

“A CRITICAL ANALYSIS OF REWARD SYSTEM AS A TOOL FOR PROMOTING DESIRED ORGANIZATIONAL PERFORMANCE”.

(A case study of selected large scale units in Maharashtra).

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INTRODUCTION:

Reward is the benefits that arise from performing a task, rendering a service or discharging a responsibility. . It is a system used by companies where employees who achieve particular results are paid more or get other advantages. Every company has some form of reward system, whether it is outspoken or not, it exists. If the organization rewards a certain kind of employee behavior, good or bad, that is what the company will get more of. Reward systems help in increasing performance and creating happier employees. The greatest management principle is that the things that get rewarded get done. All reward systems are based on the assumptions of attracting, retaining and motivating people. Financial rewards are an important component of the reward system, but there are other factors that motivate employees and influence the level of performance. That organization which gives the maximum reward attracts and retains most people. Higher rewards will give higher satisfaction. This will lead to lower turnover and more job applicants. It is difficult to retain the best performers in any organization. They will get higher offers from competitive organizations and may leave the company. For retaining the best performers, the organization needs to reward people at a level above the reward standards in similar organizations. In some organization, reward system is based on performance and skills of the employees. So higher rewards will motivate skilled employees to perform better. The reward system contributes to the overall culture and climate of organizations.

Appropriate rewards not only recognize and motivate employees, but also communicate the organization's values to the employees. Rewards may be given to individualists as well as to teams, departments and other units within the organization. Rewards reinforce specific behaviors, thereby arousing and sustaining specific motives. Consequently, what is rewarded in an organization influences the motivational climate. The only way employees will fulfill your dream is to share in the dream. Reward systems are the mechanisms that make this happen. “However, reward systems are much more than just bonus plans and stock options. While they often include both of these incentives, they can also include awards and other recognition, promotions, reassignment, non-monetary bonuses (e.g., vacations) or a simple thank-you.

PURPOSE:

A reward system puts together employees' natural self-interests with the organization's objectives and provides three types of management control benefits, informational, motivational and personnel related. Firstly reward should catch the employees' attention and at the same time it works as a reminder for the person in charge of what results should be completed in different working areas. Organizations use reward systems to emphasize on which parameters their employees should exert the extra effort on by including them in their reward program. This is a good way to emphasize and convince the employees of which performance areas that are important and create goal congruence within the organization and signals how the employees

should direct their efforts. To motivate is the second control benefit. People sometimes need an incentive to perform tasks well and work hard. Last but not the least we have the personnel related control benefit. Organizations give rewards for many different reasons e.g. to improve recruitment and retention by offering a compensation package that is competitive on the market.

CURRENT TRENDS OF REWARD SYSTEM IN INDIA:

The current trend is one of integrated reward approach. Reward system usually means the financial reward on organization gives its employees in return for their labour. While the term rewards system, not only includes material rewards, but also non-material rewards. The components of a reward system consist of financial rewards (basic and performance pay) and employee benefits, which together comprise total remuneration. They also include non-financial rewards (recognition, promotion, praise, achievement responsibility and personal growth) and in many case a system of performance management. Pay arrangements are central to the cultural initiative as they are the most tangible expression of the working relationship between employer and employee. It is common to see firms ring fence their senior executives by devising long-term wealth certain opportunities in the form of retention pay, deferred bonus plans, stock options and shadow options. Companies are arriving at a reward system, which is linked with the company's performance.

STATEMENT OF THE PROBLEM:

1. Performance Standards are too high or unattainable.
2. Ineffective implementation of the reward system.
3. Rewards may not motivate every employee.
4. Change in the Objectives makes the reward system difficult.
5. Reward System may not always be Cost-effective.
6. Employees may not appreciate non-monetary Rewards.
7. Expectancy level of an employee may increase with time.

LITERATURE REVIEW:

Reward management is an integrated system that ensures equitable avenues to employees for fulfillment of their financial and non-financial needs and recognition urge for their contribution to attainment of organization goals.

Rewards that an individual receives are very much a part of his/her motivation. Organizational desired performance can be achieved only from high-performing employees. High-performing employees can make other resources perform highly. Reward is a proven and established means of stimulating employees to perform exceedingly well. Study of all genres highlight that a poorly designed and implemented reward system can cause loss of morale among employees and this eventually can lead to organizational ineffectiveness. No organization can really aim to be effective unless its reward system is effective.

OBJECTIVES OF THE STUDY:

The reward system is based on different aspects of an organization. This may be size of organization, number of employees, designation of employees, etc.

1. To study which aspects of the reward system functions well, and which aspects could be further developed and improved in order to increase employee satisfaction.
2. To study how well the reward system helps generate employee work motivation.
3. To study Motivational theories in context of reward system.
4. To study which type of reward system motivates the employees more.
5. To study the impact of Reward system on organizational effectiveness.

HYPOTHESIS:

A tentative explanation for an observation, phenomenon, or scientific problem that can be tested by further investigation is called as Hypothesis. In easy words it may be said as “Assumptions to be tested.” A definition of hypothesis given by Landberg is “A tentative generalization, the validity of which remains to be tested. A research should be processed from a hypothesis; otherwise, it will be relatively aimless.

H1: A well developed and functional reward system can increase employee motivation and satisfaction.

H2: Effective Reward system is helpful in Employee Retention.

H3: Money as a reward system is almost appreciated and successful.

SAMPLE SIZE:

There are 4,915 Large scale Units in Maharashtra. Since the population is too large for the Researcher to undertake the study a representative sample of 40 large scale units in Maharashtra is chosen randomly for the study. The manufacturing and services categories of enterprises have been classified into micro, small, medium (MSME) and large enterprises based on their investments in plant & machinery for manufacturing enterprises and on equipments in case of enterprises providing or rendering services.

Region	MSME	Employment (in lakh)	Large Enterprises	Employment (in lakh)
Mumbai	17,235 (10.6)	2.49(17.8)	311(6.3)	0.47(4.2)
Konkan (Excl. Mumbai)	21,387(13.1)	2.03(14.5)	1,222(24.9)	2.45(21.8)
Nashik	25,194(15.5)	2.07(14.8)	665(13.5)	1.52(13.5)
Pune	66,588(40.9)	4.38(31.3)	1,490(30.3)	4.07(36.2)
Aurangabad	12,271(7.5)	1.17(8.4)	538(11.0)	1.11(9.9)
Amravati	4,689(2.9)	0.34(2.4)	148(3.0)	0.32(2.8)
Nagpur	15,609(9.6)	1.51(10.8)	541(11.0)	1.31(11.6)
Maharashtra	1,62,973 (100.0)	13.99(100.0)	4,915(100.0)	11.25(100.0)

As on 31st December 2011.

H₀1: Different types of reward and incentive programs are effective at motivating employees. Motivation may be promoted through monetary and nonmonetary rewards. A recent SHRM survey report found that 58% of HR professionals’ overall indicated that their organizations offered some form of incentive bonus plans: 50% offered a bonus plan to executive employees and 45%to nonexecutive employees. Incentive bonus plans can promote high performance because the bonus is usually tied directly to company and/or individual performance. In addition, some benefits programs include employee recognition. Seventy percent of HR professionals

indicated that their organizations recognized milestones such as birthdays and service anniversaries. More than half of HR professionals said their organizations offered some type of noncash, companywide performance awards such as gift, certificates or an extra day off.

H₀2: It is not just about the money. It is about money well spent and about trust well-earned. This is the good news about employee rewards. Paying people is obviously not a choice. The crucial choice lies first in choosing to invest in deeper bonds with employees. Then, it is about allocating financial resources to nourish this bond. We have found that this approach can have handsome payoffs for both companies and employees. If it were only about the money, then businesses that could pay more would retain their employees and grow, while companies that could not would lose their people and their business. Both kinds of companies would try to pay the most they could and then focus on extracting more from their people. These ideas make us wince, not because they are commonplace, and not because they do not work, but because they assume a purely transactional and unnecessarily combative view of human motivation. We have found that what works equally well, if not better, is when companies choose to look at business as an endeavor of the heart and mind, as an effort to create value and build a sustainable bottom-line in the process. If we were to extend the same logic to employee rewards, then companies would make the paradigm shift from an exchange of financial currency to a building of human connection with one's employees.

H₀3: Money remains a very important but admittedly complex potential motivator. In terms of Maslow's well-known hierarchy of needs, money is often equated only with the most basic requirements of employees. It is viewed in the material sense of buying food, clothing, and shelter. Yet, money has a symbolic as well as an economic, material meaning. It can provide power and status and can be a means to measure achievement. In the latter sense, a recent meta-analysis of 72 studies found money to be a very effective positive reinforcement Intervention Strategy to improve performance.

Beyond Maslow, more sophisticated analyses of the role of money are presented in cognitive terms. For example, a number of years ago some organizational psychologists concluded, based on their laboratory studies, that the use of extrinsic rewards such as money decreased the intrinsic motivation of subjects to perform a task. For now it is sufficient to know that the intrinsic motivation was usually measured in the laboratory by time spent on a task following the removal of the reward. However, through the years, there have been many criticisms of these studies, and a meta-analysis of 96 experimental studies concluded that "overall, reward does not decrease intrinsic motivation."

SCOPE OF THE STUDY:

The scope of this research is vast and wide. Human Resource is a core and unavoidable function of management, making it a part of every company. However, Maharashtra is a leader in twenty out of twenty six sectors in the country and possess a colossal potential for development in varied sectors due to the wide spread of vital resources across different regions in the state. As a result there is much potential of effective data availability in the state.

MAJOR FINDINGS:

1. A study suggests that about 74% of companies have variable pay plan of some sort. Of those most feel these plans have been successful in aligning pay with performance for executives (79%), managers (73%) and exempt professionals (60%). However only 48% felt variable pay was effective for non administrative personnel.
2. Rewards provide information to the employees about their effectiveness in various situations.
3. Employees Motivation is affected as better performance if likely to fetch higher rewards.

SUGGESTIONS:

1. Reward system is subjected to consideration of many internal and external factors. Internal factors typically concern the organization's ability to pay and reward employees. External factors include demand and supply forces, inflation and customers. Such factors must be carefully analyzed for the effective results of a reward system.
2. Cultural influence must be considered towards the reward system.

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