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Impact of Rewards on Employee Retaining, Motivating and Maximizing the Productivity of Employees

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Abstract

The purpose of the paper is to explore and analyze how well the reward system helps in generating employees' performance, motivating employees towards maximization of their productivity and retention of employees to avoid decrease in productivity due to shortage of manpower and minimizing the expenses of arrangement of new employees by placing advertisement, conducting interviews and by providing training to them. More specifically it aimed to find out which aspects of the reward system functions well, and which aspects could be further developed and improved in order to increase employee satisfaction. The theoretical part of the study introduces different theories of motivation and rewarding. Emphasis is put on Maslow's hierarchy of needs, the goal setting theory and the total reward system. The aim of the research was to compare the different reward systems and find the pros and cons of them. The research results revealed how organizations can develop their reward system by including the employees in the decision making process regarding rewards. The paper supports the assumption that a well developed and functional reward system can increase employee motivation and satisfaction.

Keywords: Motivation, Reward System, employee productivity, employee retention.

Introduction

Today organizations success are highly depend upon employee performances, work motivation, increase in employee productivity and retention of experienced and well skilled manpower. Amongst them, employee motivation is one of the most essential parts in a company's development and success. In order to maximize the overall performance of the company it is imperative for an employer to understand what motivates the employees and how to increase their job satisfaction and what will be the suitable reward system that can be imposed to gain better results. It might however be challenging for a company to find out what motivates its employees, especially because different people are motivated by different things. A well designed and functional reward system is an efficient way to increase employee work motivation and enhance their commitment to the company. The appropriate type of reward system can be developed in accordance to the company's reward philosophy, strategies and policy. However, it might be challenging to find the right way

to combine the company's integrated policies and practices together with the employee's contribution, skill and competence. (Armstrong, 1999, p. 569-570). The paper concentrates on the employee's satisfaction with the employer and the company, not the reward system. More specifically it aims to find out which aspects of the reward system functions well, and which aspects could be further developed and improved in order to increase employee satisfaction. The aim of this study is to investigate and analyze how well the reward system helps generate employee motivation. The driving force behind this study is to enable the employees to give feedback on their work motivation and their attitudes towards the reward systems and hence perhaps increase their commitment to the company.

Motivation

"The term motivation refers to factors that activate, direct, and sustain goal-directed behavior. Motives are the "whys" of behavior - the needs or wants that drive behavior and explain what we do. We don't actually observe a motive; rather, we infer that one exists based on the behavior we observe."(Nevid, 2013)

Workers in any organization need something to keep them working. Most of the time, the salary of the employee is enough to keep him or her working for an organization. An employee must be motivated to work for a company or organization. If no motivation is present in an employee, then that employee's quality of work or all work in general will deteriorate. People differ on a personality dimension called locus of control. This variable refers to individual's beliefs about the location of the factors that control their behavior. At one end of the continuum are high internals who believe that opportunity to control their own behavior rests within themselves. At the other end of the continuum there are high externals who believe that external forces determine their behavior. Not surprisingly, compared with internals, externals see the world as an unpredictable, chancy place in which luck, fate, or powerful people control their destinies. When motivating an audience, you can use general motivational strategies or specific motivational appeals. General motivational strategies include soft sell versus hard sell and personality type. Soft sell strategies have logical appeals, emotional appeals, advice and praise. Hard sell strategies have barter, outnumbering, pressure and rank. Also, you can consider basing your strategy on your audience personality. Specific motivational appeals focus on provable facts, feelings, right and wrong, audience rewards and audience threats.

Remuneration/Reward

Remuneration is the compensation that one receives in exchange for the work or services performed. Typically, this consists of monetary rewards, also referred to as wage or salary. A number of complementary benefits, however, are increasingly popular remuneration mechanisms. Remuneration is one component of reward management.

"Reward" may be defined as a stimulus or encouragement for greater action. When used in terms of wage policies, it usually refers to additional remuneration paid to an employee, if the work units produced by

financial rewards.

Extrinsic rewards satisfy lower level needs (Maslow 1951)

Total rewards are divided into two classes namely, monetary rewards and nonmonetary rewards. These two types of rewards/incentives have an equally important role in motivating employees. Reward strategies should, therefore, ensure that both are used effectively as part of an integrated total reward process. Role of these types of incentives may depend on the perception. Hence the levels of rewards are presented fewer than two heads of monetary and non-monetary rewards.

Different Suitable Rewards for Different Levels of Employees

1) Bottom levels workers can be motivated by following rewards

- Applaud their efforts
- Electing in hall of fame
- Praise
- Personal appreciation
- Exposure to their achievements
- Providing opportunities
- Wages and salaries they deserve as per your competitors
- **Bonuses**
- Keeping in touch with them and find their problems and try to solve them
- Free trips on excellent performance
- Free passes on achievements
- Every individual employee cannot be motivated through same pattern of offers and rewards, reward system should be flexible
- Taking interest in their personal problems intelligently

2) Middle levels managers can be motivated by following rewards

- Respect as a competent and committed person
- Mutual trust with top level manager or management
- Participation in decision making
- Making work enjoyable
- Opportunity for self development
- Feeling of importance of the job
- Knowing that upper managers knowledge about performance of middle managers
- Fairness in performance rewards
- Complete appreciation of work
- Working on special projects of choice

him exceed an established standard. Rewards are offered to employees to encourage them to greater effort in production than would normally be expected. Varma and Agarwal (1994)¹ defined; rewards are the payments made to the employees as compensation for the services rendered by them to the organization. Compensation or remuneration is what employees receive in exchange for their work in the enterprise, and Criffeth, Hom (2001)³ defined that compensation is the benefits made to employees by employer for attracting and retaining personnel in the organization. Thus the concept of rewards (incentives) implies increased willingness or motivation to work.

Reward strategy is the deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various sub units and individuals are directed towards the achievement of an organization strategic objective, subject to internal or external constraints. Contemporary compensation administration frequently embraces a strategic approach where the mix and level of direct pay and benefits are chosen to reinforce the organization's overall strategic objectives (Gomez-mejia, 1992)⁴. Integration among four basis policy decisions is required in the design of a consistent compensation system (Milkovich and Newman, 1993)⁵. These decisions involve:

- 1) The comparison of jobs within an organization (Internal equity/internal consistency).
- 2) Setting pay levels relative to competitors (External equity/External competitiveness).
- 3) Adjusting pay for individual employees (pay for performance, rewards systems, skill based pay design), and
- 4) The administration of the compensation function (benefits administration and benefits communication).

Types of Rewards

It is generally recognized that people may receive two major categories of rewards from work. One is intrinsic rewards, which are rewards that are internal to workers and which they give themselves. Intrinsic rewards include self-esteem, a sense of accomplishment, and a feeling of growth or development of special skills and talents. Many of these rewards are desired from the work itself. Intrinsic rewards are related to the worker's perception of the job and, hence, are affected by job design; intrinsic rewards may be called as "non-financial/non-monetary rewards". Intrinsic rewards satisfy hierarchical needs of higher level such as social, esteem and self actualization needs.

The second category is extrinsic rewards, which are external to workers and are given by the organization or someone else. Extrinsic rewards include direct and indirect compensation. Direct incentives are those rewards which are directly involved with the money as wages and salaries, bonus, commission, individual and group incentives, profit sharing and stock options. Indirect incentives are those rewards which are related to employees' benefits or perquisites. It consists of protection programs, paid time off, health insurance plans, child care benefits and employee discounts. Extrinsic rewards may be called as monetary or

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lessons learned from key organizational behavior concepts, employers can improve retention rates and decrease the associated costs of high turnover. However, this isn't always the case.

Job Retention

It is important to first highlight the root cause of the retention issue before implementing. Once the problem is identified, a program can be adapted to meet the needs of the organization. There may be availability of a variety of programs to help increase employee retention.

Career Development - Employer should motivate employees to remain in the organization and achieve their personal career goals by knowing their career path. Surveys, discussion and classroom instruction can be used to better understand employee goals for personal development.

Executive Coaching - Executive coaching can be used to build competencies in leaders within an organization. The coaching process begins with an assessment of the individual's strengths and opportunities for improvement. The issues are then prioritized and interventions are delivered to target key weaknesses.

Motivating Across Generations - Today's workforce includes a diverse population of employees from multiple generations. As each generation holds different expectations for the workplace, it is important to understand the differences between these generations regarding motivation and engagement. Managers, especially, must understand how to handle the different employees at the same time.

Orientation and On Boarding - It is in the best interest of both the employee and the organization to impart knowledge about the company quickly and effectively to integrate the new employee into the workforce. By implementing an effective on boarding process, short-term turnover rates will decrease and productivity will increase.

Women's Retention Programs - Programs such as mentoring, leadership development and networking that are geared specifically toward women can help retain top talent and decrease turnover costs. By implementing programs to improve work/life balance, employees can be more engaged and productive while at work.

Employee Surveys - By surveying employees, organizations can gain insight into the motivation, engagement and satisfaction of their employees. It is important for organizations to understand the perspective of the employee in order to create programs targeting any particular issues that may impact employee retention.

Exit Interviews - By including exit interviews in the process of employee separation, organizations can gain valuable insight into the workplace experience. Exit interviews allow the organization to understand the triggers of the employee's desire to leave as well as the aspects of their work that they enjoyed. The organization can then use this information to make necessary changes to their company to retain top talent.

Employee Retention Consultants - An employee retention consultant can assist organizations in the process of retaining top employees. Consultants can provide expertise on how to best identify the issues

within an organization that are related to turnover.

Why employees leave jobs?

Employees quit their job for many reasons. They may be some very personal and family problems which are out of control of the employer. But, the majority of reasons why employees quit their job are under the control of the employer. In fact, any element of your current workplace, your culture and environment, the employee's perception of his job and opportunities are all factors that the employer affects. The best way to retain employees is to stay in touch with them and their thinking about their likes and dislikes.

Here are ten critical reasons why employees quit their job. That can be managed.

• Relationship with boss

The boss is too much of an integral part of employees' daily lives at work for an uncomfortable relationship. The boss provides direction and feedback, spends time in one-to-one meetings, and connects the employee to the larger organization. A bad boss is also the number one reason why employees quit their job.

• Bored and unchallenged by the work itself

If employees act as if they are, boss need to help them find their passion. Employees want to enjoy their job. They spend more than a third of their days working, getting ready for work, and transporting themselves to work. Upper level managers should work closely with employees to ensure that each employee is engaged, excited, and challenged to contribute, create, and perform. Otherwise, employees will leave if they are getting bored at work.

• Relationships with co-workers

After manager, employee relates with coworkers in organization with whom he sits, interacts, and serves with on teams, are critical components of an employee's work environment. Relationships with co-workers retain employees. Conflicts with coworker lead in employee's exit from the organization.

• Opportunities to use skills and abilities

When employees use their significant skills and abilities on the job, they feel a sense pride and self-confidence. They are participating in activities that they are good at and that stretch their skills and abilities even further. If they're not able to develop and grow their skills and don't find opportunity and chances of promotion they'll find one where they can.

• Contribution of work to the organization's business goals

Managers need to sit with each reporting employee and discuss the relevance of the employee's job and key contributions and deliverables to the overall strategy and business plan of the organization. Employees need to feel connected and that they are part of an effort that is larger than just their job. Too many managers assume that the employee will receive the communication from executive staff and make this leap. They need help to understand and connect their job to the bigger picture.

• Autonomy and independence

Managers are responsible for the work environment, independence and autonomy that enables them to perform well. By creating a culture of accountability, employee empowerment can be created to execute their responsibilities. Without this, organizations best employees may leave.

• **Meaningfulness of job**

Managers should encourage employees by describing meaningfulness of their work. Help employees connect to why their work has meaning or they will find an employer who will.

• **Organization's financial stability**

Financial instability due to lack of sales, layoffs or reduced work hours, salary freezes, successful competitors highlighted in the news, bad press, employee turnover, mergers and acquiring companies, all lead to an employee's feeling of instability and a lack of trust. Employees who are worried tend to leave.

• **Overall corporate culture**

Employees appreciate a workplace in which communication is transparent, management is accessible, executives are approachable and respected, and direction is clear and understood. Organization's overall culture keeps employees – or turns them away.

• **Management's recognition of employee job performance**

Recognition is important; it is not among employees' chief concerns. A lack of recognition can affect many factors like culture, but it's probably not the deciding factor in an employee decision to leave the organization. Provide a lot of genuine appreciation and recognition as icing on the cake for employee retention.

Employee Productivity Enhancement

Productivity of employees can be increased by following ways:

- By designing economic incentives, so employees at all levels of an organization can benefit from them
- By providing meaningful feedback in a constructive manner on a regular basis
- By respecting employees as individuals, in addition to the job they do
- Making it sure that management at all levels of an organization receives adequate training
- By providing support for employees when it's genuinely needed
- Don't be emotionally stingy
- Ensure senior leadership models behavior that makes the rank-and-file proud to be part of the team
- By offering employees rewards
- By expert counseling
- By providing healthy work condition
- By encouraging experience sharing in the organization

Review Literature

According to Vroom (1964), expectancy can be defined as a momentary belief followed by a particular outcome. Expectancy theory states that motivation to perform will be high when people know what they have to do to get Reward, expect that they will be able to get a reward and expect that the reward will be worthwhile. Vroom, V (1964) defines Motivation as the force impelling a person to perform a particular action, determined by the interaction of the person's expectancy that his act will be followed by a particular outcome. This theory focuses on how motivation effects performance.

According to Stipek (1996), early approaches to the study of motivation were rooted in the literature on extrinsic reinforcement. Within this literature, all behavior, including achievement, was believed to be governed by reinforcement contingencies. Proponents of this approach included B.F. Skinner, who identified different types of reinforcers. Positive reinforcers, or rewards, are consequences that increase the probability of a given behavior they were made contingent on, whereas negative reinforcers are consequences that increase the probability of a given behavior by removing or reducing some negative external stimulus. Punishment, on the other hand, refers to unpleasant consequences that decrease the probability of a given behavior.

In a complex and dynamic environment, leader of the organization used to create the environment in which employee feel trusted and are empowered to take decision in the organization which leads to enhance motivation level of employee and ultimately organizational performance are enhanced. (Smith and Rupp, 2003)

Objectives of the Paper

Main objectives of this paper include the term Motivation, use of motivational factors in retaining employees in the organization. Another big thing studied is Rewards and types of rewards. Rewards can be utilized as the most important tool in employee motivation as well as employee retention as employee retention is having so much importance in the organization. An organization's profit earning ration depends upon the productivity of its employees. Employees' productivity is connected with motivation and rewards.

Research Methodology

The primary objective to write this paper is to highlight one of the most important factors of Human Resource Management that is Motivation and explain how it is important in employees' overall performance. We came to know from this paper that rewards are the most essential factor of motivation and there are so many rewards tools through which employees can be motivated in the organization only managerial staff must be aware of all those motivational tools and use of these in effective manner can provide result of high productivity. It can also be analyzed that employee retention and motivation are the interlinked factors that should be handled simultaneously in the organization by managers.

Conclusion

From the study it is apparent that perceived level of rewards and motivation has significant relationship among employees and the monetary rewards have a significant effect on employee motivation than the non-monetary rewards. Employee motivation is one of the most essential parts of a company's development and success. Hence it is vital for employer to understand what motivates employees to maximize their overall job performance. It is concluded that factors that affect on motivation are employees' feelings, personal growth, achievements, responsibility and freedom to act. Rewards are found the best match for efforts and hard work for motivation.

Bonuses, incentives and fair salary packages are the primary motivational factors but there are so many things in an organization with the help of which employees can be motivated. Now this is depend upon the ability of the upper managers to utilize those factors in the organization.

Employee retention is also a major issue for managers because it not only burdens the budget of the company to hire new work force and providing them sufficient training but also to continue production in same flow. Managers must possess and acquire the ability to retain the work force.

Sometime apart from leaving the organization, employees' productivity decreases they need personal attention from the managing body to understand their problem and try to solve them to boost the employee productivity. Tackling these situations effectively may result in availability of manpower with more productivity than previous outcomes.

It is concluded in this paper that general factors that affects work motivation are personal growth, work environment, achievements, salary. Recognition, responsibility and work itself. A combination of material reward and spiritual encouragement seems to be the most efficient way to maximize motivation.

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