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IMPACT OF FINANCIAL REWARD ON EMPLOYEES' PERFORMANCE OF OLAK

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Abstract

The purpose of present study is to examine the effects of external reward system on employees. Current study employed Herzberg's two-factor theory to investigate the effects of financial factors on employees' performance in OLAK. Reliability test is conducted for for a sample size of 157 knowing the internal consistency of financial factors as independent variables and employees' performance as dependent variable. PLS-SEM technique was employed for data analysis. The results found that all financial reward have positive and significant effects on employees' performance. This study provides good amount of knowledge on the importance of reward system for improving the employees' performance.

Keywords: employee performance, financial factors, reward

Introduction

Individuals can take action as a result of support from both inside and outside to fulfill their needs. Employees who are highly motivated and have the necessary skills and experience to complete the work are needed. This may suggest that employee motivation is one of the determinants of improved company efficiency. This is reinforced by Weiner's (2014) claim in his book that work motivation is the driving force that generates passion for one's work, causing them to collaborate, work efficiently, and combine all of their efforts in order to achieve satisfaction. "Motivation can be affected by a variety of factors. In recent studies, the relationship between work satisfaction, motivation and low burnout level between the employees have been checked (Papasotiriou, Sidiropoulos, Ntanos, Chalikias., 2018)". Also mentoring can positively contribute to career growth and motivation, particularly in the case of new employees (Ktena, Georgious, Chalikias, Ntanos., 2018)

Employee motivation is projected to improve as a result of financial rewards, since financial incentives can be allocated to the needs that the employee desires. Giving this opportunity, Dessler continued, necessitates a reasonable and decent employee viewpoint. Fair has the meaning of financial incentives given the company in accordance with or commensurates with the work and achievements

achieved by employees? While feasible means financial incentives given to employees can meet the needs of these employees, the feasibility can also be seen by comparing the provision of incentives made by other companies (Dessler, 2014).

Research Question

What are the levels of relationships between financial rewards and Olak profitability?

Objective of the Study

The specific objective is to assess the relationship between financial rewards and organisation profitability.

Research Hypothesis

$H_0 1$: There is no significant relationship between financial rewards and Olak profitability.

Literature Review

Financial Incentive

Financial Incentive is another form of direct compensation beyond salary which in other words is called a performance-based compensation system. According to Dessler (2014), "Financial incentives are rewards or replies in the form of the financial form given to employees whose level of production exceeds predefined standards". Meanwhile, according to Werther & Davis (1989) also added that the incentive system connects employee compensation and work performance by paying according to the results of their work and not because of seniority or length of work. Meanwhile, according to Hasibuan (2013) argues that as a means of incentive motivation aims to direct and drive the power and potential of employees to want to work hard and enthusiastic in achieving optimal work, in order to realize the goals that have been determined. The existence of incentives that provide pay based on work performance will enhance employee motivation in the effort to achieve the goals set.

The research by Lee (2015) proves that financial incentives have a significant effect on the performance of medical personnel, which is undoubtedly the result of an increase in motivation based on given financial incentives. The research, Basu & Kiernan (2016), adds that financial incentives affect healthy lifestyle changes. The discussion raised almost identical to the subject of this study regarding motivation. Therefore, the research is also capable of being the trigger for doing this research. It can be concluded that Financial Incentive is the result of remuneration received by employees in the form of financial based on contributions and work performance that exceeds the average standard of other employees. Financial Incentive is done as a measure of investment by the company to its employees. Besides, incentives aim to motivate employees to do their work which leads to the achievement of company goals.

Work Motivation and Performance

In relation to the work environment, Robbins (2006) explains that work motivation is as follows: "Motivation is the process that accounts for individuals' intensity, direction, a persistence of effort toward attaining a goal". From Robbins's explanation of this motivation, it can be seen that motivation is defined as a process that participates in determining the intensity, direction and perseverance of individuals in their efforts to achieve a goal. Although general motivation is related to efforts in many directions, Robbins narrows the focus on organizational goals to show that In addition, Robbins (2006) adds an explanation related to work motivation that supports the previous definition, as follows: "The willingness to exert high level of effort toward organizational goal, conditioned by the ability to satisfy some individuals need." Whereas, Winardi (2007) explained, "Motivation is a potential force that exists within a person that can be developed by themselves or with the help of others who can influence the results of their performance through monetary and non-monetary rewards which depend on the situation and conditions faced by the related person".

From the definition of work, motivation can be seen that employees who are motivated will make efforts in the work that can produce optimal performance. The process of motivation is focused on the views of employees in meeting their needs simultaneously with the achievement of corporate goals. Needs are the main trigger of the employee's performance against the implications of the firm's impetus through a reward.

The Impact of Financial Incentive on Employee Motivation And Performance

The results of research conducted Wasito (2014) explains the influence of material incentives on motivation has a significant influence, where the higher the incentive given the company, the higher the motivation of his work. Material incentives are one of the company's financial compensations beyond the basic salary that employees receive on their performance. The Company believes that the system of compensation in general and the material incentive system, in particular, affects the motivation of employees in doing their work.

Further research conducted by (Permatasari, 2011; Handrian, 2015), resulted in similar conclusions in the influence of incentives on employee motivation. In addition to similarity in the conclusions section, the same thing is found in the dimensions of work motivation and dimensions. These dimensions and indicators are the reference materials in conducting this research: McClelland proposes the Need Theory. Besides, the phenomenon that occurs in company employees also illustrates the suitability of its needs with this theory. In the theory of needs put forward by McClelland, there are three kinds of needs, an individual with a strong need will be motivated by

using appropriate behaviour to satisfy his needs. The three needs are needs for achievement. The need for power (needs of power), and the need for relationships (needs of affiliation).

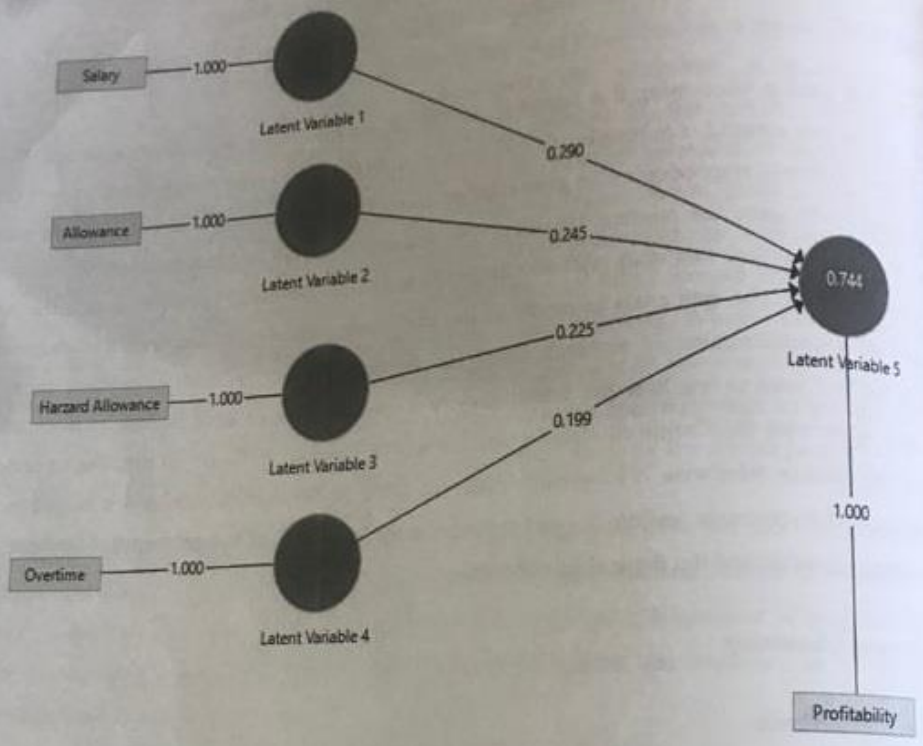
Methodology

The method used in conducting this research was Survey method using quantitative approach. This census study was adopted, a population of 157 employee were studied. The measurement scale in this study used 10 levels; respondents who gave number 1 to the statement given were very negative while respondents who gave the number 10 meant the perception of the statement submitted was very positive. The analytical tool used with the Smart Partial Least Square (PLS) method with the path analysis approach. The data analysis model in the study using Validity Test is done to measure the validity of a questionnaire, in research using the Pearson Product Moment correlation formula, Reliability Test used to test how the consistency of a questionnaire on each variable studied, while testing is done with the Cronbach alpha technique with a level (α)>70% (0.70) then the variable is said to be reliable otherwise if Cronbach alpha (α)<70% (0.70) then the variable it is said to be unreliable and hypothesis testing is used to explain the direction of the relationship between the independent variable and the dependent variable.

Results and Discussion

4.4.2 Hypothesis

H_{01}- Monetary rewards does not have an impact on employees' performance.



The result in figure 4.8 above indicates that the four financial reward independent variables i.e. salary, allowance other than hazard, Hazard allowance and overtime payment account for 74% (r^2= 0.74) change in the OLAK profitability. The coefficient of determination, R^2, is 0.74 for the profitability endogenous latent variable. This means that the four latent variables (salary, allowance other than hazard, Hazard allowance and overtime payment) explain .74% of the variance in OLAK profitability.

Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	Va
Salary -> Profitability	0.290	0.285	0.099	2.922	0.0

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Allowance -> Profitability	0.245	0.253	0.096	2.564	**0.011**
Hazard Allowances -> Profitability	0.225	0.231	0.101	2.235	**0.026**
Overtime -> Profitability	0.199	0.192	0.102	1.964	**0.050**

In Hypotheses one the SEM result indicated that that financial reward which include salary. Allowance, hazard allowance a variable of the independent construct has a positive significance relationship with OLAK profitability. Result indicated that financial rewards has a significant and positive effect on profitability. The tables shows positive significant relationship between financial reward and profitability at (salary $\beta = 0.290$, $t = 32.922$, $p < \mathbf{0.005}$; Allowance $\beta = 0.245$, $t = 2.564$, $p < \mathbf{0.011}$; Hazard allowance $\beta = 0.225$, $t = 2.235$, $p < \mathbf{0.026}$) On the other hand, over time payment has no significant relationship with profitability , result Table above, indicates that overtime has no significant relationship profitability at ($\beta = 0.199$, $t = 1.964$ $p < \mathbf{0.050}$) respectively. Hence, $\mathbf{H_{01}}$: which says financial reward has no significant effect on OLAK profitability is rejected.

Conclusions and Recommendation

Financial incentive in the perspective of financial perspective, financial satisfaction, a value of loss and self-selection is a form of finance or compensation in the form that is given to employees to motivate employees to do their jobs to increase the need for achievement, the need for work relationships and needs willpower. Giving financial incentive is as a basis so that employees can improve work performance, increase employee motivation in achieving goals, level of welfare and build work motivation that can be achieved optimally. This study aims to make employees in the company more improve personal performance and team performance so that they try to provide work morale to employees in improving employee work performance and achieving optimal work results. Besides, the company, in this case, is demanded not only in achieving employee work targets, employee motivation but must pay attention to aspects of compensation policy received from work contributions, employee resources in each division to be able to work effectively and reduce employee workload. Further research is expected that the company can pay attention to the compensation policy

to employees, employee performance achievements, and position placement to employees to increase the work efficiency of employees.

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