



Strategic Reward Management and its Role in Enhancing Employee Performance in Education

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Abstract

Reward systems play a central role in shaping employee motivation, satisfaction, and overall organisational performance. This paper examines the impact of financial and non-financial rewards on employee behaviour, with a particular focus on the education sector. Drawing on a wide range of academic literature, the study highlights the importance of aligning reward strategies with organisational goals, culture, and employee expectations. The findings suggest that while financial rewards remain essential for attracting and retaining talent, intrinsic rewards such as recognition, professional development, and work-life balance have a stronger influence on job satisfaction and long-term commitment, especially among academic staff. The paper also explores the relationship between reward systems and turnover, motivation, and performance outcomes. Based on the analysis, practical recommendations are proposed for developing a balanced and effective reward system that enhances both individual and organisational success.

KeyWords: Reward system; Performance management; Intrinsic motivation; Extrinsic motivation; Employee satisfaction; Academic staff; Organisational performance; Compensation strategy; Work-life balance

Introduction

In modern organisations, performance management is closely linked to how effectively employees are motivated and rewarded. A well-designed reward system not only encourages desired behaviours but also aligns individual efforts with organisational objectives. As competition for talent intensifies, organisations are increasingly recognising the strategic importance of compensation and reward practices in attracting, retaining, and motivating employees.

Reward systems typically consist of both financial and non-financial components.



Financial rewards include salaries, bonuses, and other monetary benefits, while non-financial rewards encompass recognition, career development opportunities, and supportive working conditions. Existing research presents mixed findings regarding the relative importance of these reward types. However, there is growing evidence that intrinsic motivation plays a critical role in enhancing job satisfaction and performance, particularly in knowledge-intensive sectors such as education.

The education sector presents a unique context for examining reward systems, as academic staff are primarily driven by intellectual engagement, professional growth, and recognition rather than purely financial incentives. Understanding how different types of rewards influence teachers' motivation and performance is essential for improving both employee outcomes and student achievements.

This paper aims to explore the role of reward systems in organisational performance, with a specific focus on educational institutions. It reviews existing literature on compensation strategies, motivation, and employee performance, and provides practical recommendations for developing effective reward systems tailored to the needs of academic staff.

Rewards

Reward is one of the most important concepts of organisation performance management. Rewards were described by Zairi et al. (2010) as “any intervention within an organization aimed at encouraging or reinforcing the required behaviors, or which compensates people for taking particular actions”. According to Sopiiah (2013) compensation strategy plays an important role in attracting and retaining talents in the organisation as well as increase motivation to work more effectively that helps employees to improve their performance and as a result productivity of the organisation as a whole. Proper, fair and effective reward system helps to decrease turnover and absenteeism, rise achievement and commitment in the organisation. Compensation is positively influence on the employees' satisfaction and as a result enlarges the work productivity (Taba, 2018). Compensation and reward strategy of the organisation is essential part of connection corporate goals with individual and organizational performance (Tuzovic and Bruhn, 2005) as well as with customer satisfaction and loyalty (Widmier, 2002). Research done by Azasu (2009) found out that companies that implemented rewards strategy in their system have better performance compare with those who do not have compensation system.

Armstrong (2010) and Noe et al. (2014) in their researches divided reward strategies into two types: financial rewards (payment, cash benefit and financial recognition)



and non-financial rewards (recognitions, achievement work-life balance, development opportunities and personal growth). Extrinsic motivation is usually tangible side of rewards such as pay and benefits, development and social rewards, while intrinsic motivation is associated with intangible aspects such as challenge, responsibility, autonomy, recognition and achievement (Armstrong, 2012; Kuvaas et al., 2017). Herzberg's (1966) and Kuvaas et al. (2017) argued that intrinsic rewards increase job satisfaction and associated with positive outcomes; alternately extrinsic rewards have no impact on satisfaction and only prevent dissatisfaction and negatively related to outcomes. Haider et al. (2015) came to the same conclusion on his research. However, Chew (2005) and Ghiselli et al. (2001) believed that extrinsic rewards are positively related with job satisfaction. Giancola (2014) and Stajkovic and Luthans (2003) held to an opinion that both intrinsic and extrinsic motivation are positive effected on job satisfaction.

Rewards system has also influence on turnover rate in the company. Gieter and Hofmans (2015) and Frazis and Loewenstein (2013) researches showed that extrinsic rewards have significant influence on reducing turnover rate, while Cappeli and Keller (2013) and Mitchell et al. (2001) pointed out that there is no connection between turnover intention and financial rewards. Akgunduz et al. (2020) and Gieter and Hofmans (2015) found out that intrinsic rewards have significant effect on turnover.

Mosquera, Soares and Oliveira (2020) examine relationship between types of reward and gender. It was concluded that intrinsic rewards are more important for women than it is for men, while female performance is less. For women, intrinsic rewards are in the high-importance and high-performance area, while for men it is in the low-importance and high-performance. For both men and women extrinsic rewards have high-importance and low-performance (*Table 1*).

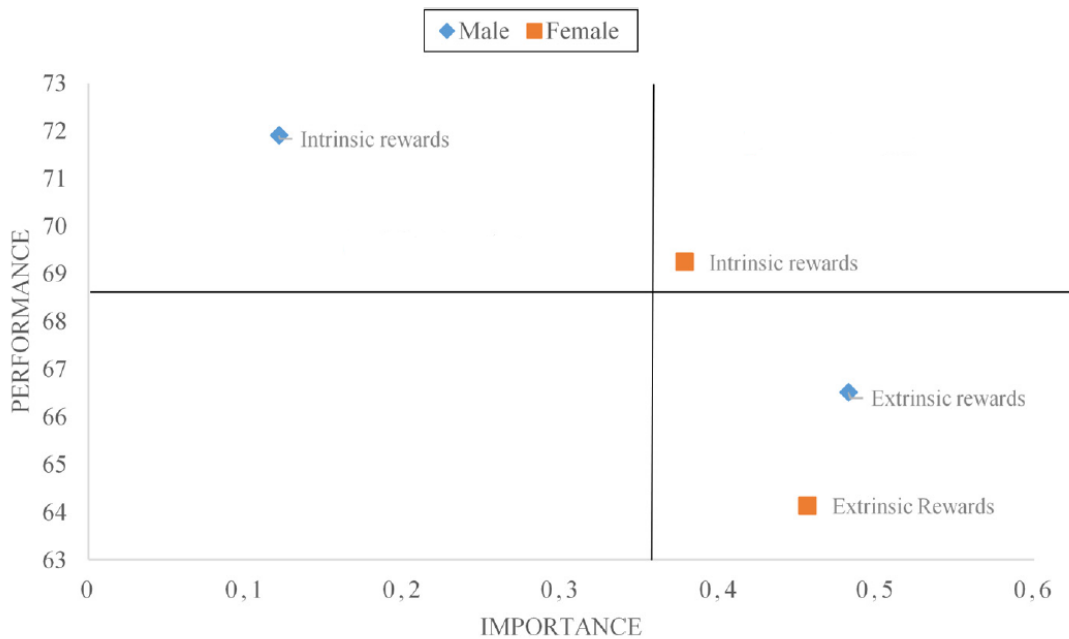


Table 1. Source (Mosquera, Soares and Oliveira, 2020)

It is very crucial for the organisation to adopt effective rewards system. Negative consequences of inappropriate compensation system are:

- Decreasing in employees motivation and future performance what leads to drop of organization effectiveness;
- Appearance of low morale, indiscipline, absenteeism;
- Increasing employee turnover rate;
- Inequity within organization;
- Arising conflict atmosphere in the company.

Reward system in education

Due to that fact that academic staff is the core employees of educational institution it is highly important for management team to motivate teachers that in turn will positively influence on the organisation success. Different researchers (Goodman, 1980; Riddell, 1998) found strong correlation between professors’ motivation and students’ achievements.



According to Mathios (1988) and Chalupsky (1964) highly-educated people (professors) prefer non-financial rewards to be more valuable due to this type of rewards is more likely to enhance interest and involvement in the job process. More recent studies (Wright, 2007; Bender, 2004, Jobome, 2006) have also confirmed the result that teachers are mainly motivated and satisfied by intrinsic motivational factors. It is explained by that non-financial motivation drives to increasing time allocated to the specific tasks and improves productivity and non-monetary motivation is important for knowledge and ideas exchange (Osterloh and Frey, 2000). Rao (2004) and Stafyarakis (2002) in their papers found out the common reasons of de-motivation among teachers are lack of recognition and respect from both supervisor and co-workers; and poor appraisal systems.

Different studies (Kingdon and Teal, 2007; Lavy, 2002; Glewwe et al., 2003) examined relation between increasing in professors' salaries and students' academic performance and it was found positive relation between these two variables. However, just simply rising teacher's wages would not definitely increase students' performance. Hanushek and Rivkin (2007) concluded that compensation and career advancement should be associated closely with professors' ability to raise student performance. It is important to optimize educators' compensation system, it should increase motivation and job satisfaction at the same time the pay should be related to work productivity (Tu`rk, 2008). Finally, based on the results of different research it can be noticed that compensation system is significant part in employee performance and overall organisational outcome. It is also important that compensation system of the organisation is directly integrated with the organizational strategy, culture and values. Intrinsic motivation is more proffered by academic staff, while financial motivation should not be ignored due to low wage is demotivative for everyone. It was also found out that there is a strong and positive correlation between non-financial (recognition, work condition and empowerment) compensation and employee job performance and negative relation between intrinsic rewards and turnover intention.

Recommendations

Based on the literature review the next recommendations for improvement of



organisation rewards system are suggested.

Literature research analyses showed that academic staff mainly motivated, satisfied and valued the non-financial rewards. Whereas, wage is crucial, there are many other factors that in the long run outweigh the pay level and employees give preference to these criteria more when evaluating job satisfaction. Such factors as appreciation, praise, giving education chance, promotion, giving a certificate for the better performer, verbal thanks and making favorable working environment are not required financial expenses while can dramatically increase the employees' performance. Both intrinsic and extrinsic rewards should receive equal attention. Also, it reasonable to take into consideration the Mosquera, Soares and Oliveira (2020) results that for women extrinsic and intrinsic rewards have almost the same importance while intrinsic rewards show higher performance. Given the fact that bigger portion of academic staff in our country is female this research provides valuable result for the company. As well as it was discussed that such factor as lack of recognition and respect are the main factors of teachers de-motivation. Recognition helps employees to feel their value and appreciation. Based on these factors it is recommended to develop intrinsic reward system in the education organisations, namely develop recognition and achievement process, treat staff with respect and without any discrimination. It can be just expression of appreciation (compliment) from the head in front of all staff or a teacher of the quarter/term award that offers a reward in the form of gift certificates for example. Different team building can be organized both inside and outside (trips), especially it can be done for academic staff during induction period.

Management team should pay more attention to the encouragement of learning and continuous development program. Learning and training programs should be organized for all staff. Courses on development communication skills or client focus orientation can be organized for administrative staff as well as professional development and personal growth for both administrative and academic staff.

Competitive salary in the market provides benefit for recruitment process of the organisation. However, it is recommended to provide bonuses on the main public holidays and yearly bonuses on the permanent basis.

According to different research work life balance factor is one of the most important choosing work place. Taking it into consideration, it is recommended to provide work life balance system and flexible working hours for staff.



Conclusion

The analysis confirms that reward systems are a vital component of organisational performance management. Both intrinsic and extrinsic rewards contribute to employee motivation, satisfaction, and productivity; however, their effectiveness depends on how well they are designed and implemented. In the context of educational institutions, intrinsic rewards such as recognition, professional development, and supportive work environments play a particularly significant role in enhancing job satisfaction and reducing turnover intentions.

While financial compensation remains an important factor, it alone is insufficient to sustain high levels of motivation and performance. A balanced approach that integrates both financial and non-financial rewards is essential. Furthermore, aligning reward systems with organisational strategy, culture, and employee expectations enhances their overall effectiveness.

The study highlights the need for educational institutions to prioritise recognition, respect, and continuous development opportunities for academic staff. By adopting a comprehensive and well-structured reward system, organisations can improve employee engagement, strengthen organisational commitment, and ultimately achieve better performance outcomes.



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