Reward Management; As A Tool of Motivation in Organizations

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Abstract

An employee reward system consists of organizations integrated policies, processes and practices for rewarding its employees in accordance with their contribution, skill and competence and their market worth. It is developed within the framework of an organization's reward philosophy, strategies and policies, and contains arrangements in the form of processes, practices, structures and procedures which will provide and maintain appropriate types and levels of pay, benefits and other forms of reward.

Any reward system consists of financial rewards (fixed and variable pay) and employee benefits, which together comprise total remuneration. The reward system also incorporates non-financial rewards (recognition, praise, achievement responsibility and personal growth). From the organization's point of view, the aim of employee reward are to communicate organization's values, performance, standards and expectations and encourage behavior that will contribute to the achievement of the organization's objective. The basic questions to be answered when developing reward systems are What kind of rewards do employees actually get motivated to work better?" and 'What sort of behavior do we want?' and 'How can reward processes promote that behavior?' and 'No reward initiative should be undertaken unless it has been established that it will add value, and no reward practice should be retained if it does not result in added value. From the employees' point of view the reward system should treat them as stakeholders who have the right to be involved in the development of the reward policies that affect them, meet their expectations that they will be treated equitably, fairly, and consistently more over they have to be transparent. They should know what the reward policies of the organization are and how they are affected by them.

This research deals with the study of 'An empirical study of reward management as a motivational tool in IT industry' and the primary data has been collected from employees working in the Information Technology industry having zero to four years of professional experience through survey method.

The objective is to find the relative strength of the monetary and non- monetary rewards being offered with respect to motivation of the employees in the various organizations and to understand the employee perspective about rewards. And after analyzing the data collected from the respondents appropriate recommendations have been made to determine a package of monetary and non-monetary rewards to help in increasing employee motivation.

INTRODUCTION
CONCEPTUAL FRAME WORK OF REWARD SYSTEM

The concept of a reward system

An employee reward system consists of organizations integrated policies, processes and practices for rewarding its employees in accordance with their contribution, skill and competence and their market worth. It is developed within the framework of the organizations reward philosophy, strategies and policies, and contains arrangements in the form of processes, practices, structure and procedures which will provide and maintain appropriate types and levels of pay, benefits and other forms of reward.

Components of a reward system

A reward system consists of financial rewards (fixed and variable pay) and employee benefits, which together comprise total remuneration. The system also incorporates nonfinancial rewards (recognition, praise, achievement responsibility and personal growth) and, in many cases, performance management processes. The main components of the system are:

➢ Processes for measuring the value of jobs, the worth of individuals in those jobs and the range and level of employee benefits to be provided. These processes consist of job evaluation, market rate analysis and performance management.

➢ Practices for motivating people by the use of financial and non-financial rewards. The financial rewards consist of base and variable pay and employee benefits and allowances. Non-financial rewards are provided generally by the culture and value of the organization and specifically by the quality of management and leadership, the work itself and the opportunities given to employees to develop their skills and careers.

➢ Structures for relating pay and benefit level to the value of positions in the organization and for providing scope for rewarding people according to their performance, competence, skill or experience.

➢ Schemes for providing financial rewards and incentives to people according to individual, group and organizational performance.

➢ Procedures for maintaining the system and for ensuring that it operates efficiently and flexibly and provides value for money.

The elements of employee reward:

Base pay:

Base (or basic) pay is the level of pay (the fixed salary or wage) that constitutes the rate for the job. It provides the platform for determining additional payments related to performance, competence or skill. It may also govern pension entitlement and life insurance. The basic levels pay for jobs reflect both internal and external relativities. The internal relativities are measured by some form of job evaluation which places job in a hierarchy (although the trend now is to flat down the notions of hierarchy in the new process based organizations). External relativities are assessed by tracking market rates.

Alternatively, levels of pay may be agreed through negotiation; collective bargaining with trade unions or reaching individual agreements. The base rate for a job is sometimes regarded as the rate for a competent or skilled person in that job. Such a rate may be varied in a skill-based or competence-based system according to the individual's skill or competence.

Additions to base pay

Additional financial rewards may be provided that are related to performance, skill, competence or experience. Special allowances may also be paid. If such payments are not consolidated into base pay they can be described as 'variable pay'. The main types of additional pay are:

- **Individual performance -related pay** in which increase in base pay or cash bonuses are determined by performance assessment and ratings (also known as merit pay)
- **Bonuses - rewards** for successful performance which are paid as lump sums related to the results obtained by individuals, teams or the organization.
- **Incentives - payments** linked with the achievement of previously set targets which are designed to motivate people to achieve higher levels of performance. The targets are usually quantified in such terms as output or sales.
- **Commission** - a special form of incentive in which sales representatives are paid on the basis of a percentage of the sales value they generate
- **Service -related pay** which increases by fixed increments on a scale or pay spine depending on service in the job. There may sometimes be scope for varying the rate of progress up the scale according to performance.
- **Skill - based pay** (sometimes called knowledge based pay) which varies according to the level of skill the individual achieves
- **Competence - related pay** which varies according to the level of competence achieved by the individual.
- **Career - development pay** which rewards people for taking on additional responsibilities as their career develops laterally within a broad grade (a broad branded pay structure)
- **Allowances -** elements of pay in the form of a separate sum of money for such aspects of employment as overtime, shift working, call-outs and living in other large cities.
- **Total earnings** are calculated as the sum of the base pay and any additional payments.
- **Employee benefits**, also known as indirect pay, include pension, sick pay, insurance cover and company cars. They comprise elements of remuneration additional to the various forms of cash pay and also include provisions for employees that are not strictly remuneration, such as annual holidays.
- **Total remuneration** is the value of all cash payments (total earnings) and benefits received by employees.

Aims of employee reward

The organization's requirements:

The reward system expresses what the organization values and is prepared to pay for. It is governed by the need to reward the right things to convey the right message about what is important.

REVIEW OF LITERATURE

Impact of Satisfaction with Benefits in a Las Vegas Casino: Gail Sammons, Ph.D., CHA, is an assistant professor at the University of Nevada Las Vegas. Rachel Shinnar is a graduate student at the University of Nevada Las Vegas.

Impact of financial incentives on clinical autonomy and internal motivation in primary care: ethnographic study

Ruth McDonald, research fellow, **Stephen Harrison**, professor, **Kath Checkland**, research fellow, **Stephen M Campbell**, research fellow, **Martin Roland**, director

STATEMENT OF THE PROBLEM:

Organizations adopt various methods and techniques to motivate their employees and thereby enhance their efficiency and productivity. One of the factors employed for motivating is a combination of monetary and non monetary rewards. The question that arises is that of the two, which is more effective – monetary or non monetary? Therefore, there is a need to study the efficacy of the reward techniques employed to motivate employees in the IT industry.

➢ Study of Reward Management as a Motivational tool in Organizations.

➢ Organizations need to adopt a package of monetary and non-monetary rewards to motivate its employees for better performance.

➢ This research aims at finding the relative strength of the monetary and non - monetary rewards which are provided by the organizations to motivate employees.

OBJECTIVES OF THE STUDY:

• To find the relative strength of the monetary and non- monetary rewards being offered with respect to motivation of the employees.

• To understand the employee perspective about rewards.

• To make appropriate recommendations to determine a package of monetary and non-monetary rewards to help in increasing employee motivation.

HYPOTHESIS OF THE STUDY:

H0 = rewards given does not influence the motivation of employees

H1 = rewards gives does influence the motivation of employees

METHODOLOGY FOR PRIMARY DATA COLLECTION AND SAMPLING

SAMPLING PROCEDURE

A sample is a part or small section selected from the population of area and the process of such selection is known as sampling. The number of units in the sample is known as sample size. Sampling is a tool, which enables us to draw conclusion about the characteristics of the population after studying only those subjects or items that is included in the sample.

SAMPLE SIZE:

An optimum sample survey is one which fulfills the requirements of efficiency, representativeness, reliability and flexibility. The size of the sample should ensure minimum of cost and minimum of standard error. The sample size chosen will be 100 respondents

SAMPLE DESCRIPTION:

The required data for analysis will be generated through a structured questionnaire and face to face interviews with employees of various companies. The questionnaire was administered to a random sample of 100 respondents with zero to four years of work experience in a prominent IT company of Bangalore And the available secondary data from sources like books magazines, and articles from web/internet will also be used additionally.

Statistical Tools Used For Analysis:

Percentage Analysis Percentage analysis refers to a specific kind of ratio used in making the comparison between two or more series of data. Percentage is used to describe relationship and can also be used to compare the relative terms, the distribution of two or more series in data. Percentage of respondent= (no. of respondent/total no. of respondent) *100

Software Used For Data Analysis:

The Microsoft Excel tool will be used to represent the data from the employees in the form of a graph. The graph shows the percentage of people responded for the particular option.

This is useful for the analysis of the data. Pie-chart, Bar chart are used to represent the data. Analysis and Interpretation are done based on the information given by the respondents.

RESEARCH LIMITATIONS:

The research investigation has the following limitations:

- The research investigation is confined to a limited sample size
- The research is restricted to the employees of one IT company only, which could be subjected to prejudice/bias/reticence of the respondents.
- Time and resource constrain

DATA ANALYSIS AND INTERPRETATION

In line with the objectives the following aspects were covered in the questionnaire which was

administered to the respondents.

I. In order to determine the Relative strength of the monetary and non-monetary rewards offered with respect to motivation, employees were questioned on the following

- Importance of monetary recognition in return to the efforts taken by employees
- Importance of recognition for the on-the-job-performance, from manager's clients, colleagues.
- Source of motivation (job / pay)

II. In order to understand the employee perspective about rewards, employees were questioned on the following:

- Preferences with respect to team based performance incentives and individual based performance incentives
- Recognition for meeting expected targets
- Transparency of reward policies and programs
- Motivation from performance linked pay

- Employee participation in compensation decisions

III. In order to make appropriate recommendations, for motivating employees through a well balanced package comprising of both monetary and non-monetary rewards, the employees were questioned on the following:

- Opportunities for learning and developing new skills
- Importance of work life balance
- Preferences of various attributes contributing to the motivation
- Post performance-appraisal expectations
- Other non monetary rewards

Questionnaire was administered to the respondents, and the relevant data collected. The responses have been tabulated and represented below, both in the tabular format as well as depicted through graphs and pie charts. For each table, based on the responses of the respondents analysis and interpretation has been carried out and table-wise inferences have been drawn and depicted in the report.

FINDINGS

➢ It is found that more than 55% of the respondents strongly agree that they should be recognized for doing a good job.

➢ The response of the employee's show that they consider opportunities for developing new skills as important in their career.

➢ From the response of the employee's it can be inferred that respondents perceive formal monetary recognition for their efforts as important. Money does continue to be an importance source of motivation.

➢ It is found that the 63 % of the respondents feel that the job they are doing is motivating them whereas a mere 37% who are motivated by the pay.

➢ it is inferred that 82% of them agree that work life balance is very important. Whereas no respondent is of the opinion that work life balance is not important.

➢ Majority of the respondents feel that although from an organizations perspective team incentives are provided to promote team building, it's the individual who makes the contribution and therefore should also be recognized.

RECOMMENDATIONS

▪ Create opportunities for employees to learn and grow so as to reduce the feeling of repetitive work and to enhance their motivation to work

▪ The goals of the organization should be linked with the goals of the employee so that they can appreciate their contribution to the organization's performance and have a better understanding of it.

▪ The measure of performance of an employee should be clearly defined and communicated to the employee.

▪ The reward program should be transparent and the targets set should be realistic and achievable by the employees so as to motivate them.

▪ Monetary rewards are important to employees and they need to be fair.

▪ The interaction of the family life and work life is an important aspect in the life of employees; the companies need to maintain work life balance of the employees in order to motivate them to perform better.

- Since recession is going on, company should take steps to reduce uncertainties about the jobs positions and communicate the same to the employees, so that employees feel more secure and motivated in their work.
- The top performance should be rewarded and it must be clearly defined to the employees as what is considered top performance.
- Any effort by the employee should be acknowledged, and average performers should be motivated to strive to do better.
- Should provide a variety of non-monetary rewards to the employees like certificates, gift vouchers, vacations and holidays, etc.
- Involve the employees in deciding their compensation so that they get to choose because different people have different motivational needs.
- The organizations must offer a package of monetary and non-monetary rewards to its employees.
- Employees need to know that their contributions are noticed, valued and part of expanding the enterprise.
- It might seem logical for companies to offer team rewards instead of individual to foster team spirit, but they should not emphasize on team achievement at the cost of individual achievement. Therefore it should be done both ways covering the individuals and the team as a whole too.
- Employees concerns and issues need to be listened to and addressed.
- Verbal praises and recognition for the work done should never be denied to the employees.

CONCLUSIONS

The organizations need to develop a reward strategy that is how its reward policies and processes should be developed so that it is mutually beneficial to the employees and the organization. And the rewards should succeed in motivating the employees according to their needs and the reward policy is driven by the business needs.

From this research we can infer that the employees in any organization need to be constantly provided opportunities for learning new skills so that they do not feel monotonous and they are motivated to use the acquired skills on their job. We can also infer that it is not just one factor for example it is not just monetary rewards which motivate an employees, though monetary compensation is important the job that they are doing also motivates them. This essentially says that the employees need to be motivated with the content of their job. The organizations need to provide challenging opportunities to the employee's.

The organizations also should emphasize on work life balance, and should provide options to employees like flexi time, work from home access. The employees would appreciate these initiatives. Recognition is one of the most powerful motivators. People need to know not only how well they have achieved their objectives or performed their task but also that their achievements are appreciated. Non monetary rewards can motivate employees better if it is integrated with financial rewards, in the total reward system.

However, it is important to note that needs of the individuals varies from individual to individual and depends on his or her psychological makeup. So it cannot be

generalized but what the organizations can do is increase the employee participation in deciding their overall compensation.

The organizations should treat the employees as stakeholders who should be involved in the development of the reward policies that affect them. More over meet their expectations that they will be treated equitably, fairly, and consistently and are transparent. They should know what the reward policies of the organization are and how they are affected by them. Some of the rewards apart from money which are considered important by the employees to enhance their motivation to work are recognition, promoting to the next level enhanced responsibilities, stock options and bonuses, free vacation with family and choice in the type of projects they would want to work on. We can also infer that the employees prefer increased involvement in policies and systems in the organizations that affect them.

Hypothesis Testing
H0 = rewards given does not influence the motivation of employees
H1 = rewards gives does influence the motivation of employees
The level of significance was calculated. Based on additional calculations, it is found that
H1 stands ACCEPTED
H0 stands REJECTED

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