Reward System: A Study of BEMCO Hydraulics Ltd. Belgaum

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Abstract: BEMCO Hydraulics Ltd. is a well known company for its quality products in Karnataka. When it comes to employee satisfaction the employees at Bemco are a little unhappy with the reward system at Bemco. Reward is one of the important motivating factors in employees’ performance adding to the organization’s performance. This paper tries to find out the existing reward system at Bemco and its influence on the performance of the employees. This descriptive research uses a structured questionnaire for the employee survey. Researcher uses SPSS software and Ms Excel for data analysis and the One sample t-test is conducted to test the hypothesis. Though the reward system at Bemco is good it needs a redesigning to uplift employee satisfaction and in turn improve their performance. At the end, the researcher tries her best to suggest an effective model of reward system in the interest of the employees and the organization.

Key Words: Rewards & Reward system, Performance, Satisfaction, Motivation, Productivity

Introduction

Workplace reward system is an incentive program that encourages employee engagement and productivity by offering bonus, increased pay, additional time off or other awards for a job well done. Reward management system deals with strategies, policies and process required to ensure that the contribution of employees to the organization is recognized by financial and non-financial terms. As stated by Ballentine (2003), the purpose of reward is to recognize excellent job performance, provide feedback, make it easier to get work done, encourage employees to be more productive and help management achieve their goal. According to Luthans(2000), there are two basic types of rewards, financial and non-financial and both can be utilized positively to enhance performance behaviors of employees.

- Financial Reward:
  Financial rewards means pay-for-performance such as performance bonus, job promotion, commission, tips and gifts, etc.

- Non-Financial Reward:
  Non-financial rewards are non monetary/non cash. It is a social recognition such as acknowledgement, certificate, and genuine appreciation, etc. The non-financial reward is also called materials award.

The major objectives of Reward System:

- To support the achievements of business goals through high performance
- To develop and support the organization culture
- To define what is important in terms of behavior and outcomes
- To reward the people according to the value they create
- To attract and retain the high quality employees
- To successfully engage people.
Reward System: Elements of Reward System

- Business Strategy
  - Employee Behavior
    - Core Reward Values
      - Process of Reward System
        - Feasibility Study
        - Task Force
        - Pilot Implementation
        - Communication
        - Evaluating Performance
      - Reward Structure
        - Intrinsic Reward
          - Bonus
          - Job Promotion
          - Commission
          - Tips
          - Gifts
        - Extrinsic Reward
          - Acknowledgment
          - Certificate
          - Genuine Appreciation
          - Tips

Reward System should be in congruent with other systems:

- Business Strategy
  - Employee Behavior
    - Reward Management System
      - Training System
      - Performance Mgt System
        - Core Reward Values
          - Reward System
          - Reward Structure
            - Culture
            - Organization Structure
            - Job Design
Importance of Reward System

- Increase Productivity
- Improve Attendance
- Improve Morale
- Improve Retention

Rewards prove to be a tool to increase performance and change behaviors in dissatisfies employees. Employees are the assets of the firm and they are the hands and brains through which the whole organizational process comes to life. Therefore, a fair reward system could build job satisfaction and productive behavior in an employee.

Statement of the Problem:

Human resources are the most important among all the resources any organization owns. To retain efficient and experienced workforce in an organization is very crucial in overall performance of an organization. This study sets out to identify and investigate how rewards, reward systems and organizational incentives influence the performance of the employees. Hence “An Analytical Study of Reward System at Bemco Hydraulics Ltd.”

Objectives of the study:

- To know the reward system of the Bemco Hydraulics Ltd.
- To study how the reward system influences the performance of the employees.
- To suggest the suitable model of Reward System to Bemco Hydraulics Ltd.

Literature review:

Muhammad Ibrar and Owais Khan (2015) are of the opinion that reward is more important to any nature of business, organization, institution, schools, and very beneficial to the employee’s job performance. It is natural process that human performance is based on motivation and motivation can be concerned in reward on this increased with rewards as better performance is compared to absent of reward. They also state that Rewards are considered as important tool to check the employee’s performance in every organization. Management use rewards for employees motivations. Effective reward system attracts new employees for organization and motivates existing employees to perform high levels. Employee’s good work is necessary to achieve the specific goals. Employees give their good efforts for achieving goals and good effort depends on rewards. In other words, good rewards are most important way to engage the employees with their work and with their organization.

Peter Kawara (2014) state that the rewards offered as a result of good performance were worthwhile and meaningful. Employees reward systems is a source of motivation to the employees. For any organization to experience effective functioning and quality performance, it should have an in depth understanding of its employees needs that should inform the organization’s appropriate reward systems. The author also found that the rewards systems have a positive effect on employee productivity in Catholic University. A good reward system should incorporate both monetary and non-monetary rewards that are competitive based on the prevailing market rates; such a reward provides a sense of employee motivation hence boosting their level of performance/productivity and commitment to their work, which is essential for the organization to experience growth as well as gain a competitive edge against its competitors.

Hisra (2013) state that the job and career satisfaction were mostly influenced by job rewards. The rewards motivation and job satisfaction has strong relationship in the Banking sector of Saudi Arabia and the researcher particularly deliberated that the rewards have positive significance on motivation, motivation positively related to job satisfaction and rewards have positive significant effect on job satisfaction. The author also says that there is direct relationship among extrinsic rewards, intrinsic rewards and the employees’ performance.

Prof. Roshan Jaid (2013) states that Reward systems are not just bonus plans and stock options. They include both of these incentives but can also include awards and other types of recognition, promotions, reassignment, or other non-monetary bonuses too. Rewards prove to be as a tool to increase performance and change behaviors in dissatisfies employees. Employees are the assets of the firm and they are the hands and brains through which the whole organizational process comes to life. Therefore, a fair reward system could build job satisfaction and productive behavior in an employee.

The conceptual framework of the reward system:

Intrinsic Rewards + Extrinsic Rewards = Reward System Employee Performance

Adebiyi Julius (2012) says that Reward Management is concerned with the design of appropriate reward structures, policies and procedures in addition to implementing and maintaining the rewards processes in a manner that would promote and enhance individual and corporate effectiveness. Reward management is most successful, when it incorporates the goals and the aspirations of the major participants in the
labour management. The author also found that the employee reward (Compensation) is the centre piece and manifestation of an exchange relationship between the employee and the employer.

Serena Aktar et al (2012) state that Rewards is one of the important element to motivate employees for contributing their best efforts to generate innovative ideas that leads to better business functionality and further improvise company performance both financial and non-financial. The authors also found that the employees would give their maximum when they have a feeling and trust that the management will reward their efforts. Many factors affect employee performance like working conditions, workers and employer relationship, training and development programs, job security, company’s overall policies and procedures for rewarding employees etc. An organization must set carefully rewards system to evaluate the employee’s performance. The concept of performance management has given a rewards system, which contains; needs and goals alignment between organization and employees, rewarding employee both extrinsically and intrinsically. The system also suggests where training and development is needed by the employee in order to complete the defined goals.

Jane Waithera Njoroge (2011)is of the opinion that rewarding good performance is a challenging task. Yet it is one, which is necessary to support improvements in performance sought through the strategic management initiative. Rewards are intended to align employees with organizational strategy by providing incentives for employees to act in the firm’s interest and perform well over time. To achieve desired goals, reward systems should be closely aligned to organizational strategies. The author also states that different types of rewards and recognition have different effects. Verbal rewards involved giving participants praise or positive feedback for their work while tangible rewards involved giving money, tickets to a theatre, certificates or other similar rewards. Reward systems are one of the loudest and clearest ways leaders of an organization can send a message about what they consider important. A great deal of the way people behave is influenced by the way they are measured and rewarded.

Malik Mohammad S. (2011)is of the opinion that salary is a very important factor for employee motivation as compared to other variables like promotion, job security, working condition, appreciation and other benefits. The authors also say that rewards and employee motivations have positive relationship, and there is association between motivational factors and demographical variables like (gender, age, qualification, income and experience) but there is no association between employee motivation and qualification of employees. Further, he states that simple change in reward offer will have same effect of change in employee work motivation. He suggests the following as the motivational factors:

1. Good salary
2. Promotions and growth in the organization
3. Full appreciation of work done
4. Job security
5. Good working conditions
6. Personal loyalty to employees
7. Tactful discipline, and
8. Sympathetic help with personal problems

The author also recommends that in order to increase the employees’ motivation by redesigning the reward system.

i. Employees should be trained according to the present context of the environment.
ii. Regarding the salary and other allowances.
iii. Internal work environment of banks must be pleasant. In order to satisfy the staff and work with efficiency.
iv. Different facilities to be provided to all employees in order to enhance the employees’ motivation and job satisfaction.

Tobias Eriksson (2011)states that rewards and incentives induce actions upon individuals. Both concepts may lead to reward in some from, either extrinsic, the most obvious being monetary compensation, or intrinsic, for instance increased responsibilities or the feeling of freedom. The author also states that to control and steer individual behavior organizations utilize different kinds of reward systems. By designing reward and pay systems, which are aligned with the business strategy and other organizational practices, they can help driving both individual and organizational performance. Incentives are also treated as similar to rewards and an incentive plan could be seen as another term for a reward system. Incentives also influence individual behavior and are recognized to control much of the behavior in organizations.

Ekaterini Galanou et al (2010)are of the opinion that rewards systems are one of the most significant issues of the human resource management. They also found that the rewards management is also concerned with the development of appropriate organizational culture, core values and increasing the motivation and commitment of the employees. Further, they say that rewards management is closely related to motivation theories and job
satisfaction. Job satisfaction has become very significant one, now that managers seek for practices which are likely to make people more satisfied and therefore, more productive.

Research design:
The research aim is to investigate how rewards, reward system and incentives influence the performance of the employees. The research is descriptive in nature. A systematic Questionnaire was prepared and handed over to participants/respondents and they were asked to select the option which they felt best suites their opinion. The Questionnaire is distributed in different departments of Bemco Hydraulics Ltd. The filled Questionnaire is collected and analysis of data is done by using SPSS software.

Sample Design
Population: There are total 246 employees working at Bemco Hydraulics Ltd.
Sample Size: Out of total strength of the employees, the sample taken is 75.
Sampling Method: The simple random sampling method is used where the employees are selected on random basis.
Survey Method: The systematic sample survey method is use were in filled Questionnaire is collected and analysis of data is done.

Data Sources:
Primary Data:
- The data was collected through questionnaire
- Also collected from various department heads
- The data collected by interacting with the employee

Secondary Data:
- The secondary data is collected from company profile
- The data sourced from textbooks
- The data also sourced from Internet

Hypotheses:
H0: The Reward system does not have positive impact on employee’s productivity.
H1: The Reward system has positive impact on employee’s productivity.

H0: The training provided at Bemco will not help to improve job performance of employees.
H1: The training provided at Bemco helps to improve job performance of employees.

Data Analysis Tools:
- SPSS software is used to analyze the data.
- Ms excel is used to find out percentage.
- One sample t-test is used to test the Hypothesis.

BEMCO Hydraulics Limited
Bemco was originally established as ‘Belgaum Motor Company’ by Late Shri B. V. Pusalkar in, Belgaum Cantonment as an Automobile Service Station. However, in due course he identified the opportunity in the Hydraulic Manufacturing industry. The company, now named as ‘New Bemco Engineering Products Pvt. Ltd.’ built its first ever Hydraulic Press in 1957 in collaboration with Vogel, Germany.

Since then, Bemco has been the pioneers in the field of hydraulics with various developments in respect of Machine Tools. To diversify the product range and increase the effectiveness its existing products, Bemco entered into collaboration with ‘Towler Hydraulics Ltd., UK.’, for items which were earlier being imported to India, have been successfully developed and commissioned for reputed Government and Private sector industries in India.

Bemco Hydraulics enjoys tremendous brand recall among its customers due to its quality products and reliable after-sales support. The company has also exported with repeat orders to the various countries in South East Asia, African and Middle Eastern countries.

Testing of Hypotheses:

Hypothesis 1:
H0: The Reward system does not have positive impact on employee’s productivity.
H1: The Reward system has positive impact on employee’s productivity.

<table>
<thead>
<tr>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
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<tbody>
<tr>
<td>Q9</td>
<td>75</td>
<td>3.53</td>
<td>.723</td>
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One-Sample Test

<table>
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<tr>
<th></th>
<th>T</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
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<tbody>
<tr>
<td>Q9</td>
<td>42.331</td>
<td>74</td>
<td>.000</td>
<td>3.533</td>
<td>Lower: 3.37, Upper: 3.70</td>
</tr>
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</table>

The calculated mean, SD at 5% level of significance are given in the above table one.
As per the table mean difference value 3.533 lies between 3.37 and 3.70 therefore the Null Hypothesis is rejected and Alternative hypothesis is accepted.

Explanation:
To test the hypothesis one sample t- test was conducted and the results are as under
For testing the above hypothesis, t-test is used with assumed mean 3. The total score in the five point Lickert scale is 15 and the average is 3. The calculated mean value of selected attributes for studying the reward system at Bemco is greater than the assumed mean i.e. 3.53, the observed P value is 0.000 which is less than assumed α 0.05 and the calculated t test value is 42.331 which is greater than the table t test value = 1.96 at df = 74 and α=5%.

Conclusion:
The reward provided has positive impact on employee productivity as the alternate hypothesis is accepted and null hypothesis is rejected.

Hypothesis 2:

H0: The training provided at Bemco will not help to improve job performance of employees.
H1: The training provided at Bemco helps to improve job performance of employees

One-Sample Statistics

<table>
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<th>Std. Error Mean</th>
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<tr>
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<td>.649</td>
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One-Sample Test

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<th></th>
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<th>Mean Difference</th>
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<tr>
<td>Q3</td>
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<td>.000</td>
<td>3.893</td>
<td>Lower: 3.74, Upper: 4.04</td>
</tr>
</tbody>
</table>

The calculated mean, SD at 5% level of significance are given in the above table one.
As per the table mean difference value 3.893 lies between 3.74 and 4.04 therefore the Null Hypothesis is rejected and Alternative hypothesis is accepted.

Explanation:
To test the hypothesis one sample t- test was conducted and the results are as under
For testing the above hypothesis, t-test is used with assumed mean 3. The total score in the five point Lickert scale is 15 and the average is 3. The calculated mean value of selected attributes for studying the training method at Bemco is greater than the assumed mean i.e. 3.89, the observed P value is 0.000 which is less than assumed α 0.05 and the calculated t test value is 51.971 which is greater than the table t test value = 1.96 at df = 74 and α=5%.

Conclusion:
The training provided at Bemco helps to improve employee performance as the alternate hypothesis is accepted and null hypothesis is rejected.

Findings:
1. The training program at Bemco improves the job performance as training is given to employees once in a year (83%)
2. The Performance Management System at Bemco is not clearly defined in the company (55%).
3. The performance at Bemco is highly influenced by salary and other benefits and the company has good pay policy (53%).
4. Reward system has positive impact on their productivity (53%).
5. The reward system at Bemco is not faire and timely (41%).
6. The employees at Bemco are not happy with current reward system (32%).
7. Bemco does not allow Workers’ Participation in Management (54%).
8. The employee’s skills and abilities at Bemco are utilized by management to a certain extent (45%).
9. The safety measures at Bemco are not satisfactory (55%).
10. Job rotation helps to learn from different department and gain confidence (60%).

**Conclusion:**
BEMCO is well known company by its hydraulics products in Karnataka. It has good relations with its customers due the quality products. The employees at Bemco are not satisfied with the Reward System. Rewarding employee’s performance leads to high productivity of the organization. The reward system helps to motivate the employees. It is one of the essential tools for attracting new and skilled employees. The reward system at Bemco is good but needs a redesigning to increase the employee’s job satisfaction and performance.

**Recommendations:**
1. The employees in Bemco are not clear about the Performance Management System of the company. The management has to arrange seminar to give the information about the performance management system and other policies of the company. It is beneficial to company that the employees are well informed with the organizational initiatives towards its employees.
2. To improve the job satisfaction and productivity the company has to motivate the employees by rewarding the right Knowledge, Skills and Abilities’ (KSA’s) and performance.
3. To understand the needs of the employees the management should communicate with the employees before reviewing the reward program.
4. To improve the satisfactory level of the employees the company needs to redesign the reward system. The model of the same is given at the end.
5. Though the Bemco has skilled workers but it has to utilize the skill and abilities of the workers in effective manner by putting them in right job.

**The Effective Model of Reward System to improve Job Satisfaction of Employees:**

The job satisfaction is very essential for any individual/ employee to be more productive. There is mutual connection between Job Satisfaction and Reward System and what connects them is the Motivation factor, both external and internal. The employees’ Reward System should be such that it keeps both the management and employees satisfied.
Bibliography: