to examine and explore the perceptions of managers and supervisors within the National Agency for Fiscal Administration in Romania regarding the influence of employees' reward on performance, we conducted a qualitative study on a sample of 35 managers and supervisors within the Regional Directorate General of Public Finance Galați (DGRFP), the regional structure within the National Agency for Fiscal Administration in Romania, which participated in a survey based on the questionnaire. To build the sample among managers and supervisors, we used the proportional stratified sampling method. The sample of 35 people respects the structure of human resources within the DGRFP by age, sex, and seniority.

Starting from the specialized literature and exploratory research, we selected eight variables of reward for which the managers gave answers on a Likert type scale with five levels (from total agreement to total disagreement). Table 1 presents the 11 factors.

Table no. 1. The variables of reward

Variable	Factors
VAR01	How to finalize the additional rewards
VAR02	The effects of not awarding additional rewards on employee
VAR03	The relationship between additional rewards (bonuses, bonuses, or
VAR04	Existence of a fair, fair, and objective reward process
VAR05	Stimulating employees who have not received rewards to work harder
VAR06	The direct relationship between performance rewards and employee performance
VAR07	The influence of the performance reward system on employee morale

Source: Developed by the author

Also, in the research, we used three individual variables for performance: managers' and supervisors' perceptions of managers' and supervisors' performance (direct heads) - VAR08, subordinates' performance - VAR09, organizational performance (of the organization as a whole) - VAR10, and an aggregate variable in the form of an average reward score (SMR). The variables that illustrate performance have possible values between 1 and 10, values given by managers and supervisors within DGRFP.

The research in the paper involves testing and validating the following two hypotheses:

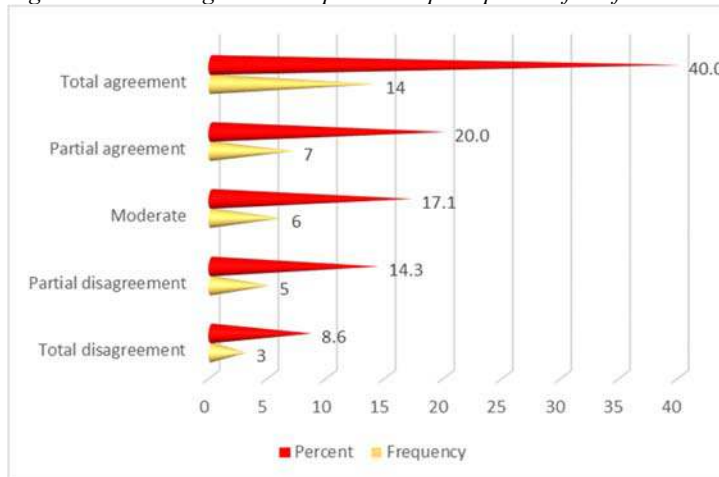
H1. Managers and supervisors believe that there is an adequate reward system.

H2. The current reward system has a good effect on performance levels recorded in managers and subordinates' perceptions, significantly influencing them.

#### 4. Findings

Researching the validity of the H1 hypothesis involves studying the frequencies of the variables VAR01-VAR07. Analyzing the perception of managers and supervisors regarding the final allocation of additional rewards (individual variable VAR01), we observed that 60% of the managers and supervisors surveyed totally or partially agree with the statement that they have no say in the final allocation of additional rewards (bonuses, bonuses or bonuses) (figure 1).

Figure no. 1. Managers 'and supervisors' perceptions of the final allocation of additional rewards

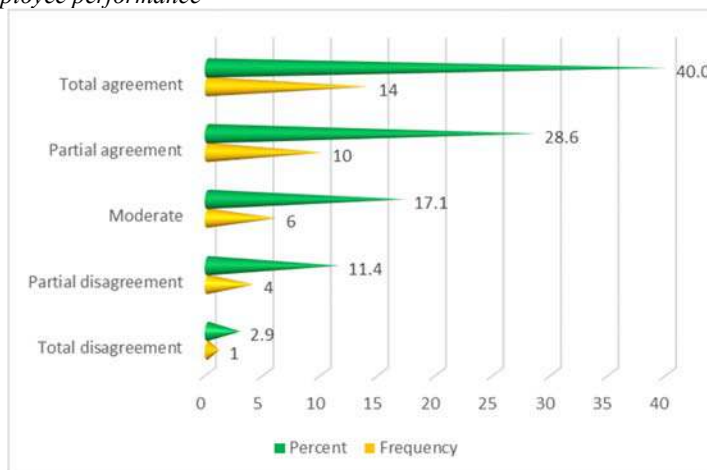


Source: Developed by author

A high percentage of surveyed managers and supervisors (representing approximately less than 22.9% of the total respondents) partially or disagree with this statement.

Researching the perception of managers and supervisors on the effects of not awarding additional rewards on employee performance (individual variable VAR02), we found that only a relatively large number of respondents (68.2% of total respondents) partially or agree with the statement that when employees do not receive any additional rewards (bonuses, bonuses or bonuses), this affects their performance (figure 2). A percentage of 14.3% of the surveyed managers and supervisors strongly or disagree, while 17.1% are in a moderate position.

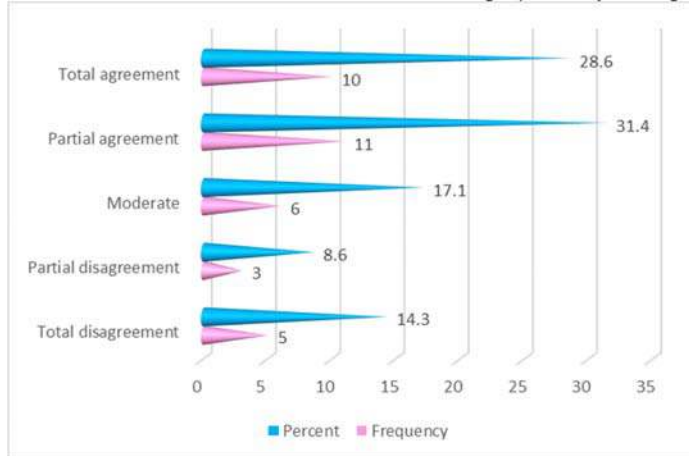
Figure no. 2. Managers 'and supervisors' perceptions of the effects of not awarding additional rewards on employee performance



Source: Developed by author

Examining the perception of managers and supervisors regarding the relationship between additional rewards (bonuses, bonuses, or bonuses) and objective performance of employees (individual variable VAR03), we observed that 60% of managers and supervisors surveyed partially or agreed with the statement that additional rewards (bonuses, bonuses or bonuses) are attached to the objective performance of employees (figure 3). 22.9% of respondents disagree partially or entirely with this statement.

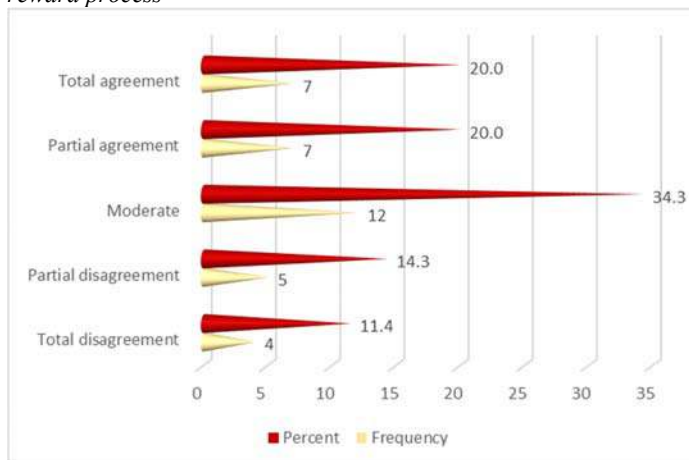
Figure no. 3. Managers' and supervisors' perception regarding the relationship between additional rewards (bonuses, bonuses, or bonuses) and employees' objective performance



Source: Developed by author

Examining the perception of managers and supervisors regarding the existence of a fair, fair, and objective reward process (individual variable VAR04), we observed that only 40% of managers and supervisors surveyed partially or agree with the statement that even those employees who do not receive Performance rewards are satisfied because they are convinced that the rewarding process is fair, fair and objective (Figure 4).

Figure no. 4. Managers' and supervisors' perception regarding the existence of a fair, fair, and objective reward process



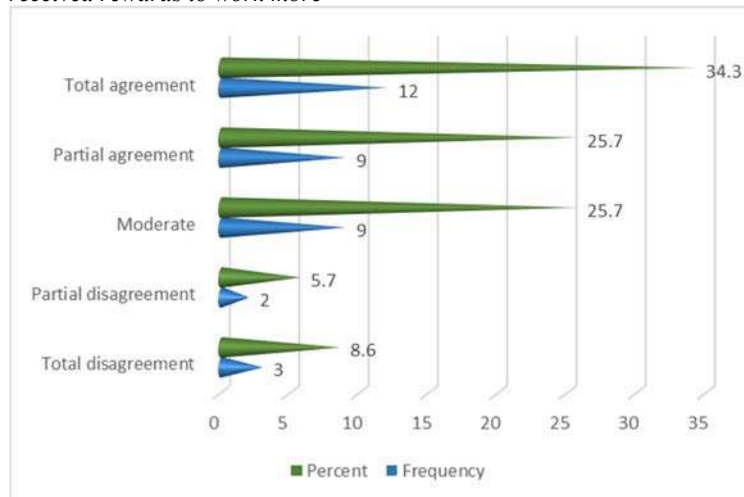
Source: Developed by author

34.3% of respondents are in moderate positions, while over a quarter of managers and supervisors surveyed partially or disagree with the statement.

Analyzing the perception of managers and supervisors regarding the stimulation of employees who did not receive rewards from working more (individual variable VAR05), we observed that 60% of managers and supervisors surveyed partially or agreed with the statement that the rewards system

encourages employees who did not receive rewards for working harder (Figure 5). Nine of the managers and supervisors surveyed are in moderate positions, and only two respondents partially or disagree with this statement.

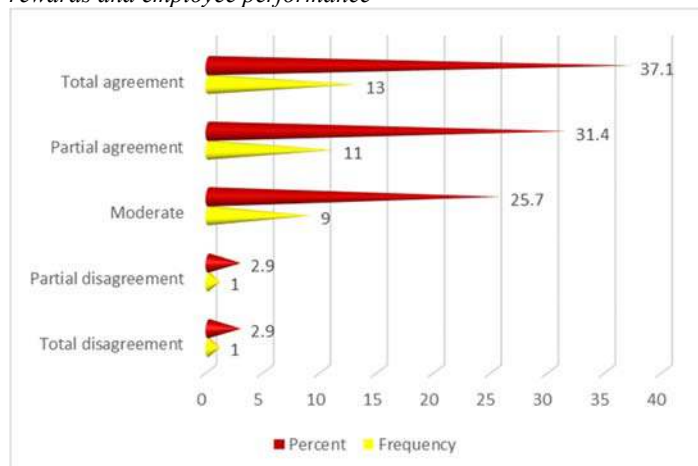
Figure no. 5. The perception of managers and supervisors about stimulating employees who have not received rewards to work more



Source: Developed by author

Examining the perception of managers and supervisors regarding the direct relationship between performance rewards and employee performance (individual variable VAR06), we observed that 68.5% of managers and supervisors surveyed comprehensively or partially agree with the statement that all employees who received rewards performance-related within the department are more efficient than those who did not receive rewards (Figure 6).

Figure no. 6. Managers and supervisors' perception of the direct relationship between performance rewards and employee performance

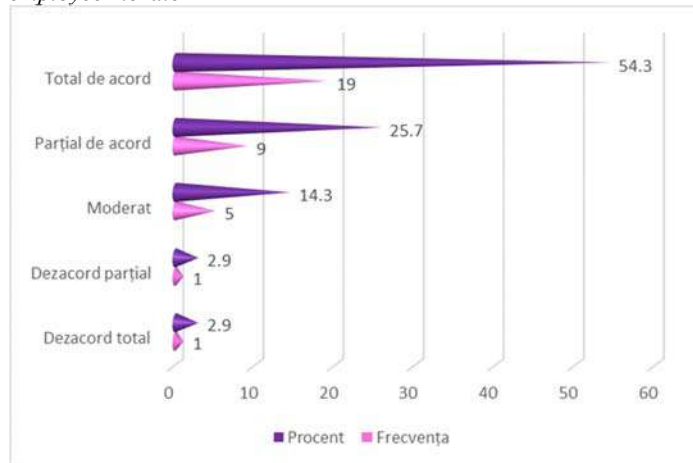


Source: Developed by author

Researching the perception of managers and supervisors on the influence of the performance reward system on employee morale (individual variable VAR07), we noticed that there is a vast number of respondents (80% of managers and supervisors surveyed) who totally or partially agree with the statement whose performance system increases employee morale in the work environment (Figure 7).

Analyzing Figure 7, we also noticed that a relatively large number of managers and supervisors (14.3% of all respondents) are in moderate positions, and only two managers or supervisors are in total or partial disagreement.

Figure no. 7. Managers 'and supervisors' perception of the influence of the performance reward system on employee morale



Source: Developed by author

Researching the validity of the H2 hypothesis involves studying the correlations between the variables VAR01-VAR05, VAR08-VAR10. To establish the influences of the variables that illustrate the reward on the variables that illustrate the individual and organizational performance, we calculated the correlations between the respective variables (both individual and aggregate in the form of average scores). Table 2 presents the correlations established among the variables that illustrate the reward, individual performance (of managers and supervisors, subordinates), and organizational performance, at the level of managers 'and supervisors' perception.

Table no. 2. Correlations among variables that illustrate reward, individual and organizational performance, at the level of managers' perception

		Managers 'and supervisors' performance VAR08	Subordinates' performance VAR09	Organizational performance VAR10
VAR01	Pearson correlation	0,143	-0,168	0,010
	Significance	0,414	0,336	0,956
	Number of cases	35	35	35
VAR02	Pearson correlation	0,097	-0,115	0,074
	Significance	0,580	0,511	0,674
	Number of cases	35	35	35
VAR03	Pearson correlation	0,256	0,372*	0,174
	Significance	0,138	0,028	0,318
	Number of cases	35	35	35
VAR04	Pearson correlation	0,186	0,297	0,102
	Significance	0,285	0,083	0,559
	Number of cases	35	35	35
VAR05	Pearson correlation	0,288	0,389*	0,256
	Significance	0,094	0,021	0,137
	Number of cases	35	35	35
VAR06	Pearson correlation	0,497**	0,459**	0,293
	Significance	0,002	0,006	0,088
	Number of cases	35	35	35
VAR07	Pearson correlation	0,333	0,289	0,290
	Significance	0,051	0,093	0,091
	Number of cases	35	35	35

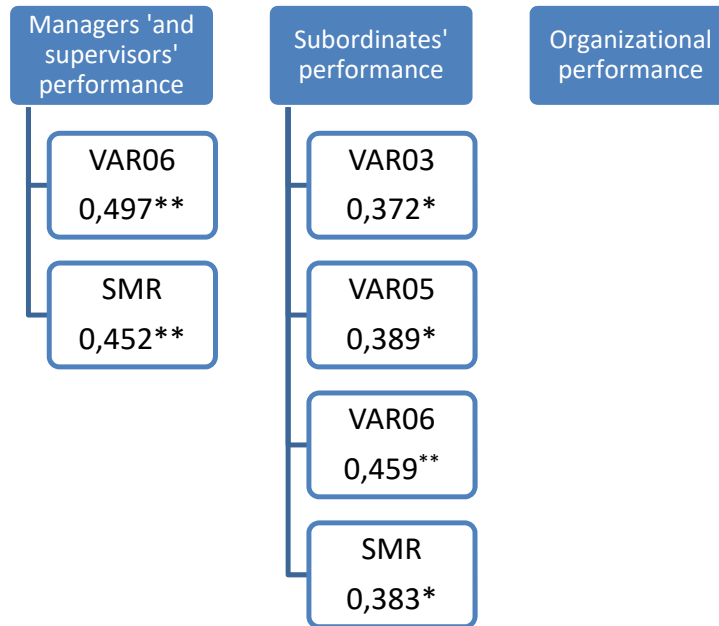
SMR	Pearson correlation	0,452**	0,383*	0,296
	Significance	0,006	0,023	0,084
	Number of cases	35	35	35

\*\* Strong correlation; \* Medium correlation

Source: Developed by author

In figure 8, we summarized essential correlations established between the variables that illustrate the reward, individual and organizational performance, at the level of managers 'and supervisors' perception.

Figure no. 8. Significant correlations between variables that illustrate reward, individual and organizational performance, at the level of managers' perception



Source: Developed by author

In the perception of managers and supervisors, the variables that most influence the performance of managers and supervisors are: the direct relationship between performance rewards and employee performance (individual variable VAR06), stimulating employees who did not receive rewards from working more (individual variable VAR05), the relationship between additional rewards (bonuses, bonuses or bonuses) and objective performance of employees (individual variable VAR03). It should not be overlooked that in order to achieve organizational performance and the performance of subordinates, managers and supervisors believe that all variables must be considered, which results from the correlations of the average reward score with the variables that illustrate performance.

## 5. Conclusion

A motivational work environment can be easily differentiated from a work environment that does not encourage motivation through its characteristics. According to Colquitt (2017), an unfavorable work environment is characterized by unfriendly and critical managers, low employee morale, high employee fluctuations, lack of feedback, and employees' lax attitude. A motivational work environment is characterized by managers with encouraging attitudes that show interest in their employees and loyal employees who are proud of working. Such a work environment is characterized by further declining employee dropout rates, higher employee morale, higher loyalty, and higher productivity. The most important factor that induces the creation of a motivational environment is the reward. The reward has a decisive influence on organizational and collective performance.

Following the research of the H1 hypothesis, we can say that this hypothesis is validated. Managers and supervisors believe that there is an adequate reward system. The conclusions we reached after researching this hypothesis are in line with the findings of Sternberg and Turnage (2017), which suggest that there are three essential dimensions to job satisfaction, namely: the emotional response to a work situation, the result meets or exceeds expectations and the attitude related to the characteristics of a job. For example, if employees feel that their manager does not recognize their hard work, they may develop a negative attitude toward work, the manager, and colleagues. On the contrary, a positive attitude will result if they consider that they are treated fairly and receive the rewards and recognition they expected. The third dimension of job satisfaction refers to the attitude related to a job's characteristics, such as work itself, reward, promotion opportunities, supervision, and colleagues.

Following the research of hypothesis H2, we can say that this hypothesis is validated. The current reward system has a good effect on performance levels recorded in managers and subordinates' perceptions, significantly influencing them. The conclusions we reached after researching this hypothesis are in line with Amos et al. (2004)'s findings that managers can provide their support by involving subordinates in setting goals and allowing them to manage their performance. Setting goals together with employees helps clarify the expected performance standards, measuring performance, the skills and resources needed to achieve the goals, and the rewards associated with achieving the agreed goals.

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