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RESEARCH ARTICLE



Reward Systems and Performance of Sales: A Descriptive Study among the Ghanaian Insurance Industry

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Abstract

Ghanaian managers over recent years have taken a steady pattern of organizational policies, aimed specifically at enhancing employees' development and management. Significant among these measures are recognition and rewards management. The system of rewards at selected Ghanaian Insurance Companies within its Southern Sector operations affected the performance of employees in the sales and marketing of products. Descriptive results indicate that, reward strategies are significant in providing an incentive to employees to work. It is recommended that total rewards should be extended to cover job security and other benefits in the form of recognition.

Keywords: Reward Systems; Sales Performance; Insurance Industry; Marketing; Ghana.

Introduction

This is a strategic tool used by managers to implement policies aimed at enhancing positive effort from employees at the workplace. Although all organizations have their reward systems, there are differences with respect to its application. Consequently, while some managers see rewards as being only monetary compensation, others recognize it as something more than remuneration. According to Patchen (2003), devoid of rewards, a large number of potential employees would not make an effort to join organizations or if employed, may not be liable to come to work or carry out their duties in line with the spelt out organizational procedures or goals.

Rewards are good in every organisational setting. Every employee needs to be compensated for the work he does. A reward can be seen as what one achieves through hard work (Metzer, 2001) or an incentive that influences the repeat of a positive behaviour or serves as an incentive for a repeat of that behaviour because the outcome has been pleasing (Caroll, 2003). The attractiveness of a reward is in how much of it that is on offer and how much the individual values the type of reward that is being offered. In effect, the more an individual values the type of reward and the more of it that is offered, the greater the motivational potential (Black, & Lynch, 2003).

The types of rewards available to employees and the manner of their distribution can influence the satisfaction of employees and the effectiveness of an organization. According to Zagoria (2005), rewards are intrinsic if they relate to feelings of personal achievement, growth and development including excelling in a very challenging or physical activity or a feeling of competence, achievement, responsibility, significance, influence and personal growth, status symbol, security, verbal recognition, symbolic awards, plaques, trophies and all other forms of benefits employees receive apart from pay. These types of rewards are called non-financial rewards

(Zagoria, 2005). Rewards that are tied to work-related activities are generally extrinsic and they include monetary rewards such as salaries, fringe benefits, bonuses or stock options and may also be described as financial rewards (Zagoria, 2005).

To some degree, the nature of intangible rewards that an organization provides serves as an attraction to potential employees in deciding on where they will work if they had the choice (Knowles, & Borje, 2004). Rewards have been noted as strengthening employee's loyalty, raising motivation, increasing job satisfaction (Black & Lynch, 2003) and foster a team-spirit among employees (Schein, 2004). Employees have different motivations why they work. While money represents an important motivator, the existing reward system that prevails in an organization may be the reason why some others are comfortable doing their jobs. Non-financial compensation or reward systems in most organizations include the provision of health, housing, canteen facilities, recreation and social programs, plaques, certificates of recognition, awards, security and job organization.

Among some Insurance Companies in Ghana, it appears as if most of these services and benefits do not exist and for the ones that exist, the administration seems not to be fair to all employees. The result of this appears to be a factor for the high labour turnover especially among the Sales and Marketing personnel at the Company with the associated repercussions such as the loss of key skills, knowledge and experience, disruption of operations and the negative effect on employee morale. The study was therefore undertaken to examine the effect of rewards on performance among the Sales and Marketing staff of Insurance Companies in Southern Sector.

Method

Participants

A Purposive sample of employees at Insurance Companies in the Southern Sector of Ghana was selected. This comprised of eighty-five (85) Sales and Marketing employees, four (4) top-level management members and sixty-six (66) middle-level management members.

Measures

The instruments used for data collection were questionnaires and a structured interview guide. The questionnaires had five (5) sections; A, B, C, D and E. Section A asked for responses on the biographical data of the respondents. Section B elicited responses on the reward strategies employed by respective Insurance Company. Section C assessed the importance of a reward system for the employees. Also, Section D examined the relationship between employee performance and reward strategies. Finally, Section E requested for responses relating to the challenges faced by the Company in the administration of reward strategies. The questions were designed based on a Likert-type scale with the following options – very often, often, sometimes, seldom, not at all.

A structured interview guide, based on research questions were developed to provide some meanings on the issues relating to sales force orientation, training, motivation and field sales organization, was also used for the Management members covered in the study.

Results

Reward Strategies of the Insurance Companies

As evident in Figure 1, rewards play a key role in providing an incentive to the employees' efforts to work harder. This is indicated by the 80.3% and 19.7% responses that were obtained for 'very often' and 'often' respectively.

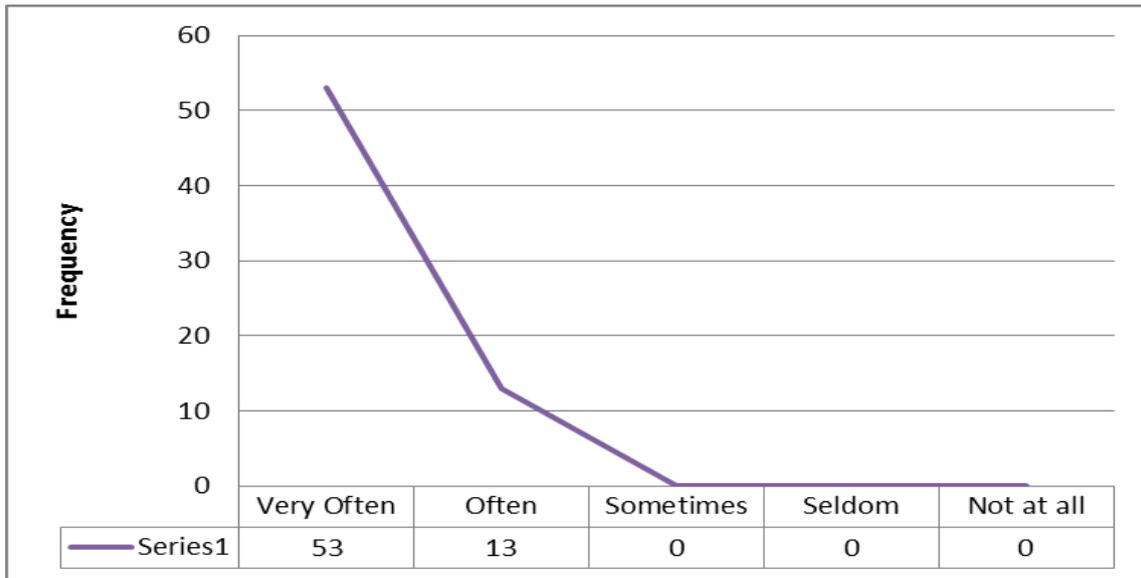


Figure 1: Views on the key roles of rewards

Responses on what a good reward system does

An examination of the data from the respondents who selected ‘very often’ and ‘often’ summed up to 100.0%. This suggests that a good reward system pays the right people the right amounts for doing the right things. All the four (4) management employees interviewed expressed opinions that fell in line with the same position. An example of an opinion is: *“If you offer a good reward system, the right people will be motivated for doing the right things”* (Manager 1).

The employees were also asked to respond to how often the company implements an equitable reward system that is congruent with its strategic objectives. From the analysis, 13.7% and 12.1% of responses totalling 25.8% were in favour of ‘very often’ and ‘often’ respectively. However, a large proportion of the respondents (74.2%) indicated that the company only sometimes implements an equitable reward system that is congruent with its strategic objectives.

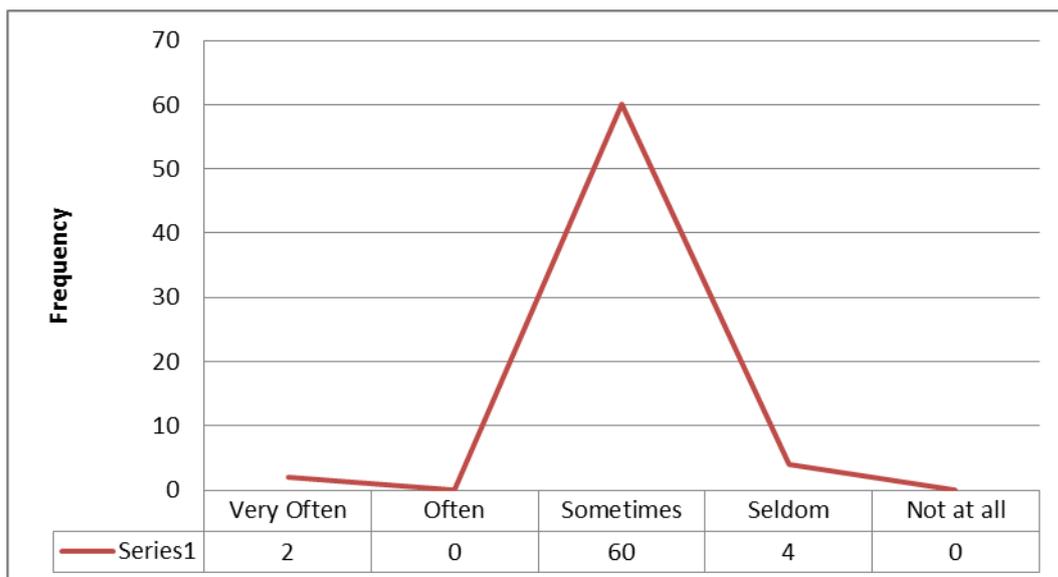


Figure 2: Views on the use of reward to promote skills and develop knowledge

The respondents expressed varied views; 3.0%; 90.9%; and 6.1% stated ‘very often’, ‘sometimes’ and ‘seldom’ respectively. The 90.9% of the responses indicate that the company sometimes relies on a system of reward to promote skills and development.

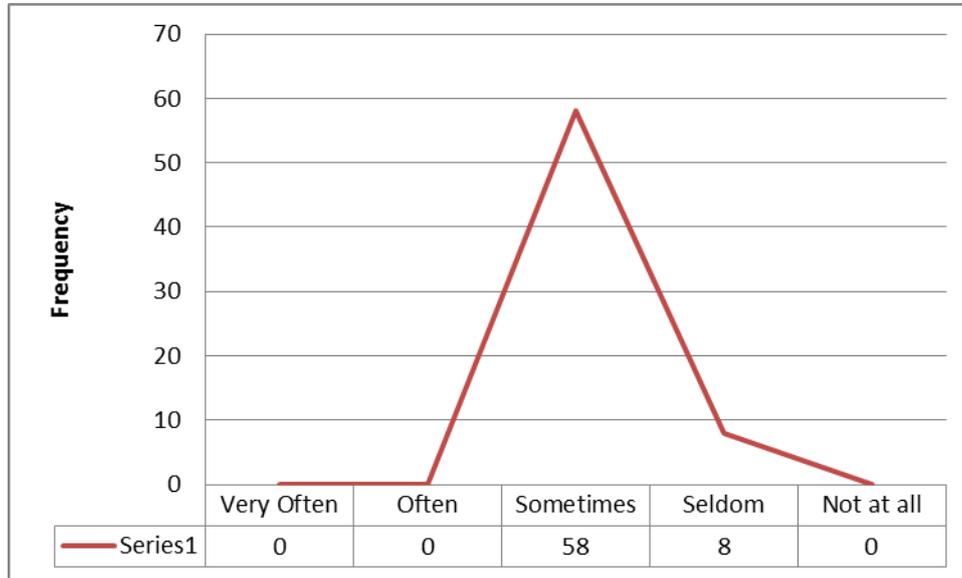


Figure 3: Views on the use of reward to promote corporate culture

From Figure 3, a large number of respondents (87.9%) stated that it is only sometimes that a reward system is used to contribute to the company’s corporate culture.

Furthermore, the study addressed the frequency that companies reward system defines the guiding principles and an implementation plan for administering rewards.

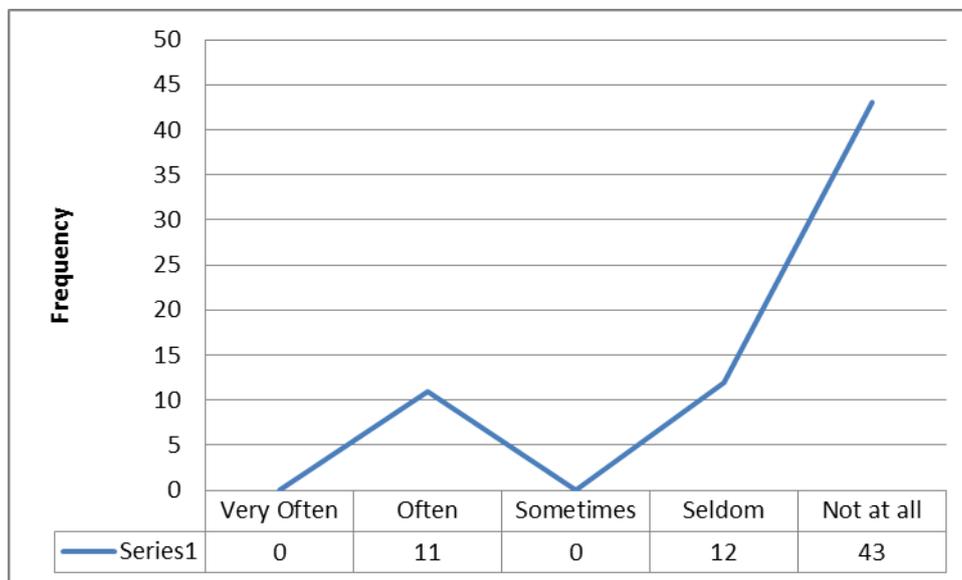


Table 1: Views on the use of reward as a guiding principle

A company’s reward system defines the guiding principles and implementation plan but the responses show that 65.1% of the respondents disagreed with this view.

Import of a Reward System to Sales and Marketing Staff

The study also examined the import of a reward system to sales and marketing staff. The study therefore sought to determine whether employees place a great emphasis on intangible rewards when deciding on where to work.

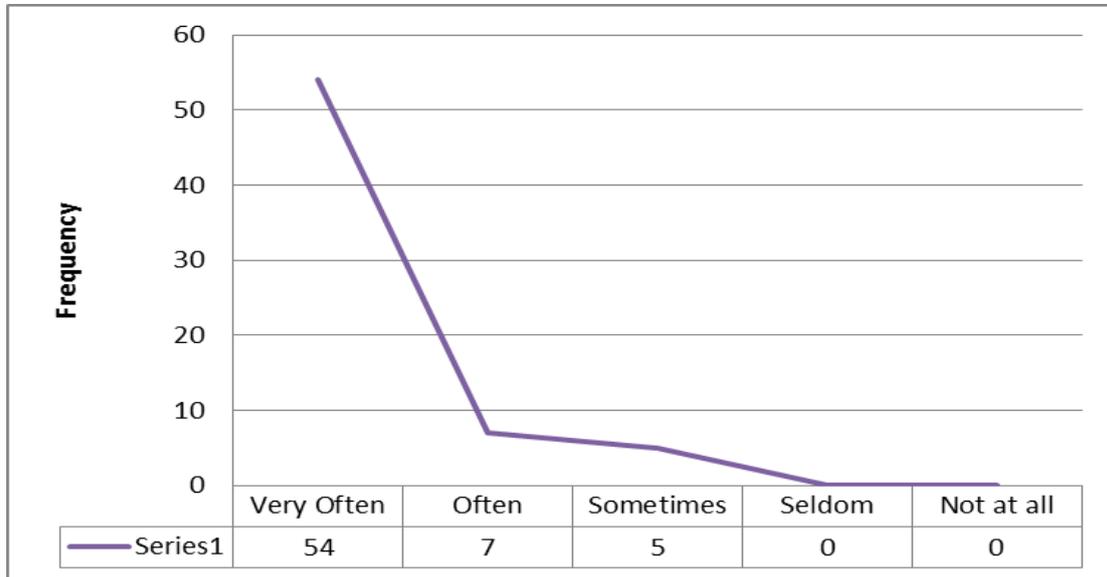


Figure 4: Views on whether rewards influence employees’ choice organizations

As evident in Figure 4, 81.8% and 10.6% of the respondents indicated ‘very often’ and ‘often’ respectively. These show that they place great emphasis on intangible rewards on deciding on where to work. All the four (4) management employees interviewed shared a similar opinion. An example of an opinion is: “the attraction of employees to most organizations is based not only on their reputation and image in the eyes of the public but on the security, benefits and rewards that they offer to their staff” (Manager 3).

On the question of how often rewards serve as a basis for employees’ commitment to give off their best, 13.6% respondents indicated that the types, quality and frequency of rewards they receive very often influence them positively in the effort they put in at the work place. Nonetheless, 86.4% disagreed as they stated that it only does this sometimes.

With respect to whether a total reward system provides an opportunity for personal growth, 66.7% of respondents from the company were of the view that they form an important opportunity that contributes very often to personal growth. The other respondents constituting 33.7% also agreed that they often provide such an opportunity.

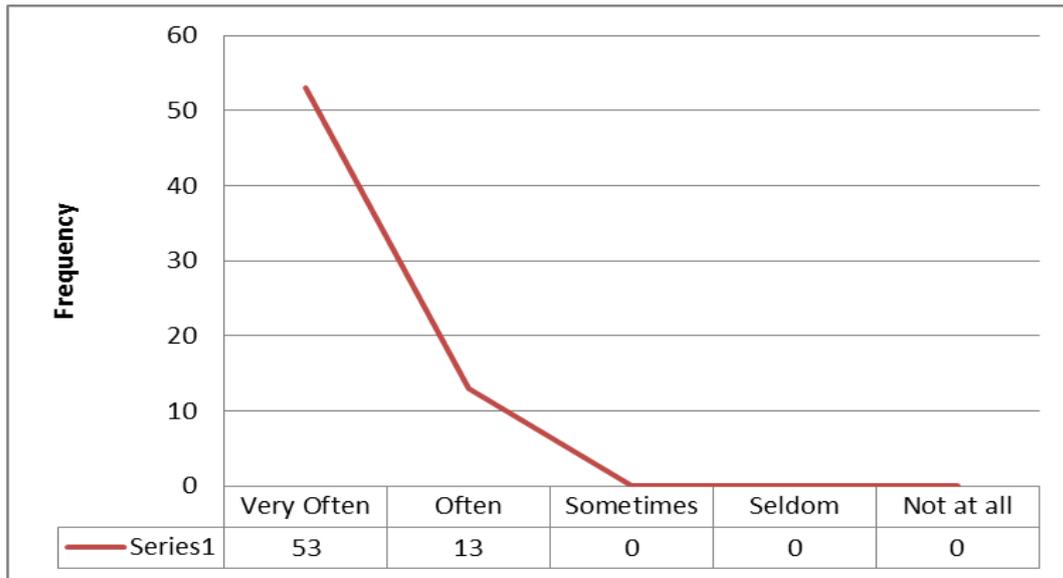


Figure 5: Views on rewards on recruitment, retention and performance levels

In addition, Figure 5 shows 80.3% and 19.7% of the respondents agreed that ‘very often’ and ‘often’ respectively rewards enhance recruitment, retention and performance levels. None of the respondents selected any of the other response and the views of those interviewed supported the ones the employees expressed.

Relationship between Reward Strategies and Employees’ Performance

The study also discussed the relationship between reward strategies and the performance of employees.

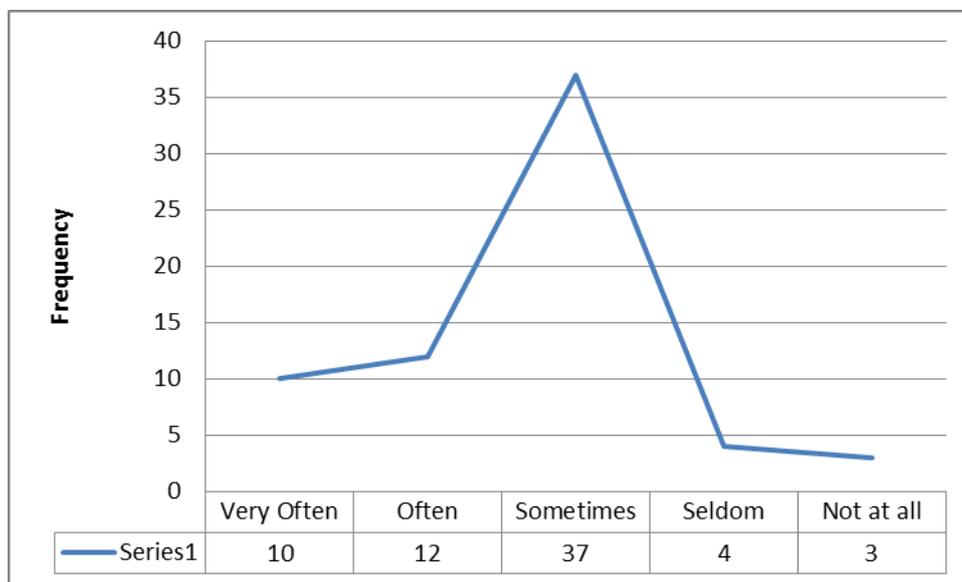


Figure 6: Views on knowledge of rewards and the achievement of objectives

According to 15.1% of the respondents, their organisations very often achieve its objectives because of employees’ knowledge of the existence of rewards. Another 18.2% of the respondents agreed that this is often the situation while 56.1% of them indicated that their companies only sometimes achieve objectives because of employees’ knowledge. Further responses of 6.1% and 4.5% for ‘seldom’ and ‘not at all’ respectively were also obtained for the same assertion.

Moreover, the interview outcomes indicate that two (2) of the management employees believe that employees' knowledge of existing rewards helps the company to achieve its objectives but the other two (2) of them disagreed by stating that it seldom does. They cited reasons why knowledge of results and its existence may not make the company achieve its objectives. An example is: "while some employees have a natural desire to work towards achieving set targets, others delight in the pride of having an association with the company" (Manager 4).

Challenges Faced by the Company in the Administration of a Reward System

From the study, 59.1% of the respondents stated that their companies very often face the challenge of providing certain rewards. Similarly, 40.9% respondents indicated that 'often' such challenges are faced.

Three (3) out of the four (4) management employees agreed that the company faces problems in providing certain rewards in that it experiences limited resources at times. For example: "There is non-involvement of the employees in decision-making involving rewards management" (Manager 3).

With the exception of the 30.3% of the respondents who indicated that it is not all the time that it is difficult to measure the value of one reward against the other, all the remaining respondents said that there is a difficulty in doing so because there is no consistency in the kinds of rewards that are provided from one time period to the other to qualified employees.

In addition, 18.2% of the respondents stated that their institutions often face the challenge of designing a reward structure that ensures that it is able to recruit and retain quality employees. Again, 71.2% of the respondents stated that a reward structure sometimes helps to recruit and maintain quality employees while 10.6% of them indicated this as a seldom.

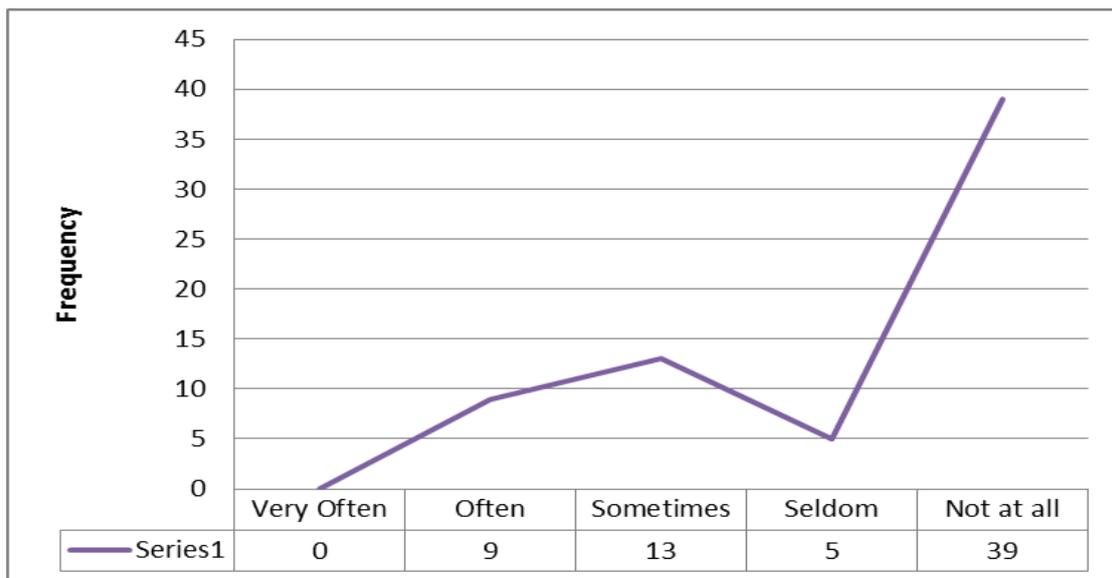


Figure 7: Views on reward policy on competition and the labour market

The responses obtained and presented in Figure 7 showed that majority (59.1%) expressed the view that the company does not develop a reward policy that is competitive with the external labour market.

Discussion

Rewards play a key role in providing an incentive to employees to work hard. The fact that employees recognize that rewards play such an important role is in consonance with the view of Metzger (2001) who in writing on the concept of a reward, asserts in the literature that a reward is an incentive that influences the repeat of a positive behaviour or serves as an incentive for a repeat of that behaviour because the outcome has been pleasing. Baer (2006) intimates the need for

Managers to know their employees more closely. In addition, the best way to know how to meet employees' needs is by asking them how they want to be rewarded or recognized.

With respect to what constitutes total rewards at the company, it was noted that total rewards are most of the time represented by benefits, development and career opportunities. Another important finding is that the company ties its reward package to the company's strategy and sales force strategy. This is supported by the respondents' response of 97.0% for 'very often'.

It was also found out that the company does not use its reward system to fully promote skills and knowledge development. The company also sometimes does not use its reward system to contribute to its corporate culture. The study also revealed that the company's reward system does not define the guiding principles and its implementation plan. Though total rewards should cover benefits, development and career opportunities, Schein (2005) emphasizes that total rewards must also aim at satisfying the basic human needs of survival and security and advises that organizations have to choose relevant rewards over which they have what it takes to provide and manipulate. This position is in tandem with the view of the 31.8% responses received in support of the fact that sometimes a total reward system may range from a simple "thank you" to recognition in the form of the presentation of plaques, certificates and so on.

Again, the study examined the import of a reward system to the Sales and Marketing staff. At the Insurance Companies, most of the employees considered intangible rewards in accepting to work there. The study revealed that reward only sometimes serves as a basis of employee commitment to give off their best. This is evidenced by the 86.4% of the responses in support of this. At the company, a total reward system provides an opportunity for personal growth. The responses of 66.7% and 33.3% for "very often" and "often" lend credence to this.

It is therefore not out of place if proper rewards are given to motivate an organization's sales force because in return, these organizations require them to put up behaviour that will lead to the achievement of corporate objectives by willingly following the defined corporate strategy (Knowles, & Borje, 2004).

The study also brought to the fore that the company uses rewards to enhance recruitment, retention and performance levels. It was also found out that a total reward system has a strong potential to enhance the reputation of the company as an employer of choice. The respondents' responses of 93.9% for "very often" explain why employees see the company as an employer of choice.

Another important revelation from the study is that the successful implementation of a reward strategy may not necessarily lead to enhanced performance on the job as several other factors influence an individual's performance. With respect to the recognition of the effort of employees, the study revealed that most of the employees whose efforts are recognized are encouraged to work harder.

The study also brought to the fore that most companies in Ghana do not involve employees in the determination of appropriate rewards best suited for their needs. The responses of 84.8% for "very often" lend credence to this. According to Stessin (2007), an organization's way of doing things must be both meaningful and beneficial to management, employees and the community in which it exists. By this way, a positive culture is developed. It is therefore necessary for an organization to develop a unique means of rewarding its employees that the employees find pleasing.

With respect to the challenges faced by the Insurance Companies in the administration of a reward system, results indicated that there is no consistency in the provision of similar rewards for qualified employees from one time period to the other at the company. For this reason, it is often difficult to measure the value of one reward against the other. Proactive organizations expect to achieve objectives through employees who are very smart, competent, exhibit a high level of commitment and loyalty at all times. In exchange for these, the employees require to be appropriately rewarded (Knowles, & Borje, 2004). A satisfactory item of reward must be adequate and appropriate to the employee and must not be too expensive for the organization to obtain for its employees. To settle on rewards that may be described as satisfactory therefore requires a joint decision between employees and management.

Another important revelation is that some of these companies sometimes face the challenge of designing a good reward structure that ensures that it is able to recruit and retain quality employees as expressed by the over 71.2% of the responses. It was found out from the study that

companies position variable earnings against basic pay to encourage positive employee behaviour. The study also indicated that companies do not regularly develop a reward policy that is competitive with the external labour market.

Finally, the results indicated that, pay progression arrangements are sometimes aligned with the company's culture or succession planning. Thus, the wrong use of rewards often leads to the absence of a meaningful achievement of objectives and loss of employees. From the literature, Zagoria (2005) also states that the types of rewards available and the manner of their distribution can influence the satisfaction of employees, their personal commitment and the overall effectiveness of the organization but Martocchio (1998) and Morse and Jay (2009) disagree with this assertion. Their opinions complement that of the large number of respondents (86.4%) who stated that the provision of rewards does not always commit employees to hard work. They expressed the view that some employees may take delight as being a part of a team that at all times succeed in achieving set targets and organizational objectives and they derive their joy by being a part of a successful team at the workplace and not through the receipt of rewards.

Limitation

The study was limited to the sales and marketing operations of the Insurance Companies within the Southern Zone covering Eastern, Volta and Greater Accra Regions. These outlets were selected because they had enough Sales and Marketing Executives needed to enable the researcher to do an in-depth study. Thus, findings of the study should be interpreted with respect to this.

Conclusion

In assessing the reward strategies employed by the company, it can be concluded that such strategies play a key role in providing an incentive to employees to work by giving the right people the right amounts for doing the right things and by tying the sales force reward strategy into the corporate strategy. However, the reward strategies are not sometimes equitable and usually do not cover things that would have been more relevant to employees and thus does not contribute to the company's corporate culture.

With respect to the import of a reward system to the sales and marketing staff of the company, it can be concluded that a good reward system serves as a basis for employee commitment to give off their best to the company and that such a system often has a strong potential to enhance the reputation of the company as an employer of choice.

In comparing the relationship between reward strategies and employees' performance, it can be concluded that where the effort of an employee is recognized, he is encouraged to work harder and that when there is a successful implementation of a reward strategy at the company, it leads to enhanced performance.

On the issue of the challenges faced by Insurance Companies in the administration of a reward system, it can be concluded that the company faces varied challenges such as the inability to provide certain desirable rewards to employees, the problem of not being able to measure the value of one reward against the other from one period to the other and the inability of designing a reward system that would make the company keep all of its quality employees at all times.

Recommendations

It is recommended to the management of Insurance Companies should have trained human resource outfit. In this way, it will have the required expertise to devise and implement an equitable reward system that is congruent with its strategic objectives.

Total rewards should be extended to cover job security and other benefits in the form of recognition such as certificates, plaques and valuable others like housing and rent loans that have the potential to be cherished by employees.

In addition to the existing benefits, development and career opportunities should contribute to the companies' corporate culture. This reward system should incorporate the principles necessary to guide its implementation. Such principles should be based on equity and fairness and cover all the necessary elements that would ensure employees' commitment to give of their best and to encourage them to display team spirit.

Acknowledgement

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