

Reward systems and employee performance: examining the impact in organizational settings

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Abstract

The increasing demands for productivity in the food industry require companies to optimally manage their human resources. One key factor believed to drive employee performance is the reward system. This study aims to analyse the impact of the reward system on employee performance in companies operating within the food sector. The methodology employed is a quantitative survey involving 85 employees, selected through total sampling techniques. Data were collected using a five-point Likert scale questionnaire and analysed using descriptive and inferential statistics through simple linear regression with the assistance of SPSS version 24 at a significance level of 0.05. The results indicate that the reward system has a positive and significant effect on employee performance. The better the reward system implemented, the higher the level of performance exhibited by employees. These findings underscore the importance of a fair and structured reward system as a managerial strategy to enhance work productivity within the food industry.

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1. Introduction

The increasing competitiveness of the job market encourages organizations to manage human resources effectively to achieve their goals optimally. One crucial aspect of human resource management is the provision of rewards or recognition for employees (Meirinhos et al., 2023). A reward system not only serves as a form of appreciation for performance but also acts as a motivational tool that encourages employees to work more productively and with higher quality (Førland & Roxå, 2024).

Rewards can take the form of financial incentives such as bonuses and commissions, as well as non-financial rewards like recognition, promotions, or a comfortable work environment (Alkandi et al., 2023; Siregar et al., 2023). When employees feel valued for their contributions, they are more likely to exhibit higher work commitment, loyalty to the organization, and motivation to enhance their performance (Rizaie et al., 2023). Conversely, the absence of an effective reward system can diminish work enthusiasm and lead to job dissatisfaction.

Companies inherently have high expectations for each employee to demonstrate good, consistent performance and to make tangible contributions to the achievement of organizational goals. The ideal employee, from the company's perspective, is one who not only meets targets but also possesses initiative, responsibility, and a strong work ethic (Nayem & Uddin, 2024). Additionally, employees who are disciplined, results-oriented, capable of teamwork, and continuously developing their competencies are highly sought after in a dynamic and competitive work environment (Islam & Periaiah, 2023). However, in reality, not all employees can meet these standards. Various internal and external factors, such as lack of motivation, inadequate reward systems, disproportionate workloads, or unsupportive work environments, can negatively impact employee performance (Afrin et al., 2023). Therefore, it is essential for companies to understand the factors influencing employee performance, including the implementation of an effective and fair reward system.

According to a survey conducted by the National Administrative Agency (LAN) in 2023, it was found that 52% of civil servants feel that the reward system in their institutions does not effectively motivate performance improvement. Additionally, around 48% of respondents indicated that the lack of clarity in reward distribution negatively affects work enthusiasm and loyalty to the organization. This data highlights the critical role of the reward system in creating a productive and competitive work environment. However, many organizations have yet to implement this system optimally, whether in terms of the types of rewards, achievement indicators, or transparency in the distribution process.

Data from the National Civil Service Agency (BKN) indicates that approximately 35% of Civil Servants (ASN) in Indonesia are classified as "deadwood," meaning they exhibit low performance, while only 19.82% fall into the "star" category, indicating high performance. In the private sector, a survey conducted by Jobstreet.com involving 17,623 respondents in October 2022 revealed that 73% of employees are dissatisfied with their jobs. This dissatisfaction is driven by several factors, including 54% of employees working in roles that do not align with their educational backgrounds, 60% feeling they lack clear career advancement opportunities, and 85% experiencing an imbalance between work and personal life (work-life balance). Furthermore, a report from Gallup revealed that employee engagement levels in Indonesia are relatively low, with only 8% of managers actively engaged, 23% not engaged, and 36% highly disengaged in managerial activities and team development. These data points underscore the need for a comprehensive evaluation of performance management systems across various sectors, as well as the importance of implementing an effective reward system as a strategy to enhance motivation, job satisfaction, and employee productivity sustainably.

Although various organizations have implemented reward systems as part of their performance enhancement strategies, the effectiveness of these implementations remains an unresolved issue. Some organizations provide rewards routinely but do not base them on

objectively measurable performance indicators, thus failing to drive significant changes in employee work behavior. Conversely, there are organizations that lack a clear reward system, resulting in low employee motivation and loyalty. This gap indicates a misalignment between the implementation of the reward system and the expected performance outcomes. Additionally, the limited quantitative research directly measuring the impact of reward systems on employee performance, particularly within specific contexts, makes this topic important for further investigation.

From the discussion above, there is a need for further research to quantitatively assess the impact of reward systems on employee performance. This research is essential to provide empirical evidence regarding the extent to which the implemented reward systems can enhance productivity, responsibility, and the quality of employee work. The results of this study are expected to serve as a reference for institutions or organizations in designing more effective and targeted reward policies.

2. Literature review and hypotheses development

2.1. Employee performance

Employee performance is one of the key indicators of an organization's success in achieving its objectives. Employee performance is not only related to an individual's ability to complete tasks but also to the extent of the employee's contribution to the company's strategic goals (Udin et al., 2023). According to Ardianto et al., (2020); Kundan et al., (2024), employee performance is influenced by various factors, such as motivation, ability, and the opportunities provided by the organization. These factors work simultaneously to determine how well employees execute their tasks and responsibilities.

Research conducted by Rivaldo & Nabella (2023), emphasizes that employee performance is significantly affected by external factors, such as organizational support, effective leadership, and a positive work culture. An organization that can create a supportive environment is likely to have high-performing employees. Furthermore, research by Mustaqim et al., (2024), reveals that employee engagement is a key factor contributing to performance improvement. Employees who feel valued and actively involved in the decision-making process are more likely to demonstrate better performance.

Studies by Abdelwahed et al., (2023); Al-Kharabsheh et al., (2023), show that job satisfaction and organizational commitment are closely related to employee performance. When employees are satisfied with their jobs and have a high commitment to the organization, they tend to work harder and deliver more optimal results.

2.2. Reward system

The reward system is one of the most commonly used strategies by organizations to enhance employee performance. According to Chi et al., (2023), an effective reward system can serve as a strong motivational driver. A fair and transparent reward system can motivate employees to improve their performance, as they feel appreciated for their contributions. A well-designed reward system also plays a role in fostering loyalty and high job satisfaction.

A study by Chen, (2023) indicates that performance-based rewards have a significant impact on increasing employee productivity. Rewards given based on clear and measurable performance achievements will enhance employees' work enthusiasm, encouraging them to reach higher targets. Research by Adaora Chinelo Uzochukwu et al., (2023) also found that a reward system that includes financial incentives, social recognition, and career development opportunities can improve overall employee performance.

However, on the other hand, research by Sulistiasih & Widodo, (2022) reveals that an unfair reward system can have negative consequences on employee motivation and performance. When employees feel that the rewards they receive do not correspond to the effort they have put in, it

can lead to dissatisfaction, decreased morale, and ultimately poor performance. Therefore, it is crucial for organizations to design a reward system that is fair, transparent, and aligned with the needs and expectations of employees.

3. Research methods

The research method employed in this study is a survey method with a quantitative approach. The sample consists of 85 employees working in a company operating in the food sector. The entire population was used as the research sample, thus the sampling technique applied is total sampling. This approach was chosen to obtain a comprehensive and accurate depiction of the relationship between the reward system and employee performance within the company.

Data collection was conducted through the distribution of a questionnaire designed to measure respondents' perceptions of two main variables: the reward system as the independent variable (X) and employee performance as the dependent variable (Y). The research instrument utilized a five-point Likert scale, ranging from "strongly disagree" to "strongly agree," to ensure that the data collected is structured, objective, and amenable to statistical analysis.

Data analysis in this study was conducted using two approaches: descriptive statistics and inferential statistics. Descriptive statistics were used to describe the characteristics of the respondents and the distribution of data for each variable, while inferential statistics were employed to test the impact of the reward system on employee performance. Prior to conducting further analysis, validity and reliability tests were performed on the questionnaire instrument to ensure that the measurement tool used is appropriate and consistent. Hypothesis testing was carried out using a significance level of 0.05, and data processing was conducted with the assistance of SPSS version 24 statistical software. This research is expected to provide empirical contributions to the understanding of human resource management, particularly regarding the role of the reward system in enhancing employee performance in the food industry sector.

4. Results and discussion

4.1. Validity test

The validity test was conducted to determine the extent to which the question items in the questionnaire were able to measure the intended variables. The validity criteria are determined based on the $r\text{-count} > r\text{-table}$ value (in this case, the $r\text{-table}$ at $N = 85$ and $\alpha = 0.05$ is 0.213). All items on the instrument show an $r\text{-count}$ value greater than $r\text{-table}$, so all items are declared valid and suitable for use in this study.

4.2. Reliability test

Reliability test is used to measure the internal consistency of the research instrument. This test was carried out using Cronbach's Alpha with the criteria that the value of $\alpha > 0.6$ was considered reliable.

Table 1. Instrument reliability test results

Variable	Cronbach's Alpha	Description
Reward system	0.811	Reliable
Employee performance	0.832	Reliable

The Cronbach's Alpha value for both variables is above 0.8 which indicates that the instrument has a very good level of reliability.

4.3. Normality test

The normality test is carried out to determine whether the data is normally distributed, as a condition of inferential analysis. This test uses the Kolmogorov-Smirnov method with sig

criteria. > 0.05 indicates that the data is normally distributed.

Table 2. Normality output test (Kolmogorov-Smirnov)

Variable	Sig. (Asymp. Sig. 2-tailed)	Description
Reward system	0.200	Normal
Employee performance	0.135	Normal

The significance value for both variables is greater than 0.05, so the data is declared normally distributed and fulfils the assumptions of the parametric test.

4.4. Statistical descriptions

Statistical descriptions are used to provide an overview of the data on each variable. The statistics displayed include the number of respondents (N), minimum, maximum, average (mean), and standard deviation values of each variable.

Table 3. Statistical description

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Reward system (X)	85	15	25	20.84	2.317
Employee performance (Y)	85	18	30	24.73	2.814

The average respondent's perception of the reward system is at 20.84 from a maximum scale of 25, indicating that the reward system in the company is perceived well by employees. Meanwhile, the average employee performance value of 24.73 out of a maximum of 30 indicates that in general employee performance is in the high category. The relatively small standard deviation value indicates that respondents' perceptions of the two variables tend to be homogeneous.

Table 4. Respondent distribution

Respondent distribution by gender		
Gender	Frequency	Percentage
Male	48	56.5%
Female	37	43.5%
Total	85	100%
Distribution of respondents based on age		
< 25 years	20	23.5%
25–35 years	42	49.4%
> 35 years	23	27.1%
Total	85	100%
Distribution of respondents based of length of service		
2–5 years	33	38.8%
6–10 years	29	34.1%
> 10 years	23	27.1%
Total	85	100%

The majority of respondents in this study were male (56.5%), indicating that the workforce in this food company is slightly dominated by men. Based on age, the 25-35 age group was the largest (49.4%), indicating that the majority of employees are in the productive and professionally mature age phase. Meanwhile, in terms of tenure, 38.8% of respondents have worked for 2-5 years, indicating that most employees have sufficient work experience to understand the reward and performance appraisal system in place at the company. This composition supports the validity of the data, as the respondents are considered to have had adequate exposure to the work dynamics and managerial systems applied.

4.5. Hypothesis test

Hypothesis testing was conducted to determine whether there is a significant influence between the reward system (X) on employee performance (Y). Simple linear regression analysis was used in this test.

Table 5. Simple linear regression analysis results

Model	Unstandardized coefficients (B)	T	Sig.
(Constant)	12.415	4.822	0.000
Reward (X)	0.634	6.738	0.000

Tabel 6. Model summary

R	R square	Adjusted R square	Std. Error of the estimate
0.615	0.378	0.371	3.467

The analysis shows that the reward system has a positive and significant effect on employee performance with a significance value of $0.000 < 0.05$. The regression coefficient of 0.634 means that every one unit increase in the reward system will increase employee performance by 0.634 units. The R square value of 0.378 indicates that 37.8% of the variation in employee performance can be explained by the reward system, while the rest is influenced by other factors. Based on the results of simple linear regression analysis, the regression equation is obtained as follows: $Y = 12.415 + 0.634X$

- Y = Employee performance
- X = Reward system
- 12.415 is a constant (intercept), which means that if there is no reward system (value $X = 0$), then the base value of employee performance is predicted to be 12.415 units.
- 0.634 is the regression coefficient, which shows that every one unit increase in the reward system will increase employee performance by 0.634 units.

The reward system has a positive impact on employee performance. This means that the better the reward system implemented by the company, the higher the performance exhibited by the employees. This positive coefficient underscores that the reward system variable is a significant predictor in explaining variations in employee performance. Therefore, companies aiming to enhance employee performance need to pay special attention to the reward systems in place, both in financial and non-financial forms. The findings of this study indicate that the reward system positively and significantly affects employee performance. This aligns with the assertion by Di Ponzio et al., (2023) that individuals are motivated to work optimally when they believe that their efforts will yield good performance, which will subsequently be followed by rewards that hold value for them. In the context of the food company that is the subject of this research, employees demonstrate higher performance when they perceive the implemented reward system as fair, transparent, and relevant to their contributions.

These results are in line with the research conducted by which found that reward systems, whether in financial or non-financial forms, play a significant role in enhancing employee motivation and productivity in the food and beverage industry. Rewards are not only viewed as a form of compensation but also as a form of recognition that motivates employees to perform better.

Additionally, these findings are supported by research by Hu et al. (2024) which states that a well-structured reward system has a direct impact on individual performance improvement, particularly in labor-intensive companies. In the food industry, which demands teamwork and consistency in production quality, rewards can serve as an effective driving tool to ensure that employees not only meet standards but also focus on results and quality (Correia et al., 2023).

From a descriptive data perspective, the average score for the reward system is 20.84 out of a maximum of 25, indicating that employees' perceptions of the reward system are relatively high. Similarly, the average employee performance score reaches 24.73 out of a maximum of 30, signifying that their performance is also very good. This demonstrates a direct correlation between perceptions of the reward system and performance outcomes, as confirmed by the regression analysis results.

Thus, it can be concluded that the existence of an effective reward system is a strategic factor in efforts to enhance employee performance. Food companies that wish to maintain and improve employee productivity need to develop a reward system that is not only financially competitive but also considers intrinsic factors such as recognition, career development opportunities, and a supportive work environment.

5. Conclusions

Based on the results of the data analysis and the discussions conducted, it can be concluded that the reward system has a positive and significant impact on employee performance in companies operating within the food sector. This is evidenced by the results of the simple linear regression analysis, which indicates that each increase in the reward system is proportionally followed by an improvement in employee performance. The high average values for both the reward system and employee performance further reinforce the finding that, in general, employees have a positive perception of the reward policies implemented by the company, and this directly affects their performance. Thus, it can be concluded that the implementation of a fair, transparent reward system that aligns with employee contributions is a crucial strategy for enhancing productivity and work effectiveness in the food industry sector. This research provides empirical contributions to the development of human resource management policies, particularly in designing reward systems that can drive optimal employee performance.

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