



# The Relationship between Reward Management Practices and Employees' Behavior

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**Abstract:** This review article examines the relationship between reward management practices and their impact on employee behavior and organizational performance. Reward management, encompassing both financial and non-financial incentives, is crucial in motivating employees, enhancing job satisfaction, and fostering organizational commitment. The research aims to provide a comprehensive understanding of how various reward strategies affect employee engagement and performance, ultimately influencing the overall success of an organization. The theoretical framework underpinning this investigation draws on a range of existing literature, identifying key theories of employee behavior and motivation, including content, process, and reinforcement theories. Through a mixed-methods approach, combining quantitative data analysis and qualitative case studies, the study evaluates the effectiveness of different reward practices across multiple sectors. This approach allows for a deeper exploration of the nuanced ways in which rewards influence employee attitudes and behaviors. Findings from the study indicate that strategic alignment of reward systems with organizational goals significantly boosts employee motivation and engagement. Performance-based rewards, including bonuses and recognition programs, are particularly effective in enhancing job satisfaction and productivity. Moreover, non-financial rewards, such as professional development opportunities and workplace recognition, play a vital role in fostering a positive organizational culture and employee retention. The study concludes that a well-designed and effectively implemented reward management system can lead to improved employee performance and organizational competitiveness. Recommendations include aligning reward practices with the strategic objectives of the organization, customizing rewards to meet the diverse needs of employees, and ensuring transparency and fairness in the reward system.

**Keywords:** Reward Management Practices, Employee Behavior, Performance-Based Rewards, Non-Financial Rewards, Organizational Goals

## I. Introduction

The reality of implementing a successful reward management practice is the need to customize the practices or strategy to fit the different types of employees within an organization. Pulakos and O'Leary (2006) suggested that the effectiveness of performance management and the use of rewards can be enhanced when it is 'aligned, clear, distinguishable, empowering, enabling, developmental, and continuous'. Pulakos and O'Leary (2007) proposed that successful pay for performance and appraisal and reward feedback processes

in organizations are results of 'attention, standards, measurement, evaluation, and positive consequences'. Pulakos and O'Leary (2007) also highlighted that, ultimately, although appraisal and rewarding feedback as well as performance elements are often discussed separately, the real opportunity for organizations lies in integrating this process to manage rationally people's opportunities for growth and satisfaction at work. Pulakos (2011) suggested that the criteria for the effectiveness of an employee performance pattern are reliable, valid, ability to be generalized, ability to be recreated, comparative,

context the need for the simpler and more engaging system than evaluation of any work yet conducted (Neher and Maley2020).

According to Armstrong (2002), reward management is a strategy that is concerned with the development, implementation, maintenance, communication, and evaluation of the reward processes (Artz et al., 2010). A successful reward management is about creating a positive, employee-focused work environment which attracts, retains, and motivates the employees (Armstrong and Murlis, 2007). The Chartered Institute of Personnel and Development (CIPD, 2011) identified the main purposes and activities in the use of reward management, which are to attract people to the organization, to retain them, to motivate them to give their best to achieve the business's objectives, and to ensure commitment from people. The integration of the financial and non-financial aspects of reward is identified as a critical success factor in the modern business strategy (Beardwell and Claydon, 2010). Bratton and Gold (2007) stated that the financial payments impact on individuals' standard of living and job satisfaction, while other forms of payment such as the diversity of work and career opportunity could not be ignored. Pulakos and O'Leary (2011) highlighted those modern theories on employee behavior tend to see pay as a 'hygiene factor' – people are not motivated by money but they are motivated by the meaningfulness of the work and by the responsibility and recognition (Akinyemi et al.2022) (Yousaf, 2020) (Sobaih and Hasanein2020).

Pulakos and O'Leary (2011) also argued that performance-based rewards include individual and team-based incentives, piece rate systems, merit-pay programs, and bonuses. Campbell (1999) suggested that the most compelling outcome of an incentive is to make the high performance that the organization needs a condition of not only keeping good employees but also the probability of attracting to the workforce. The new directions of team-based incentives, gainsharing, and profit sharing that re-shift the focus from individual effort toward a more collective team and organization performance (Heneman and Judge, 2006). Goler et al. (2013) showed that the research demonstrated that transformational non-monetary mechanisms, primarily those that were enabled by the use of software, could contribute to substantial and meaningful increases in aggregate productivity.

### **1.1. Background**

The study will review literature from previous studies and reports and will give a detailed explanation of the relationship between reward management practices and

employee behavior. The study is significant considering the fact that workplace behavior is paramount in achieving high levels of productivity. If reward management practices, which have a direct impact on employee behavior, are well understood and implemented, positive organizational behavior and effectiveness can be achieved. However, if these practices are misaligned with employee behavior, it may lead to serious job-related stress and low productivity. Also, any contribution to knowledge in the field of human resources is worthwhile.

The study will develop a framework that defines reward management practices, examines theories on employee behavior, and explores the link between reward management and employee behavior. Also, data from various studies will be used to provide evidence on the impact of various types of reward management practices on employee behavior. The review will target all practices that are covered under the general term of reward, including monetary and non-monetary rewards, and performance-based rewards. This will help in coming up with an inclusive and wide approach to the subject.

The focus of this study will be to explore the relationship between reward management practices and employee behavior. The study intends to make a contribution to existing literature on the subject and to provide empirical evidence on how these practices affect employee behavior in the workplace. Findings of the study may be useful to human resource scholars, reward managers, and policymakers in making decisions on what will be the best way to reward employees in line with positive employee work behavior. It is also the hope of the researcher that the study recommendations will be useful to both public and private organizations (Amjad et al.2021) (Manzoor et al., 2021).

Some of the commonly used reward management practices include annual salary increments, bonuses, profit sharing, provident fund, and other benefits such as medical and life insurance. It is also possible to reward employees without linking to any performance through practices such as membership to clubs, reward for attendance, and loyalty to the organization. However, with the changing business environment and the need to attract and retain talent, most organizations are adopting flexible and performance-based reward systems (Bareket-Bojmel, 2022).

Reward management deals with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably, and consistently in accordance with their value to the organization. On the

other hand, employee behavior refers to the way in which employees act in the workplace. There are various types of reward systems in the contemporary business environment, as organizations have adopted different means to reward employees so as to motivate them to exhibit positive behavior.

### **1.2. Purpose of the Study**

The study is designed to accomplish three primary goals. The first purpose of the study is to provide a foundation for a more comprehensive understanding of reward management practices and their impact on employee engagement by reviewing the relevant literature in the theoretical framework. The second is to identify research opportunities in the literature to contribute not only to the academic knowledge, but also in providing valuable insights for practitioners in the field. Third, this study seeks to establish a clearer understanding of the role and significance of reward management practices in influencing and directing employee behavior. Specifically, it aims to investigate and answer the question of how and to what extent different types of reward management practices can shape and influence different dimensions of employee engagement. The outcome of this research can provide professionals in the field with methodical and empirically proven explanations of the relationship between various types of rewards and employee engagement (Haldorai et al., 2020) (Weideman and Hofmeyr2020). This in turn can help organizations to develop and implement effective employee reward programs that are strategically aligned with the organizational goals to provide a stable and goal-oriented workforce. This could also enhance the overall job satisfaction, reduce staff turnover rate and help a firm to sustain a competitive edge in the industry. The findings from the proposed study may also contribute to the continuous improvement in the field of human resource management by providing valuable insights to the policy makers and analysts in the industry (Koo et al.2020). Also, through understanding the impact of reward management practices on employee engagement, not only the professional knowledge could be expanded, but also the quality of work life for employees in different job sectors may be improved.

### **1.3. Scope of the Review**

The literature review focuses on the global perspective of reward management, the changing context of reward, the link between employee performance and reward, exploring the main types of reward management policies, practice and debates in multinational world, and the challenges posed by the international context. While the scope of literature review is broad, the research will mainly

focus on three aspects: which are the reward management and motivation in the multinational world, the link between the most frequent used monetary rewards and employee performance, and the gender issues in the non-monetary rewards. Through analyzing the existing literature regarding to the reward management and employees' behavior, the research is aiming at investigating that to what extent and how the different types of reward management methods perform and effect on the employee's motivation and how the reward management affect the whole organization in terms of its strategic management of employees in the multinational world (Chien et al.2020) (Kollmann et al.2020).

Through investigating the theories and practices of the effective reward systems, the research will also provide some useful in sights and proposal on how to strategically managing and effectively utilizing the rewards to maximize the employee's work motivation. The findings of the research will help managers and HR professionals not only discover how to match the kind of employee performance to the various monetary rewards more accurate but also to understand how to make a better use of the non-monetary rewards and align it with employees' need and organizational goal more effectively in the multinational world, especially in the context of a highly diversified culture with gender issues. On the other hand, as the researcher will also try to explore the gender issues in the non-monetary rewards in the research. This has critically important implication to the strategic human resource management as the gender dilemmas in the workplace is a popular topic which is encouraged to be discussed and investigated. Thus, the employer can make use of the insights in the research and be able to provide a better and more effective non-monetary reward experience tailored for different gender in the multinational world.

## **2. Theoretical Framework**

The theoretical framework section defines the meaning of reward management practices and also examines the various theories related to employee behavior. According to Armstrong (2010), a practice is the delivery of a valued outcome. He also explains that practice is concerned with the manner in which goals are met. Biehl and Kreck (2007) explain that the overall goal of practice is to facilitate successful training. Theory explained by Armstrong (2011) identifies motivation as the key to performance improvement. He explains that the level of motivation experienced by the employee will most commonly determine output and the quality of results. Gennard and Judge (2005) point out that "if an employer needs to improve the job performance achieved by employees, it

has to identify what kind of rewards may lead to higher performance." - this confirms the reasoning provided by Armstrong (2011) and implies that the use of reward management likely is going towards providing employees with some sort of incentive or reward to increase their job performance. However, we have to take the inherent tensions within the practice, as Biehl and Kreck (2007) expose them, that cost, qualification, and outcome might create conflicts. They might reduce the independence and influence that the practice needs to relay. He also elaborates that although practices may be successful under near-perfect research conditions, attempts to disrupt the practice without first considering its benefits can be unsuccessful. I would go further to argue that if the employee has the ability to make the cost of the practice more apparent, this would cause a lot of problems for managers. If an employer cannot prove that a practice is beneficial, then ensuring compliance will be difficult. This supports the statement by Biehl and Kreck (2007) that any practice which "rely on path-dependency" is essentially open to challenge (Tannor et al., 2024) (Khang et al.2023). Finally, they explain that many items of practice are legal and so take away the avenue of questioning from employees, as legislation has justified the introduction of it.

## **2.1. Definition of Reward Management Practices**

Definition of reward management practices: According to Armstrong (2002), reward management refers to the strategies, policies and processes established and implemented by organizations in order to reward people fairly, equitably and consistently in accordance with their value to the organization. It consists of the development of strategies and the implementation of total reward, which involves not only a focus on direct pay and employee benefits, but also on work and personal development opportunities and progression over time. Wilkinson et al. (2007) also state that as a system, reward management is not only about the elements of intrinsic and extrinsic rewards, but also the policies and strategies which are used to lead by, achieved through, and result from the whole cycle of the development and the practical day-to-day operation of reward management (Ababneh2021) (Malik et al.2021). Besides, the Chartered Institute of Personnel and Development (CIPD) in their reward management factsheet, has defined reward management as the total package used by organizations to attract, motivate and retain employees.

## **2.2. Theories on Employee Behavior**

The theories on employee behavior have been divided into various categories, namely content theories, process

theories, and reinforcement theories. This section provides an overview of specific theories which fall under these categories. According to the review, content theories refer to theories that provide an explanation for the reasons why employees' needs could be changed. Most of the early theories of motivation (for example, Maslow and Herzberg theory) are based upon the idea that work is a means towards satisfying 'higher order' needs such as personal growth and fulfillment. On the other hand, process theories are about a rational cognitive process and concentrate on the psychological and neurobiological aspects of the learning process. Reinforcement theories focus mainly on the relationships between the behaviors that follow one another, in that one is viewed as a response to the preceding. For example, in reward practices, employees' good performance leads to benefits while demerit in their performance would result in punishment. It is understood that behavior is a function of its consequences. In conclusion, these theories may not provide one with a clear and specific prediction as to why an individual behaves in a certain way because employee behavior is a complex entity.

However, administrators can select in relation to the type of environment within the organization and the preferences of work and level (Baumann & Marcum, 2023) (Hermawan and Arief2023). It also provides researchers from both academic and practitioner aspects. Some reinforces of the theories were conceptualized "more than fifty years" ago to give a form of validating the various theories and their progresses till today, it is a result of using different kinds of technology together and researchers are able to come up with and evaluate many new ideas on human behavior and employee. It gives a better understanding of human behavior and what motivates them. Technology has also given many changes to the working department such as speed, accuracy, and innovation and is able to provide feedback to the theory as well. Maslow's motivation theory and following which is Herzberg's motivation theory from the content theories have given many insights into the motivators. Although from different theories and years, both mentioned job satisfaction and its importance towards the work. His salary, working conditions, management, and peers would be necessary to avoid job dissatisfaction.

## **2.3. Link between Reward Management and Employee Behavior**

One of the main areas of focus in the existing scholarly literature is the link between reward management and employee behavior. This field of study examines how the

effective use of reward management strategies can lead to desired employee behaviors that ultimately contribute to organizational success. While early studies in this area often emphasize the use of financial rewards to motivate employees, more recent research recognizes the limitations of this approach and calls for a more holistic and strategic perspective on reward management. For example, Jiang (2013) defines strategic reward management as the need to develop and maintain a consistent and coherent reward system that supports the organization's broader aims. Holistic models such as the Strategic Reward Alignment Model (SRAM) emphasize the importance of focusing not just on developing a reward system, but on ensuring that it is well-integrated with other aspects of human resource management in the organization. Such models propose a reward strategy process that includes analyzing organizational goals and culture, formulating reward policies that are in line with these objectives, and evaluating the outcomes of the implementation of reward policies (Monteiro et al.2020) (Orakwue and Iguisi2020).

These models recognize the importance of making connections between different aspects of strategic human resource management, for example linking reward strategies to employee motivation and the delivery of high performance, and showing how employees are managed in such a way as to create and maintain the motivation and commitments necessary to make that performance sustainable. These theoretical perspectives reflect a developing consensus in the literature, which emphasizes the need for a more strategic and sophisticated approach to reward management. By defining reward management as a total integrated package, which has to support the aims of the organization and help to achieve its mission and values, there is an opportunity to align reward strategies with broader organizational aspirations. This is increasingly seen as a key part of the role of the reward specialist in contemporary organizations. As employees are a key organizational resource and their efficacy is associated with achieving organizational objectives, to establish and maintain the competitive position of the company, it is important to assure that employees will practice behaviors which are in the interests of the company (Armstrong & Taylor, 2023) (Harrison & Shortell, 2021). The reward management has a critical role to lead employees to practice behaviors which are expected by the company. It is also expected that this field will continue to grow in importance as organizations seek to develop more innovative and flexible ways of working and to maintain employee motivation in the face of increasing work intensity and the pace of technological change. Success of

the reward system critically depends on good managers who are able to coach employees, enhance their self-confidence, and provide them with opportunities to maximize non-monetary returns.

It is suggested that a good reward system is based on sound research in human behavior and human motivation. Chiang et al. (2011) study identifies three main ways through which strategic reward management, described as the sophisticated use of rewards to align the employee behaviors with the objectives of the business, creates value for the organization. First of all, the study introduces the concept of "star employees," who are valuable employees due to their high performance and potential and explains how, by properly identifying and rewarding these employees, strategic reward management can help to retain such valuable assets for the company. The study points out that "stars" will become important organizational resources and the ability to identify and retain "star employees" is critical for organizational success.

### **3. Impact of Reward Management Practices on Employee Behavior**

Reward management practices play a pivotal and paramount role in profoundly and significantly shaping the behavior and conduct of employees, as they are intricately, intimately, and inseparably connected to a myriad of motivational factors and deeply ingrained job satisfaction which profoundly impacts and influences overall job performance and employee engagement.

#### **3.1. Financial Rewards**

In order to gain a comprehensive understanding of the profound impact of providing financial rewards on employees' behavior and motivation, it becomes imperative to delve into and meticulously explore the myriad of diverse types of rewards that organizations commonly offer as part of their strategic incentive programs and practices. By examining the multifaceted nature of these rewards, one can truly grasp the substantial influence they wield over employee performance, engagement, satisfaction, and overall organizational success. This profound exploration will shed light on the intricacies and nuances associated with crafting effective reward systems, enhancing employee motivation, and nurturing a thriving work culture conducive to perpetual growth and achievement (Alsafadi and Altahat2021) (Tensay & Singh, 2020).

#### **3.2. Non-Financial Rewards**

Non-financial rewards, such as recognition for a job well done, additional time off, or opportunities for professional development, play an incredibly significant role in shaping employees' behavior and promoting a harmonious and uplifting work environment. These rewards can boost motivation, engagement, and job satisfaction, ultimately leading to increased productivity and employee retention. By acknowledging and appreciating employees' efforts and achievements through meaningful gestures and rewards, organizations create a culture of appreciation, respect, and camaraderie. This, in turn, fosters a positive work atmosphere where individuals feel valued, supported, and inspired to contribute their best. Moreover, non-financial rewards can also help in attracting and retaining top talent, as prospective employees are increasingly looking for workplaces that prioritize their holistic well-being and development (Ghani et al.2022). By providing a diverse range of non-financial rewards, employers demonstrate their commitment to nurturing their employees' growth, motivating them to excel, and creating an environment that fosters personal and professional fulfillment. Emphasizing non-financial rewards as part of an overall reward strategy can have transformative effects, ensuring a more engaged workforce and reaffirming the organization's focus on the holistic success of its employees.

### **3.3. Performance-based Rewards**

Performance-based rewards are a crucial component of organizations' reward management practices, as they have a significant impact on employees' motivation, engagement, and overall job satisfaction. When employees are recognized and rewarded for their exceptional performance, they are more likely to feel valued and inspired to continue going above and beyond in their work. This leads to increased productivity, higher job performance, and ultimately, organizational success. Moreover, performance-based rewards help create a positive and competitive work environment, where employees are encouraged to set higher goals for themselves and strive for excellence. These rewards can take various forms, such as bonuses, promotions, public recognition, or even additional training and development opportunities. By offering performance-based rewards, organizations establish a culture of excellence and meritocracy, where employees are acknowledged for their hard work and achievements. This not only boosts individual motivation but also fosters a sense of camaraderie and healthy competition among team members (Thneibat and Sweis2023) (Mamun & Khan, 2020) (Lin et al.2022). Performance-based rewards are an essential tool for organizations to enhance employee

motivation and engagement, ultimately leading to increased productivity and success.

### **3.4. Recognition and Appreciation**

Recognition and appreciation are considered to be vital and essential components within the realm of reward management practices due to their profound influence on employees' motivation levels and overall job satisfaction. These practices play a pivotal role in fostering a positive work environment and enhancing employee engagement, thereby empowering individuals to perform at their peak potential. By acknowledging and valuing their contributions, organizations can create a culture of recognition that fuels employees' sense of accomplishment and instills a sense of pride and fulfillment. This, in turn, cultivates a workforce that is highly motivated, satisfied, and dedicated to achieving both individual and organizational objectives (Rasool et al.2021).

### **4. Strategies for Effective Reward Management**

Well-designed reward systems can provide organizations with efficiency, productivity, and better employee behavior. Also, the use of rewards is likely to underscore particular pieces of work and working practices as areas of importance. Cognitive coherence between the target of a reward, the reason for its allocation, and the actions connected to the subject of value can be enhanced in a number of ways. Allocated work in a coherent manner to what is sought. Explanation can be given significant cognitive weight by making pay and other forms of reward visibly in step with the objectives explained. Steps made to realize the rewards can be signified as 'realization' in the construction and implementation of work. Agencies of interference that would detract from work may be critically interpreted in several ways; either as blockages in the creation of received valued outcomes, as efforts to realize reward in fragmented interpretation, or simply as an 'alternative way of obtaining the same shared value or end.' Shared objectives are provided a primary focus (Mughal and Malik2023) (Ghouri et al.2020).

The first strategy is that organizations should design reward systems that support and encourage the accomplishment of organizational goals. The research literature in this respect supports the use of extrinsic rewards to achieve objectives. This is where rewards are used as a mechanism for doing work 'properly' and obtaining desired results. However, this necessitates a directed relationship between the object of value and the moves made to achieve it. Also, the rewards must be

visibly and coherently related to the shared objectives of the workforce. Thereby, work is interpreted in relation to that shared understanding and received work goals, for example objectives about quality and customer satisfaction, are more likely to be realized (Amjad et al.2021). Strategies for effective reward management include aligning rewards with organizational goals, customizing rewards for different employee segments, promoting communication and transparency in regard to reward systems, and continuously evaluating and improving established reward programs.

#### **4.1. Aligning Rewards with Organizational Goals**

Given the rapid changes in the corporate world, aligning reward strategies with the broader organizational and strategic goals is considered as a key aspect of managing and a vital proficiency for the human resource management. It can be indicated as the process of customizing the organization's reward practices in the backdrop of wider strategic interests for ensuring a mutual relationship between the two. Jackson (2008) confirmed that there has been a shift towards focusing on the link between strategic goals and the adoption of specific human resources practices in recent years. This is mainly due to the realization by organizations that the workforce can be utilized in a more effective and efficient way by ensuring that their personal interests are in line with the interests of the organization. Schuler and Jackson (2006) explained that there are specific outcomes resulted from aligning the reward management with the strategic goals of the organization (Parmentola et al.2022) (Mousa & Othman, 2020).

Organizations can improve the processes of communicating the goals of the organization which would ensure that employees understand the strategic direction of the organization, according to the authors. This attracts the benefit in terms of employees being aware of what is expected of them in working towards achieving the strategic goals. Also, it can stimulate the fairer treatment in individual reward and the opportunity for collaboration in work between the employees. On the other hand, Winstanley and Woodall (2000) proposed that the ability to make sure employees understand their own role in delivering the strategic goals through the reward packages can have a positive impact to organization in many ways. This includes less disputes and grievance between employee and employer and the lower staff turnover which would in turn save significant resources in recruiting and training new comers (Hoang et al., 2022) (Kurdi et al.2020). For senior management, it provides a more

reliable business performance and great flexibility in operation efficiencies, the authors continued.

#### **4.2. Customizing Rewards for Different Employee Segments**

Customizing rewards for different employee segments is another important strategy to ensure that the rewards provided are meaningful to the employees. Instead of a "one size fits all" approach, organizations should aim to design rewards tailored to meet the needs and preferences of different employee groups. Customization can be achieved by considering the demographic and psychographic characteristics of employees. For example, according to the Society for Human Resource Management (SHRM) 2015 Employee Benefits Report, there is a trend of increasing adoption of customizing benefits by employee type. The survey found that more than half of the organizations (54%) providing health care benefits customize them by employee category, and a slightly higher percentage (57%) of the employers customize benefit offerings by generations. Customization can also be achieved through allowing choice (Bumgardner & Nicholls, 2020) (Mercan et al.2021).

A study by Doherty and Gardner in 2016 which examined employee preference for rewards found that employees appreciate the opportunity to choose their own rewards. The study suggested that employee decision-making in reward preference is associated with positive employee outcomes, as it can enhance a sense of autonomy and control at the workplace. Based on the findings of the employee preference study, the authors recommended that employers should consider incorporating elements of flexibility and employee involvement in the design of reward systems. Another example of customization is to provide location-based rewards. It is observed in recent years that multinational organizations begin to tailor their reward offerings based on the geographic location of employees (Caligiuri et al.2020) (Vahdat, 2022).

According to the Top Five Global Mobility Trends in 2016 survey conducted by the Worldwide ERC and Cartus, a global relocation services company, 57% of organizations indicated that they are planning to increase the focus on localization of rewards in order to better align with the local needs of employees. The survey report described that localization of rewards is about designing and delivering international assignment packages that reflect a balance between global governance and the need to allow for geographical and cultural differences. By providing

location-based rewards, it helps to account for variations in the costs of living and different socio-economic conditions across different regions. This is important to ensure that the spending power of the rewards remains largely consistent for employees in the same location, so that the rewards can be perceived as equitable and satisfactory. Well-designed rewards customization can lead to higher employee satisfaction and better outcomes for the organization (Tewodros, 2020) (Rahman, 2024). Lindsey, in her article "Strategic Reward Customization" published in the *WorldatWork Journal*, mentioned that a strategic customization approach considers not only how the organization should differentiate rewards among employee segments, but also how rewards can be aligned with overall business strategies. She provided a framework of strategic reward customization, by which organizations can identify the key workforce segments, define specific customization objectives for each segment based on business needs, and develop and maintain a well-integrated reward system that supports the overall business strategy. This strategic approach provides a systematic way for organizations to analyze and implement customized rewards (Hans, 2021) (Jarrahi et al.2023).

#### **4.3. Communication and Transparency in Reward Systems**

All these strategies for effective reward management mentioned above: aligning rewards with organizational goals, customizing rewards for different employee segments, promoting communication and transparency in reward systems, and continuously evaluating and improving the system, in one way or another, emphasize the importance of intrinsic and extrinsic motivation. When rewards are designed to promote certain behaviors, employees are being extrinsically motivated to act in a certain way - such as doing more sales to achieve a higher pay. This is in line with the expectancy theory of motivation, which suggests that employees will put in effort to a task when they know that the task will lead to a good performance, and they believe that a good performance will be rewarded (Din et al.2021) (Emmanuel and Nwuzor2021). However, while extrinsic motivation is proved to be effective in enhancing employee performance and the realization of the organizational goals, the over-emphasis of reward may backfire, and this explains the effect of incentive on employee engagement conveyed in previous literature.

On the other hand, intrinsic motivation, which refers to the internal drive to perform well, seems to be the long-term solution for employee engagement. Studies have shown that intrinsic motivation is linked to the

involvement stress and job satisfaction. When employees are being intrinsically motivated through; for example, giving employees more autonomy over task structure or the inclusion of staff in strategic decision-making process, they felt more comfortable and less stressed during work. This is important as low involvement stress is stated to be critical to protect the health and well-being of employees in terms of physical and emotional illness. Thus, by introducing rewards that employees enjoyed and appreciated on a more personal level and that promote employees' general sense of well-being (empowering employees, providing opportunities for learning and development, etc.), an organization can achieve a sustainable high level of employee engagement. Effective communication and transparency in reward systems strengthen the association between effort and performance as well as the relationship between performance and outcomes, making the extrinsic rewards earned seem more justified (Saraf et al.2022) (Van et al.2021) (Muzafary et al.2021). By giving employees a clear understanding on how the rewards are linked to the attainment of business objectives and what are the criteria of success, employees' rationality is being respected and this leads to the improvement in the internal motivation of employees, and also employees are able to act in the desired way. On the other hand, the elements of procedural justice and interactional justice can be found in the underlying message of communication and transparency.

#### **4.4. Continuous Evaluation and Improvement of Reward Programs**

Continuous evaluation and improvement is an essential strategy in making sure that rewards management is effective in the organization. Bradley and Frederic argue that for an organization to successfully improve the existing reward programs, the management must adopt a process of framing, diagnosis, re-framing and then action. In order to optimally use continuous improvement, Bradley and Frederic suggest that the management should use data in order to understand the prevailing status of the workers, identify areas which need further improvements and then design and experiment with new interventions in rewards for better results. Also, the process of continuous evaluation and improvement gives the management an opportunity to use modern and sophisticated information technology systems in ways that will help to manage and deliver the right rewards to the right workers so that the overall performance of the organization can be improved (Côté et al.2021) (Zhang et al.2022) (Alderwick et al., 2021). Khandekar and Sharma suggest that continuous evaluation and improvement is important because it works

on the premise that people who contribute to business growth need to be rewarded accordingly. The overall objective of continuous evaluation and improvement is thus to ensure that the most critical opportunities for enhancing organizational performance are identified and taken (Ciasullo et al.2024) (Rehman et al.2022).

Khandekar and Sharma have identified six critical principles that define an efficient and effective evaluation and improvement initiative. These principles, which are also supported by other prior researchers, include beginning with a thoughtful strategy, managing data more efficiently, engaging the right people, aligning the program's components, focusing on the most critical priorities and finally, accelerating learning and improvement. It is of great importance that a process of continuous evaluation and improvement is adopted in order to ensure the success of employee rewards programs in any given organization. The main objective of such a move is to make sure that the rewards management process is proactive and strategic in adding value to the business as a whole (Long, 2024) (Mahoney et al.2021) (Igbokwe2023). This is due to the fact that the working environment keeps on changing and the need to align employee efforts to the overall goals of the business will also continuously shift. By identifying opportunities for rewards and performance enhancements related to those changing conditions of work and business, whether in the short term or long term, the management will be able to realize optimal benefits from the capabilities of the workforce.

## 5. Conclusion

In businesses, it is rational to consider that employees are influenced by reward management practices. However, the extent to which these practices influence employee behavior might differ, depending on the nature of the reward. The primary objective of this study was to identify the most effective employee behavior by providing the reasons behind the employees' responses to a reward system, through aligning measurement of effective employees' behaviors and the practices of the reward system and how maximizing the returns from the effective employee behavior.

However, by acknowledging the relationship between reward management practices and employees' behavior, I can confirm that these practices would significantly influence employee behavior. It is therefore concluded that the first step in achieving the organization's objectives through effective employee behavior is to analyze that the existing reward practices matches the effective employee behavior. Also, the key decision-makers in an organization

including human resources must make sure that the role regulating the employees' response and shaping positively the effective employee behavior in realizing effective use of the reward resources and attainment of the organizational goals.

The same employees who work for an organization could have different pattern of responses to the available reward systems. In essence, the positive employee responses to the reward management practices account for a better part of the effective employee behavior. The comparative analysis of the reward practices and the effective employee behavior has proven that employees are likely to respond better to the organization's reward system if they recognize one that matches their preferred needs. By embracing new methods of financial and non-financial rewards, organizations may change the employees' behavior, thereby achieving higher productivity as the study results provided. These would have the consequence of not only changing the employees' monetary returns as the research would suggest, but also the effective behavior alignment and financial returns to the organization.

## 6. Recommendation

Based on the findings of the study, some recommendations can be drawn for the effective means of managing rewarding systems for employees leading to the satisfaction, motivation and retention of valuable human resources within the organization. To begin with, it is recommended that the organizations must align their rewards and recognition practices with the mission, the strategic objectives and the values of the organization. In fact, the researchers argued that the degree of the alignment between the organizational goals and the rewards significantly contributes to the realization of employee's confidence and acceptance of the system. Secondly, in order to effectively promote the satisfaction and motivation of the employees, the organizations are required to consider the creation of the tailor-made or a segmented rewarding system whereby different categories of employees are treated differently on the basis of the relative performances, preferences and the personal attributes.

The researchers discovered that establishing different levels of recognition, and helping employees to feel fairly treated, have the potential to see an improvement in their energy, productivity, and with greater chances for long-term career life within the organization. Thirdly, the research recommends for the total abandonment of the fixed, time-rated and the automatic rewarding systems for the more open, flexible and creative rewarding

engagements between the management and the employees. The flexibility as well as the high degree of engagement on the dynamics of the rewarding process offer more chances for sharing different opinions on what might work best for everyone, since employees will feel freer to suggest changes and alternatives. Last but not least, the researchers emphasized on the continuous and broader commitment of the management in observing and updating the rewarding system through the engagement of the workforce in all phases of the review and the modifications of the system. From the literature reviewed, the researchers believed that only the rewarding method that involves continuous evaluations and improvements is the most effective and promising endeavors towards achieving the satisfaction and the motivation of the employees and the productivity at the same time. Consequently, the research will urge the organizations to make the transparency and the openness of communicating the changes and the results of the rewarding systems to be the best practice in today's dynamics of working environment.

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