A Study Of The Impact Of Reward Systems On Employee Performance: A

Case study of Tesco PLC, UK

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DECLARATION

I declare that the contents of this dissertation represent my own unaided work, and that the dissertation/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 _________________
ABSTRACT

The main purpose of the research was to analyze the impact of rewards on the employee performance, by considering the case of Tesco in UK. The specific objectives of the study were to assess the rewards that are being used by Tesco, to evaluate the most preferred mode of reward systems at Tesco and to provide recommendations to the management of Tesco so that they could further improve upon their existing rewarding structure. The current research has adapted both qualitative and quantitative approach of analyzing the results of the study. The quantitative data was collected through primary survey questionnaire that were distributed among 44 employees of Tesco and another interview survey that was conducted with 5 managers of Tesco. SPSS software was used to analyze the collected data in which frequency analysis, correlation analysis and regression analysis were performed. In addition, the technique of manual thematic analysis was used in order to interpret the information that was gathered through the interview surveys. According to the statistical findings, the correlation between rewards and employee performance was positive and close to 1 (0.0678) which states that the dependent and independent variable of the study were strongly and positively correlated with each other. Furthermore, based on the interviews conducted with the managers at Tesco, it was highlighted that both intrinsic and extrinsic reward systems are critical for the success of an organization in terms of increasing their overall performance.
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CHAPTER ONE: INTRODUCTION

1.1 Introduction

Contemporary organisations deal with a number of challenges in order to remain competitive and gain sustainable competitive advantage. Especially after the rise of globalisation, challenges to related employee retention have increased as companies now manage employees belonging to different nations having different cultural backgrounds. Due to rise in telecommunication technology and internet, the awareness of the consumers with respect to product information and standard business practices as well as regarding their rights has increased, leading to change in factors of buying decisions (Torrington et al. 2009). Retaining talent and high quality employee has been considered as one of the long term sustainable competitive advantage but in modern business environment, it has become a challenge for companies (Armstrong 2013).

Within this context, organisations can gain competitive advantage if the employees increase their productivity leading to increase in organisational productivity (Donald and Gail 2001). Reward systems have been identified as one of the most effective factors to maximise employee productivity (Armstrong 2013). The reward system in an organisation is a programme that is developed to provide appreciation for high performers and provide incentive for low performers to increase their performance. The purpose of the reward system according Griffin and Moorhead is to “attract, retain, and motivate qualified employees” (2013:161). The reward system typically is based on the expectations of management of the organisation from its employees and the rewards that they are willing to give to employees who meet or exceed these expectations. Thus, reward system can shape the behaviour of employees towards the organisation and their jobs. Organisations can use this approach to shape favourable employee behaviour.
1.2 Contextual Background

Employee performance is the fundamental aspect of organisational performance. This is because individual performance contributes to the performance of teams or departments and aggregate of all team and departments is the organisational performance, particularly in terms of productivity. The rewards system is an important device not only to monitor performance of employees but it can also be used as a motivation method. Thus, by an adequate reward system, an organisation can retain employees as well as attract new talent. Employees’ tasks and duties are designed to achieve organisational goals and objectives and provided that efficiency and effectiveness of employees is optimised, the success of achievement of goals and objectives of the organisation is also optimised.

According to Sheilds and associates (2015), rewards should be based on differing needs of employees. The needs of some employees can be fulfilled by cash rewards while others are more interested in other incentives such as house, car, paid holidays, etc. A reward system should have an effective combination of both monetary and non-monetary rewards and incentives in order to satisfy the needs and expectations of employees towards management and reward system. Positive impact on employee productivity can only be achieved if reward system meets the needs and expectations of employees. Typically, a rewards system is based on the notion of ‘pay for performance’ which may take the form of promotions, commission, bonus, awards, etc. Typical non-financial incentives are performance appreciation, social recognition, improved working conditions, diversification in job description, increasing responsibilities, etc. (Garg and Rastogi2006). Torrington, and associates (2009) used the term non-material rewards for non-financial or non-monetary rewards and concluded that they increase the overall job satisfaction of the workforce in an organisation.
The nature of financial and non-financial rewards are categorised into extrinsic and intrinsic rewards. Rewards having extrinsic nature are generally related to monetary rewards or simply cash rewards while they also include formal recognition such as appreciation letters, other fringe benefits, incentive based payments such as sales commission, and promotion. Rewards having intrinsic nature are typically non-monetary or non-cash rewards, for examples, sharing success stories, recognising employee of the month or year achievement, providing professional training opportunities. 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).

Wang (2004) argued that reward system shows the benefits an employee may get in return of performance of his/her job. The authors argued that reward system plays various roles, such as to develop and sustain employee commitment towards organisation or in other words to maximise employee loyalty. It also plays a critical role in employee satisfaction (Brief and Weiss 2002). Ali & Ahmad (2009) conducted an investigation and found that positive relationship between reward and recognition and positive relationship between satisfaction and motivation. The study concluded that by enhancing reward and recognition of employee performance an organisation can maximise employee motivation and satisfaction.

Serwar and Abugre (2013) analysed the impact of rewards on job satisfaction of service industry employees. They found a positive impact of job satisfaction on employee performance in and concluded that adequate reward system maximises the job satisfaction leading to increase in efficiency and effectiveness of employee productivity. According to Pratheepkanth (2011), there is a positive relationship between rewards and motivation. They conducted their study by focusing on commercial bank of Sri Lanka. The study conducted by
Mishra and Dixit (2013) found that both financial and nonfinancial rewards have strong positive correlation with employees’ motivation. Kaliski (2007) explained that positive relationship between motivation and rewards leads to increase in the job satisfaction of employees. Increase in job satisfaction, in turn, increases the perception of job success and achievement of an employee. The study also found positive links of job satisfaction with employee productivity, commitment of employees to put effort in job.

Boehm and Lyubomirsky (2008) concluded that rewards have potential to promote job. They focused on intrinsic and extrinsic nature of rewards and identified that they are determinants of job satisfaction. The study conducted by Andrew and Kent (2007) illustrated that employees are highly conscious of reward system as well as performance recognition and thus they are important variables in job satisfaction. Carraher, Gibson, & Buckley (2006) found that in order to retain high performing employees, an organisation must have a good reward system that has ability to meet the expectations of high performers. Using the expectancy theory, Mendonca (2002) opined that reward and compensation system should be based in the principle that employees have higher motivation to maximise performance if they perceive that existing rewards system is linked with performance and productivity. Similar results were derived by the study conducted by Guest (2002) which concludes that reward system is key motivation for employees to meet performance expectations of the management.

Tsai (2005) argued that extrinsic rewards such as monetary rewards or cash rewards can be used to meet the expectations of individual employees and motivate him/her. Chin-Ju identified the notion of ‘pay for performance’ as the best incentive method for extrinsically driven employees; however, the author also opined that it lacks long-term results. Yousaf and associates (2012) focused on intrinsic nature rewards and concluded that individuals are constantly involved in social exchange processes by putting in efforts to gain rewards.
Employees compare the efforts that they put in to gain the rewards with the actual rewards. The study concluded that in order to gain an attractive rewards, an employee is likely to be motivated for high performance and thus rewards serve as motivational factor.

Danish and Usman (2010) concluded in their study that an effective reward system and adequate recognition of performance in an organisation creates favourable working conditions for employees and serve as key motivator for employees to maximise productivity. Performance recognition creates a perception in employees that they are valued and appreciated and consequently the morale of the employees is boosted. High morale leads to increase in productivity of the employees which ultimately maximises the productivity of the organisation. Overall, the study concluded that reward system has a vital role in employee productivity and has a positive relationship with the process of employee motivation.

Similarly, Schaufeli and associates (2002) highlighted the significance of reward system in preventing employee burnout. Employee burnout is a phenomenon that is experienced by almost all types of employees at all levels. Burnout reduces employee job satisfaction and adversely affects motivation and productivity. Bidwell and associates (2013) found a relationship between remuneration and profitability of an organisation. According to the findings of the study, wage differential has association with employee morale, employee commitment, and productivity. The relationship is positive, therefore, higher remuneration leads to higher morale, commitment, and productivity and vice versa. 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. The study showed that changing the rewards and recognition leads to a corresponding change in employee motivation and job satisfaction.

Aktar, Sachu, and Ali (2012) conducted a study to examine the relationship between rewards and employee performance and relationship between extrinsic and intrinsic rewards.
The study also explored determining factors of extrinsic and intrinsic rewards and impact on employee performance in the commercial banking sector. The results showed statistically significant relationships between every independent variable with every dependent variable. All the relationships found were positive which implies that increase in one variable leads to increase in other variable. For instance, increase in rewards leads to increase in employee performance.

1.3 Organisational Background

Tesco was established in the year 1919 and currently it has grown into the largest retail chain in the UK, and one of the largest around the globe as well. It employs more than 300,000 employees. Furthermore, there are more than 300 retail stores located all over the UK. Tesco began as a grocery store; however, as the years passed by, along with the organisational growth with respect to its size and volume, the product has also diversified to include various other items for example electronics, clothing, and food items.

On the other hand, the competition in the grocery and retail market in the UK has increased. Tough competition and adverse economic conditions within the UK, after the recession, various challenges have evolved that threaten competitive position of Tesco. Employee productivity can serve as one of the major sustainable competitive advantage for the company and thus this study aims to explore the reward system in Tesco and is impact on performance of its employees (Tesco 2015).

1.4 Problem Statement

According to BBC (2015), various factors have caused a decline in the market share of Tesco in the last 5 years. In order to enhance its performance and retain competitive edge, Tesco must find efficient and effective strategies. The study conducted by Dewhurst (2010) shows that by adequate rewards, management can motivate employees, particularly low performers, but also increase job satisfaction particularly of high achievers. However, due to
differences in personalities and personal preferences, some employees are more motivated by monetary rewards while others prefer non-monetary rewards. Reward systems are also related to career and professional development of employees. 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. But, organisations must make critical decisions with respect to reward system to maximise employee motivation. This study, in this context assumes that employee motivation and employee performance varies and may decline with passage of time. Therefore, it is important for organisations to continuously improve motivational factors such as rewards system. Therefore, this study examined the rewards system and its impact on employee performance by focusing on Tesco Plc, UK.

1.5 Rationale

The underlying purpose of the research is to investigate three important areas. Firstly, the study aims to provide useful insights regarding the nature of reward systems within the context of Tesco and in addition, explore the structure of reward system that has the potential to improve organisational performance. Since the impact of rewards system is vital to employee performance and has positive impact on organisational performance, therefore in the supermarket or retail industry, which is extremely competitive, reward system can be used to maximise productivity of employees to gain competitive advantage. By this competitive advantage, Tesco can regain its market share that according to BBC (2015) accounts to almost 4% in the last 5 years. This is because; a highly motivated workforce is bound to increase the organisational performance of Tesco and thus can serve as a tool to regain its market position as well as market share.
Secondly, this study aims to increase the awareness of employees with respect to the impact of reward systems on individual performance which provides competitive advantage to the company in the industry. Third and last, this study aims to add valuable evidence in the growing body of literature that focuses on the impact of reward system on organisational performance with focus on Tesco.

Finally, the aim of the research study is to recommend specific courses which can be used by Tesco in order to for the respective organization to improve upon their employee reward systems and hence further increase the performance of their employees. Not only will the recommendations be useful for Tesco and their organizational structure, but will also be helpful for the industry of retail food organizations. Majority of the organizations in UK’s retail food industry have a similar employee reward structure as that of Tesco, therefore the following research study can also be helpful for the other organizations in the retail food industry.

1.6 Aims and objectives

The aim of this study is to understand the impact of rewards on the performance of employee with Tesco being used as a case study. The objectives of this research were:

- To identify the most important rewards that motivates employees at Tesco Plc.
- To evaluate the impact of rewards on employee performance at Tesco
- To offer recommendations on how reward system of Tesco can be improved in order to improve employee performance

1.7 Research Questions

- What is the impact of rewards on employee performance at Tesco?
- Which are the most important rewards that motivate employees at Tesco Plc.?
- How can the reward structure be improved to enhance performance at Tesco Plc.?
1.8 Significance of the Research

This is based on the findings of the study conducted by Panagiotakopoulos (2013) who examined major motivational factors of employees’ motivation. The study concluded that major factors having influence on employee motivation in time when rewards are at minimal. The study also concluded that the changes in the external environment have generated various challenges for managements in formulating and implementing reward systems enabling them to attract and retain employees. Therefore, the current study was designed to build on the findings of Panagiotakopoulos (2013).

Furthermore, the findings of this study can be used by researchers to further explore different dimensions of reward systems; such as fairness, complexity, etc. to examine their impact on employee performance, employee satisfaction and motivation. The findings will also be useful for Tesco and other similar organisations in the retail industry as well as other industries and they will be able to use the insights from this study to improve their existing reward systems. The research study shall also be significant in further adding to the literature review pertaining to improving the performance level of the employees. From the point of practical implication the study shall also be used to derive valuable recommendations for Tesco, who are currently looking to improve their employee performance standards through the use of a better reward structure.

1.9 Structure of the Study

- Chapter 1: This introductory chapter provides background information and context of the study. The significance, rationale, and justification of the study are explained in this chapter.

- Chapter 2 will be a comprehensive review of literature related on rewards structure and employee performance.
• Chapter 3: this chapter will highlight the methodology, research design, sample, and sampling procedure adopted for this study

• Chapter 4 will present the findings and analysis of the study findings

• Chapter 5 will be the discussion and conclusion of the study findings
CHAPTER 2: LITERATURE REVIEW

Within the following chapter of the literature review, the researcher has incorporated the findings of other key research studies similar in nature to the current research in order to attain significant information regarding the key variables of the research study. Additional information was gathered from different scholarly articles, research papers, journals, electronic libraries and reference books that shed further light on the various rewarding methods that can be used to improve the performance of the employees working in an organization. Not only were the key variables studied in depth, sub variables that are necessary for the sustenance of employee performance, like job satisfaction and employee motivation were also studied in detail.

2.1 Introduction

Organisations must adapt to changes in the market in order to remain competitive and survive in the long run. In order to remain competitive managers seek for competitive advantage. There are a number of competitive advantages that enable a form to remain competitive in the long run. Competitive advantages are gained through acquisition and allocation of organisational resources. One of the critical resources for an organisation is human resources. Human resources for an organisation include both leadership and employees. This study is focused on employees. Employees are critical in achieving organisational aims and objectives. High management or leadership develops policies and strategies to gain competitive advantage and employees implement and execute those strategies. One of the competitive edges for a firm is to maximise performance and continuously improve existing performance levels. If a firm retains high performance levels as compared to its competitors it has competitive advantage (Harmon, 2014).
The overall Organisational performance depends fundamentally upon individual performance of employees. If individual performance is high then it contributes to team performance and ultimately positive impact on organisational performance is observed. Thus managers try to maximise the performance of employees in order to maximise the organisational performance. In order to maximise employee performance it is important to study factors that affect individual and group performance. There are various factors that affect the performance of employees which include remunerations, rewards, motivation, job satisfaction, organisational commitment, among others (Khan, Farooq, and Ullah,, 2010).

2.2 Employee Performance and Motivation

According to authors Kulchmanov and Kaliappan (2014) the most influential factor in employee performance is the motivation of employees. Further highlighting the previous statement and claim, author Raza (2012) if an employee is motivated to perform better he/she find ways to improve performance and vice versa. 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. However, according to author Nielsen (2013) there are also other factors to maximise performance for example by providing training and improving skills of the employees. Technological innovation and improving working conditions can also improve performance. Overall a firm may very well decide to simply lay off low performers and recruit high performers. However, it has been noticed that low level of job security and excessive pressure or pushing employees to perform better leads to employee burn out and high staff turnover. Thus managers must find ways to improve performance while retaining employees. This can be possible by keeping them motivated to performance better. These way managers can not only prevent
employee burnout, absenteeism, and high staff turnover but also can maximise performance (Shields, et al., 2015).

One of the most effective factors that motivate employees is to reward them for their high performance and provide adequate incentive to further improve performance. Employees expect that the management is going to reward them if they improve their performance and if management meets their expectations then they are satisfied with their job and company. High level of employee satisfaction leads to high level of employee motivation. However, if the management fails to provide adequate rewards employee’s dissatisfaction increases and high level of employee dissatisfaction leads to high level of demotivation (Danish and Usman, 2010).

2.2 Relationship between Reward and Employee Performance

Predication upon the notion of employee performance, author Kim (2010) individual employee performance is the unit of overall organisational performance. This is because the sum of performances of all individuals adds up to make the overall organisational performance. Articulating further upon the of the performance of an employee author Zhang (2012) denoted that individual performance contributes to team performance and team performance contributes to departmental performance and performances of all departments show the organisational performance. 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 Tesco 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 thus depends upon individual effectiveness and efficiency in achieving individual tasks and duties. If individuals
excel at achieving their tasks and performing their duties the organisation is bound to excel in the market as compared to its competitors.

2.2.1 Rewards Systems and Job Satisfaction

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. Reward systems are equally important and effective in all types of organisations whether it is a public or private, for profit or non for profit organisation. However, the system itself varies from organisation to organisation because people working in an organisation have different personalities as well as personal preferences. Some prefer monetary rewards as motivation while other may prefer non-monetary rewards. However, the common aspect of all reward system is that it has policies regarding personal and professional development of employees and is aimed to motivate them for continuous improvement.

Sheilds and associates (2015) concluded in their study that reward system should be designed in a way that it covers the needs of the employees that it aims to reward. There are some employees whose needs can only be fulfilled through cash rewards while there are also some others whose needs are different and cannot be fulfilled by cash rewards instead they need different rewards such as promotions, appreciation, increase in responsibility, assignment of important projects, training and development, among others. On the other hand, a single employee may have needs that can be catered by cash rewards as well as other needs that are catered by non-cash rewards. A reward system must also be designed in a way that it provides a balance of cash and non-cash rewards as well as incentives so that it can cater needs of all employees or all needs of an employee. It is important to note that the
impact of reward system is only positive in the case where it adequately fulfils needs and expectations of employees. Normally, most of the reward systems are based on the concept of ‘pay for performance’ and include various performance based rewards such as promotions, sales commission, annual or periodical bonuses, employee awards, etc. On the other hand generally non-financial incentives take the form of performance appreciation letters, recognition of performance publically, providing improved working conditions, increasing diversification in job description, job rotation, etc. (Armstrong and Taylor, 2014).

2.2.2 Types of Employee Rewards

2.2.2.1 Extrinsic Rewards

In his study Tsai (2005) concluded that extrinsic rewards including monetary rewards or cash rewards are used to cater the expectations of individual employees in order keep them motivated. The author also used the notion of ‘pay for performance’ and identified it as most effective incentive technique to maximise the productivity of employees; however, the study concluded that the impact of pay for performance notion is short term. Danish and Usman, (2010) argued that effectiveness of a reward system is reflected by the fact that it adequately recognises high performers in the company and promotes and facilitates employees to maximise their productivity as well as overall performance. 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. This way the morale of the workforce is boosted. When the morale of the workforce is high it tends to increase its productivity both at individual level and at organisational level. In summary the study concluded that reward system can play an effective role to maximise productivity of employees and has a critical role in maintaining high level of motivation among employees. Yousaf and associates (2012) conducted a study focusing on
rewards with intrinsic nature, the study concluded that workers at individual level constantly participate in social exchanges and related processes and provide their own input in developing the perception about reward system. Every employee compares the reward he/she receives against the performance delivered by him/her within the context of needs and expectations and shows and expresses satisfaction towards reward system.

Using the expectancy theory, Mendonca, (2002) opined that reward and compensation system should be based on the principle that employees have higher motivation to maximise performance if they perceive that existing rewards system is linked with performance and productivity. Similar results were derived by the study conducted by Guest, (2002) which concludes that reward system is key motivation for employees to meet performance expectations of the management. Carraher, Gibson, and Buckley, (2006) found that in order to retain high performing employees an organisation must have a good reward system that has ability to meet the expectations of high performers. The study conducted by Andrew and Kent (2007), illustrated that employees are highly conscious of reward system as well as performance recognition and thus they are important variables in job satisfaction. Boehm and Lyubomirsky, (2008) concluded that rewards have potential to promote job. They focused on Intrinsic and extrinsic nature of rewards and identified that they are determinants of job satisfaction.

2.2.2.2 Intrinsic Rewards

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 researchers used two categories of nature rewards in reward systems which are extrinsic and intrinsic rewards. The extrinsic rewards are typically related to financial
rewards, although they may also include formal public recognition in the form of appreciation letters, increasing benefits of employees, incentive based payments such as sales commission, and promotion. The intrinsic nature rewards are generally non-financial or non-cash rewards which include sharing success stories, recognising employee of the month or year achievement, providing professional training opportunities. The study also emphasised in balancing extrinsic and intrinsic rewards to enable the reward system to adequately meet motivation needs of employees and ultimately lead to optimisation of commitment, motivation, and job satisfaction of employees. These factors when optimised lead to maximisation of employee performance and ultimately organisational performance is maximised (Khan, et al., 2013).

The study conducted by Serwar and Abugre, (2013) showed that there is positive relationship between the rewards and job satisfaction in employees of service industry. They concluded that the positive relationship can be used by managers to maximise job satisfaction among employees through provision of adequate rewards. Increased job satisfaction motivates employees to strive to increase productivity with high level of efficiency and effectiveness. The study conducted by Pratheepkanth, (2011) also concluded a positive association between employee motivation and reward system. Their study was focused on commercial banking sector of Sri Lanka. Another study presented by Gong, Chang, and Cheung, (2010), showed that there are strong positive correlation between financial and nonfinancial rewards and motivation of employees. The authors also identified a positive relationship and argued that high level of motivation leads to high level of job satisfaction among employees. When job satisfaction increases the perception of employees becomes positive about their success and achievement in the company. Their study showed that high level of job satisfaction has positive impact on productivity of the employees, and their organisational commitment towards organisational citizenship.
2.3 Theoretical Foundations

2.3.1 Maslow’s Theory

One of the earliest works in employee motivation and job satisfaction was presented by Maslow (1954). This work is considered pioneer in motivation theories and has served as a basis for many other theories. Maslow’s work provided valuable notions, concepts, and ideas related to organizational behaviour and job satisfaction. According to the theory of Maslow's there 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 (Tan and Waheed, 2011).

The term "metamotivation" was coined by Maslow to describe the level of motivation of a person who attempts to go beyond the basic needs and strives for improvement constantly. The human brain is complex and there are various processes running parallel and simultaneously, and these processes affect the motivation level of a person. Maslow made clear statements and relations regarding these levels and their impact on the satisfaction of a person (Latham, 2012).

Maslow theory is important for this study as it highlights the most basic fact that meeting basic needs of a person does not guarantee motivation. Instead motivation occurs when a person is willing to aim for improvement. In corporate context, Maslow’s theory suggests that meeting basic needs such as salary does not guarantees motivation in employees to improve and maximise performance. Instead there must be some higher level needs that the management must target to motivate employees for constant improvement. In context of reward system, the management must aim to provide incentives for employees to pursue continuous improvement in terms of their performance so that management can realise constant improvement in organisational performance.
2.3.2 Herzberg Two-Factor Theory

One of the most prominent theories establishing relationship between employee performance and motivation is the Herzberg’s two-factor theory. According to Herzberg, there are various factors that motivate employees to excel at their jobs. Fredrick Herzrberg based his theory on the works of Mashlow and Porter and concluded that it is not possible to keep employee satisfied by meeting their low level needs. In fact, the basic benefits such as salaries and other facilities for example an adequate working space, do not necessarily ensure that employees are happy and satisfied (Lambrou, Kontodimopoulos, and Niakas, 2010). Thus based on Herzberg’s theory, 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). Herzberg in his two-factor theory identified motivation and hygiene factors that tend to maximise the performance of employees (Tan and Waheed, 2011).

Motivation factors motivate employees to excel at their jobs and tasks and hygiene factors typically ensure that the staff remains happy and satisfied. Thus it can be inferred that the factors that influence job satisfaction (i.e. motivation factors) are different than those factors that lead to dissatisfaction among employees. Thus the author developed the motivation-hygiene theory explain 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, Mausner, and Snyderman, 2011).

Herzberg also theorised that people have different requirements that must be fulfilled to keep them satisfied. People firstly have physiological requirements that are typically met
by financial gains out of the job such as the salary. Secondly, there are also some psychological requirements that must be met so that they feel driven to improve and grow. Overall the level of satisfaction and dissatisfaction is influenced by the ability of the management to meet the physiological and psychological needs of employees. This theory is relevant to this study as rewards can act both as satisfiers and dissatisfiers and cater both motivation and hygiene factors (Ahmed, et al., 2010).

There is another aspect of Herzberg’s theory. He believed it is also possible for managers to improve job performance by using threat, punishment, or similar stimuli however, he concluded that these factors have a short time influence and overall have negative impact on employee satisfaction. This study highlights that the motivation and hygiene factors theory should be considered in formulating reward system and to make sure that reward system distinguishes satisfiers and dissatisfiers and cater them both to maximise job satisfaction among employees (Stringer, Didham, and Theivananthampillai, 2011).

Herzbergs Motivation–hygiene theory also identifies that there are two types of motivators: intrinsic and extrinsic. Intrinsic motivation is based on nature of a person and is related to satisfiers. These include employee achievement, the nature of work, recognition, and the level of responsibility. On the other hand, extrinsic motivation is related to hygiene factors. These factors include rules and regulations of firm, firm hierarchy, workplace environment, salary, among others. was a very important factor for influencing the research of job satisfaction nature and was a key factor in measures development in order to evaluate the job satisfaction (Dartey-Baah and Amoako, 2011).

Within the context of corporate world, Herzberg theory suggests that managers need to identify satisfaction factors and dissatisfaction factors both. They must improve the former and discourage the later to maximise employee satisfaction. Within the context of reward system, this theory suggests that reward system should be underpinned on the notion that it
must improve motivation factors and discourage hygiene factors (Tooksoon, 2011).

Furthermore, since there are intrinsic and extrinsic motivation factors therefore reward system must also be based on rewards and incentives that cater the extrinsic and extrinsic needs and motivations of employees. There have been several studies that show that reward system is based on extrinsic and intrinsic factors. Typically these factors are addressed by balancing financial (monetary) and non-financial (non-monetary) rewards. Following discussion summarises studies that focus on how reward system increases job satisfaction and employee motivation and how intrinsic and extrinsic needs of motivation of an employee can be catered through reward system (Pinder, 2014).

2.4 Relating Rewards with Motivation and Satisfaction Factors

In corporate world, reward system is considered to be critical for high level performance as it helps to maximise performance and also helps to retain high performers. In fact, reward system and strategies lie at the foundation of attracting, retaining, and inspiring skilled, competent, and capable staff that can contribute to the prosperity of the company. The importance of high performers is reflected by the fact that human resource is considered to be a unique and inimitable resource that has ability to provide long term competitive advantage. Thus if a company is able to attract talented and high performing employees and also succeeds to retain them and keep them loyal to the company then in long term this company maintains a competitive advantage over its competitors (Liu and Tang, 2011).

Although employees get salaries and other benefits for the job and work they perform for the company however, reward are paid to acknowledge and recognise extra efforts that an employee puts in for the company. This is called high performance and the employee who is a high performer expects something extra from the management. On the other hand, instead of laying off low performers and hire new employees managers use rewards system as an
incentive for low performers. One of the intentions of management to pay rewards to high performers is to inspire low performers to strive towards high performance. This way organisation can create a perception among employees that the management values its employees and in return employees develop loyalty towards organisation (Nyberg, 2010).

According to Fareed and associates (2013), the relationship and connection between rewards, employee motivation, and job satisfaction is critical to the success of an organisation either public or private sector. Employees in an organisation want both financial and nonfinancial rewards. The nature of reward also has impact on the level of motivation of an employee. There are some employees that are more motivated by monetary rewards or cash rewards while there are others that are more motivated by non-monetary rewards such as promotion. Employees feel valued when management gives them reward for their performance and they create a perception among themselves that the management is serious about their professional development and career. This way they become loyal to the company (Dewhurst, Guthridge, and Mohr, 2009).

2.4.1 Employee Rewards and Job Satisfaction

It is important for management to develop and implement a reward system that meets the needs and expectations of employees towards management and reward system. It is important to note that the needs and expectations of reward system among different employees are different. As mentioned earlier, some are more interested in monetary rewards as compared to others who are more interest in non-monetary rewards. Thus, a reward system must address the needs and expectation of employees, because if cash rewards are given to employees who are interested in non-cash rewards, it is highly likely that they would get demotivated instead of motivated. Consequently their performance would decrease instead of
improving. Ideally the reward system has a balance of financial and non-financial rewards to address differing needs of workforce (Ali and Ahmed, 2009).

There are also researches that focus on the relationship between rewards and job satisfaction in terms of both financial and non-financial rewards. The impact of an effective reward system is positive on job satisfaction, but if the reward system is ineffective it has adverse negative outcomes on job satisfaction. Due to low job satisfaction employees are likely to have high intention to quit and employee turnover is high. Thus reward system is vital for organisation to retain existing employees and attract new employees. Motivated employees not only maximise their productivity but also produce new and innovative ideas for the organisation. This way they become critical competitive advantage. Both financial and non-financial rewards are important for overall reward system (Farooqui and Nagendra, 2014).

Dewhurst, Guthridge, and Mohr, (2009) highlighted the importance of non-financial rewards that do not involve monetary compensations. Employees can get motivated and feel valued by such rewards. These rewards include recognition and verbal appreciation such as praises from their managers, assigning important project and responsibilities to employees to make them feel that they are important for the management, and attention of organisational leadership is also a kind of non-monetary reward. There are also researches that conclude that leaders’ power and authority to pay reward such as supervisors’ power and authority over rewards is directly and positively related with task performance of employees, productivity of employees, satisfaction of employees, employee turnover, and citizenship behaviours of employees (Kabak, et al., 2014).

Research concludes that employees re expected to offer their best efforts if they perceive that the management would value their efforts and reward them appropriately. There are several factors that influence employee job performance other than reward such 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. A company can very well increase its productivity
by hiring more efficient and effective workers in the first place. Among all the factors that
affect employee performance, the most effective is the self-motivation of the employee. If
employee is motivated to perform higher, he/she will find innovative ways to maximise
performance in existing working condition and other factors remaining the same. Thus
motivation is the most favourable behavioural factor for organisations (Armstrong, Brown,
and Reilly, 2011).

The nature of rewards can be categorised as extrinsic or intrinsic. Intrinsic rewards are
tangible in nature while extrinsic rewards are intangible in nature. Extrinsic rewards are
external to the task or job performed by the workers. The external rewards typically include
pay / salary, bonuses, incentives, job security, promotions, among others. On the contrary,
intrinsic rewards are intangible or rather psychological in nature. Typical intrinsic rewards
are giving important responsibilities, giving new challenges, appreciation, caring, and
positive attitude by the managers and high management. Job rotation is also a form of
intrinsic reward (Canrinius, et al., 2012).

2.4.1 Employee Rewards and Motivation

According to the arguments presented by Armstrong, Brown, and Reilly, (2011), the
fundamental types of rewards re financial and non-financial and the former are more related
to the extrinsic rewards and later are related to intrinsic rewards. It is important that
management must keep a balance between both types of rewards to positively influence the
performance behaviours among employees. Financial rewards typically are related to the
notion of pay-for-performance and include job promotion, performance bonus, tips, gratuities
gifts, commission, among others. Non-financial rewards are non-monetary or non-cash rewards and examples of such rewards are social recognition through appreciation letters or certificate, acknowledgement, and public praisings among others. Another term used for non-financial rewards is non-materials rewards (Georgellis, Iossa, and Tabvuma, 2011).

In order to achieve desired performance of employees with high efficiency and effectiveness, management must develop a sense of mutual gain among employees in order to keep them motivated enough to keep performing at optimal level. This mutual gain motivates the employee to perform higher because he/she can contribute to organisational success by excelling at his/her job in achieving defined target or goal. On the other hand, Pinder (2014) also emphasised the need for an organization to carefully set reward system that fairly appraises the performance of employees at all levels and in return provides them rewards in accordance with their needs and expectations. The concept and culture of performance management in a company is critical to the perception of employees about the reward system in the company. It is necessary that the employees perceive the system to be just, fair, and able to meet their intrinsic and extrinsic needs. The authors suggested that properly communicating reward management system and performance appraisal system is critical to develop a positive perception about rewards system among employees. Therefore, management particularly department managers and human resources staff has critical role in communicating the reward system among the work force.

According to the definition presented by Malik and associates (2010) a reward is rather a broad and comprehensive term or construct that represents anything or everything that is valuable for an employee and which the employer is willing to provide to the employee in exchange for employee’s contributions in the organisation. When there are no rewards employees believe that their jobs are unsuitable and they tend to look for jobs and employers that are paying rewards. Lack of rewards demotivates employees and thereby
efforts of employees towards excelling in their tasks diminish. Thus the main objective of rewards is to attract and retain employees, by motivating them to pursue higher performance levels (Peters, et al., 2010).

Employees’ motivation in a workplace is one of the central determinants of organisational behaviour. Several organisations have succeeded to boost their progress enormously implementing strategies that aim to provide appreciation programs that recognise and acknowledge high performers. Some managers are more focused in extrinsic rewards as compared to intrinsic rewards but the success lies in balancing both types of rewards. Intrinsic are intangible or psychological rewards and aim to provide appreciation and recognition for high performers and thus play critical role in motivating employees to seek further improvement. In fact, the commitment of employees towards task performance improvement as well as loyalty of employees towards organisation is highly dependent on rewards that they receive for their work (Cerasoli, Nicklin, and Ford, 2014).

2.5 Applied Framework

Considering the discussion above this study adopts the following framework to conduct research about reward system of Tesco and it relationship with employee performance
2.6 Summary

There is significant link between employee performance and reward system of an organisation. Typically it is fair to assume that if rewards are high performance of employee is high too and vice versa. Employee management and performance evaluation is fundamentally the job of human resource manager. Performance of employees is critical to the performance of the organisational accomplishing its organisational goals and objectives. The commercial environment across the globe has changed in the past few decades particularly with the rise in globalisation and organisations are facing novel competitive challenges and are looking for new and innovation but long term sustainable competitive advantage. This is to maintain their position in the market and remain competitive to sustain profitability. Employees are considered to be valuable resource for an organisation and organisational resources are used to gain competitive advantage. If an organisation can attract and retain talented employees while keeping them motivated to give maximum performance,
the organisational performance of the company can be optimised. Since employees as competitive advantage are unique and inimitable therefore they have potential to provide long term sustainable competitive advantage.

Performance based rewards are considered to be a critical and effective tool not only to attract and retain talented employees but to keep them motivated. Rewards are given to appreciate high performers and provide incentive for low performers to maximise their performance. When adequate rewards, recognition, and appreciation are given to high performers they feel that they are valued by the management and in turn job satisfaction increases. Due to high job satisfaction employees develop loyalty towards the organisation. In addition, they feel motivated to improve professionally and improve their performance. Thus rewards are useful instrument to manipulate job satisfaction, employee loyalty, and motivation. All these factors in turn help management to retain high performers. When an organisation is able to retain high performers the overall organisational performance is maximised in the long term. This high performing, loyal, and motivated workforce serves as sustainable competitive advantage for the organisation.

Theories predicated by Maslow and Herzberg further predicated that there is always condition of exchange in any human interaction and activity. Similarly, employees if they are given equitable rewards and benefits based on their evaluation are likely to perform better rather than if the employees feel that they are not being acknowledged.
CHAPTER 3: METHODOLOGY

3.1 Research Philosophy

Research philosophy refers to explanation of philosophical choices made in the study. Research philosophy is related to epistemological considerations which deal with the principles and ethos applied in a study to gain acceptable knowledge. There are different schools of thought that researchers base their research on, such as positivism and Interpretivism (Wilson 2014). Positivism argues that methods and techniques of 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. The fundamental argument of interpretivism is that the subject matter of social research is different as compared to subject matter of natural phenomena and thus a separate research strategy is required to study and gain acceptable knowledge regarding social phenomena (Bryman 2012). Another paradigm is pragmatism which is mostly used for mixed method research. This paradigm holds that claims and propositions are true if they work and not if they do not.

In this study, the phenomena under consideration were reward system and employee performance. The aim was to assess the impact of former on the latter. Since both rewards and employee performance are quantifiable variables, therefore, methods of natural sciences, such as statistical techniques, are applicable in studying these phenomena. Thus, the most appropriate underlying epistemological assumption was positivism; however, since the researcher also aimed to triangulate data from different perspectives by using both qualitative and quantitative methods, this research is based on pragmatism.
3.2 Research Approach

There are two types of research approaches; inductive and deductive. According to the Deductive approach, also called “top-down” reasoning, a study begins by collecting general observations about the phenomenon and analyses data and makes specific observations (Bryman and Bell 2011). Typically, a theory is tested with this approach. On the contrary, inductive approach also called the “bottoms-up” approach refers to a research that begins with by making specific observations and identifies patterns to work its way to draw general observations. Typically, this approach is used to develop theories (Tashakkori and Teddlie 2010). This study aimed to test the relationship between rewards and employee performance. The study with secondary research and then it moved to collect specific observations from employees of Tesco to test current theories about the relationship between the two variables. Thus, the underlying research approach of this study was deductive approach.

3.3 Research Strategy

In order to gain acceptable knowledge through research process, a research strategy is chosen to collect data and analyse to derive meaningful results to achieve aims and objectives of the study. Research strategy is called the foundation of a study and choices made in this regard must accord with the research approach. There are various types of strategies which include surveys, experiments, action research, case study, archival research, grounder theory, ethnography, etc. (Pickard 2012). As stated earlier, this study is a case study focusing on Tesco Plc. In order to test the relationship between reward system in Tesco and employee performance, this study conducted survey and interviews with the employees of Tesco and by analysing this data, deduced implications about the theoretical relationship between the variables.
3.4 Research Design

There are three types of research design; qualitative, quantitative, and mixed design. In qualitative research design, study is based on gathering qualitative data that is neither measurable nor quantifiable, while quantitative study is based on quantifiable, measurable and numerical data. Each design has its own benefits and limitations. Quantitative design is known for higher reliability and validity and lesser bias as compared to qualitative design. It is also relatively faster than qualitative design (Denzin and Lincoln 2011). However, main limitation in quantitative design is that it cannot study feeling, perceptions, and opinions of participants. This is where qualitative design is useful which is primarily used to study feelings, experiences, perceptions, and opinions of participants. The mixed design is the hybrid of the two designs. It is used to overcome weaknesses in both designs while exploiting their benefits (Ritchie, et al. 2012). This study used mixed design and collected both qualitative and quantitative data to gain an in-depth and multi-perspective understanding of how reward systems affect employee performance. The researcher did not want to miss out on the rich experiences of the employees themselves, which could not have been gained through survey alone. Mixed design also ensures that reliability and validity of the research is optimised through triangulation of qualitative and quantitative data.

3.5 Research Purpose

Research purpose is classified into three types; descriptive, explanatory, and exploratory. Exploratory research is carried out when there is a lack of research about an issue or a specific dimension of that issue. In order to test existing theories and find relationships between variables that have been explored previously by researchers, explanatory research is conducted, while descriptive study is conducted to describe existing phenomena and different characteristics of it (Bryman2012). This study is
an explanatory study because the aim of this research was to test the relationships between
reward system and employee performance in the light of existing theories.

3.6 Research Method

There are two types of data in research studies: Primary data and secondary data. Primary data is the first-hand data collected by the study by recruiting participants while secondary data is based on results and findings of researches conducted by other people (Eriksson and Kovalainen 2008). Secondary data is typically collected by summarising existing literature in the form of academic books, academic research articles, newspapers, industry reports, etc. There are several methods of primary data and are chosen on the basis of research design. For qualitative data, there are interviews, focus groups, etc. and for quantitative data there are survey questionnaires, observations, etc. (Reason and Bradbury 2013).

This study is based on both primary and secondary data collection. For secondary data, this study consulted academic books, research articles published in academic journals, industry reports, particularly reports published by Tesco, and news articles. The results and findings of secondary research are presented in chapter 2 in the form of literature review. This study also collected primary data. Since this study is based on mixed design which is hybrid of both qualitative and quantitative research design; therefore, both qualitative and quantitative data were collected in this study. The research methods used for collection of primary and secondary data are explained below:
3.6.1 Questionnaire Survey: Quantitative Data

One of the most popular and most commonly used quantitative research instruments in research community is questionnaire survey. This method has several advantages over other quantitative data collection methods, such as observations. Firstly, questionnaires enable a researcher to gather large amount of data in relatively less time. Furthermore, questionnaire surveys are relatively more cost efficient as compared to others (Hennink, Hutter, and Bailey 2010). Choosing questionnaire also addressed cost and budget limitations in this study. The survey questionnaire comprised of close-ended questions designed on a 5-point Likert Scale.

3.6.2 Qualitative Data: Individual Interview

Qualitative data collection can be done through various methods which include interviews, focus groups, etc. Each method has its advantages and disadvantages. For example, focus groups are relatively less time consuming and faster as compared to interviews. But interviews, on the other hand, are more helpful in maintaining confidentiality and anonymity of research participants and are also easier to conduct as compared to focus groups (Peters, et al. 2013). This study conducted individual interviews due to the advantages that this method offers. Firstly, confidentiality and anonymity in this study is a priority as explained in ethical consideration section below. Furthermore, it is easier to conduct interviews and keep control on focus of the discussion within the context of aims and objectives of research as compared to focus groups with more than one participants responding at the same time. The interview questionnaire was semi-structured and comprised of open-ended questions. Interviews were conducted with managerial level employees.
3.7 Data Analysis

Data analysis techniques and methods are used to analyse data collected through data collection instruments and to derive meaningful results for the research. These results are then used to draw conclusions for the research and to answer the research question(s). Thus, data analysis techniques are an important part of research. There are different data analysis techniques for both qualitative and quantitative data (Levy and Lemeshow, 2013).

In this study, quantitative data collected through questionnaire survey was analysed using descriptive statistics along with using the regression and correlation analysis. Descriptive statistics are most commonly used statistical tools in research. The main benefit of descriptive statistics is that it uses tables and graphs to analyse data which is easier to read even for those who do not have research background. In addition, descriptive statistics are easier to conduct as compared to other techniques, such as regression analysis, and provide a more meaningful interpretation of the data. Furthermore, the use of regression and correlation analysis was used to study the impact of rewards on employee performance, with respect to Tesco, UK.

There are also various methods and techniques to analyse qualitative data which include grounded theory, thematic analysis, content analysis, etc. Qualitative data analysis techniques are relatively difficult as compared to quantitative techniques and there is relatively higher degree of bias in results (Ng and Coakes 2013).

This study used manual thematic analysis technique for analysing qualitative data. Manual thematic analysis method is used to analyse large pieces of text by identifying, examining, and recording themes and patterns in the data. Themes refer to patterns that appear in the text.
3.8 Sampling Technique

Sampling refers to identifying a sample i.e. a group of participants from target population as representative of whole population. Data is collected from the sample and it is assumed that results and conclusion drawn from this data is representative of the whole population. Sample is identified because researcher cannot collect data from whole population (Myers 2013). The initial population size of the research study was all the employees and managers that are working for Tesco globally. However, this study collected data from employees of Tesco, since it was not possible for researcher to gather data from all employees; therefore, a sample was collected as representative of all Tesco employees.

Sampling techniques are broadly categorised into two groups: probability sampling and nonprobability sampling. Probability sampling is more reliable as all members of target population have equal chances to participate in research while in non-probability sampling, all members of target population do not have equal chances (Creswell 2013). This study used non-probability sampling technique to recruit participants. Convenience sampling was used as non-probability sampling technique because it was not possible for researcher to access all Tesco employees. Therefore, the researcher accessed the nearest Tesco store to conduct this study and gather data from employees in that store. Furthermore, the convenience sampling method is also beneficial in terms of it being timely and cost effective since the author conducts the research on the respondents that are readily available and in range of being accessed.

For questionnaires, the researcher used MS Word and prepared consent form and questionnaire which were emailed to all employees in the store. In response, 47 filled questionnaires were received. Among these, 3 were incomplete and therefore rejected. Overall, 44 questionnaires were finally included in this study. To conduct individual interviews, this study sent invitations to email addresses of the employees. In response, 8
participants gave their consent to participate in interviews. However, due to limited and time this study could only conduct 5 interviews. Therefore, the final sample size was survey was n=44 employees working in Tesco stores and for interviews, n=5 managerial level employees.

3.9 Ethical Considerations

Ethical considerations refer to moral principle and values considered throughout the research process in order to show integrity with research community. There are various ethical considerations that are commonly undertaken in research studies (Hammersley and Traianou 2012). Firstly, the researcher of this study obtained consent from the participants before taking part in the study. Secondly, the researcher sought approval from the management of each retail outlet as well as permission from the participants for audio recording of interviews for transcriptions. Thirdly, all the participants were informed about the purpose and nature of the current study. The participants were informed about their right to withdraw from the study. The participants were assured that their information will be kept confidential and will not be disclosed to third parties without the consent of the participants.

3.10 Research Hypotheses

Following are the variables and hypotheses which will be tested through the survey:

- **Independent Variable (IV) – Rewards**
- **Dependent Variable (DV) – Employee Performance**

- **H1a** – There is a positive relationship between Rewards and Employee Performance
- **H10** – There is no relationship between Rewards and Employee Performance
- **H2a** – Intrinsic Rewards used Tesco UK positively affect on the performance of the employees
- H2₀ – Intrinsic Rewards used Tesco UK have no affect on the performance of the employees
- H3₁ – Extrinsic Rewards used Tesco UK positively affect on the performance of the employees
- H3₀ – Extrinsic Rewards used Tesco UK have no affect on the performance of the employees
CHAPTER 4: ANALYSIS AND DISCUSSION

4.1 Introduction

Within the following research chapter the researcher has identified key analysis themes upon which the research topic has been discussed and analysed. The key themes were extrapolated through a mixed data collection method, whereby the author inundated the use of both qualitative and quantitative research study. Quantitative data was gathered from the use of a questionnaire survey whereby a survey questionnaire was comprised which included close-ended questions and was designed on a 5-point Likert Scale. The sample size of the questionnaire survey was 44 employees who are currently working at Tesco, UK.

In addition to collecting quantitative data, the researcher for the present research study also carried out an interview survey in order to gather key qualitative information for 5 of the managers who are working at Tesco, UK. To analyse the data gathered from the primary survey research both, manual thematic analysis and the SPSS tool were used through. Within the thematic analysis approach the raw data from the interviews conducted was moulded into respective themes. The results are analysed and interpreted to explain their relevance and significance. Furthermore, through the use of SPSS analysis the data gathered from the questionnaire survey was analysed.

4.2 Primary Data Analysis

4.2.1 Qualitative Data Analysis

4.2.1.1 Importance of Motivating Employees

All the Tesco managers that were interviewed unanimously opined that it is very important to ensure that the employees are well motivated. Predicating upon the notion of motivation, Graves, Sarkis and Zhu (2013, p.87) articulated that employee motivation refers to the commitment and dedication that an employee depict towards the organization and how
committed an employee is towards successfully achieving the overall aims and objectives of
the organization. Most of the managers highlighted that Tesco, UK is dedicated towards
providing the employees with a hospitable working environment, along with all the
necessities that the employees require. According to a research study conducted by Lazaroiu
(2015) some of the key benefits that can be attained from motivating the employees include a
decrease in the overall employee absenteeism, increased commitment to the organization,
better loyalty towards the business and also motivated employees take more ownership of the
work they do thereby increasing the value added to their overall productivity (p.97).

Providing similar results as per the information in the literature review, Tesco
managers interviewed predicated that all of our motivating activities and strategies are
monitored and special care is taken in order to ensure that no employee is left feeling
alienated and de-motivated. Furthermore, the managers interviewed also documented that one
of the key reasons to key their employees well motivated is to limit and restrict their
employees leaving and joining the competition. According to Schiraldi, Smith and Takahashi
(2012) the competition level in the UK’s supermarket and food retail industry is intense and
each of the organization competing in the industry is looking for unique ways to increase
their own competitive advantage.

4.2.1.2 Significance and Procedure of Employee Performance Evaluation

According to author Zhu (2014) employee performance appraisal is a system whereby
the senior level management in an organization evaluate the overall quality and level of work
carried out by an employee and based on their performance the employees are either
rewarded or instructed to perform better. As predicated by authors Armstrong and
Taylor(2014) performance evaluations are good medium through which both the employer
and employee can benefit. From an employer’s perspective, performance evaluation allows
the management to assess the investment made on the employee and well they are performing with respect to the organization’s goals and objectives. In contrast, employees can also assess their performance and deduce where they stand in terms of the ideal level of performance (Serwar and Abugre, 2013).

In contention to the information extrapolated from the literature review, managers for Tesco UK predicated that for an organization which has a vast network of operations and a significant number of employees, for Tesco critical and astute performance appraisal is necessary. According to the interviewees, Tesco follows a simple and transparent form of performance appraisal whereby all of the employees being assessed are aware of the criteria on which they shall be evaluated. Furthermore in order ensure transparency, the employees are also aware of the managerial employers who shall be evaluating them. This step is taken to ensure that none of the employee feels that there is any form of biasness in the employee performance process. Further predicting upon the process of performance appraisal at Tesco, the respondents highlighted that the organization carries out monthly performance appraisal for the lower level of employees and are given bonuses and monetary are given monetary rewards. However, the lower level employees are also given the opportunity to sit for a promotional exam, based on the results of their performance appraisals. Similarly, the performance evaluation for senior management is done annually and the employees are given an option to choose from a category of both financial and non financial rewards.

4.2.1.3 Forms of Employee Motivation

In the words of author Pinder (2014) there are different forms of employee motivational activities. Employee motivation is derived from either intrinsic or extrinsic motivational activities, from the organizational environment, the attitude of the management and other employees, flexible working hours, dynamic organizational policies. Furthermore,
according to Warr and Inceoglu (2012) there are always different types of motivational activities that are used for different employees based on the employee’s personal preference and their organizational ranks. Employees that are working at daily wages are usually given monetary rewards like bonuses and increment in their wage rate. Whereas, for employees at senior managerial level money is not necessarily the driving force, and such employees are usually motivated by the designation of more power and authority in the organization (Pratheepkanth, 2011). Another motivational form, according to Berg, Dutton and Wrzesniewski (2013), which is gaining widespread acclaim due to its results, is the designation of leadership to the employees. According to interviewees, employees have expressed that they feel more motivated when they are given a certain leadership authority over other employees.

Articulating the different modes of motivational forms used at Tesco, the managers interviewed predicated that the most popular motivational strategy at Tesco is to offer a salary bonus to all the employees who have shown consistent improvement in their work duties and are exceeding their designated targets. In addition to recognising the efforts in monetary rewards forms, high performing employees are also given Tesco credit, whereby the employee can shop at any Tesco UK outlet and avail a certain employee discount. For managers and senior employees, the motivational activities range from company sponsored recreational trips and memberships along with offering them the benefit of flexible timings whereby the managers can clock in when they feel like coming and clock out as per their requirement, as long as their due targets and deadlines are met. Yet most of the respondent predicated that, monetary and non monetary reward systems are most preferred by the employees and have yielded the most effective results.
4.2.1.4 Usage of Monetary and Non-Monetary Reward Systems

Predicating upon notion of monetary and non-monetary reward systems, author Reiss (2012) highlighted that extrinsic (monetary) reward systems inculcate those perks and privileges that can be calculated in monetary terms and which can be seen in a physical form. Articulating the examples of monetary rewards, authors Schunk, Meece and Pintrich (2012) elaborated that increase in salary, commission and annual bonuses, purchase allowances, etc. are all forms of monetary rewards. In contrast, intrinsic or non-monetary rewards contemplate those benefits which cannot be physically seen but appeal internally to the employees. Examples of intrinsic motivation includes, company sponsored training sessions to increase the employees skill sets, constant appraisals and congratulatory sentiments shown by the organization for a particular employee.

After interviewing the Tesco managers it was noted the organization is prone towards adopting both, monetary and non-monetary benefits in their reward systems. The managers interviewed further documented that at Tesco our aim is to offer a variety and diverse range of reward systems so that the employees do not feel disheartened. The managers further stated that after carrying out a proper procedure for evaluating the performance of the employees they are given an option to choose their desired mode of reward systems. The option of a flexible reward system is in place based on the supposition that not everyone is motivated by the same type of rewards. Similar assumption was presented by Tan and Waheed (2011) during the formulation of the literature review. According to authors Tan and Waheed (2011) there is no specified or generic form of reward systems that would appeal to a mass number of employees. There are certain employees who prefer non-monetary rewards and are seeking accolade in the form of appreciation and enhancement of their professional careers in the form of learning new skill and managerial traits. Therefore, as predicated by
Pope and Wilson (2012) it would be ill-advised to conclude that a generic reward system would be feasible for all types of employees.

4.2.1.5 Equitable Reward System

Reverting back to the notion of transparency within the employee performance, one of the most critical aspects is the occurrence and inundation of an equitable reward system. Expanding upon the concept of organizational equity authors Shields et al. (2015) narrated that employees are always comparing the rewards they receive with their colleagues who perform the same level of work actives and have a similar competency level. If employees feel that they have not been sufficiently or adequately rewarded, the feeling of alienation and distrust emerges within the employees. However, if there is organizational equity and employees are rewarded fairly based on the work they perform, the employees feel compelled to give back to the organization in order to justify the rewards they are given. This would increase the morale of the employees and encourage them to work harder and increase upon their performance standards. According to author Presslee, Vance and Webb (2013) organizational equity is directly related to the organizational culture within the firm and is one of the key aspects that are considered by the employees when they are taking career decisions.

Triangulating the information and data analysed in the literature review pertaining organizational equity, the interviewee respondents all elaborated that there is a positive correlation between employee satisfaction and work place and reward equity. The managers highlighted that at Tesco UK, each of the employee is aware of the benefits and perks they are eligible for and how would they attain the benefits through their performance. Furthermore, there is an open communication environment at Tesco where the employees are given a feedback of their performance appraisal. This ensures that the employees are aware of
their performance appraisal and there is no ambiguity in the minds of the consumers. Furthermore, the managers interviewed also expressed that at Tesco, there is a clear performance appraisal rubric which is followed ensuring that no employee is alienated.

4.2.2 Quantitative Data Analysis

4.2.2.1 Correlation Analysis

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Employee Performance</th>
<th>Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.004</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>4</td>
</tr>
<tr>
<td>Rewards</td>
<td>Pearson Correlation</td>
<td>.249</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.004</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 1: Correlation Table
Source: Author

Hypothesis:
- \( H_1a \) – There is a positive relationship between Rewards and Employee Performance
- \( H_{10} \) – There is no relationship between Rewards and Employee Performance

As per the above table, it can be witnessed that the Pearson correlation value for the given variables was calculated to be 0.670 which is close to 1. In other words, it means that there is a strong relationship between Rewards given to employees (independent variable) and the subsequent Employee Performance (dependent variable). Moreover, no other conclusion can be drawn from the value of Pearson correlation. On the other hand, if the value of Pearson correlation was close to zero, it would have meant that the variables of the study are not strongly related with each other. As stated in the above table that the Pearson correlation value is +0.670 which means that if one variable increases, the second variable
also increases in value. Similarly if one variable decreases the other variable also decreases. Same scenario is witnessed between the rewards that are given to the employees and their performance level after receiving the rewards. The significance value of the research is calculated be 0.004. As this value is less than 0.05, the research can conclude that there is a statistically significant correlation between rewards and employee performance.

As the Pearson correlation value is 0.670 therefore we failed to reject the null hypotheses and concluded that there is a positive relationship between Rewards and Employee Performance.

![Correlations Table](source: Author)

| Source: Author |

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Employee Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrinsic Rewards</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

Table 2: Correlation Table

- H2a – Intrinsic Rewards used Tesco UK positively affect the performance of the employees
- H20 – Intrinsic Rewards used Tesco UK have no affect the performance of the employees

As per the above table, it can be witnessed that the Pearson correlation value for the given variables was calculated to be 0.500 which is close to 1. In other words, it means that there is a strong relationship between Intrinsic Rewards given to the employees and the subsequent Employee Performance. The significance value of the research is calculated be
0.003. As this value is less than 0.05, the research can conclude that there is a statistically
significant correlation between intrinsic rewards and employee performance. As the Pearson
correlation value is 0.500 therefore we failed to reject the null hypotheses and concluded that
Intrinsic Rewards used by Tesco UK positively affect the performance of the employees.

<table>
<thead>
<tr>
<th>Source: Author</th>
</tr>
</thead>
</table>

Table 3: Correlation Table

<table>
<thead>
<tr>
<th></th>
<th>Employee Performance</th>
<th>Extrinsic Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.003</td>
<td></td>
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<tr>
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<td>4</td>
<td>3</td>
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<tr>
<td>Extrinsic Rewards</td>
<td>Pearson Correlation</td>
<td>.531</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
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<td></td>
</tr>
<tr>
<td>N</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

- H3ₐ – Extrinsic Rewards used by Tesco UK positively affect the performance of the employees
- H3₀ – Extrinsic Rewards used by Tesco UK have no effect on the performance of the employees

As per the above table, it can be witnessed that the Pearson correlation value for the
given variables was calculated to be 0.531 which is close to 1. In other words, it means that
there is a strong relationship between Extrinsic Rewards given to the employees and the
subsequent Employee Performance. The significance value of the research is calculated be
0.003. As this value is less than 0.05, the research can conclude that there is a statistically
significant correlation between extrinsic rewards and employee performance. As the Pearson
correlation value is 0.500 therefore we failed to reject the null hypotheses and concluded that
Extrinsic Rewards used by Tesco UK positively affect the performance of the employees.
4.2.2.2 Regression Analysis

The R-square value of the regression model is calculated to be 0.87 which explains the fact that at least 87% of variation in rewards can be explained and elaborated by the variability in employee performance. Moreover, ANOVA value measures the linear

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
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<td>.79a</td>
<td>.87</td>
<td>-.407</td>
<td>1.42215</td>
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</table>

*a. Predictors: (Constant), Rewards

| Source: Author |

**Table 4**: Model Summary

<table>
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<tr>
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<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
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<td>.266</td>
<td>1</td>
<td>.266</td>
<td>.132</td>
<td>.004*</td>
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<td>Residual</td>
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<td>2</td>
<td>2.023</td>
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<tr>
<td>Total</td>
<td>4.311</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), Rewards
*b. Dependent Variable: Employee Performance

| Source: Author |

**Table 5**: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-8.532</td>
</tr>
<tr>
<td></td>
<td>Rewards</td>
<td>3.474</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: Employee Performance

| Source: Author |

**Table 6**: Coefficient
relationship between the independent and dependent variable of the regression model. As the significance value or the value of F statistics is less than 0.05, it can be said that there is a linear relationship between rewards given by Tesco to their employees and the subsequent level of employee performance. The statistical significance value of 0.03 means that there 97 per cent chance that the relationship between the independent and dependent variable is not due to a chance.

Table 7: Model Summary
Source: Author

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
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<tr>
<td>1</td>
<td>.64</td>
<td>.78</td>
<td>- .500</td>
<td>.22499</td>
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</table>

a. Predictors: (Constant), IntrinsicRewards

Table 8: ANOVA
Source: Author

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
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<td>.017</td>
<td>.333</td>
<td>.051*</td>
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<tr>
<td></td>
<td>Residual</td>
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<td>.051</td>
<td>.551</td>
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<td></td>
<td>Total</td>
<td></td>
<td>.067</td>
<td>.964</td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), IntrinsicRewards
b. DependentVariable: Employee Performance

Table 8: ANOVA
Source: Author

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th></th>
</tr>
</thead>
<tbody>
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<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>- .644</td>
<td>.615</td>
<td>-.097</td>
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<tr>
<td></td>
<td>IntrinsicRewards</td>
<td>1.167</td>
<td>.202</td>
<td>.500</td>
</tr>
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</table>

a. DependentVariable: Employee Performance
The R-square value of the regression model is calculated to be 0.78 which explains the fact that at least 78% of variation in intrinsic rewards can be explained and elaborated by the variability in employee performance. Moreover, ANOVA value measures the linear relationship between the independent and dependent variable of the regression model. As the significance value or the value of F statistics is less than 0.05, it can be said that there is a linear relationship between intrinsic rewards given by Tesco to their employees and the subsequent level of employee performance. The statistical significance value of 0.04 means that there 96 per cent chance that the relationship between the independent and dependent variable is not due to a chance.

**Table 9: Coefficient Table**
Source: Author

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
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<td>1</td>
<td>.589*</td>
<td>.687</td>
<td>-.436</td>
<td>22012</td>
</tr>
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</table>

a. Predictors: (Constant), Extrinsic Rewards

**Table 10: Model Summary**
Source: Author

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
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<td>Regression</td>
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<td>.019</td>
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<td>1</td>
<td>.048</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td>.067</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Extrinsic Rewards

b. Dependent Variable: Employee Performance

**Table 11: ANOVA**
Source: Author
4.3 Discussion

4.3.1 To evaluate the impact of rewards on employee performance at Tesco

According to both the qualitative and quantitative analysis it was deduced that there is a positive impact of rewards on the employee performance at Tesco. As a result of the questionnaire that was circulated amongst the employees, it was highlighted that based on the level of the rewards given to the employees there is performance is similarly affected. From the interviews with the Tesco management it was highlighted that the managers preferred to
reward the employees frequently in order to ensure their commitment levels are high. Furthermore, the managers also articulated that at Tesco there is a diverse range of rewards available so that each employee is motivated to perform well based on their personal preference regarding the rewards they are given. The two reward classes that were highlighted included intrinsic rewards and extrinsic rewards. Within the extrinsic category, the employees denoted that they preferred Cash rewards and bonuses whereas in terms of the extrinsic reward category the employees preferred the option of promotions. According to the managers, most of the employees at Tesco had the option to choose their own preferred reward category.

4.3.2 To determine the most important rewards that motivate employees at Tesco PLC.

According to the questionnaire survey, it was highlighted that the most preferred form of reward system at Tesco was Appreciation and Promotions. This is indicative of the fact that the employees favoured intrinsic and non-monetary reward systems as compared to monetary rewards. However there were also a few employees who preferred monetary rewards over other benefits offered by Tesco. In order to ensure that all the employees are given their preferred option therefore Tesco managers stated they preferred to use a combination of monetary and non-monetary rewards when apprising employees on their performance.

4.3.3 To offer recommendations on how reward system of Tesco can be improved in order to improve employee performance

In order for Tesco to improve their overall employee performance they can increase the frequency of their performance appraisal. Furthermore, the Tesco management can also use other forms of reward strategies (in addition to extrinsic and intrinsic rewards) like
offering the employees flexible and preferred working hours and giving them family benefits like health insurance and educational insurance.
CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion and Findings

The aim of the following study was to understand the impact of rewards on the performance of employee with Tesco being used as a case study. In order to evaluate and test the following claim, the researcher first reviewed multiple sources of literature in order to review the information on the research topic and thereby develop a fundamental understanding of the research topic, from the perspective of different researchers and scholars. Furthermore, in order to substantiate the information incubated within the literature review, the researcher also gathered information through primary data collection sources. Primary data was collected through survey in the form of Questionnaire (distributed amongst 44 Tesco employees) and Interview (with 5 Tesco Managers). Through the literature review carried out it was established that intrinsic rewards like Delegation, Empowerment and Appreciation along with Extrinsic rewards like Salary, Promotion, Bonus and Fringe Benefits have a high impact on the job satisfaction of an employee. Furthermore, according to Dewhurst, Guthridge, and Mohr (2009), job satisfaction is considered one the most important variable in terms of the performance of an employee. Employee performance, as per the literature review carried out, is the level of commitment and dedication that an employee shows towards the organization and in terms of successfully achieving the goals and objectives that the organization has formulated (Tashakkori and Teddlie, 2010). A similar understanding can be derived from the assessments made after analysing the information obtained through primary research. The Research further established that two of the key performance acknowledgement methods used by Tesco are Cash Rewards and Salary raise. The following claim was further cemented by the interviews that were conducted with the Tesco Management. The managers stated that most of the employees are given cash incentives based on their performance. Additionally, it can also be concluded that there is a
positive relationship between rewards given to employees and their overall performance. The following research further concluded that for organizations motivating employees is a key priority and at Tesco all level of motivational method are being used in order to ensure that the employees are highly motivated so that the organization can benefit from higher productivity levels. The employees who were surveyed through the questionnaires denoted strongly to the question that they felt more motivated to work hard and raise their performance standards after they had received a reward. This is clear implication that employee performance can be enhanced through the strategic use of giving deserved rewards to the employees.

Another key revelation that occurred after analysing the results of the primary research was the impact of rewards on employee retention. Tesco managers in their interviewees predicated that rewards systems are not just a means to motivate the employees but are also a potent tool when it comes to employee retention. Similarly the employees overwhelmingly agreed to the fact that rewards systems can be considered a useful resource to retain key performers. Therefore, the general assessment that reward systems are useful in increasing the organization's retention ratio is true.

Another key notion that can be concluded is the fact that rewards are only considered motivational by the employees if they are equitable. Based on the opinions of Armstrong and Taylor (2014) organizational equity is a key aspect that plays a vital role on the performance level of the employees. Employees, after receiving a certain rewards, irrespective of the nature of the reward, evaluate the similarity of the rewards with that of their co-workers. Employees feel motivated when the reward they receive is similar to that of their co-worker who is performing with a similar level of skills and competency. Therefore, managers should not just give rewards and expect that employee motivation would increase. Rewards should
be free from prejudice, biasness and nepotism in order for them to be effective and fulfil their real goal.

In conclusion based on the findings of the primary research, the following research concludes that there employee performance at Tesco is positively affected by the rewards they receive. This was substantiated by the employees and managers who were surveyed as majority of them stated that based on the quality of the rewards the employees receive their performance is similarly impacted. In addition, it can also be summarized that both extrinsic and intrinsic rewards used by the Tesco Management has a significant impact on the performance of the employees at Tesco. During the analysis of the primary research the employees and the management also articulated that Cash Rewards and Promotions were two of the most preferred type of the rewards at Tesco. The lower levels of employees were more prone towards the acquisition of salary increments and cash rewards. Whereas the managerial and upper level of employee at Tesco were more inclined towards the intrinsic reward of promotion as it allows them to undertake and exert authority. Therefore, it can further be concluded that organizations, rather than having a generic rewarding strategy, should offer a flexible reward policy.

5.2 Summary of Analysis

During the research phase for the following study it was observed that relationship between employee reward and their subsequent performance is based on the presence of further additional sub variables. It was deduced that there are different types of intrinsic and extrinsic variables that impact the employee performance. The intrinsic rewards include Delegation, Empowerment and Appreciation whereas the extrinsic rewards include Salary, Promotion, Bonus and Fringe Benefits. However, after carrying out a detailed literature review it was observed that intrinsic and extrinsic motivators do not directly influence
employee performance. Based on the observations made during the literature review of the following research study, rewards given to employees had an impact on the job satisfaction levels of the employees. Similar results were assessed in the interview and questionnaire analysis. Based on the analysis of the interviews with the respondents it was opined by the managers that job satisfaction is essential and plays a critical role on the performance level of the employees. Furthermore, based on the results of the questionnaire analysis it was further documented that for the employees job satisfaction is critical in order for them to increase their performance level.

According to the employees job satisfaction is inculcated through an equitable appreciation of the work they do. It was further analysed, based on the answers given by the Tesco management, that the organization has a transparent employee performance procedure in order to ensure that none of the employees feel that they were unaware of the criteria upon which they were subsequently evaluated. The managers further predicated that in order to ensure higher job satisfaction amongst the employees, it is always insured that all discriminatory practices are made redundant and two employees performing on the same competency level, with similar performance evaluation results, are given equitable rewards.

Furthermore, the involvement of the employees within the designing of the reward systems was another factor which led to higher employee satisfaction and subsequently had a positive impact on the employee performance. The managers at Tesco articulated that all the rewarding schedules are designed after consultation with the employees, since the management believed that by doing so, the employees felt more involved in the decision making process and thereby increasing their motivational levels and the satisfaction which they derived from their respective jobs.
5.3 Recommendations

The following recommendations are in place which would allow Tesco UK to improve upon their existing reward structure and thereby ensure higher performance amongst their employees. The following recommendations were derived from the analysis of the primary data collected in triangulation with the literature review conducted.

- Based on the interviews conducted with the, the managers at Tesco expressed that they have a mixed reward systems. Therefore, the first recommendation is that Tesco can further increase the spectrum of the rewards that they offer. Tesco can increase the increment value of their cash structure. This would appeal more to their employees since their most preferred mode of reward is Cash bonuses.

- Additionally the rewards of delegation should be implemented for employees and not just for the senior management. This would not only cater to the employees who prefer intrinsic motivation but would also be a potent training tool for the employees with respect to managerial level activities. This would allow Tesco to increase the rate of internal hiring and reduce Tesco’s recruitment cost.

- Furthermore, the reward schedule could be made more frequent, thereby allowing the employees to experience more rewards and constant appraisal. With constant appraisals the employee performance would be increasing regularly and would encourage prospective employees to also join Tesco in order to benefit from their lucrative reward structure.

- One reward which is not yet present at Tesco completely is family benefits for the employees, like health and educational insurance. Employees are prone to show increased commitment towards organizations that are not only offering rewards to the employees but are also considerate towards the employee’s families. This would
increase Tesco’s retention ability and would allow Tesco to retain their key employees, employees that add significant value to Tesco’s productivity.

- Furthermore, during the questionnaires the employees predicated that they would prefer to take part in the designing of the reward schedule. The managers, during the interviews stated that the employees at Tesco are encouraged to take in the discussion regarding the formulation of the rewarding structure. Tesco could therefore develop an organizational strategy, whereby each employee, in private, could cast their opinion regarding their preferred rewarding method. Thereby the management could then inculcate the views of majority of the employees when designing the reward policies.

5.4 Future Implications

The following research studied has not inculcated all the rewarding methods that are available for the use of a manager, and has solely focused on a limited number of intrinsic and extrinsic variables. Therefore, further research could thereby examine the use of additional rewarding structures and analyse their impact on the overall performance of the employees. Furthermore, employee performance is not just enhanced through rewards; there are other key variables that could have a potential impact on the employee performance level. By adding more variables and conducting additional analyses of the respective variables in contention with employee performance, the scope of organizational management could be further enhanced. Moreover, the following research study was carried out solely with respect to the rewards strategies at Tesco, UK. Therefore, the following recommendations would be hard to generalize in the context of other organizations and industries in UK and even globally. However the following research study could be used as the foundation of future similar studies that aim to evaluate the factors affecting the performance level of the
employees on a broader scale, by including more companies and diversified industries. Finally, in future the methodology could also be altered in order to inculcate a higher number of respondents. The following study was restricted due to the time constraint and the convince of the researcher, however, future studies could double the number of respondents used within the research study and thereby incubate a more diverse feedback from the respondents increasing the overall validity of the research study.
References


Appendices

This questionnaire is specifically designed as part of MBA Thesis and the information provided by the respondents for this questionnaire shall remain confidential. Please respond to below questionnaire with confidence. All of your records & personal data will be kept confidential.

Name: ___________________   Age: _________________

Gender: _________________  Contact Number: _______________

Email Address: _______________

Please answer your questions by tick mark under 1-5 in the following table: YES or NO
5 = Strongly Agree, 4= Agree, 3 = Neutral, 2= Disagree, 1= Strongly Disagree

Q1: How does management acknowledges your performance?
1. Cash rewards
2. Non-cash rewards
3. Salary raise
4. Appreciation
5. Promotion

Q2: What is the most attractive reward for you?
1. Cash rewards
2. Non-cash rewards
3. Salary raise
4. Appreciation
5. Promotion

Q3: I feel motivated to increase my performance when I received reward?
1. Strongly disagree
2. Disagree
3. Neither agree nor disagree
4. Agree
5. Strongly agree
Q4: Do you agree that rewards are important to retain high performers?
   1. Strongly disagree
   2. Disagree
   3. Neither agree nor disagree
   4. Agree
   5. Strongly agree

Q5: Which rewards should be more than other?
   1. Cash rewards
   2. Non-cash rewards
   3. Both

Q6: Do you understand how your performance is evaluated?
   1. Yes
   2. No

Q7: Do you agree that reward system should be fair and equitable?
   1. Strongly disagree
   2. Disagree
   3. Neither agree nor disagree
   4. Agree
   5. Strongly agree

Q8: Do you think that reward system should include career plan based on performance?
   1. Strongly disagree
   2. Disagree
   3. Neither agree nor disagree
   4. Agree
   5. Strongly agree

Q9: Do you think that high performers are unique and competitive advantage?
   1. Strongly disagree
   2. Disagree
   3. Neither agree nor disagree
   4. Agree
   5. Strongly agree

Q10: Do you think that high performing employees are the solution for existing performance problems of Tesco?
    1. Strongly disagree
2. Disagree
3. Neither agree nor disagree
4. Agree
5. Strongly agree
Appendices: Interview Questions

- How important is it to evaluate the performance of your employees?
- What is the impact of motivation on employee performance, and how important is to motivate employees?
- Do you think monetary rewards are more effective, with respect to the performance of the employees, or are non-monetary rewards more useful?
- What reward systems do you use to motivate the employees in your organization?
- As managers how do you decide which rewards systems to use?
- What is the impact of having an equitable rewards system in place when it comes to rewarding the employees?
- Do you ensure that the employees are aware of the criteria on which their performance is being evaluated?
- Do you consult the employees when designing the rewards systems?
- Why is important to ensure high performance of the employees?