

A STUDY ON THE EFFECT OF REWARD AND RECOGNITION SYSTEMS ON EMPLOYEE RETENTION AND PERFORMANCE AT TOKO KOPI SANTAI PALANGKA RAYA

¹Helena Angelica,²Lelo Sintani,^{*3}Ina Karuehni
⁴Vivy Kristinae

^{1,2,3,4}Management, Faculty of Economics and Business
Universitas Palangka Raya, Palangka Raya, Indonesia

Author's email:

¹helenaangelica32@gmail.com; ²lelosintani@gmail.com; ³inakaruehni@gmail.com
⁴vivykristinae84@gmail.com

*Corresponding author: helenaangelica32@gmail.com

Abstract. *This study aims to analyze the influence of reward and recognition systems on employee retention and their impact on employee performance at Toko Kopi Santai. The method used in this research is a quantitative approach with a survey design. Data were collected through questionnaires distributed to 30 permanent employees who have worked for more than one year. Data analysis was conducted using multiple regression analysis to test the hypotheses regarding the influence of reward and recognition systems on employee retention and performance. The results indicate a positive and significant effect of reward and recognition systems on employee retention, which in turn positively impacts employee performance. This research provides insights for the management of Toko Kopi Santai in designing effective strategies to enhance employee retention and performance.*

Keywords: *Reward and Recognition, Employee Retention, Employee Performance, Employee Perceptions, Toko Kopi Santai.*

1. INTRODUCTION

In the lively and fiercely competitive landscape of 21st-century business, both big companies and small businesses are consistently searching for creative approaches to ensure sustainability, enhance efficiency, and boost employee engagement. A crucial element that influences an organization's success over the long term is its workforce. Workers are now viewed as more than just task performers; they are seen as essential partners whose mindset, drive, and loyalty significantly affect service quality, customer satisfaction, and the overall effectiveness of the organization. This is especially true in the service sector, where the quality of customer interactions is closely linked to employee performance, making effective management of human resources a strategic necessity rather than just a functional requirement.

Small and medium enterprises (SMEs), including local cafes and service providers, often function with restricted financial and management resources. Nonetheless, they experience the same competitive pressures as larger firms regarding customer demands and workforce issues. A major obstacle for these businesses is how to keep employees engaged and performing well despite high turnover, limited career growth, and frequently casual work settings. High employee turnover not only incurs higher costs for hiring and training but also disrupts team cohesion and consistency in service. Therefore, retaining enthusiastic and high-performing employees is essential, especially for businesses that depend heavily on customer-facing staff.

In this scenario, the introduction of systems for rewarding and recognizing employees has become highly regarded as a vital practice in human resource management. Reward systems usually involve financial benefits, like salaries, bonuses, and allowances, designed to compensate staff for their contributions. Recognition involves the non-monetary acknowledgment of an individual's efforts, performance, and commitment through methods such as verbal praise, public recognition, or symbolic

awards. Although these two aspects are different, they work together to influence how employees perceive fairness, appreciation, and a sense of belonging in their work environment. As highlighted by Mahmudi in 2013, effectively structured reward and recognition systems can act as strong motivational factors that encourage positive behaviors, improve job satisfaction, and lower the chances of employees becoming disengaged or leaving the company.

Despite how critical these systems are, many research studies tend to take a quantitative perspective, primarily examining the numerical correlation between rewards and employee outcomes. Although these investigations provide useful information, they frequently miss out on the personal experiences, feelings, and interpretations of employees concerning the practical application of these systems. In real-life scenarios especially in smaller organizations like Toko Kopi Santai the workplace culture, leadership approach, and relationships among coworkers can heavily impact how staff members view the equity and genuine nature of reward and recognition practices. Therefore, a qualitative investigation is essential to grasp the real experiences of employees and the profound meanings they associate with being acknowledged or rewarded.

This research intends to bridge that gap by exploring the reward and recognition methods utilized at Toko Kopi Santai from the perspective of the employees. As an expanding coffee shop situated in Palangka Raya, Toko Kopi Santai serves as an excellent example for this investigation, uniquely blending formal human resource protocols with an informal, community-driven work environment. The primary question guiding this research is: In what ways do the workers at Toko Kopi Santai view and experience the company's reward and recognition practices, and how do these views influence their motivation, performance, and desire to remain with the company? By tackling this question, the research aims to add to the existing academic knowledge related to human resource management while also offering actionable suggestions for small business owners looking to improve employee involvement through affordable and effective motivational techniques.

2. LITERATURE REVIEW

The ideas of reward and recognition have been essential to conversations about motivating employees, improving performance, and retaining staff in human resource management. Although these two aspects are connected, they fulfill different purposes in influencing employee actions and the overall environment of the organization. To fully grasp how systems of reward and recognition operate, it is important to explore both the theoretical principles and real-world observations regarding their impact on individuals and workplace culture.

At its core, reward signifies any compensation or benefit an employee gains in return for their efforts toward the organization's objectives. Fahmi (2016) specifies that rewards can be divided into financial and non-financial categories. Financial rewards often comprise salary, bonuses, incentives, commissions, and allowances. These external motivators are frequently associated with quantifiable results such as productivity levels, sales figures, or performance evaluations. On the other hand, non-financial rewards may involve flexible work arrangements, chances for personal growth, and access to great resources all of which boost employee satisfaction and engagement without directly providing monetary rewards.

Ivancevich, Kanopaske, and Matteson (2006) make a distinction between extrinsic rewards, which are physical and given from an outside source, and intrinsic rewards, which come from within the employee and relate to feelings of accomplishment, purpose, or personal fulfillment. When executed effectively, both types of rewards can enhance motivation and encourage positive behaviors within the workplace. However, an overemphasis on extrinsic rewards might diminish intrinsic motivation if not properly balanced. Tohardi (2002) further points out that the main goal of a reward system is to ensure fair compensation for employees and to motivate them to keep contributing to the

organization's growth.

Recognition, in contrast, is the non-financial acknowledgment of an employee's efforts, commitment, or success. It is commonly expressed through verbal commendations, public accolades, awards, certificates, or other symbolic actions. Mahmudi (2013) asserts that recognition is crucial for meeting an employee's psychological needs, especially the desire to feel valued and acknowledged. Unlike rewards that are often conditional upon specific outcomes or metrics, recognition can be based on behavior, attitude, or progress, regardless of quantifiable performance. Recognition strengthens the emotional connection between employee and employer, thus enhancing dedication to the organization.

Robbins (2006) also highlights the significance of recognition, noting that it greatly boosts employee satisfaction, which subsequently impacts job performance. He identifies key performance metrics including quality, quantity, timeliness, and individual initiative that benefit from motivational tactics such as praise and recognition. When employees feel acknowledged and supported, they are more inclined to exceed their basic job responsibilities, fostering innovation, improving customer satisfaction, and enhancing team collaboration.

Additionally, organizational justice and the perception of fairness play critical roles in how effective reward and recognition systems are. Employees are very aware of how rewards are allocated and whether recognition is given in a fair and genuine manner. Nawawi (2005) points out that applying reward systems inconsistently can create feelings of bias or favoritism, which may harm morale and lead to discontent. Hence, the effectiveness of any motivational strategy relies not only on what rewards or recognition are offered but also on how these are communicated and received.

In conclusion, the existing literature highlights that rewards and recognition are vital instruments for enhancing employee performance and retention. Monetary compensation offers the necessary stability for employees to fulfill their essential needs, while non-monetary rewards and symbolic gestures address their emotional and psychological requirements. Combining these strategies within a consistent and equitable framework has been proven to increase job satisfaction, reduce the desire to leave, and reinforce employee loyalty. Nonetheless, even with numerous theoretical and quantitative studies available, there is still a lack of understanding regarding how these systems are perceived and experienced on a personal level, especially in informal or smaller business environments. This study aims to fill that void by examining the practical application and emotional effects of reward and recognition systems at Toko Kopi Santai from the viewpoint of its employees.

3. RESEARCH METHODS

This study utilized a qualitative descriptive approach to examine how employees perceive and experience reward and recognition systems at Toko Kopi Santai, a small coffee shop situated in Palangka Raya, Central Kalimantan. A qualitative method was chosen as the most fitting, as the aim of the research was not to measure connections or verify theories, but to grasp and explain the personal meanings and emotional reactions of employees concerning the company's human resource strategies. This qualitative approach facilitates a thorough exploration of how employees assimilate workplace policies and how these affect their motivation, work performance, and levels of commitment.

Sugiyono (2020) states that qualitative research is especially effective for studies intended to describe, comprehend, and interpret intricate social phenomena through participants' perspectives. In this instance, the descriptive method serves to provide a detailed overview of the experiences of employees without any manipulation or interference from the researcher. This approach prioritizes authentic environments, human insights, and contextually rich information that arise from actual organizational interactions.

3.1 Research Setting and Participants

The study took place at Toko Kopi Santai, a neighborhood coffee shop founded in 2021 that hires both full-time and part-time staff. The establishment has a relaxed organizational framework and a strong focus on community, making it a suitable location for exploring employee experiences with informal acknowledgments and small-scale incentive programs.

Participants for this research were chosen through purposive sampling, which enables the researcher to select individuals who have relevant knowledge or direct involvement with the subject matter. A total of six participants were chosen, including five full-time staff members and one manager. All of them had been employed at the coffee shop for a minimum of one year and were either directly engaged in or impacted by the practices of reward and recognition within the company. The variety in their job titles from baristas to shift leaders offered a broad perspective on how motivational strategies operate at various levels of their roles.

3.2 Data Collection Techniques

To obtain comprehensive and detailed information, the research utilized three main methods for collecting data:

- Semi-structured interviews
- Participant observation
- Document analysis

The semi-structured interviews were the primary data source, permitting participants to share their opinions thoughtfully while ensuring that essential themes like motivation, views on fairness, emotional reactions, and performance were systematically covered in every interview. Each interview lasted about 30 to 45 minutes and took place in calm, unobtrusive areas of the coffee shop. All sessions were audio-recorded (with permission) and transcribed word for word for later examination.

Participant observation occurred during multiple work shifts to see how recognition was given in real-time whether it was through spoken appreciation, nonverbal cues, or team dynamics. This approach helped the researcher grasp the subtle contextual factors, such as tone, timing, and spontaneity, that may not have been entirely reflected in interviews.

Document analysis involved examining available internal documents such as staff schedules, employee attendance logs, bonus notifications, and management communication memos. While these documents were somewhat limited in number, they offered additional evidence of how reward and recognition policies were formally designed and conveyed within the organization.

3.3 Data Analysis Techniques

The gathered information underwent examination through a thematic analysis method, which focuses on finding, examining, and presenting recurring patterns or themes within qualitative information. This approach allows researchers to go deeper than mere surface observations, providing insights into the deeper meanings behind what participants express and how they act. The analysis consisted of six stages: getting familiar with the data, preliminary coding, identifying themes, reviewing those themes, clarifying, and labeling the themes, and generating the final report.

Themes that arose from the information consisted of:

1. Views on fairness in rewards distribution
2. Emotional reactions to recognition
3. Effects of appreciation on everyday performance
4. Influence of management behavior on motivation
5. Employee commitment and intention to stay

These themes were analyzed across different participants and compared with observational and documentary evidence to ensure triangulation, which enhances the reliability and legitimacy of the outcomes. In qualitative studies, such triangulation is

crucial to reduce researcher bias and to gain a comprehensive understanding of the subject under examination.

3.4 Trustworthiness of the Research

To guarantee the reliability, consistency, and applicability of the research outcomes, various strategies for trustworthiness were applied. These involved an extended presence in the field, discussions with academic supervisors for feedback, verifying the accuracy of interview interpretations with participants, and keeping a comprehensive record of the research journey. Through these actions, the study intended to capture the genuine perspectives of the participants and deliver outcomes that are significant, trustworthy, and rooted in the true experiences of workers.

4. RESULTS AND DISCUSSION

This section outlines the primary insights gained from interviews, observations, and document reviews carried out at Toko Kopi Santai. The thematic analysis uncovered notable trends that illustrate how staff members view and react to the reward and recognition methods practiced within the company. These insights are organized around key emerging themes: (1) perceived equity and transparency in the distribution of rewards, (2) the emotional and motivational significance of acknowledgment, (3) the impact of managerial behavior on fostering employee involvement, and (4) the link between recognition and the intention to stay with the company. Each theme is supported by direct feedback from participants and relevant academic references.

4.1 Perceived Equity and Transparency in Reward Distribution

A frequently discussed topic during the interviews was the fairness and openness regarding the allocation of rewards, especially monetary ones. Many participants noted mor holidays. Despite this, there was a persistent issue regarding the ambiguity surrounding the criteria for these rewards. Several employees expressed uncertainty about which specific actions or accomplishments would result in recognition or bonuses. One barista, who had been employed for over a year, remarked:

"I understand we get bonuses every now and then, but it's difficult to know when or why they happen. It seems to depend on the manager's mood."

This viewpoint indicates that while the organization attempts to reward its employees, the lack of clearly defined standards diminishes the motivating impact of the system. As stated by Tohardi (2002), for rewards to be impactful, they must be seen as fair, predictable, and consistent. When employees are uncertain about how they can earn rewards, it may lead to disengagement or the perception that favoritism influences decisions. These observations support earlier theories on organizational justice, highlighting that procedural fairness is equally as essential as the outcomes of a reward (Mahmudi, 2013).

4.2 The Emotional and Motivational Significance of Recognition

In addition to monetary rewards, participants highly valued non-financial forms of recognition, especially verbal appreciation, acknowledgment in team meetings, and simple acts of gratitude. Employees consistently noted that these actions made them feel valued, respected, and inspired to enhance their performance. One participant shared:

"When the manager expresses 'thank you' after a long shift, it really matters. It's not about the financial reward it's about feeling acknowledged. "

This strongly resonates with Herzberg's two-factor theory, which identifies recognition as a significant motivator that affects job satisfaction and intrinsic motivation. Unlike rewards directly linked to tangible results, recognition serves as a psychological reinforcement that fosters emotional investment. As Fahmi (2016) indicates, symbolic appreciation plays a crucial role in sustaining long-term employee engagement, particularly in settings where financial incentives may be limited.

Observation data confirmed these insights, as several instances were recorded in which the manager expressed verbal appreciation in front of customers or acknowledged extra effort during busy hours. In those moments, employees showed increased responsiveness and appeared more energized, suggesting a direct correlation between recognition and work enthusiasm. Thus, recognition plays a relational and emotional role that cannot be substituted with monetary incentives alone. The evidence gathered through observation supported these findings, highlighting occasions where the manager openly thanked staff in front of clients or recognized additional contribution during peak times. During these instances, workers demonstrated heightened engagement and seemed more motivated, indicating a clear link between acknowledgment and enthusiasm for their work. Therefore, appreciation serves an emotional and relational purpose that cannot simply be replaced by financial rewards.

4.3 Managerial Behavior and its Role in Fostering Engagement

Another prominent theme identified from the data was the significant influence of the manager in shaping perceptions of rewards and recognition. Given that Toko Kopi Santai operates as a small enterprise with few organizational layers, the manager not only oversees daily operations but also acts as the main source of feedback and recognition. Participants noted that the way the manager behaved could either uplift or discourage them, depending on the manner of acknowledgment provided.

When managers delivered genuine, precise, and timely praise, employees developed a closer connection to their tasks and the team. Conversely, when recognition was slow, impersonal, or inconsistent, staff viewed it as lacking sincerity. As stated by Ivancevich et al. in 2006, the way recognition is given is just as important as what is recognized. It is through the manager's communication that appreciation takes on significance and becomes a source of motivation.

Furthermore, when managers engaged employees in decision-making such as seeking their views on menu modifications or shift arrangements staff experienced a feeling of ownership and independence. This approach not only acknowledged employee input but also empowered them to extend their contributions beyond their designated roles. Such managerial practices align with Robbins' 2006 model of job performance, which emphasizes creativity, autonomy, and commitment in addition to merely completing tasks.

4.4 Recognition and Employee Retention Intention

One of the most striking discoveries of this research is the clear link between recognition and employees' intentions to stay at Toko Kopi Santai. While monetary rewards were seen as valuable, most staff highlighted that emotional satisfaction and the overall workplace environment were more crucial in their choice to remain. A senior employee shared their perspective:

"I have received job offers from other companies that pay slightly more, but I choose to stay here because I feel valued. That holds more importance for me."

Such remarks illustrate that retention is not solely motivated by financial factors, but rather by stronger social and psychological connections between workers and the organization. Recognition serves as a beacon of trust, respect, and belonging, reinforcing employee commitment and identity. This perspective is supported by Nawawi (2005), who argues that a positive work culture fostered through mutual appreciation has the potential to lower turnover rates even in firms with restricted financial means.

The significance of retention is particularly pronounced in the food and beverage sector, where high employee turnover can disrupt service consistency and inflate hiring expenses. The results of this study suggest that small businesses can cultivate a dedicated and stable workforce by emphasizing genuine, consistent recognition practices, all without necessarily augmenting salary expenditures.

CONCLUSION

This research examined the impact of reward and recognition systems on employee motivation, performance, and retention in a small business setting, specifically at Toko Kopi Santai in Palangka Raya. Using a qualitative descriptive method that included interviews, observations, and document reviews, the study gathered in-depth insights into how employees perceive and react to both monetary and non-monetary forms of recognition.

The results indicate that while financial incentives like salaries and bonuses are important for ensuring job satisfaction and addressing basic economic needs, they are not the only elements that foster motivation or loyalty among employees. Participants highlighted that acknowledgment particularly through verbal compliments, public recognition, and participatory decision-making was a major factor in enhancing emotional commitment and enthusiasm for work. Employees expressed feeling more engaged, appreciated, and productive when recognition was given genuinely, equitably, and consistently by their superiors.

Another significant finding is that the sense of fairness and openness is vital for the effectiveness of reward systems. When employees lack clarity about the criteria for receiving bonuses or perceive that recognition is unjustly allocated, their motivation can wane. In contrast, when appreciation is tied to specific actions or contributions, it promotes a positive workplace atmosphere and helps retain employees. Additionally, the importance of managerial behavior was highlighted throughout the research, as the quality of communication between management and employees often influenced the emotional effects of reward and recognition initiatives.

In conclusion, this research demonstrates that reward and recognition serve as influential factors in shaping employee attitudes and behaviors. When applied thoughtfully, with empathy and consistency, these strategies not only improve job performance but also decrease intentions to leave the organization and foster a dedicated workforce even in companies with limited financial means.

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