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A Study on Effectiveness of Reward System on Motivation Level of Sales Department

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ABSTRACT: *The reward system is a critical component of Human Resource Management that directly influences the motivation and performance of employees, particularly in sales-oriented environments. Sales departments operate under highly competitive and target-driven conditions, where the role of effective incentivization becomes paramount. This study investigates the effectiveness of reward systems — encompassing both monetary and non-monetary rewards — in enhancing the motivation levels of sales department employees.*

The research is based on secondary data collected from academic journals, HR reports, organizational case studies, and published studies on reward management. The findings reveal that a well-designed reward system significantly boosts employee motivation, improves job satisfaction, increases productivity, and reduces turnover. Intrinsic rewards such as recognition, career growth, and autonomy, combined with extrinsic rewards like bonuses, commissions, and incentives, create a comprehensive motivational framework for sales professionals.

However, the study also identifies several challenges, including inequity in reward distribution, lack of transparency, misalignment between individual and organizational goals, and the risk of over-reliance on monetary incentives. The research concludes that organizations must adopt a holistic, equitable, and transparent reward strategy aligned with employee needs and organizational objectives to sustain long-term motivation in the sales force.

Keywords: *reward system, motivation, sales department, employee performance, intrinsic rewards, extrinsic rewards, incentive management, human resource management*

I. INTRODUCTION

In today's highly competitive business landscape, organizations recognize that a motivated sales workforce is one of their most valuable assets. The sales department serves as the revenue engine of any organization, and sustaining high levels of motivation among sales professionals is critical to achieving business targets and ensuring organizational growth. Motivation, the internal drive that directs and energizes human behavior, is profoundly influenced by the reward systems that organizations implement.

A reward system encompasses all the mechanisms by which an organization recognizes and compensates its employees for their contributions, behaviors, and performance. These rewards may be financial — such as base salary, sales commissions, performance bonuses, and profit-sharing — or non-financial, including recognition programs, career advancement opportunities, flexible work arrangements, and training and development initiatives.

The relationship between reward systems and employee motivation has been studied extensively through various theoretical frameworks. Maslow's Hierarchy of Needs, Herzberg's Two-Factor Theory, Vroom's Expectancy Theory, and Adams' Equity Theory all provide valuable insights into how different types of rewards influence employee motivation at various levels. Applying these theories to the sales context helps organizations design incentive programs that address the unique needs and aspirations of their sales teams.

Despite the recognized importance of reward systems, many organizations struggle with designing programs that are truly effective. Issues such as inequitable distribution of rewards, misalignment between incentive structures and organizational goals, and inadequate recognition of non-monetary contributions often result in reduced motivation, higher turnover, and diminished sales performance. This underscores the need for a comprehensive study of reward system effectiveness in the context of the sales department.

This research paper aims to systematically examine the effectiveness of reward systems in motivating sales department employees, drawing on theoretical frameworks, secondary data, and organizational evidence to provide actionable insights for HR practitioners and business leaders.

II. OBJECTIVES OF THE STUDY

The present study focuses on analyzing the effectiveness of reward systems on the motivation level of employees in the sales department. The specific objectives are as follows:

1) To understand the concept of reward systems in organizational settings

This objective aims to provide a clear conceptual understanding of the different types of reward systems — monetary and non-monetary — and their role in employee motivation and performance management within sales departments.

2) To examine the relationship between reward systems and employee motivation

This objective focuses on investigating how various components of reward systems influence the motivation levels of sales employees, drawing on established motivation theories and empirical evidence from secondary sources.

3) To evaluate the effectiveness of monetary and non-monetary rewards

This objective involves critically analyzing the impact of financial incentives (commissions, bonuses, salary increments) and non-financial rewards (recognition, promotions, skill development) on sales employee performance and satisfaction.

4) To identify the challenges in implementing effective reward systems

This objective focuses on highlighting the practical obstacles organizations face in designing and executing reward programs, such as budget constraints, perceived inequity, and misalignment of goals.

5) To study motivational theories applicable to reward systems in sales

This objective explores relevant motivational theories — including Maslow's Hierarchy of Needs, Herzberg's Two-Factor Theory, and Vroom's Expectancy Theory — and their applicability to reward system design for sales departments.

6) To suggest measures to improve the effectiveness of reward systems in sales

This objective aims to provide practical recommendations for organizations to enhance their reward programs to better motivate sales employees and achieve sustained high performance.

III. LITERATURE REVIEW

The concept of reward systems and their impact on employee motivation has been extensively studied in management literature. Researchers have explored various dimensions of reward management, from theoretical underpinnings to practical implementation strategies, particularly in the context of sales-oriented organizations.

Early contributions by Maslow (1943) established the Hierarchy of Needs framework, which categorizes human needs into physiological, safety, social, esteem, and self-actualization levels. This theory implies that organizations must understand the current need level of their sales employees and design reward systems that address those specific needs. Financial rewards may address lower-order needs, while recognition, growth opportunities, and autonomy cater to higher-order needs.

Herzberg's Two-Factor Theory (1959) introduced the distinction between hygiene factors and motivators. According to Herzberg, factors such as salary, job security, and working conditions — while necessary to prevent dissatisfaction — do not in themselves produce motivation. True motivation arises from factors such as achievement, recognition, responsibility, and personal growth. This has significant implications for sales reward system design, suggesting that monetary rewards alone are insufficient for sustained motivation.

Vroom's Expectancy Theory (1964) provides a useful framework for understanding how reward systems influence sales motivation. According to this theory, employees are motivated when they believe their efforts will lead to performance, that performance will result in rewards, and that the rewards are personally valued (valence). For sales professionals, this means that commission structures and incentive programs must be perceived as achievable, meaningful, and fair to be motivating.

Adams' Equity Theory (1963) further highlights the importance of perceived fairness in reward distribution. When sales employees perceive inequity in how rewards are distributed compared to their peers, motivation declines significantly. Organizations that maintain transparent and equitable reward policies tend to experience higher levels of sales team motivation and lower turnover rates.

More recent studies have confirmed that a combination of monetary and non-monetary rewards produces the best motivational outcomes for sales employees.

Research indicates that while financial incentives — particularly performance-based commissions — are powerful short-term motivators, non-financial rewards such as public recognition, career development opportunities, and increased job autonomy contribute to long-term motivation and organizational commitment.

Studies specific to the Indian context have revealed that sales professionals in manufacturing, FMCG, and service industries respond strongly to transparent incentive structures, timely reward disbursement, and peer recognition programs. Cultural factors such as collectivism and respect for hierarchy also influence how rewards are perceived and valued in Indian organizations.

Overall, the literature consistently affirms that a well-designed, equitable, and comprehensive reward system is a fundamental driver of motivation, performance, and retention in the sales department. The challenge for organizations lies in continuously adapting these systems to evolving employee expectations and market conditions.

IV. THEORETICAL FRAMEWORK

The study draws upon several well-established motivational theories to analyze the effectiveness of reward systems in the sales department:

1) *Maslow's Hierarchy of Needs*

Abraham Maslow's (1943) theory proposes that human needs are arranged in a hierarchy — from basic physiological needs to safety, social belonging, esteem, and self-actualization. For sales employees, salary and commissions address physiological and safety needs, while recognition programs and team achievements fulfill social and esteem needs. Career advancement and challenging assignments address the highest level of self-actualization. An effective reward system must address needs at all these levels.

2) *Herzberg's Two-Factor Theory*

Herzberg (1959) distinguished between hygiene factors (salary, job security, working conditions) that prevent dissatisfaction and motivators (achievement, recognition, growth) that actively drive motivation. This theory is particularly relevant to sales department reward design, suggesting that organizations must go beyond basic compensation packages to incorporate recognition, achievement awards, and growth opportunities to truly motivate their sales teams.

3) *Vroom's Expectancy Theory*

Victor Vroom's Expectancy Theory (1964) posits that motivation is the product of three variables: Expectancy (belief that effort leads to performance), Instrumentality (belief that performance leads to reward), and Valence (personal value of the reward). For sales reward systems, this theory emphasizes the importance of clear, attainable performance targets, reliable reward fulfillment processes, and alignment between offered rewards and individual employee preferences.

4) *Adams' Equity Theory*

John Stacey Adams' Equity Theory (1963) suggests that employees compare their input-outcome ratio with that of their peers. Perceived inequity in reward distribution leads to demotivation, resentment, and reduced performance. This theory underscores the critical importance of transparency, consistency, and fairness in the design and implementation of sales reward systems.

V. METHODOLOGY

The methodology of this study outlines the systematic approach adopted to analyze the effectiveness of reward systems on the motivation level of the sales department.

1) *Research Design*

The study adopts a descriptive and analytical research design. It describes the nature and components of reward systems and analytically examines their effectiveness in motivating sales department employees based on existing evidence and theoretical frameworks.

2) *Data Sources*

This research is based exclusively on secondary data gathered from the following sources:

- Academic journals and peer-reviewed research papers on reward management and sales motivation
- Books and textbooks on Human Resource Management and organizational behavior
- HR reports and industry publications on incentive practices in sales organizations
- Published case studies from Indian and international organizations
- Online databases and scholarly articles related to employee motivation and reward systems

3) *Data Collection Method*

Data was collected through a comprehensive literature review and document analysis. Relevant secondary material was systematically reviewed, organized, and analyzed to draw meaningful conclusions regarding the relationship between reward systems and sales motivation.

4) *Analytical Tools and Techniques*

The study employs qualitative analytical techniques, including:

- Comparative analysis of monetary and non-monetary reward systems
- Thematic analysis of motivational theories in the context of sales environments
- Conceptual analysis of the relationship between reward system design and employee motivation

5) *Scope of the Study*

The study focuses on the sales departments of organizations across various industries. It examines the application of reward systems in driving motivation, improving performance, and reducing employee turnover in sales teams.

6) *Limitations of the Study*

- The study is limited to secondary data and does not include primary surveys or interviews
- Findings are based on the accuracy and currency of existing literature
- Practical implementation of reward systems may vary significantly across industries and organizational cultures

VI. TYPES OF REWARD SYSTEMS IN SALES DEPARTMENTS

Reward systems in sales organizations can be broadly classified into monetary (extrinsic) and non-monetary (intrinsic) rewards. A well-balanced combination of both categories is essential for comprehensive motivational effectiveness.

1) *Monetary Rewards*

- **Base Salary:** A fixed monthly compensation that provides financial security and serves as the foundation of the reward package
- **Sales Commission:** A performance-based payment calculated as a percentage of sales revenue generated, directly linking earnings to individual output
- **Performance Bonuses:** One-time or periodic monetary rewards granted for achieving or exceeding specific sales targets
- **Profit Sharing:** Distribution of a portion of organizational profits to sales employees, aligning individual performance with overall business success
- **Incentive Trips and Gifts:** High-value rewards such as sponsored travel, luxury items, or gift vouchers offered for exceptional performance

2) *Non-Monetary Rewards*

- **Public Recognition:** Formal acknowledgment of outstanding performance through awards, certificates, or announcements in organizational meetings
- **Career Advancement Opportunities:** Promotions, leadership roles, and increased responsibilities offered to top-performing sales employees
- **Training and Development:** Investment in skill enhancement through workshops, certifications, and professional development programs
- **Flexible Work Arrangements:** Options such as remote working, flexible hours, and work-life balance initiatives
- **Employee of the Month Programs:** Periodic recognition programs that celebrate high achievers and foster healthy competition

VII. KEY FINDINGS

1) *Monetary Rewards are Primary Short-Term Motivators*

The study confirms that financial incentives — particularly performance-based commissions and bonuses — are the most immediate and powerful motivators for sales employees. The direct link between effort, performance, and financial reward creates a clear motivational pathway that aligns individual goals with organizational targets.

2) *Non-Monetary Rewards Drive Long-Term Motivation and Retention*

While financial rewards are effective in the short term, non-monetary rewards such as recognition, career growth, and learning opportunities play a more significant role in sustaining long-term motivation and organizational commitment. Sales employees who feel valued and recognized beyond their paychecks demonstrate higher loyalty and reduced intention to leave.

3) Equity and Transparency are Critical Success Factors

Perceived fairness in reward distribution is a key determinant of motivational effectiveness. Organizations that maintain transparent reward policies and ensure equitable treatment across their sales teams experience higher morale and cohesion. Perceived inequity, on the other hand, leads to resentment, reduced effort, and increased turnover.

4) Alignment Between Individual and Organizational Goals Enhances Effectiveness

Reward systems are most effective when individual sales targets and incentive structures are clearly aligned with broader organizational objectives. When sales employees understand how their personal performance contributes to company success and are rewarded accordingly, motivation and performance are significantly enhanced.

5) Timely Reward Disbursement Maintains Motivational Momentum

Delayed or inconsistent reward disbursement significantly undermines the motivational impact of reward programs. Sales employees who receive prompt and reliable recognition and compensation for their achievements are more likely to sustain high performance over time.

6) Individualized Reward Preferences Must Be Considered

Research indicates that different sales employees value different types of rewards based on their career stage, personal aspirations, and socio-economic background. Organizations that adopt a flexible and personalized approach to reward management achieve better motivational outcomes than those offering a one-size-fits-all reward structure.

Table 1: Summary of Reward Types and Their Motivational Impact

Reward Type	Examples	Motivation Level	Duration of Impact
Base Salary	Monthly fixed pay	Moderate	Continuous
Commission	% of sales revenue	High	Short-term
Performance Bonus	Quarterly / Annual bonus	Very High	Short-term
Recognition Awards	Employee of the Month	High	Medium-term
Career Growth	Promotion, leadership roles	Very High	Long-term
Training & Development	Workshops, certifications	High	Long-term
Flexible Work Options	Remote work, flexi-hours	Moderate	Long-term

Source: Compiled from secondary literature review

VIII. CHALLENGES IN REWARD SYSTEM IMPLEMENTATION

1) Budget Constraints

Many organizations, particularly small and medium enterprises (SMEs), face financial limitations that restrict the scope and value of reward programs. Insufficient budgets can result in inadequate incentive packages that fail to motivate high-performing sales employees or retain top talent.

2) Perceived Inequity in Reward Distribution

Sales employees who perceive imbalance in how rewards are allocated relative to their contributions may experience demotivation and resentment. This is especially prevalent in teams where individual performances are compared but contextual differences (territory challenges, market conditions) are not adequately factored into evaluation criteria.

3) Over-Reliance on Monetary Rewards

Organizations that rely predominantly on financial incentives may find that their motivational impact diminishes over time as employees adapt to the current reward level and develop higher expectations. This phenomenon, sometimes referred to as 'incentive fatigue,' underscores the importance of balancing monetary rewards with meaningful non-monetary recognition.

4) Misalignment of Targets and Rewards

Reward systems that are based on unrealistic or poorly defined sales targets can demotivate employees and create a perception that earning rewards is impossible. Target-setting must be rigorous yet achievable to maintain motivational effectiveness.

5) Lack of Individualization

A uniform reward structure that does not account for individual differences in values, preferences, and aspirations may fail to motivate the full diversity of the sales workforce. Organizations that do not adapt their reward offerings to individual employee needs risk underutilizing the potential of their sales teams.

IX. SUGGESTIONS

1) Design a Balanced Reward System

Organizations should develop reward programs that integrate both monetary and non-monetary components. Financial incentives should be complemented with recognition programs, growth opportunities, and work-life balance initiatives to create a comprehensive motivational package for sales employees.

2) Ensure Transparency and Equity

Reward policies and criteria must be clearly communicated to all sales employees. Transparent evaluation processes and equitable distribution of rewards foster trust, reduce perceptions of favoritism, and sustain team morale.

3) Align Rewards with Organizational and Individual Goals

Incentive structures should be designed to align individual sales targets with the broader strategic goals of the organization. This alignment creates a shared purpose and ensures that motivating individual performance contributes directly to organizational success.

4) Personalize Reward Offerings

Organizations should adopt a flexible approach to reward management by offering a menu of reward options that allow employees to choose based on their personal preferences and life stage. Cafeteria-style reward plans can effectively address the diverse motivational needs of the sales workforce.

5) Ensure Timely and Consistent Reward Disbursement

Rewards must be disbursed promptly following the achievement of targets to maximize their motivational impact. Delays in reward fulfillment significantly reduce the perceived connection between performance and reward, undermining the effectiveness of the incentive program.

6) Invest in Non-Monetary Recognition Programs

Organizations should develop structured recognition programs — such as 'Sales Champion of the Quarter,' annual awards ceremonies, peer recognition platforms, and public acknowledgment of achievements — to complement financial incentives and foster a culture of appreciation in the sales department.

7) Regularly Review and Update the Reward System

Reward systems must be periodically reviewed and updated to reflect changes in market conditions, organizational objectives, and evolving employee expectations. Regular feedback from sales employees should inform the refinement of reward programs to ensure continued relevance and effectiveness.

X. CONCLUSION

This study affirms that the reward system is a powerful and indispensable tool for enhancing the motivation levels of sales department employees. A well-designed reward system that integrates monetary and non-monetary components, ensures equity and transparency, and aligns individual incentives with organizational goals can significantly improve sales performance, job satisfaction, employee retention, and overall organizational competitiveness.

Drawing on established motivational theories — including Maslow's Hierarchy of Needs, Herzberg's Two-Factor Theory, Vroom's Expectancy Theory, and Adams' Equity Theory — this research demonstrates that the motivational effectiveness of rewards is not merely a function of their monetary value but also depends on perceived fairness, timeliness, relevance to individual needs, and the degree to which they recognize and honor employee contributions.

Organizations operating in competitive sales environments must recognize that a one-dimensional focus on financial rewards is insufficient for sustaining long-term motivation. Non-monetary rewards — including public recognition, career development, meaningful work, and flexible arrangements — play an equally critical role in building a committed, engaged, and high-performing sales workforce.

The study recommends that organizations conduct regular reviews of their reward programs, actively solicit employee feedback, and adopt a personalized and holistic approach to incentive management. By investing in comprehensive and equitable reward systems, organizations can unlock the full potential of their sales teams and achieve sustained business growth.



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