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Impact of Reward System on Employee Performance: A Case Study of Normet Ltd.

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Abstract

The primary objective of the research study was to investigate the impact of rewards on employee performance on the example of Normet Ltd in Iisalmi, Finland. There were three specific goals for the research: to assess the existing rewards in the company, evaluate the most preferred types of rewards for employees of all levels and make recommendations to the management of Normet on possible improvements for the reward system.

The research combined both qualitative and quantitative data collection. The quantitative data was gathered with a specifically created online questionnaire with 91 respondents and a series of individual interviews for the managerial level employees with 8 respondents. The information was analyzed with the help of SPSS software. The researcher conducted frequency analysis, correlation analysis and regression analysis. Additionally, the data gathered through individual interviews was analyzed and interpreted using manual thematic technique.

The practical part of the study indicated that dependent and independent variables of the research were strongly and positively correlated with each other as the statistical result was close to 0.678 which is close to 1. Moreover, according to the individual interviews it was concluded that only the combination of extrinsic and intrinsic rewards ensures increase and maximization in overall employees' performance.

Declaration

I declare that the contents of this thesis represent my own work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the University.

Signed _____   Date _____

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1 INTRODUCTION

Contemporary organisations face various challenges to remain competitive in the operating industries and gain sustainable competitive advantage. Nowadays, most companies manage employees of different nationalities, cultures and social backgrounds which make the phenomenon of employee retention even more challenging.

In the globalised world of developed technology and internet, consumers have become educated about the products, services, business practices and personal rights as never before, hence, requiring more skilful and efficiently trained workforce from companies (Torrington et al. 2009).

Retaining a talented and high-quality employee has been considered as one of the long term sustainable competitive advantages but in the modern business environment, it has become a challenge for companies (Armstrong, 2013).

According to Armstrong (2013), a reward system is regarded as a program developed to provide appreciation for high performers and provide incentives for low performers to increase their productivity. Moreover, reward systems have been identified as one of the most effective factors to maximise employee job satisfaction and industriousness.

From the managers' point of view, a reward system is aimed to shape the behaviours of employees towards their jobs and a company in general (Griffin & Moorhead, 2013). Rewards are given to those employees who meet or more often exceed expectations of the management, thus, being a tool of motivation, attraction and retention of qualified workforce.

1.1 Contextual Background

Performance of each employee usually affects not only the employee himself/herself but also a team he/she is working at, department, management and the company, thus, performance is the fundamental aspect of organisation's success and productivity (Armstrong, 2013). Reward system is the way to increase organisation's productivity and at the same time monitor performance of employees, hence, retaining qualified workforce and attracting new talents.

According to Sheilds and associates (2015), rewards should be based on differing needs of employees as some employees prefer cash rewards while others are more interested in other incentives such as house, car, paid holidays.

From the statement above, it is obvious that an efficient reward system should combine both monetary and non-monetary rewards and incentives to satisfy the needs and expectations of employees towards management and reward system.

Torrington and associates (2009), expressed the idea that positive impact on employee productivity can only be achieved if the reward system meets the needs and expectations of employees. Most commonly rewards are categorised as intrinsic and extrinsic where extrinsic rewards stand for promotions, commission, bonus, awards, while intrinsic rewards are performance appreciation, social recognition, improved working conditions, diversification in job description, increasing responsibilities.

Intrinsic motivation refers to the motivation that comes from inside an individual. This type of motivation usually comes with the satisfaction employee gets after the work being done or in some cases during the working process. Intrinsic motivation can be influenced by several factors which are responsibility, freedom to act, scope to use and develop skills and abilities, interesting work and opportunities for advancement. These motivators are used to have a long-term effect as they come from the individual and not from the surrounding environment (Armstrong, 2013).

In contrast, extrinsic motivation is generated by some actions being done for people to motivate them. This motivation occurs from the external sources such as money, grades, criticism or punishments. Extrinsically motivated employees can work on a task even without being interested in it, knowing that the reward will provide them with satisfaction and pleasure after the task being completed. Unfortunately, extrinsic motivation has a short effect on the employees and with the new task to be done new rewards should be offered (Armstrong, 2013).

A good balance of extrinsic and intrinsic rewards enables the organisation to maximise employee's commitment, motivation, and job satisfaction which in turn maximises the performance of employees particularly in terms of productivity (Khan, et al. 2013).

Additionally, researcher Wang (2004) points out the fact that reward system is an efficient method of increasing employee commitment towards organisation maximising employee loyalty and job satisfaction.

Furthermore, Torrington, Hall, Taylor & Atkinson (2009), investigated rewards systems and their impacts on organisations and concluded that adequate reward system maximises the job satisfaction leading to increase in efficiency and effectiveness of employee productivity.

Another researcher, Pratheepkanth (2011), found that both intrinsic and extrinsic rewards have string positive correlation with employees' motivation. As other HR investigators he agrees that positive relationship between motivation and rewards leads to increase in the job satisfaction of employees. Following up, job satisfaction has a positive effect on the perception of job success and achievement of an employee. Pratheepkanth also associates job satisfaction with employee productivity, commitment and loyalty to an organisation.

Latham (2012), has concluded that a company should have a developed rewards system which meets the needs and wants of employees, otherwise there would be no any benefit from the system. While Boehm and Lyubomirsky (2008) look upon reward system as a tool of job promotion, as rewards might motivate employees to develop and improve their skills and competencies faster, therefore achieving career growth.

The study conducted by Andrew and Kent (2007) showed that job satisfaction strongly depends on employees' perception of reward system as well as performance appraisal and recognition, while Raza (2012) concludes that reward system is key motivation for employees to meet performance expectations of the management.

Danish and Usman (2010) investigated reward system as a method of creating pleasant and favourable working conditions for employees, thus motivating workforce to maximise productivity and deepen loyalty to an organisation. Moreover, they point out that performance recognition leads to the creation of high working moral among employees which contributes to companies' successful operation on the market.

A well-thought-out reward system may prevent employee burnout which is experienced by almost all types of employees at all levels. Burnouts strongly influence employees in a negative way

reducing their job satisfaction as well as affects motivation and the whole working process (Schaufeli and associates, 2002).

In 2013 two researchers Kehoe and Wright (2013) conducted statistical tests and found significant relationship between reward system and performance recognition, as well as with motivation and job satisfaction. According to their study, employee motivation and job satisfaction change correspondently with the changes in recognition and rewards. For instance, increase in rewards leads to increase in employee performance.

1.2   Organisational Background

Normet is a rapidly growing and innovative technology company with a passion to offer continuous improvement to underground construction and mining processes for increased safety, productivity and profitability.

The company's head office with Group and Research & Development functions is located in Iisalmi, Finland, and manufacturing is done in Iisalmi and Santiago de Chile. In order to react better and faster to changes in our customers' environments and needs Normet has established a distribution and service network with headquarter in Switzerland and sales and support facilities in 43 own locations in 28 countries around the globe. Normet employs over 1000 business professionals. Normet Group's turnover in 2018 totalled over EUR 300 million (Normet, 2018).

The company's main objective is to establish and maintain a strong partnership with its customers. The business approach is centred on packaging technical solutions comprising a range of tough underground construction equipment, high performance construction chemicals, and ground control technologies and delivering them through the most competent and attentive technical support team in the business.

Nowadays, Normet has reached the number of over 11,000 built-for-purpose underground machines sold all over the world which resulted in becoming one of the market leaders in the underground machine product segments. The organization's main objective is customer satisfaction as it is seen to be the most important dimension for a successful company.

On the other hand, the competition in the machinery industry is constantly growing and it becomes more difficult to maintain leader positions in the market. According to Torrington (2009), one of the best ways to stay competitive and grow market power is to retain and motivate employee productivity which gives companies sustainable competitive advantage. Thus, this study aims to explore the reward system in Normet and its impact on motivation and performance of its employees.

1.3   Problem Statement

To stay competitive in the industry and increase market share, Normet needs to have efficient and effective strategies in different areas of operation. Productivity and success of the company depends a lot on the employee performance and motivation. A comprehensive reward system is an effective management tool for motivating employees particularly low performers, but also increasing job satisfaction particularly of high achievers (Dewhurst et al, 2009).

However, due to differences in personalities and personal preferences, some employees are more motivated by extrinsic rewards while others prefer intrinsic rewards. Career and professional development of employees should be also taken into consideration (Andrew and Kent, 2007). Moreover, adequate rewards create a feeling in employees that they are valuable, and their efforts are recognised and appreciated by the management.

The foremost implication of this study is that traditional approaches to maximize productivity are effective in contemporary business environment. Thus, it is important for companies to constantly retain and improve employees' motivation which requires an efficient reward system for all workforce, as employee motivation and employee performance varies and may decline with passage of time. Therefore, this study is focused on the rewards system and its impact on employee performance with Normet Ltd as a case study.

This research investigates three main areas. First, the purpose of the research is to look upon the existing reward system in Normet, explore its structure, strengths and weaknesses and point out potential improvements of the system to increase employees' performance. As it was mentioned, the impact of a reward system on employee performance is strong which in turn, influences the

whole organisational performance, therefore reward systems can be used as tools to maximise productivity of employees and gain competitive advantage in the market.

Secondly, this study aims to increase the awareness of employees at all levels about the reward system of the company. Particularly on their individual performance which provides competitive advantage to the company in the industry. Knowledge of reward system is likely to motivate employees to develop personally, grow professionally and open new career prospects.

Finally, the aim of the research paper is to make recommendations for the company on how to improve the reward system and as a result increase the performance of their employees. Recommendations given to Normet might be also useful for other companies with the similar employee reward structure, therefore the following research study can also be helpful for the other organizations in the machinery industry.

1.4 Aims and Objectives

The main goal of the study is to investigate and understand the impact of rewards on the performance of employees in the company on the example of Normet Ltd. The objectives of this research are:

1. To identify the most important rewards that motivates employees at Normet ltd.

2. To evaluate the impact of rewards on employee performance at Normet Ltd.

3. To offer recommendations on how reward system of Normet Ltd. can be improved in order to improve employee performance.

1.5   Research Questions

The research questions of the study are the following:

1. What is the impact of rewards on employee performance at Normet Ltd.?

2. Which are the most important rewards that motivate employees at Normet Ltd.?

3. How can the reward system be improved to enhance performance at Normet Ltd.?

1.6   Significance of the Research

This study is based on the research made by Panagiotakopoulos (2013) whose main objective of the research was to examined major motivational factors which influence employees' motivation. Panagiotakopoulos (2013), concluded that the creation of a reward system depends a lot on the external environment which influences employees need and that is of vital importance to integrate employees into the process of development and improvement of reward policies in an organisation.

Moreover, the findings of this study may be used as a foundation for other possible researches in the sphere of rewarding such as complexity, fairness, frequency and their impact on employee performance, motivation and job satisfaction.

The results and methods used in the research are useful for Normet and may be also useful for other similar organisations to improve their existing reward systems. From the practical implication perspective, the findings of the research are valuable for making recommendations for Normet study case as the principal objective of the research is to improve company's existing reward system and, therefore, increase overall employee performance.

2   LITERATURE REVIEW

In the literature review chapter, there are incorporated the findings of key research studies made in the sphere of employee motivation, job satisfaction, employee performance and reward systems structures and peculiarities.

Information used in the research was gathered from different scholarly articles, research papers, journals, electronic libraries and reference books that bring knowledge and clarification on the various rewarding methods that can be used to improve the performance of the employees working in an organization.

This research paper contains not only the key variables studied in depth, but also such sub variables, like job satisfaction and employee motivation which are necessary for the sustenance of employee performance and productivity of the company.

2.1   Employee Performance and Motivation

According to authors Kulchmanov and Kaliannan (2014) motivation of employees is the most influential factor in employee performance. The performance of employees can be maximised by creating a perception among them that that their hard work and effort is valuable for the company and management recognise and reward high performers.

On the other hand, the researcher Nielsen (2013), expressed an idea that such factors as trainings, skills development programs, technological innovations and improvement of working conditions also influence workforce performance and motivate employees to perform better.

Overall a firm may very well decide to simply lay off low performers and recruit high performers (Shields, et al 2015). This situation may lead to employees' burnout, as there would be a lot of pressure on the employee's performance under the threat of being terminated if the work outcome does not satisfy management. In the long run such politic will lead to high employee turnover and loosing qualified talents. Thus, managers must find ways to improve performance while

retaining employees and keeping them motivated. managers can not only prevent employee burnout, absenteeism, and high staff turnover but also can maximise performance.

From the perspective of Danish and Usman (2010), the most effective way of employee motivation is to reward them for their high performance and provide adequate incentive to further performance improvement. Rewards and incentives lead to staff job satisfaction and high-level motivation which influence company's overall performance.

2.2 Relationship between Rewards and Employee Performance

Overall organisation performance consists of the sum of performances of every individual in a company (Kim, 2010). The reward system of a firm is used as a tool to monitor performance of employees as well as a method to motivate employees. Therefore, an organisation such as Normet uses reward system to stimulate the performance of its employees. The goals and objectives of organisation are accomplished by designing tasks and duties of employees. The efficiency and effectiveness of the whole organisation depends upon individual effectiveness and efficiency in achieving individual tasks and duties. From the above literature it is possible to make a hypothesis that there is a positive relationship between rewards and employee performance.

Various studies such as Dewhurst, Guthridge, and Mohr, (2009) conclude that an adequate reward system is critical for employee motivation both for high achievers and low achievers. This is because rewards increase the job satisfaction among high performers and act as an incentive for low performers. The systems may vary in different organisations because of workforce personalities, backgrounds and preferences, hence, all reward systems have the same objective to motivate employees for continuous improvement, personal development and professional growth.

Another research, conducted by Shields and associates (2015), stands for the fact that any reward system should be created based on the needs and preferences of employees as someone's needs may be fulfilled by monetary rewards while others are searching for promotion, appreciation, increase of responsibilities, trainings and other types of non-monetary rewards. An efficient reward system should be flexible and contain both monetary and non-monetary rewards to meet the expectations of all employees.

Types of Employee Rewards

Normally, most of the reward systems are based on cash rewards as a motivational factor for employees which include sales commission, annual or periodical bonuses, employee awards, etc. On the other hand, non-financial incentives take the form of performance appreciation letters, recognition of performance publicly, providing improved working conditions, increasing diversification in job description, job rotation, etc. (Armstrong, 2013)

Extrinsic Rewards

According to Raza (2012), extrinsic rewards or in other words monetary rewards are the best source of employee motivation which would cater the expectations of individual employees in order keep them motivated. Therefore, this way of motivation tends to be short term and should be repeated constantly to retain motivation and performance of the employees.

By extrinsic rewards an organisation can boost the productivity and moral of workforce, therefore maximising and improving employees' performance as well as the whole organisational performance (Danish and Usman, 2010). By reward system an organisation ensures that the employees have perception that they are valuable for the company and the management acknowledges the role they play in the progress of the company. In short, monetary rewards can play an effective role to maximise productivity of employees and has a critical role in maintaining high level of motivation among employees.

Extrinsic motivation is generated by some actions being done for people to motivate them. This motivation occurs from the external sources such as money, grades, criticism or punishments. Extrinsically motivated employees can work on a task even without being interested in it, knowing that the reward will provide them with satisfaction and pleasure after the task being completed. Unfortunately, extrinsic motivation has a short effect on the employees and with the new task to be done new rewards should be offered (Armstrong, 2013).

The study conducted by Andrew and Kent (2007), proved that cash rewards are highly appreciated by all level of employees and give them a sense of recognition and job satisfaction. Monetary rewards, also, have the power of promoting different job positions making them more attractive for the employees, therefore, pushing workforce for constant skills improvement and

development (Boehm and Lyubomirsky, 2008). According to the above information the following hypothesis may be concluded: extrinsic rewards used in Normet ltd. have positive impact on the performance of the employees.

<u>Intrinsic Rewards</u>

In contrast, intrinsic motivation refers to the motivation that comes from inside an individual. This type of motivation usually comes with the satisfaction employee gets after the work being done or in some cases during the working process. Intrinsic motivation can be influenced by several factors which are responsibility, freedom to act, scope to use and develop skills and abilities, interesting work and opportunities for advancement. These motivators are used to have a long-term effect as they come from the individual and not from the surrounding environment (Armstrong, 2013).

Torrington and associates (2009) used a different term for non-cash rewards i.e. non-material rewards and concluded non-cash rewards tend to increase the job satisfaction in employees particularly employees that show high productivity as compared to other employees. The study, conducted by the researchers, explains that when an employee is satisfied with monetary rewards, he/she starts searching for something different as cash benefits cannot satisfy the needs and cannot motivate in the same way. The study also emphasised the fact that intrinsic and extrinsic rewards should coexist in a reward system as only a balanced system may adequately meet motivation needs of employees and ultimately lead to optimisation of commitment, motivation, and job satisfaction of employees. As a result, the researcher can conclude the third hypothesis which states that intrinsic rewards used in Normet Ltd. have positive impact on the performance of the employees.

2.3   Applied Theories

<u>Maslow's Theory of Hierarchy of Needs</u>

One of the earliest works which explain employee motivation was conducted by Maslow (1954). According to Armstrong (2013), Maslow's theory of hierarchy of needs served as a basis for other

theories appeared further in history. The main idea expressed in the theory was that there is some most basic level of needs of a human that must be met before a person develops a strong desire or get motivated for higher level needs. In the research context, an employee is not going to be motivated and improve performance until the basic level of needs is fully satisfied.

Maslow also created the term "metamotivation" to describe the level of motivation of a person who attempts to go beyond the basic needs and strives for improvement constantly. He explained that due to the human complexity, it is not an easy task to motivate employees, and organisations must have an efficient well-thought reward system to be able to influence workforce job satisfaction level, commitment to an organisation, performance and personal development (Latham, 2012).

Maslow theory is of vital importance for this research paper as it provides the knowledge of an individual's needs at different levels showing that meeting the basic needs of a person does not guarantee motivation. Instead motivation occurs when a person is willing to aim for improvement, thus management should target high level needs to motivate employees for constant improvement.

Herzberg Two-Factor Theory

As it was already mentioned, many theories were based on the Maslow's study of motivation, and Herzberg's two-factor theory is one of the most prominent ones. This theory describes relationship between employee performance and motivation. Fredrick Herzrberg agreed with Maslow that it is not possible to keep employees satisfied by meeting low level needs, therefore, managers should seek to meet the higher needs of the employees, particularly psychological needs such as appreciation and recognition. This theory argues that managers should seek job improvements by planning personal and professional development of employees in order for them to be satisfied that they have significant personal and professional growth in future in their current employment (Herzberg, 1966).

The study conducted by Herzberg, Mausner, and Snyderman (2011), identified two types of factors of employee motivation: motivation factors which aim to motivate employees to excel at their jobs and tasks, and hygiene factors which typically ensure that the staff remains happy and satisfied. As a result, Herzberg created the motivation-hygiene theory where he explained the

effect of these factors. The factors that increase satisfaction, are called the satisfier factors or the motivators, and the factors that lead to dissatisfaction, are called the dissatisfiers or the hygiene factors.

Herzberg's theory also considers that threat, punishment, or similar kind of stimuli applied be managers may improve job performance, however, these methods have a short time effect on employees and in the long run produce negative impact on employee satisfaction and lead to decrease in performance (Stringer, Didham, and Theivananthampillai, 2011).

Furthermore, the Two-Factor theory studies both intrinsic and extrinsic rewards explaining that only by usage of both methods it is possible to create a balanced reward system which would help organisations to motivate employees and improve their performance (Herzberg, Mausner, and Snyderman, 2011).

2.4   Relating Rewards with Motivation and Job Satisfaction

Relating Rewards with Motivation

There are two fundamental types of rewards which are non-financial and financial, and they are related to intrinsic and extrinsic rewards correspondently. It is of vital importance to learn how to combine both types of rewards in the reward system and make them balanced to positively influence the performance behaviours among employees (Armstrong, 2013).

The management should also create and develop a sense of common goal among their employees to achieve desired performance of employees which would lead to strong motivation. According to Torrington (2009), mutual target motivates an employee to perform higher as he/she contributes to the success of the whole organisations and influences colleagues.

Furthermore, Shields and associates (2015), point out the importance of fair appraise of employees at all levels. Moreover, it is necessary that workforce perceive the system to be just, fair, and able to meet their intrinsic and extrinsic needs, thus, department managers have crucial role in communicating and giving understanding of the reward system to all employees.

Another researcher, Malik (2010), expressed an idea that reward may represent anything or everything that is valuable for an employee and what would motivate an employee to contribute to an organisation. Also, Malic concluded that absence of rewards demotivates, decreases performance, create a feeling of nonrecognition and as a result, employees tend to look for other jobs and employers that are paying rewards.

Organisational behaviour depends a lot on the employees' motivation. Thus, an organisation can boost its progress by incorporating reward system, appreciation and acknowledgement programs (Dewhurst, Guthridge, and Mohr, 2009).

Relating Rewards and Job Satisfaction

Some researchers put emphasis on the relationship between rewards and job satisfaction. Torrington and associates (2009), concluded that an effective reward system produce a positive effect on job satisfaction, and on the other hand, a poorly planned reward system has negative outcomes on job satisfaction. Moreover, employees tend to change their working place when job satisfaction level is low which may result in employee turnover. Thus, job satisfaction is of utmost importance in an organisation contributing a lot to workforce retaining and attracting new employees. Additionally, both financial and non-financial rewards are important for overall reward system.

One of the most effective way to increase job satisfaction level is to use rewards that do not include monetary compensations, as non-financial rewards give employees the feeling of being appreciated and valued on the psychological level (Dewhurst, Guthridge, and Mohr, 2009). Furthermore, non-financial recognition and appraisals effect not only job satisfaction but also productivity of employees, employee turnover, and behaviours.

According to Armstrong (2009), job satisfaction could be also improved by such factors as good working conditions, relationship between worker and employer, opportunities for training and development, the level of job security in employees, and the policies of the management in terms of recruitment and hiring process. Job satisfaction directly influences employees' motivation and what is more important have the impact on the overall employee performance level. As it is conducted by the researchers Armstrong, Brown, and Reilly (2011), the most effective type of

motivation is the self-motivation of the employee. If employee is self-motivated, he/she will find own unique ways to maximise performance without changes in working condition or any other factors.

2.5   Applied Framework

The following framework to conduct the research is used in the study to investigate the impact of reward system on employee performance in Normet Ltd.
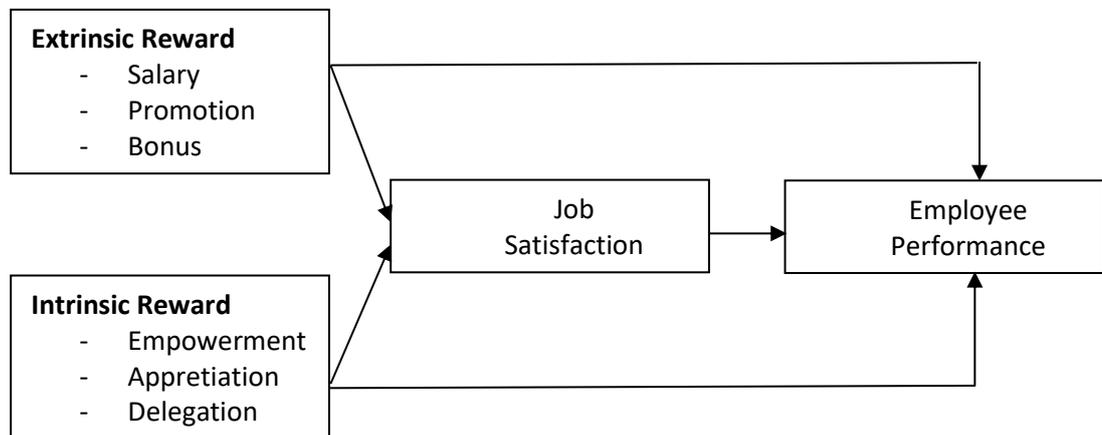

Figure 1: Research Framework

Source: Author

Research Objective: Study the Impact of the Reward System on Employee Performance at Normet Ltd.		
Literature	**Research Question**	**Hypotheses**
Relationship between Reward and Employee Performance	**RQ$_1$**: What is the impact of rewards on employee performance at Normet Ltd.?	**H$_1$**: There is a positive relationship between Rewards and Employee Performance
Types of Employee Rewards	**RQ$_2$**: Which are the most important rewards that motivate employees at Normet Ltd.?	**H$_2$**: Intrinsic Rewards used in Normet Ltd. have positive impact on the performance of the employees **H$_3$**: Extrinsic Rewards used in Normet Ltd. have positive impact on the performance of the employees
Maslow's Hierarchy of Needs Theory **Herzberg Two-Factor Theory**	RQ$_3$: How can the reward system be improved to enhance performance at Normet Ltd.?	

Figure 2: Theoretical Framework

Source: Author

2.6   Summary

Literature review analysis showed that there is significant link between employee performance and reward system in an organisation and pointed out the importance of human resources in evaluation and assessment of employee performance level.

Organisation performance is directly dependent on the performance of each individual employee that is why it is of utmost necessity to investigate and improve reward policy of the company.

Workforce is considered to be a valuable resource in a company to sustain profitability in the operating industry. Due to fast globalisation, organisations face various challenges in finding innovative ways of employee retention therefore ensure competitive advantage in the market. Organisations need to create strategies not only regarding attraction and retention of employees but also considering motivation to enhance performance of employees.

According to the literature review, rewards system based is an effective tool used by managers to successfully motivate and maximise performance of employees. It is concluded that rewards may be of two natures: intrinsic and extrinsic, and they serve show appreciation and recognition to high performance and provide incentives to low performers.

Rewards influence different variables in the company and particularly job satisfaction which in its turn influences the level of loyalty and commitment to an organisation and organisational goals. Job satisfactions also ensures an increase in employee performance motivating workforce to go beyond the agreed number of tasks.

Theories used in the research, study established by Maslow and Herzberg, predicated that there is always a chance for changes in human interaction and activity and highlighted that only equitable rewards based on fair evaluation would motivate employees to perform better.

3 METHODOLOGY

Philosophical choices in the study are made based on research philosophy which is related to the principles applied in a study to gain acceptable knowledge. The main difference between positivism and interpretivism is that the first one claims that natural sciences are applicable in social research and to study social phenomena while interpretivism argues that methods and techniques of natural sciences are not applicable (Wilson, 2014).

In this research several methods of data gathering are used that is why a paradigm of pragmatism needs to be used as well. It holds on the idea that propositions are true if they work and not if they do not. Thus, the research study contains two approaches which are positivism since both rewards and employee performance are applicable to methods of natural sciences, and pragmatism as both qualitative and quantitative methods are used.

3.1 Research Strategy

To achieve objectives of the study, a concrete research strategy is chosen - to collect and analyse data in order to derive meaningful results. According to Pickard (2012), strategies may include case studies, ethnography, surveys, theories, experiments, etc.

 This research paper may be classified as a case study focusing on rewards and their impact on employee performance in Normet Ltd. The strategy contains personal interviews with the managers of the company and a complex survey for the wider range of employees. Further, by completing an analysis, implications about the theoretical relationship of the variables might be deducted.

The researcher Bryman (2012), claims that research purpose might be classified into three types; descriptive, explanatory, and exploratory where descriptive research describes phenomena and its characteristics, explanatory research tends to test existing theories pointing out relationships between the variables, while exploratory research is carried out when there is a lack of research about an issue or a specific dimension of that issue.

This study belongs to the explanatory type of research purpose as the main objective is to test the relationships between reward system and employee performance considering their existing theories.

Research studies usually include two types of data primary and secondary. Primary data is collected through obtaining information directly from the participants, while secondary data is gathered from the previously conducted researches (Eriksson and Kovalainen 2008). Furthermore, primary data is classified into qualitative and quantitative; where qualitative data is gathered through interviews, focus groups, while quantitative data through survey questionnaires, observations, etc. Secondary data is typically collected by summarising existing literature in the form of academic books, academic research articles, newspapers, industry reports, etc.

This research study combines both primary data in the form of a survey and an interview, and secondary data collection from academic books, research articles published in academic journals, industry reports, particularly reports published by Normet, and news articles.

3.1.1 Questionnaire Survey: Quantitative Data

Questionnaire survey tends to be one of the most frequently used tools in quantitative researches as it has several important advantages in comparison to other methods. The questionnaire used in the study contains close-ended questions designed on a 5-point Likert Scale.

It enables a researcher to gather large amount of data in relatively less time and at the same time being the most cost-efficient method of collecting data (Peters, et al. 2013). There is no any budget given for conducting the research, therefore, questionnaire survey is the most suitable and complex way of collecting data.

3.1.2 Qualitative Data: Individual In-Depth Interview

Qualitative data collection is conducted through personal interviews in this research. According to Peters and associates (2013), interviews are relatively easy to conduct and preserve participants' confidentiality.

In this research, the author uses In-depth individual interviews as a method of qualitative data gathering. An in- depth interview is seen as an intensive individual interview with a small number of participants who share their personal experiences and expectations related to a particular subject; in this case related to the reward system and its impact on employee performance.

This type of interviews helps to collect detailed information about the subject under study offering a complete picture of the respondent's ideas and thoughts to the researcher. Moreover, this method enables the researcher to keep anonymity of the participants which is of high importance and surpasses ethical considerations of the study. In-depth interviews provide a more relaxed atmosphere for participants in contrast to having a conversation in a group (Peters, et al. 2013). Furthermore, individual interviews are quite easy to conduct and keep control on the process within the context of objectives of the research study. The interviews are conducted with the employees of different managerial levels and include a questionnaire with open-ended questions.

3.2 Sampling Technique

Sampling and sampling technique refer to choosing a group of participants from the target population which would represent the whole population, moreover, data collected from the sample would represent the results for the whole population. Usually a sample is chosen as a researcher is not able to gather data from the whole population due to some limitations (Myers 2013).

The initial population size of the research study was all the white-collar employees (employees and managers) of Normet Ltd. based in Iisalmi, Finland. Being one of the employees of the company, the author managed to target all the sample while collecting data.

In this research study, a convenience sampling technique is used as it is cost and time effective and enables author to collect data from the chosen population when needed.

For questionnaires, the researcher used MonkeySurvey online questionnaire service, with the help of which a link for the online questionnaire was created and sent forward to the target population. There were 91 respondents to the online questionnaire which were all complete, thus none of the answers were rejected. (RUEY: Are all the questions mandatory to have a response? If so, please include a line to explain).

For individual interviews there were chosen eight managers from different departments for participation. All the interviews turned were conducted successfully. Therefore, complete results of eight interviews were analysed in the study.

Overall, the final sample size for the survey was n=91 employees and for interviews n=8 managerial level employees.

3.3   Ethical Considerations

It is of vital importance to consider moral principles and considerations while conducting a research. The researchers Hammersley and Traianou (2012), list ethical considerations in their work which are used in this study.

Firstly, the author obtained consent from the participants before taking part in the study and got approval from the management for conducting the study. Next, the cover letter was created for participants to inform about the nature and purpose of the research. Finally, all the participants were informed about their right to withdraw from the study and notified that all the information will be fully confidential and will not be disclosed to third parties without the consent of the participants.

According to Traianou (2012), a researcher needs to ensure validity and reliability of a study to make judgements and conclusions about the findings. Validity means the precious in which the findings accurately reflect the data and could be assessed through the theoretical framework. The theoretical framework of the study is focused on the reward system of the company and its

impact on employees' performance, thus the theoretical framework of the research paper clearly defines what to measure and directly links the theory with the items in the questionnaire.

Reliability stands for the consistency of the analytical procedures and relates to the trustworthiness of the undertaken methods. A researcher needs to present a clear and transparent description of the research to the participants and report the findings in the most understandable way, at the same time maintaining cohesion between the study's aim, design and methods (Traianou, 2012).

4   ANALYSIS AND DISCUSSION

In this section, the author has identified main analysis techniques and themes according to which the gathered data is analysed and discussed. In this study both qualitative and quantitative data was gathered using a specifically questionnaire and individual interviews correspondently for each type of data. The sample size of the questionnaire survey was 91 employees who are currently working at Normet Ltd., while the sample size of the individual interviews is 8 employees of managerial level currently working at Normet Ltd.

Manual thematic analysis as well as the SPSS tool were used in the research to analyse the collected data. The raw data gathered from the interviews was moulded into several themes for further analysis and interpretation. The information collected from the survey was analysed through the usage of SPPS tool.

4.1   Primary Data Analysis. Qualitative Data Analysis

Qualitative data is gathered through the in-depth interviews with 8 employees of managerial level in Normet Ltd. Iisalmi. The number of respondents is limited as some of the managers are on their business trips, trainings and annual vacations.

The participants were interviewed individually during their working hours. It was obligatory for the researcher to ask permission from the manager's manager to conduct the interviews and collect information. The direct approach assured the response rate to be 100% with the sample size of 8.

<u>Importance of Motivating Employees</u>

All Normet managers, who participated in the interviews, pointed out the vital importance of employee motivation. Shields and associates (2009), underline that motivation serves as an effective source of employee dedication and loyalty to the company, therefore, influencing successful achievement of overall company goals and objectives.

Furthermore, managers highlighted that constant improvement of working environment, along with other necessities that employees require, has great impact on workforce motivation. Danish and Usman (2010), contribute to this idea saying that healthy organizational environment increase commitment among the employees and motivated them to take more ownership of the work they do and as a result increase overall productivity.

Finally, the managers concluded that motivation contributes to employee performance and commitment to the company, thus, creating unique competitive advantage among the competitors.

It is obvious that information in the literature review corresponds to the answers of the managers participating in the interviews which means that company's motivating strategies and activities are planned and monitored according to the well-known theories and techniques.

Importance of Employee Performance Evaluation

According to Armstrong and Tailor (2014), higher level management's responsibility is to evaluate the quality of employees' work and after evaluation employees are rewarded or instructed to perform at a better level.

Employee performance evaluation is a useful tool for both managers and employees as it enables management to assess the investment made on the employee, while employees are able to assess their own performance and compare it with the most desirable level of performance in the company.

Normet Ltd. is a globally operating company, thus, it is of utmost importance for the management to evaluate employees performance. According to the information gathered from the interview participants, Normet Ltd. has a clear and transparent way of employee performance assessment which is known for the whole workforce. Management and employees have close and loyal working relationships that is why employees usually have no any difficulties or misunderstandings throughout the performance assessment process.

Moreover, the interviewees pointed out that after performance evaluation highly performing employees usually get non-monetary rewards and only in rare cases monetary rewards. Management is interested in the research to get deeper understanding of needs and wants of employees.

Finally, the participants mentioned that all level management also undergoes performance evaluation annually and to retain management position it is important to show high results and perform not only surpassing the evaluation criteria but exceeding it.

Forms of Employee Motivation

There are various forms of motivation activities which might be taken by the management to motivate employees. The researchers Shields and associates (2009), highlight that employee motivation is derived from either intrinsic or extrinsic motivational activities. Furthermore, relationships between employees and management, organisational environment and company policies also influence motivation of workforce.

The interview participants mentioned that they try to adjust motivational activities according to employees' personal preferences and organisational ranks as people tend to have different desires and needs. This fact is also justified by the researcher Pratheepkanth (2011), who says that monetary rewards are mostly preferred by employees who are working at daily wages, while managerial level employees are more willing to get non-monetary rewards such designation of more power and authority in the organization putting monetary rewards on the second place. Interviewees pointed out that employees confirmed being more motivated after getting a certain leadership authority and raise of responsibilities.

The interviewed managers mentioned that the mostly used way of rewarding white collar employees is to offer a salary bonus if talking about monetary rewards and show appreciation and public recognition if talking about non-monetary rewards.

Moreover, as a part of motivational activity Normet offers flexible working hours for employees from 6 am to 7 pm with a norm of 7,5 hours a day under the circumstance that all job requirements, targets and deadlines are met.

Overall, all participated managers agreed that monetary and non-monetary rewards are the most desirable types of rewards among the employees and that management is willing to participate in the improvement and implementation of the existing reward system in the company.

Usage of Extrinsic and Intrinsic Reward Systems

Reward systems consist of intrinsic and extrinsic rewards where extrinsic stand for the rewards which can be seen in a physical form while intrinsic cannot be physically seen but appeal internally to the employees (Armstrong, 2011).

After interviewing the Normet managers it was clear that the company is doing its best to combine both monetary and non-monetary rewards in the system. Moreover, management tries to offer a diverse range of rewards for the employees but in most cases all rewards should be approved by the top management of the company which makes it more difficult to reward employees. The managers further noted that employees can choose the most desirable reward out of those offered after carrying out a process of performance evaluation.

Furthermore, managers expressed an idea that it is quite a sophisticated task and almost impossible to create a reward system that would satisfy all the employees but agreed that a unified complex system for the employees is of importance. According to Pratheepkanth (2011), there is no specified reward system that might be applied in companies as a universal tool and be feasible for all types of employees.

Another vital theme investigated during interviews is the importance and necessity of an equitable reward system. Shields and associates (2015), point out that if there are trustworthy relationships among employees, they tend to compare received rewards, especially if they are working at the same job profile level and have similar work competences.

Additionally, Dewhurst, Guthridge, and Mohr, (2009), conclude that unequitable reward system create a feeling of alienation and distrust among the employees, while in contrast organisational equity and fair rewards encourage employees to perform better. Moreover, organisational equity is one of the factors which influence employees and their career decisions.

Due to the open communication environment in Normet, all employees are aware of the possible rewards and benefits they can get, and the reward process is clearly described in the company policies. Managers concluded that this transparency helps avoid alienation and distrust.

4.2   Quantitative Data Analysis

Quantitative data is collected through the specifically designed questionnaire which is based on the theoretical framework of the study. The language of the survey is English as the workforce of the company is multinational and the primary language of the company is English.

The questionnaire consists of 9 questions where respondents are asked to rank their opinions on 1-5 Liker scale (either 'strongly disagree' to 'strongly agree'). The estimated time to completely answer the survey was estimated to be 3 to 5 minutes. The questionnaire is designed using the MonkeySurvey online questionnaire service which enables the researcher to gather information in the most sufficient way and moreover, get the basic analysis of all the answers.

The questionnaire was sent to 114 white-collar employees of Normet Ltd. based in Iisalmi. The response rate was 91 which is approximately 80% of the whole sample size. All participants completed the questionnaire answering every question which enabled the researcher to count each response. The respondents were not asked about any of their personal information (age, sex or background) as the purpose of the survey was to show the overall employees' attitude and understanding of the existing reward system and its impact on employee performance.

4.2.1   Correlation Analysis

		Employee Performance	Rewards
Employee Performance	Pearson Correlation	1	0.670
	Sig. 2 -tailed		0.004
	N	91	91
Rewards	Pearson Correlation	0.249	1
	Sig. 2-tailed	0.004	
	N	91	91

Table 1: Correlation Table

Source: Author

Hypothesis:

- H1$_a$ – There is a positive relationship between Rewards and Employee Performance

- H1$_0$ – There is no relationship between Rewards and Employee Performance

From the table 1 it can be seen that the Pearson correlation value for the given variables was close to 1 and calculated to be 0.670. The correlation analysis of the variables shows that there is a strong relationship between Rewards given to employees (independent variable) and the subsequent Employee Performance (dependent variable). Additionally, there might be no any other conclusion given upon the results of Pearson correlation. If the result would be different and the correlation value would be closer to zero, this means that the given dependent and independent variables are not strongly related. Furthermore, the output of the Pearson correlation is +0.670 which means that if one variable increases, the second variable increases in value accordingly. And vice versa, after decrease in value of one variable another tends to decrease as well.

Another dimension calculated through the Pearson correlation is the significance value of the research which is calculated to be 0.004. The analysed value is less than 0.05, which testifies to the fact that there is a statistically significant correlation between rewards and employee performance in the company. According to the Pearson correlation value the researcher failed to reject the null hypothesis as the value is 0.670. It is only possible to make the conclusion that there is a positive relationship between Rewards and Employee Performance.

		Intrinsic Rewards	Employee Performance
Intrinsic Rewards	Pearson Correlation	1	0.500
	Sig. 2 -tailed		0.003
	N	91	91
Employee Performance	Pearson Correlation	0.500	1
	Sig. 2-tailed	0.003	
	N	91	91

Table 2: Correlation Table

Source: Author

- H2$_a$ – Intrinsic Rewards used in Normet positively affect the performance of the employ-
  ees

- H2$_0$ – Intrinsic Rewards used Normet have no effect on the performance of the employees

From the table 2 it can be seen that the Pearson correlation value for the given variables was close to 1 and calculated to be 0.500. The correlation analysis of the variables shows that there is a strong relationship between Intrinsic Rewards given to employees and Employee Performance.

Another dimension calculated through the Pearson correlation is the significance value of the research which is calculated to be 0.003. The analysed value is less than 0.05, which testifies to the fact that there is a statistically significant correlation between intrinsic rewards and employee performance in the company.

According to the Pearson correlation value the researcher failed to reject the null hypothesis as the value is 0.500. It is only possible to make the conclusion that intrinsic rewards used by Normet positively affect the performance of the employees.

		Employee Performance	Extrinsic Rewards
Employee Performance	Pearson Correlation	1	0.531
	Sig. 2 -tailed		0.003
	N	91	91
Extrinsic Rewards	Pearson Correlation	0.531	1
	Sig. 2-tailed	0.003	
	N	91	91

Table 3: Correlation Table

Source: Author

- H3$_a$ – Extrinsic Rewards used by Normet positively affect the performance of the employees

- H3$_0$ – Extrinsic Rewards used by Normet have no effect on the performance of the employees

From the table 3 it can be seen that the Pearson correlation value for the given variables was close to 1 and calculated to be 0.531. The correlation analysis of the variables shows that there is a strong relationship between Extrinsic Rewards given to employees and the subsequent Employee Performance.

Another dimension calculated through the Pearson correlation is the significance value of the research which is calculated to be 0.003. The analysed value is less than 0.05, which testifies to the fact that there is a statistically significant correlation between extrinsic rewards and employee performance in the company.

According to the Pearson correlation value the researcher failed to reject the null hypothesis as the value is 0.500. It is only possible to make the conclusion that there is a positive relationship between Extrinsic Rewards and Employee Performance.

4.2.2 Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.79[a]	0.87	-0.407	1.42215

a. Predictors: (Constant), Rewards

Table 4: Model Summary

Source: Author

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.266	1	0.266	0.132	0.004[a]
	Residual	4.045	2	2.023		
	Total	4.311	3			

a. Predictors: (Constant), Rewards

b. Dependent Variable: Employee Performance

Table 5: ANOVA

Source: Author

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficient		
		B	Std. Error	Beta	t	Sig.
1	Constant	-8.532	30.623		-0.279	0.003
	Rewards	3.474	9.570	0.249	0.363	0.002

a. Dependent variable: Employee Performance

Table 6: Coefficient

Source: Author

As it can be seen from the regression model, the R-square value is calculated to be 0.87 and means that at least 87% of variation in rewards can be explained and elaborated by the variability in employee performance. Additionally, ANOVA model serves to measure the linear relationship between the independent and dependent variables of the regression model. In this case F statistics is less than 0.05 which can be explains that there is a linear relationship between rewards given to employees and the subsequent level of employee performance at Normet. The statistical significance value of 0.03 shows that there is 97% chance that the relationship between the independent and dependent variable is not due to a chance.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.64[a]	0.78	-0.500	0.22499

a.   Predictors: (Constant), Intrinsic rewards

Table 7: Model Summary

Source: Author

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.017	1	0.017	0.333	0.001[a]
	Residual	0.051	1	0.051		
	Total	0.067	2			

a.   Predictors: (Constant), Intrinsic rewards

b.   Dependent Variable: Employee Performance

Table 8: ANOVA

Source: Author

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficient		
Model		B	Std. Error	Beta	t	Sig.
1	Constant	-0.644	6.615		-0.097	0.004
	Intrinsic Rewards	1.167	2.021	0.500	0.577	0.003

a.   Dependent Variable: Employee Performance

Table 9: Coefficient

Source: Author

As it can be seen from the regression model, the R-square value is calculated to be 0.78 and means that at least 78% of variation in intrinsic rewards can be explained and elaborated by the variability in employee performance. Additionally, ANOVA model serves to measure the linear relationship between the independent and dependent variables of the regression model. In this case F statistics is less than 0.05 which can be explains that there is a linear relationship between the intrinsic rewards given to employees and the subsequent level of employee performance at Normet. The statistical significance value of 0.04 shows that there is 96% chance that the relationship between the independent and dependent variable is not due to a chance.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.589[a]	0.687	-0.436	0.22012

a. Predictors: (Constant), Extrinsic Rewards

Table 10: Model Summary

Source: Author

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.019	1	0.019	0.393	0.004[a]
	Residual	0.048	1	0.048		
	Total	0.067	2			

a. Predictors: (Constant), Extrinsic Rewards

b. Dependent Variable: Employee Performance

Table 11: ANOVA

Source: Author

Coefficientª

	Unstandardized Coefficients		Standardized Coefficient		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	2.896	0.461		6.280	0.003
Extrinsic Rewards	0.104	0.166	0.531	0.627	0.004

a.   Dependent Variable: Employee Performance

Table 12: Coefficient

Source: Author

As it can be seen from the regression model, the R-square value is calculated to be 0.687 and means that at least 68% of variation in extrinsic rewards can be explained and elaborated by the variability in employee performance. Additionally, ANOVA model serves to measure the linear relationship between the independent and dependent variables of the regression model. In this case F statistics is less than 0.05 which can be explains that there is a linear relationship between the extrinsic rewards given to employees and the subsequent level of employee performance at Normet. The statistical significance value of 0.03 shows that there is 97 per cent chance that the relationship between the independent and dependent variable is not due to a chance.

5 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion, Findings and Recommendations

The main objective of the research was to investigate the impact of rewards on the performance of employee on the example of Normet Ltd based in Iisalmi, Finland. To get better and reliable output the researcher firstly reviewed various literature sources on the research topic, then developed the deeper understanding of the topic on the basis of scholars' perspectives.

Next, the researcher collected data from the employees to test the theory studied in the first step. For this purpose, there was a specifically created online questionnaire with 91 respondent and a series of individual interviews in which 8 employees of managerial level participated.

The literature review showed that intrinsic rewards like delegation, empowerment and appreciation along with extrinsic rewards like salary, promotion and bonus have significant influence on employees' performance and job satisfaction. As Dewhurst, Guthridge, and Mohr (2009), stated – employee performance is highly depended on the level of job satisfaction.

According to Armstrong (2011), employee performance is the direct reflection of employee commitment and loyalty to the company which contributes at its most to the organisation's overall goals and objectives.

After completing the analysis of primary data, the researcher concluded that there are two main types of performance acknowledgement in Normet which are cash rewards and monthly salary raise. Moreover, managers highlighted that rewards are given on the basis of employee performance and there is a strong interdependence between rewards and employees overall performance.

from the analysed information it could be derived that motivation of employees is a key priority in the company and various methods of motivation are used to increase and retain motivational level for the company to benefit from high performance and grow competitive advantage in the industry.

The questionnaire survey testified to the fact that employees work harder and feel more motivated if they receive equitable rewards. Hence, there is a clear message to the management that through motivational activities employee performance can be enhanced.

Furthermore, primary research analysis showed that rewards influence employee retention. Managers concluded that rewards keep employees loyal to the company and decrease possibilities of employee turnover. Similarly, employees expressed the idea that rewards ensure retention of high performers in the company.

Additionally, it is seen form the analysis that rewards are considered to be motivating only if they are fair and equitable. The researchers Armstrong and Taylor (2014), highlight that organisational equity has a strong impact on employees' performance level as well as influences the whole company's performance. Thus, when receiving rewards, employees tend to compare them with others and evaluate similarity, especially if rewards are granted to the same level employees with a similar level of skills and competencies. Managers should create such a reward system that would exclude prejudice, alienation and inequity for the re-wards to be effective.

The finding of the primary research show that rewards have a strong and positive impact on employee performance at Normet and this idea is supported by both research groups - managers and employees.

Moreover, it was pointed out that employee performance is influences by intrinsic as well as extrinsic rewards applied in the company, and cash rewards and promotions are among the most desirable rewards for the employees of all levels. It is investigated that lower lev-el employees are more interested in getting monetary rewards in forms of bonuses, cash rewards and salary raises, while employees of the managerial level are looking for intrinsic rewards in the forms of promotion, increase in responsibilities, authority growth. Hence, it can be concluded that Normet needs to offer a flexible rewards policy to its employees rather that a unified reward strategy.

The research phase of the study conducted that there is a strong correlation between rewards and employee performance, moreover, employee performance also depends on such variable as job satisfaction level. Further, it is stated that both intrinsic and extrinsic reward types have a significant impact on employee performance. Among extrinsic rewards the most preferable ones

are salary raise, cash bonuses and promotions whereas among intrinsic rewards empowerment, appreciation and increase in authority and responsibilities are the most common ones.

Additionally, through the literature review it was observed that intrinsic and extrinsic motivators have a direct influence on employee performance. The same outcome was seen after analysis of the individual interviews and questionnaire. During the interviews it was highlighted that job satisfaction plays a vital role in employees' motivation, therefore, influencing overall employees' performance. Same results were achieved after analysing questionnaire answers.

According to the research, employees increase performance due to an equitable appreciation of the work they do. Normet provides employees with a transparent employee performance procedure which ensures that none of the employees feel that they were unaware of the criteria upon which they were subsequently evaluated. Managers of the organisation try to ensure the process of fair appraisal assessment by giving equitable rewards to the employees with similar performance evaluation results performing on the same competency level.

Finally, it was mentioned by the managers that designing of the reward system was made on the basis of employees needs and wants, therefore, ensuring employee satisfaction after being rewarded and as a result improving employees' performance. Open communication methods used by the management make employees to be involved in the decision-making process creating the atmosphere of appreciation and respect.

Recommendations

The following are the recommendations for Normet on the existing reward system improvement which would ensure employee performance increase. The recommendations were derived on the basis of literature review and primary data analysis made in the previous chapters.

- According to the data gathered from the interviews, cash rewards is the most preferable type of bonuses in the company, hence, there is a need in improving the spectrum of monetary rewards that management can offer to employees. One of the proposals is to make annual salary bonus agreements with a wider range of employees as it brings additional value to employees' recognition and appraisal.

- Moreover, there is great potential for lower level employees to improve their professional skills and competencies by completing new tasks and going out of the comfort zone. Intrinsic rewards may be triggered by praises and recognition. Managers must empower their subordinates to accomplish new challenges showing that the employees are trusted and may complete tasks autonomously. Due to such strategy, Normet can educate employees in the internal environment according to the preferable standards and criteria, and at the same time increase the rate of internal hiring and reduce recruitment cost.

- Next recommendation is to increase the number of intrinsic rewards, as even such a small thing as verbal appraisals and appreciation make a big change for employees. As it was conducted from the data gathered, some employees lack recognition of their work being done even if they exceed expectations of the management. These activities would make employees feel appreciated in the company, therefore, increasing the level of commitment and loyalty to the organisation.

- Another improvement which is of vital importance is annual trainings with employees regarding reward policies in Normet. Training should be provided for both employees and managers. Employees would get the important knowledge of the possible rewards in the company, while managers would be trained to manage rewards more effectively and therefore, increase employees' performance level.

- Finally, analysis of the interviews and questionnaires showed that employees are willing to participate in the reward system improvement, hence, it is recommended to arrange sessions for the employees where they can complete specifically designed questionnaires considering different types of rewards. On the basis of the research, it would be possible to make conclusions and decisions upon the improvements of the reward system.

5.2 Future Implications

The research study is focused on a limited number of extrinsic and intrinsic rewards and does not include all the possible rewarding methods. Further research may be needed to get a complete

picture of the reward structure in the company and to assess its influence on the overall employee performance. It is also conducted that there are other variables which have impact on employee performance such as job satisfaction level, therefore, additional research might be completed in order to enhance the scope of different organisational areas which influence employee performance level.

Furthermore, the research study was carried out specifically for Normet Ltd and according to its needs and goals, that is why the recommendations and outputs may be fully applied only in the context of this particular company and are not suitable for other organisations without prior investigation. However, the following research study and its results could be used as an example or foundation for the future studies similar in nature investigating the factors affecting the employees' performance level.

Finally, the research might be improved by attaining a larger number of participants. It is possible to investigate the impact of reward system on employee performance globally, and therefore, make global actions regarding Normet's reward system improvement. The following study was restricted due to the time constraint and the convince of the researcher, but with the right amount of time and resources it is possible to bring the investigation on a completely new level.

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7 APPENDICES

Questionnaire for Employees

This questionnaire is specifically designed for BBA Thesis. The information provided by the respondents for this questionnaire shall remain confidential. All your records and personal data will be kept confidential. Please, choose only one answer in each question.

Q1: How does management currently recognise and acknowledges your performance?

1. Cash rewards

2. Non-cash rewards

3. Salary raise

4. Appreciation

5. Promotion

Q2: What type of rewards you find the most preferable for you? Choose one answer.

1. Cash rewards

2. Non-cash rewards

 3. Salary raise

4. Appreciation

5. Promotion

Q3: Rewards motivate me to increase my performance.

1. Strongly disagree

2. Disagree

3. Neither agree nor disagree

4. Agree

5. Strongly agree

Q4: Rewards are important for retaining high performers.

1. Strongly disagree

2. Disagree

3. Neither agree nor disagree

4. Agree

5. Strongly agree

Q5: High performers are unique and competitive advantage for the company.

1. Strongly disagree

2. Disagree

3. Neither agree nor disagree

4. Agree

5. Strongly agree

Q6: Do you agree that high performers are the solution for any existing performance problems?

1. Yes

2. No

Q7: You understand how your performance is evaluated.

1. Strongly disagree

2. Disagree

3. Neither agree nor disagree

4. Agree

5. Strongly agree

Q8: Do you agree that reward system should be fair and equitable?

1. Yes

2. No

Q9: Do you think that reward system should include career plan based on performance?

1. Yes

2. No

Interview Questions for the Managers

1. How important is it to evaluate the performance of your employees?

2. Is it important to motivate employees? And what is the impact of motivation on employee performance.

3. Do you consider monetary or non-monetary rewards to be more effective for employees' performance increase?

4. What reward systems do you use to motivate the employees in your organization?

5. How do you decide upon a reward for an employee as a manager?

6. Do you ensure that the employees are aware of the criteria on which their

performance is evaluated?

7. Is it important to ensure high performance of employees and retain high performers? Why?

Cover Letter

Dear Colleague,

I invite you to participate in a research study entitled: Impact of Reward System on Employee Performance. I am currently studying in Kajaani University of Applied Sciences, and am in the process of writing my bachelor's thesis. The purpose of the research is to determine the importance of a reward system in the company and its impact on employee's performance.

The enclosed questionnaire has been designed to collect information specifically for the research purpose.

Your participation in this research project is completely voluntary, thus, it is highly appreciated. Your responses will remain confidential and anonymous. Data from this research will be reported only as a collective combined total.

If you agree to participate in this project, please answer the questions on the questionnaire as best you can. It should take approximately 5 minutes to complete.

If you have any questions about this project, feel free to contact me: Yulia Emelianova, Human Resources Trainee, yulia.emelianova@normet.com.

Thank you for your assistance in this important endeavor.

Sincerely yours,

Yulia Emelianova