
ANALYSIS ON THE REWARD SYSTEMS AND SERVICE QUALITY

A CASE STUDY OF LAKE VICTORIA HOTEL ENTEBBE

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ABSTRACT

The study assessed the contribution of intrinsic and extrinsic and extrinsic reward system on service quality. Also, the study tested the existence of the relationship between reward system and organizational performance. The variables under study involved intrinsic reward systems such as skill variety, task identity, task significance, autonomy, task feedback, and recognition as well as the extrinsic reward systems such as Extrinsic reward system such as bonus, housing allowances, salary increment, vocational travel, and promotion. The study used SPSS as the analysis software and the descriptive statistics and ANOVA were used to analyze the data and test the relationship between the variables. The findings, the R-squared value (0.927) shown that 93% of the variation in the dependent variable can be brought by other factors. The R-squared value (0.927) was greater than the adjusted R-squared value (0.916) because it imposed a harsher penalty. The study has indicated clearly that reward system leads to service quality and organization performance. The organization must create motivating reward systems in order to improve the performance of its employees. Intrinsic reward such as recognition, verbal and nonverbal as well as written recognition are very important in improving employee and organizational performance.

Key words: reward systems and service quality

Background of the Problem

According to Sheilds and colleagues (2015), rewards should be based on the different needs of employees. The needs of some employees may be satisfied by monetary rewards, while others are more interested in other incentives such as a house, car, paid vacation, etc. The reward system should have an effective combination of

monetary and non-monetary rewards and incentives to meet the needs and expectations of employees towards the system management and remuneration (Ntirandekura et al., 2022). A positive impact on employee productivity can only be achieved if the reward system meets the needs and expectations of employees (Paul & Kazaara, 2023). An organization needs to quickly improve the motivation level of employees to improve performance (Ntirandekura & Christopher, 2022). Managers focused on 'recognition' as the key to boosting employee morale. Each employee could nominate anyone they thought was worthy of recognition. Successful employees received certificates and felt truly appreciated. The experience of a 'recognized' employee "being formally recognized gave me something extra. Organizations are looking for ways to beat the competition and be profitable. Nothing is more critical to this goal than human energy and a strategic approach to motivating the entire organization (Oromo et al., 2023).

Organizational performance has been variously defined by a wide range of experts and authorities with different attributes, but is strongly associated with employee and company effectiveness (Christopher, Moses, et al., 2022). Reward systems have the potential to become the most valuable components of the management control system of governmental and non-governmental organizations. Employees with clear goals who are rewarded according to their expectations are often very satisfied with their workplace (Isaac et al., 2023). It seemed that if people felt good about their work; their happiness would be reflected in the performance of the organization. However, the researcher will conduct a study on the importance of reward system in organizational performance

Statement of the problem

Organizations, whether governmental or non-governmental, are established to achieve their goals. Organizations that want to achieve their goals must have a competitive and possibly comprehensive total compensation system that is aligned with the organization's business strategy and that reflects the competitive reality of

the labor market. In a world where people are increasingly demanding of their lives and surroundings, a reward system could be used to motivate employees by satisfying these demands (Ansebo & Gaywala, 2022).

The types of rewards in most organizations are usually not performance-based. Thus, they are in no way linked to business structure and employee recruitment, retention, motivation, performance, feedback and satisfaction (Winny et al., 2023). Moreover, the recipients of these rewards in most organizations are not involved in the planning and implementation of reward systems in the organizations. Furthermore, there are a number of gaps in the management of different ways of rewarding employees in organizations. However, there is a lack of understanding on how to motivate all these highly demanding individuals, and thus most reward systems are under-optimized (Micheal et al., 2023). To create an optimal reward system, we need to better understand what really motivates and what doesn't. The importance of reward systems to the performance or effectiveness of organizations cannot be overemphasized. However, there are a number of problems associated with the functioning of reward systems by organizations. Again, most organizations view compensation as merely monetary compensation given to employees to compensate them for their performance, whereas rewards should represent everything that goes into motivating an individual employee to perform at their best. Thus, the study evaluated the effects of the remuneration system and service quality (Christopher, Komunda, et al., 2022)

Specific Objectives

- 1. To examine the effects of intrinsic reward system on service quality*
- 2. To find out the effects of extrinsic reward system on organization performance*
- 3. To find out the relationship between reward system and service quality*

Research Questions

- 1. What are the effects of intrinsic reward system on service quality?*
- 2. What are the effects of extrinsic reward system on organization performance?*

3. What is the relationship between reward system and service quality?

Methodology

Research Design

This study used descriptive method by using both qualitative and quantitative techniques. To make this study effective a case study was used. This research design enabled the researcher to report not only the findings but also analyzing, comparing and interpreting data.

The data was collected by using a questionnaire and interviews which were administered to the top management and ordinary employees of Lake Victoria hotel Entebbe the reason of using the case study is that it is comprehensive, descriptive and situational.

Study Population

In this study the population comprised of Senior Management officials and ordinary employees (Staff) for the purpose of getting required information. Lake Victoria hotel Entebbe comprised of over 80 employees.

Sample Size and Sampling Techniques

Sample Size

In this study a sample of 60 respondents will be used in 60 questionnaires and interview guides were prepared to the employees of Lake Victoria hotel Entebbe in order to ensure maximum representations of all levels of employees from different departments and avoid any possible biases. This included key informers who are Human Resource Manager and General Manager Operations.

Sampling Techniques

According to Kothari (2014), sampling is defined as selection of parts of aggregate of the totality based on which a judgment about the aggregate or totality is made. It is a process of selecting a group of people, events, behavior, or other elements with which to conduct a study. An important issue influencing the choice of a sampling technique is whether a sampling frame is available, that is, a list of units comprising

the study population. The researcher used both simple random sampling and purposive technique in picking up respondent from the population.

Purposive Sampling Technique

Babbie (2014) defined purposive sampling technique as the one which enables a researcher to select a sample based on his /her knowledge of population, research elements and objectives. Purposive sampling is also based on researcher's judgment and purpose of the study. This technique was used to 5 key informants who had that information according to the knowledge of the researcher.

Random Sampling

According to Yates et al (2018), stated that in random selection each individual is chosen randomly entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process and each subset of individuals has the same probability of being chosen for the sample as any other subset of individuals.

Data Collection Techniques

This is a systematic collection of information concerning the problem under the study. Three types of data collection techniques were employed in this study. These include questionnaires, interview and direct observation.

Questionnaire

The questionnaire method is the method that permits the use of a set of questions to collect data and carry out the social research. Kothari (2014) argues that a questionnaire consists of a number of questions printed or typed in a definite order on a form or set of forms. This method of data collection was applied to 60 respondents.

Data Processing and Analysis

Data was analyzed by using Statistical package for social science (SPSS) (Nelson et al., 2022). Then the results were presented by means of words, numbers and percentages in the form of tables. Data analysis and interpretation enabled the researcher to get

a clear understanding of the research findings and use those findings to arrive at a conclusion and make recommendations.

RESULTS

Table 1: Skill variety can lead to service quality

		Frequency	Percent
Valid	Strongly agree	17	31.7
	Agree	25	39.7
	Neutral	2	3.2
	Disagree	11	17.5
	Strongly disagree	2	3.2
	Total	57	95.2
Missing	System	3	4.8
Total		60	100.0

Source: Field Data (2020)

The findings shows that 17 (31.7%) strongly agree, 25 (39.7%) agree, 2 (3.2%) neutral, 11 (17.5%) disagree, and 2 (3.2) strongly disagree with the statement. The findings indicate that most of the respondents (45) agree with the statement that skill variety lead to organizational performance.

Task Identity Can Lead to service quality

This refers to the extent to which the tasks performed by individuals in an organization are identified and recognized. Employees whose tasks are identified tend to be highly motivated and they are in the position to receive both intrinsic and extrinsic reward systems. This type of intrinsic reward system motivates employees and lead to task accomplishment, efficiency and organizational performance. Respondents in this study were asked to rank their level of agreement or disagreement with the statement that task identity can lead to organizational performance. Table 4.5 below indicates the response from the respondents.

The findings indicate that 27 (47.6%) of the respondents strongly agree, 15 (23.8%) agree, 3 (4.8%) neutral, 7 (11.1%) disagree and 5 (7.9%) strongly disagree with the statement. The findings reveal that most of the respondents (45) agree with the statement that task identity can lead to organizational performance.

Table 2: Task Identity can lead to service quality

		Frequency	Percent
Valid	Strongly agree	27	47.6
	Agree	15	23.8
	Neutral	3	4.8
	Disagree	7	11.1
	Strongly disagree	5	7.9
	Total	57	95.2
Missing	System	3	4.8
Total		60	100.0

Source: Field Data (2020)

Task Significance Can Lead to Service Quality

Task significance is a very important type of intrinsic motivation. It refers to the extent to which the tasks carried out by employees are important to the organization. Respondents were asked to indicate their level of agreement or disagreement with the statement that task significance can lead to organizational performance. Table 4.6 gives the percentage of response from the respondents.

Table 3: Task Significance can lead to Service Quality

		Frequency	Percent
Valid	Strongly agree	24	43.9
	Agree	21	33.3
	Neutral	6	9.5
	Disagree	3	4.3

	<i>Strongly disagree</i>	2	3.2
	<i>Total</i>	57	95.2
<i>Missing</i>	<i>System</i>	3	4.8
<i>Total</i>		60	100.0

Source: Field Data (2020)

The field data indicate that 24 (43.9%) of the respondents strongly agree, 21 (33.3%) agree, 6 (9.5%) neutral, 3 (4.3%) disagree and 2 (3.2%) strongly disagree with the statement that task significance can lead to service quality. The findings shows that 48 out 60 respondents agreed that task significance can lead to employee performance.

Employee Autonomy can lead to service quality

Autonomy is an intrinsic reward system and it is about the independence of an individual or a team to launch an idea or a vision and to work with it to completion. An organization characterized by autonomy empowers their employees to act independently, take key decisions and to proceed (Lumpkin & Dess, 2018). This in the end lead to organization performance. Respondents were asked to rank their level of agreement or disagreement with the statement that employee autonomy can lead to organizational performance and their response are as in table 4 The findings indicate that 30 (50%) respondents strongly agree, 7 (11.1%) agree, 5 (7.9%) neutral, 10 (15.9%) disagree and 5 (7.9%) strongly disagree. The results shows that the highest percentage of the respondents (40) agrees with the statement that employees' autonomy led to organization performance.

Table 4: Employee Autonomy can lead to Organizational Performance

		<i>Frequency</i>	<i>Percent</i>
<i>Valid</i>	<i>Strongly Agree</i>	30	52.4
	<i>Agree</i>	7	11.1

	<i>Neutral</i>	5	7.9
	<i>Disagree</i>	10	15.9
	<i>Strongly disagree</i>	5	7.9
	<i>Total</i>	57	95.2
<i>Missing</i>	<i>System</i>	3	4.8
<i>Total</i>		60	100.0

Source: Field Data (2020)

Task Feedback Can Lead to Service Quality

Table 5: Task Feedback can lead to service Quality

		<i>Frequency</i>	<i>Percent</i>
<i>Valid</i>	<i>Strongly agree</i>	20	36.5
	<i>Agree</i>	13	20.6
	<i>Neutral</i>	12	19.0
	<i>Disagree</i>	5	7.9
	<i>Strongly disagree</i>	7	11.1
	<i>Total</i>	60	95.2
<i>Missing</i>	<i>System</i>	3	4.8
<i>Total</i>		60	100.0

Source: Field Study (2020)

Task feedback is another type of intrinsic reward system. It involves giving feedbacks on different tasks performed by employees. Respondents in this study were asked to indicate their level of agreement or disagreement with the statement that task feedback can lead to organizational performance. Table 5 provides the findings of the study regarding this item. The findings reveal that 23 (36.5%) of the respondents strongly agree, 13 (20.6) agree, 12 (19.0%) neutral, 5 (7.9%) disagree and 7 (11.1%) strongly disagree that task feedbacks can lead to organizational performance. This

indicates that most of the respondents agreed that task feedbacks as one of the intrinsic reward systems can lead to organizational performance.

Employee Recognition Can Lead Organizational Performance

Recognition is very important in an organization as it motivates employees to perform to their functions to their best. Recognition can be written, verbal or financial and non-financial recognition. In most of the organizations they normally recognize the employee of the month and this depends on the performance of the employees. Respondents in this study were asked to indicate their level of agreement or disagreement with the statement that employee recognition can lead to organizational performance and their response are as indicated in Table 6.

Table 6: Employee Recognition Can Lead to Organizational Performance

		Frequency	Percent
Valid	Strongly agree	44	73.3
	Agree	13	20.6
	Total	57	95.2
Missing	System	3	4.8
Total		60	100.0

Source: Field Data (2020)

The findings indicate that 47 (73.3%) of the respondents strongly agree, and 13 (20.6%) agree that employee recognition can lead to organization performance. This is the only type of intrinsic reward system which all the respondents agreed that it can lead to organizational performance. This shows how much employee recognition matter to employees and it leads to organizational performance.

There is a Positive Relationship between Intrinsic Reward System and Organizational Performance

This was a concluding part of the first objective which intended to find out the effects of intrinsic reward system on organizational performance. Respondents were asked to indicate their level of agreement or disagreement with the statement that

intrinsic reward system can lead to organizational performance. Table 7 indicates the findings of the study.

Table 7: There is a Positive Relationship between Intrinsic Reward System and Organizational Performance

		Frequency	Percent
Valid	Strongly agree	41	65.1
	Agree	14	22.2
	Neutral	5	7.9
	Total	57	95.2
Missing	System	3	4.8
Total		60	100.0

Source: Field Data (2020)

The findings indicate that 41 (65.1%) of the respondents strongly agreed, 14 (22.2%) agreed, 5 (7.9%) neutral and none of the respondents disagreed or strongly disagreed with the statement. This shows the extent to which respondents in this organization agreed that there is a relationship between intrinsic reward system and organizational performance.

Extrinsic Reward Systems and Organizational Performance

Table 8: Bonus can lead to service quality

		Frequency	Percent
Valid	Strongly agree	32	53.
	Agree	20	33.7
	Neutral	5	7.9
	Total	57	95.2
Missing	System	3	4.8
Total		60	100.0

Source: Field Data (2020)

The findings indicate that 32 (55.6%) of the respondents strongly agree, 20 (31.7%) agree, and 5 (7.9%) were neutral with the statement. The statistics confirm that bonuses are crucial to organizational performance. The highest percentage of the respondents (55) agreed that bonus led to organizational performance.

House Allowances and Organizational Performance

Table 9: House Allowances can lead to Organizational Performance

		Frequency	Percent
Valid	Strongly agree	21	33.3
	Agree	24	38.1
	Neutral	6	9.5
	Disagree	1	1.6
	Strongly Disagree	8	12.7
	Total	57	95.2
Missing	System	3	4.8
Total		60	100.0

Source: Field Data (2020)

The findings shows that 21 (33.3%) strongly agree, 24 (38.1%) agree, 6 (9.5%) neutral, 1 (1.6%) disagree and 8 (12.7%) strongly disagree with the statement. The findings imply that most of the respondents agree that house allowance lead organizational performance. However, there are few respondents (9) who disagreed that house allowances lead to organizational performance.

Salary Increment and Organizational Performance

Table 10: Salary Increment Can Lead to Organizational Performance

		Frequency	Percent
Valid	Strongly agree	42	70
	Agree	6	9.5
	Neutral	9	15.3

	<i>Total</i>	57	95.2
<i>Missing</i>	<i>System</i>	3	4.8
Total		60	100.0

Source: Field Data (2020)

The findings show that 45 (71.4%) strongly agree, 6 (9.5%) agree, and 9 (14.3%) were neutral on the statement that salary increment lead to organizational performance. This is the variable extrinsic reward systems with the highest percentage of respondents (51) who agreed that salary increments lead to organizational performance and none of the respondents disagreed.

Vocational Travel and Organizational Performance

Vocational is another important type of extrinsic reward system and this study hypothesized that vocational travel can lead to organizational performance. Table 4.14 gives the percentage of agreement and disagreement with the statement that vocational travel can lead to organizational performance.

Table 11: Vocational Travel can lead to Organizational Performance

		<i>Frequency</i>	<i>Percent</i>
<i>Valid</i>	<i>Strongly agree</i>	27	46.0
	<i>Agree</i>	21	33.3
	<i>Neutral</i>	7	11.1
	<i>Disagree</i>	3	4.8
	<i>Total</i>	57	95.2
<i>Missing</i>	<i>System</i>	3	4.8
Total		60	100.0

Source: Field Data (2020)

The frequency and percentage indicate that 27 (46%) of the respondents strongly agree, 21 (33.3%) agree, 7 (11.1%) were neutral and 3 (4.8%) disagreed with the statement. The findings imply that vocational travel is important for employees to

relax, enjoy different environments, socialize and therefore improve on their performance.

Promotion and Organizational Performance

Promotion is very important for staff development and motivates employees to work hard, effectively and efficiently. Employees normally get promoted after obtaining some personal achievements. Respondents were asked to state whether they agree or disagree with the statement that promotion can lead to organizational performance.

Table 4.15 presents findings of the study.

Table 12: Promotion can lead to Organizational Performance

		Frequency	Percent
Valid	Strongly agree	29	46.0
	Agree	11	17.5
	Neutral	5	7.9
	Disagree	8	12.7
	Strongly disagree	7	11.1
	Total	57	95.2
Missing	System	3	4.8
Total		60	100.0

Source: Field Data (2020)

The findings as per the Table 12 shows that more respondents of about 63.5% agree that promotion led to organizational performance. This shows how much promotion is important to organizational performance and therefore organizational management must consider promoting their subordinates once they obtain personal achievements.

Extrinsic Reward System on service quality

This was a concluding question sent to respondents to confirm whether the reward system leads to organizational performance Table 12 indicates the percentage of response from the respondents. The statistics point out that 50 (79.4%) of the

respondents agreed that the intrinsic reward system can lead to organizational performance and none of the respondents disagreed with the statement. This implies that intrinsic reward systems have a great effect to employees and they lead to organizational performance

Table 12: The Extrinsic Reward System Can Lead to Organizational Performance

		Frequency	Percent	Valid Percent
Valid	Strongly agree	39	61.9	65.0
	Agree	11	17.5	18.3
	Neutral	10	15.9	16.7
	Total	57	95.2	100.0
Missing	System	3	4.8	
Total		60	100.0	

Source: Field Data (2020)

The Relationship between Intrinsic Reward System and Organizational Performance

The regression analysis was conducted for the first objective which intended to find out the effects of intrinsic reward system on organization. The results are as indicated in the Table 13.

Table 13: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.944	7	3.135	66.360	.000 ^b
	Residual	2.456	52	.047		
	Total	24.400	59			

Source: Field Data, 2020

Intrinsic reward system can lead to organizational performance, Employee recognition can lead to organizational performance, Task feedback can lead to organizational performance, Task significance can lead to organizational

performance, Skill variety can lead to organizational performance, Employee autonomy can lead to organizational performance, Task identity can lead to organizational performance.

The Relationship between Extrinsic Reward System and Organizational Performance

The regression analysis was conducted to find out the relationship between extrinsic reward system and organizational performance. The findings are as indicated in the table 14

Table 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.963 ^a	.927	.916	.22307	.927	81.507	8	51	.000
a. Predictors: (Constant),									

Source: Field Data, 2020

The R-squared value (0.927) shows that 93% of the variation in the dependent variable can be brought by other factors. The R-squared value (0.927) is greater than the adjusted R-squared value (0.916) because it imposes a harsher penalty.

Conclusion

The findings on this specific objective revealed that the intrinsic reward system motivate employees and lead to organizational performance. A higher percentage of the respondents agreed that the intrinsic reward system leads to organizational performance. ANOVA test was conducted to check if there is a relationship between reward system and organizational performance. The test involved both intrinsic and extrinsic reward system and the findings indicated that all the variables were statistically significant. This means that there is a statistical significance between

intrinsic and extrinsic reward systems and service quality. The statistics on all the areas are as presented in chapter four.

Policy Recommendations

The study has indicated clearly that reward system leads to service quality and organization performance. The organization must create motivating reward systems in order to improve the performance of its employees. Intrinsic reward such as recognition, verbal and nonverbal as well as written recognition are very important in improving employee and organizational performance.

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