

Role of Compensation and Reward System on Organization Performance: A Review

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Abstract

Each corporation now faces a difficulty in finding effective workers who contribute to the success of the business in this period of modernization. In addition, it can be difficult to pay staff employees appropriately based on their performance, which serves as a motivator.

For an organization to attract, keep, and motivate qualified personnel, compensation is crucial. It is crucial to both employee and organizational performance. This idea of remuneration as a key consideration is particularly pertinent in the case of banks since, like other economic sectors, the banking industry requires effective, skilled, and motivated people resources. In order to better understand how the compensation and reward system affects organizational performance, a study has been conducted.

By offering the best compensation and remuneration according to the norms, employees must be managed properly and promptly. The need for attracting and keeping the best personnel will be met by the generous salary. In light of this study article, the concept, necessity, and significance of pay management in enhancing employee performance have received the most attention.

Keywords: *Compensation & Reward System, Organizational Performance, Employees performance, Remuneration, lucrative compensation.*

Introduction

In today's era, management has adopted one of the main strategies that are to invest on employees. Because the quality of an organization's human resources determines its survival and competitive advantage, businesses are working to develop, inspire, and improve the performance of their personnel in a range of human resources applications (Armstrong 2005). The compensation and reward system is one of the best ways to support employees and inspire them (CRS). Compensation management is a process that pays employees for the work they do in an efficient and effective way so that the business can attract, keep, and motivate them to perform successfully. Fair rates, salary structures, and cost structures should be established and maintained as part of compensation management. This is accomplished through the distribution of benefits, pay surveys, and the evaluation of positions. Compensation is a factor that influences how successfully working members perform, either directly or indirectly. Employees are given the impression that they are working in a better organization that is helping them meet their needs thanks to various components of remuneration. In India, compensation or pay structures typically include the following elements:

1. Salary or Wage
2. Dearness Allowance
3. Incentives
4. Fringe benefits
5. Stock options
6. Meal/Travel/Housing Allowance

CRS is the tool that businesses use to boost employee productivity because it focuses on employee and organizational performance development, which leads to better outcomes. Since CRS is so important, the purpose of this study was to look at how it affects an organization's performance and see if it could be used as a key strategic tool to gain a competitive advantage.

Review of Literature

Ranjan R. and Mishra U. (2017) The findings show a statistically significant association between all independent variables and employee job performance, as well as a positive relationship between all independent variables and employee work performance. The research demonstrates that although there are many studies linking CRS with employee performance, there has been less research on how CRS impacts organisational performance (OP). The current work aims to close this knowledge gap.

Ndung'u A. W. and Kwasira J. (2016) showed that the association between employee motivation and career incentive systems, as well as performance-based reward systems, was favourable and statistically significant. It can be assumed that the commercial banks questioned had implemented a system of performance-based rewards and routinely assessed staff performance. The study came to the conclusion that increasing employee engagement required a major role for career rewards.

Taufek F. H. B. M. (2015) observed that the Work Engagement is impacted by the Reward System. The work involvement is also impacted by demographic characteristics. This demonstrates the need for a more advanced reward system to boost employee engagement.

Hameed A. & others (2014) they discovered in their study that compensation had a favourable effect on employee performance. Correlation research has demonstrated that all independent variables have a marginally positive or weakly positive link to one another. All of the independent factors have a negligible and beneficial impact on employee performance, according to regression analysis. Additionally, descriptive analysis demonstrates that each independent variable has a favourable effect on employee performance

Bob (2011) In order to provide and maintain appropriate types and levels of pay, benefits, and other forms of compensation, compensation processes are based on compensation philosophies and strategies and contain arrangements in the form of policies and strategies, guiding principles, structures, and procedures.

Armstrong (2005) According to his own analysis, compensation management focuses on creating a healthy working environment and psychological contract that uses a whole compensation strategy and acknowledges the various ways those individuals can be compensated.

Objectives

- To understand the methods of compensation management used by an organization.
- To comprehend the numerous motivational aspects for employees.
- To determine relationship between organizational performance and compensation management.

Research Methodology

Since only secondary sources were only used to get the data for this study, which focuses on fact-finding analysis with appropriate interpretation, it is exploratory in nature. Secondary data were gathered from a variety of academic Journals, both online and printed, periodicals books and newspaper.

Findings

It has been discovered from accessing various websites and sources that compensation management plays a crucial part in motivating the workers, which leads to an increase in total performance. Additionally, it can be said that variety of elements, including a positive work environment, an equitable compensation structure, and numerous benefits, contribute to employee motivation. Also, there is clear connection between employee performance and compensation management. If one is paid in accordance with the labor performed, this will inevitably result in more productive outcomes from the workforce and greater overall contributions to corporate goals. At last, it can be summarized that **“A happy employee is a productive and efficient employee”**.

Conclusion

The investigation in this research article contributes to the conclusion that employee job satisfaction is significantly influenced by motivation. However, managing compensation, or having appropriate compensation practices, is one of the key factors in motivating employees. The findings also show how effectively managed compensation plans have a direct impact on employees' motivation level. It is crucial for businesses to have pay management strategies that both safeguard and enhance employee performance. As a result, it can be claimed that compensation management is a problem that is crucial to the operation and management of the company. There is significantly correlation between compensation management and productivity gains, as well as a significant correlation between compensation management and employee retention has a reasonable compensation policy. In conclusion, there is a connection between pay management and employee performance, indicating that effective compensation management must be planned, put into practice, and managed to ensure employee success.

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