THE EFFECTS OF MONETARY AND NON-MONETARY REWARDS ON THE EMPLOYEES' PERFORMANCE IN MANUFACTURING FIRMS IN RIVERS STATE, NIGERIA

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ABSTRACT
The study investigated the motivational implications of monetary and non-monetary rewards in the performance of manufacturing organizations in Rivers State of Nigeria. The study was conducted using cross sectional design. The target population of the study was the employees of the Nigerian Engineering Works (NEW) Plc, Rivers Vegetable Oil Company (RIVOC) Limited and West African Glass Industry (WAGI) Plc which were selected through systematic sampling from thirty-two registered companies with the Manufacturers Association of Nigeria (MAN) in Rivers State. A sample of 312 respondents was drawn from the population through proportionate stratified sampling to ensure fair representation of research subjects selected from the various firms and each stratum of Senior and junior staff categories. Primary data were collected through the administration of questionnaire. Questionnaire was the main instrument for data collection and was designed in a 5-point Likert scale ranging from strongly agree to strongly disagree. The data collected were presented and analysed with frequency distribution and percentage while the corresponding hypotheses were tested with Chi-square statistic at 0.05 alpha level. The study found that monetary and non-monetary reward had significant positive effect on employees’ performance. The study observed that employees selected from the three firms placed great value on different rewards given to them and this promoted their level of performance. Thus, it was concluded that monetary and non-monetary rewards should be provided in manufacturing settings to stimulate an employee and sub unit workforce behaviour for performance at the individual and organizational levels.
Keywords: Rewards, Performance, Organizations

INTRODUCTION
Organisational performance is a complex phenomenon largely affected by the ability and motivation of the workforce in any firm. Monetary and non-monetary rewards are provided in organisational setting with a view to motivating and influencing individuals, team and organisational behaviour for the achievement of strategic objectives and performance of organizations (Randhawa 2008). In consideration of the era of global hyper competitiveness in the business world, rewards are fundamental imperatives to derive maximum employee inputs, retention, commitment from workers and industrial harmony between the workforce and manufacturing concerns.
However, a good number of firms do not provide appropriate mix of rewards to stimulate individual and sub-unit behaviour to attain strategic goals resulting in dwindling performance in the manufacturing sub-sector of the Nigerian economy. Hill and McShane (2008) posit that motivation represents the forces within a person that affect his or her direction, intensity and persistence of voluntary behaviour.

Thus, employees of an organization have motives and inner desires that are expressed in the form of actions and efforts towards job roles to meet their needs. Employee motivation is the level of energy, commitment, and creativity that a company's workers apply to their job (Ebrurajolo, 2004). In effect, it is the ability to activate human potentials, influence human efforts and will to do a given job. Mullins (2005) contends that having the workforce with the right talents and skills is not enough for realization of maximum results, but individual effort, motivation and employee retention are keys to maximizing organisational productivity and performance. Therefore, the performance of an individual employee or the entire workforce is a major determinant to organizational success.

Organizational members meet their personal needs from the rewards given to them in exchange for the services rendered and outstanding performance on the job. Organisations provide rewards to their personnel in order to motivate them and enhance the loyalty and retention of the workforce. According to Krietner and Kinicki (2007), reward is the compensation for doing work well given to a worker in the form of both financial and non-financial incentives while Torington and Hall (1991) submit that reward suggests a special payment for a special act.

Reward is a consideration that flows from the performance of the contract of employment relationship. Rewards are allocated to organizational members for the performance of task or realization of set targets. Luthans (2008) submits that Organisational rewards take a number of different forms including money (salary, bonuses, and incentive pay), recognition and benefits. The view of Lathans confirms that rewards are in both monetary and non-monetary forms offered to employees for meeting targets set in organizations. According to Armstrong and Murlis (1994), monetary rewards are financial rewards or direct cash payments which consist of performance pay, competency pay, gain sharing and profit sharing to workers for their contributions in an organization while non-monetary rewards are non-cash rewards which consist of all intrinsic motivators such as achievement, responsibility, opportunity for growth and extrinsic motivators such as recognition, job enrichment and praise. Motivation is one of the key elements in employee performance and productivity. Indeed, high performance will remain elusive to organisations without adequate staff motivation.

Human efforts are required to achieve the goals of organisations. The overall performance of an organisation is directly dependent on the amount of efforts positively applied by workers individually or collectively towards attaining the desired goals (Agu, 2003). The term motivation is derived from the Latin word "movere" meaning to move. In this context, motivation represents the psychological processes
that cause arousal, direction and persistence of voluntary actions that are goal directed (Kreitner and Kinicki, 2007). According to Bateman and Snell (2009), motivation means the forces that energise, direct and sustain a person's effort. From the propositions advanced by different scholars, there is common theme in the definitions. The views of these organizational scientists underscore the energetic forces and needs experienced by individuals that direct them to behave in certain ways. The notion of goal orientation suggests that behaviour is directed towards some desirable end and the motivation of employees is more likely to be sustained when outcomes (rewards) are viewed as satisfying and meeting the deeply held values of the workforce.

The motivation of the workforce is stimulated and sustained by the varying rewards provided in the organizational setting. The concept of rewards and incentives are used interchangeably among scholars. These concepts are quite interrelated, overlapping and complementary in the context of employee motivation. According to Smith (2000) incentives are payment schemes which represent an attempt to influence the behaviour and work performance of employees through the provision of cash or cash equivalent reward additional to basic remuneration. From the perception of Smith, incentives are provided to employees with the intention to exert influence or induce the work behaviour of the workforce. He further buttressed that incentives are given to employees as reward beside the basic remuneration. Reward is the compensation for doing work well given to a worker in the form of both financial and non-financial incentives. It is obvious that reward is a special payment offered to organizational workers who have done excellent jobs.

Some scholars tried to draw a line of distinction between the concepts of reward, incentives and recognition. According to Silverman (2004), the central tenet of the distinction is that rewards are promised from the outset, whereas recognition is afforded in a post hoc manner. Armstrong and Murlis (1994) posit that the essential distinction is that incentives are forward looking while rewards are retrospective and that the difference is necessary when defining the objective of pay for performance. From the view points of the scholars, the concepts are used interchangeably. However, the concept of reward (monetary and non-monetary) and motivation is the centre piece of discussion.

Employee performance essentially means what an employee does or does not do. Employee performance common to most jobs includes the element of output, timeliness of output, presence at work, and cooperativeness (Mathis and Jackson, 2004). According to Jones, George and Hill (2006), organizational performance is a measure of how efficiently and effectively managers use resources to satisfy customers and achieve organizational goals. The scholars further stress that organizational performance increases in direct proportion to increases in efficiency and effectiveness. It succinctly refers to the effectiveness of any organization in fulfilling its purpose. The theoretical foundation of this study is anchored in Herzberg Two factor model and expectancy theory of work motivation. Although there are many competing theories of motivation, these theories may all be at least partially true and help to
explain the behaviour of certain people in specific times. Reviewing these theories of motivation facilitates our understanding of how monetary and non-monetary rewards can motivate employees to perform in organizational setting. Herzberg two-factor model of employee motivation is one of the widely discussed need-based theories of employee motivation. Fredrick Herzberg TWO-FACTOR THEORY is the aftermath of landmark study of 203 accountants and engineers interviewed to determine factors responsible for job satisfaction and dissatisfaction. According to Werner and DeSimone (2006), Herzberg claimed that people have two sets of basic needs, one focusing on survival and another focusing on personal growth.

Herzberg contended that factors in the workplace that satisfy survival needs or hygiene factors, cannot provide job satisfaction but only prevent dissatisfaction. These hygiene factors are pay and security, working conditions, interpersonal relationship, company policy and supervisor. The personal growth factors he considered as motivators are achievement, recognition, the work itself, responsibility, advancement and growth. Herzberg argued that the motivator factors create feelings of job satisfaction but their absence will not necessarily lead to job dissatisfaction. Herzberg two-factor model implies that management must not only provide hygiene factors to avoid dissatisfaction but also must provide motivators (intrinsic factors) for the job itself to have motivating potential. Their motivation-hygiene theory constitutes a good framework for the validity of the argument that non-monetary rewards can be as effective as monetary rewards in the motivation of personnel.

Expectancy theory was first proposed by Victor Vroom who asserts that motivation is a conscious choice process (Werner and DeSimone, 2006). According to this theory, people choose to put their effort into activities that they believe they can perform and that will produce desired outcomes. Expectancy theory argues that decisions about which activities to engage in are based on the combination of three set of beliefs: expectancy, instrumentality and valence. Expectancy is concerned with perceived relationship between the amount of effort an employee puts in and the resulting outcome. Instrumentality refers to the extent to which the outcomes of the worker's performance, if noticed, results in a particular consequence; valence means the extent to which an employee values a particular consequence.

The implications of their theory is that if an employee believes that no matter how hard he works he will never reach the necessary level of performance, then his motivation will probably be low in respect of expectancy. As regards instrumentality, the employee will be motivated only if his behaviour results in some specific consequence. If he works extra hour, he expects to be rewarded while for valence, if an employee is rewarded, the reward must be something he values (Aamodt, 2007). An increasingly large number of organizations have explained how rewards, particularly money could be linked to desired behaviour and performance outcomes to improve effectiveness (Beer and Cannon, 2004; Gerhart and Rynes, 2003; Rigby 2001). The powerful role that monetary rewards can play in influencing behaviour has been widely acknowledged over time (Peach and Wren, 1992). Early motivation
theories such as expectancy theory (Vroom, 1964) have demonstrated intuitive appeal and its basic components have received empirical support (Van and Thierry, 1996). Over the years, organizational research demonstrates that employees are motivated more than just monetary rewards alone. However, many organizations rely solely on financial rewards. These are a whole host of alternative motivators that can influence employee behaviour and enhance motivation (Silverman, 2004). Gratton (2004) underpins the view of Silverman that motivation of employees is determined by both monetary and non-monetary factors.

Armstrong and Murlis (1994) underscore the need to provide non-financial rewards in sympathy with the needs of people at various degrees for achievement, recognition, responsibility, influence and personal growth. The assertion of Armstrong and Murlis is in line with the motivators enumerated by Herzberg, Mausner and Snyderman (1957) in their two factor model of employee motivation. These are forms of non-monetary rewards or intrinsic rewards as considered by some scholars. Therefore, the focus of this paper is to examine the effect of monetary reward and non-monetary reward on employee performance in manufacturing firms. To achieve these, two research questions with their corresponding hypotheses were formulated.

1. What is the effect of monetary reward on employees’ performance?
2. What is the effect of non-monetary reward on employees’ performance?

H0: Monetary reward does not have significant positive effect on employees’ performance.

H1: Non-monetary reward does not have significant positive effect on employees’ performance.

METHODOLOGY

The study was conducted using cross sectional design. The target population of the study was 1,417 employees from Nigerian Engineering Works (NEW) Plc, Rivers Vegetable Oil Company (RIVOC) Limited, and West African Glass Industry (WAGI) Plc which were selected through systematic sampling from thirty-two (32) registered companies with Manufacturers Association of Nigeria (MAN) in Rivers state. A sample of 312 respondents was drawn from the population through proportionate stratified sampling procedure to ensure fair representation of the research subjects from the various firms and each stratum of senior and junior staff categories.

The sources of data were both primary and secondary. The primary data were collected through questionnaire administration and secondary data were sourced from journals, textbooks and the internet. Questionnaire was the main instrument for data collection and was designed in a 5-point Likert scale form. The data collection instrument was divided into two sections. Section one was to elicit biographical characteristics of the respondents while section two raised seven (7) items that reflected the two objectives of the study. Three hundred and twelve copies of the data collection instrument were distributed and two hundred and ninety-five copies
were returned, giving 94.6% as response rate. The data collected from the field were presented and analyzed with descriptive statistics to provide answers for the research questions while the corresponding hypothesis were tested with Pearson Chi-square at 0.05 alpha level with the aid of computer through the application of Statistical Package for Social Sciences (SPSS 15.00 version).

RESULTS AND DISCUSSIONS

Table 1: The Effect of Monetary Reward on Employee Performance of the Selected Organizations in Rivers State N = 295

<table>
<thead>
<tr>
<th>Questionnaire items</th>
<th>S. Agree/Agree</th>
<th>S. Disagree/Disagree</th>
<th>Undecided</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
</tr>
<tr>
<td>Monetary reward results in reduced labour turnover</td>
<td>242</td>
<td>79</td>
<td>48</td>
</tr>
<tr>
<td>Monetary reward boasts morale of employees</td>
<td>233</td>
<td>69</td>
<td>42</td>
</tr>
<tr>
<td>Monetary reward promotes employee's level of output</td>
<td>252</td>
<td>85</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2011.

The questionnaire item 1 in table 1 above shows that 79% of the respondents affirmed that monetary reward results in the reduction of labour turnover while only 16% of the research subjects opposed this view. Nonetheless, 5% of the study participants were indifferent. With respect to questionnaire item 2 on table 1 above, 69% of the respondents agreed that monetary reward boosts employee morale while only 14% of the study participants disagreed with this statement. However, 7% of the respondents remain undecided. The questionnaire item 3 on table 1 above demonstrates that 85% of the respondents consented to the statement that monetary reward promotes employee's level of output. In contrast, only a handful of 11% of the respondents disagree with this statement while 4% were indifferent.

Table 2: Chi-Square Tests Computed from the frequency Cross tabulation.

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>31.122(a)</td>
<td>8</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>33.364</td>
<td>8</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>1.738</td>
<td>1</td>
<td>.187</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>295</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSSWIN15.00 version output.

Table 2 demonstrates the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies with the response options of strongly disagree to strongly agree based on the responses of the research subjects from the three manufacturing firms in River State. The Pearson Chi-Square computed statistic value is greater than the Chi-Square tabulated value with 8 degrees of freedom (df) at 0.05 alpha level. Since the Chi-Square computed value is greater than the Chi-Square tabulated value, the null that monetary reward does not have significant positive effect on employee performance is rejected.

The discussion of results is in line with the two objectives the study sets out to accomplish. The analysis of research question one on table 1 showed that monetary reward led to reduction in labour turnover, high employee morale and increase in
employee level of output among manufacturing firms in River State. The null hypothesis one tested was rejected because monetary reward had significant positive effect on employee performance.

The finding of the study lends credence to the theoretical foundation of Vroom's (1964) expectancy theory which postulates a clear link between effort and monetary reward that ultimately influence work behaviour of employees. However, the finding of the study that monetary reward had significant positive effect on employee performance is diametrically opposed to Herzberg two-factor hypothesis which classified pay (money) as a hygiene factor in stead of motivator to influence employee work behaviour for performance.

Moreover, the finding of the present study re-enacts the previous research findings of Guzzo, Zette, and Katzell (1985) that financial incentives had effect on productivity of employees. The finding of the study also provides support for the assertion of Dematteo, Eby and Sundstrom (1998) that reward compensation is a utilization of pay system through which efforts of various subunits and individuals are directed towards the achievement of organization's objectives.

However, previous research findings of Pearce, Stevenson and Perry (1985) and Jurgerson (1978) were discordant with the present study. Pearce, Stevenson and Perry (1985) found that merit pay as a form of monetary reward had no effect on organizational performance. Also Jurgerson (1978) found that pay as a monetary reward was ranked fifth in importance and was not a basic instrumental factor for the performance of employees. The variance of these empirical evidences with the present study may be due to differences in sample sizes, nature of data, cultural values of respondents and setting of the studies.

Table 3: The Effect of non-monetary reward on employee performance of the selected organizations in Rivers State

<table>
<thead>
<tr>
<th>Questionnaire items</th>
<th>S. Agree/Agree Freq. %</th>
<th>S. Disagree/Disagree Freq. %</th>
<th>Undecided Freq. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-monetary reward enhances employee retention and loyalty</td>
<td>233 69</td>
<td>41 14</td>
<td>12 4</td>
</tr>
<tr>
<td>Non-monetary reward brings about industrial harmony</td>
<td>248 84</td>
<td>38 13</td>
<td>9 3</td>
</tr>
<tr>
<td>Non-monetary reward results in employee commitment to organisation</td>
<td>256 87</td>
<td>25 8</td>
<td>14 5</td>
</tr>
<tr>
<td>Non-monetary reward does not have positive influence on the level of employee performance</td>
<td>37 13</td>
<td>243 82</td>
<td>15 5</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2011.

The questionnaire item 4 on table 3 above shows that 69% agree while only 14% disagree out of the 295 respondents with the statement that non-monetary reward results in employees commitment to organization. However, 5% were indifferent. Questionnaire item 5 on table 3 above indicates that 84% of the respondents agree that non-monetary reward brings about industrial harmony in the selected organizations. In contrast, only 13% disagree with the statement while 3% of the research subjects were indifferent. As regards questionnaire item 6 in table 3 above,
87% of the respondents affirmed that non-monetary reward results in the commitment of employees to organizations as opposed to 8% of the participants who had contrary view. Nonetheless, 5% of the research subjects remain neutral. As shown on table 3 of questionnaire item 7, only 13% of the respondents consented to the statement that non-monetary reward does not have positive influence on the level of employee productivity in the selected organizations while 82% had an opposing view to this statement. However, 5% of the research subjects were non-committal to either view.

**Table 4: Chi-Square Tests Computed from the frequency Cross tabulation.**

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>26.877(a)</td>
<td>8</td>
<td>.001</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>30.400</td>
<td>8</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>3.311</td>
<td>1</td>
<td>.069</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>295</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSSWIN15.00version output

Table 4 is the output of the computed Chi-Square values from the cross tabulation statistics of observed and expected frequencies with the response options of strongly disagree to strongly agree based on the responses of the research subjects from the three manufacturing firms in River State. Pearson Chi-Square computed value is greater than the Chi-Square critical value with 8 degrees of freedom (df) at 0.05 level of alpha.

Since the Pearson Chi-Square computed is greater than Chi-Square table value, the null hypothesis that non-monetary reward does not have significant positive effect on employee performance is rejected. The analysis of research question two on table 3 revealed that non-monetary reward enhanced employee retention and loyalty, brought about industrial harmony, employee commitment while majority of the participants disagreed with the issue that non-monetary reward had no positive influence on employee performance. Thus, non-monetary reward had a significant positive effect on employee performance. The finding of the study is affirmation of the theoretical postulate of Herzberg, Mausner and Snyderman (1957) Two-Factor model of non-monetary reward as motivators of employee behaviour for performance.

The finding of the present study concurs with Nelson's (2001) and Scott's (2002) previous research findings that non-monetary rewards of recognition, praise and tangible non-monetary incentives influenced workforce behaviour for performance. From the analysis of research questions and hypotheses, the study found that monetary rewards provided in manufacturing firms reduce the incidence of labour turnover; monetary rewards help to boost employee morale; monetary reward promotes employee level of output and monetary reward had significant effect on employee performance. Non-monetary reward enhance employee retention and loyalty; non-monetary reward brings about industrial harmony; non-monetary reward induces employee commitment to organizations; non-monetary reward had positive influence on the level of employee productivity and non-monetary reward had significant effect on employee performance.
CONCLUSION AND RECOMMENDATIONS

This study aimed at investigating the motivational implications of monetary and non-monetary rewards in the performance of manufacturing organizations in Rivers State of Nigeria. It observes that employees of the firms studied place great value on different rewards given to them and this promoted their level of performance. It therefore concludes that workers place great value on the different rewards given to them by their employers. Hence, when these rewards are not given, workers tend to express displeasure through poor performance and non-commitment to their jobs. Based on the findings of the study, the following recommendations are provided:

i. Monetary rewards like bonuses, performance based rewards, should be provided to attract, retain and motivate employees for the performance of manufacturing firms.

ii. Non-monetary rewards like autonomy, recognition and praise should be offered to employees to promote employee retention, loyalty and performance of employees.

iii. Reward preferences of employees should be considered in the distribution of reward types to deserving employees for maximum employee performance.

REFERENCES


