Impact of reward and recognition on employee's performance

Vikas Patel   -   Asst. Professor, Indu Management Institute, GTU, Gujarat, India.

Hitesh Shah - Student, Indu Management Institute, GTU, Gujarat, India.

Abstract : Employee recognition programs are often combined with reward programs they retain a different purpose altogether. Recognition programs are generally not monetary in nature though they may have a cost to the company, such kind of programme are done for the manpower productivity improvement, and performance improvement. To retain efficient and experienced workforce in an organization is very crucial in overall performance of an organization. *Motivated employees can help make an organization competitively more value added and profitable. The present study is an attempt to find out the major factors that motivate employees and what is the relationship among reward, recognition and motivation while working within an organization.*

Key words: Rewards, Reward Management, Reward system, Employee, Organization.

Introduction:

In a competitive business climate, more business owners are looking at improvements in quality while reducing costs. Meanwhile, a strong economy has resulted in a tight job market. So while small businesses need to get more from their employees, their employees are looking for more out of them. Employee reward and recognition programs are one method of motivating employees to change work habits and key behaviors to benefit a small business.

Reward Vs. Recognition:

Although these terms are often used interchangeably, reward and recognition systems should be considered separately. **Employee reward systems** refer to programs set up by a company to reward performance and motivate employees on individual and/or group levels. They are normally considered separate from salary but may be monetary in nature or otherwise have a cost to the company. While previously considered the domain of large companies, small businesses have also begun employing them as a tool to lure top employees in a competitive job market as well as to increase employee performance.

As noted, although **employee recognition programs** are often combined with reward programs they retain a different purpose altogether. Recognition programs are generally not monetary in nature though they may have a cost to the company. Sue Glasscock and Kimberly Gram in Productivity

Today differentiate the terms by noting that recognition elicits a psychological benefit whereas reward indicates a financial or physical benefit. Although many elements of designing and maintaining reward and recognition systems are the same, it is useful to keep this difference in mind, especially for small business owners interested in motivating staffs while keeping costs low.

Understanding Rewards and Recognition:

Rewards and Recognition, these days, is a familiar concept and is being used by most organizations as a tool for employee motivation. Understanding what motivates an employee has always been a key challenge for managers, but considering the importance of it for an organization's success, one has to continuously attempt to understand it better. With human capital gaining prominence over financial capital in the recent times, it becomes all the more important. Today, the competitive advantage of a business is determined by its people. Hence, the use of Rewards and Recognition is becoming more and more critical.

Rewards and Recognition are many a times considered synonyms: however they are greatly different. Recognition mostly refers to non-monetary ways of saying thank you and can take the form of thank you notes, pins, plaques, award ceremonies, company products, gift vouchers, employee photograph in the company newsletter or on "the wall of fame" , to name just a few. There are unlimited ways to say thank you for doing the right thing and they are not necessarily expensive. They cater to the psychological need of the employees of being appreciated and have high intrinsic value. Rewarding aims at strategically designing ways to compensate employees for their efforts and contribution towards the organization.

It is important to recognize and reward people because it:

• Positively reinforces excellence in behaviors and performance,

• Builds staff engagement, and therefore increase job satisfaction,

• Leads to higher retention rates of key staff,

• Reduces stress and builds an environment where people are encouraged to explore innovative approaches to their work,

• Sends a message to prospective staff that staff are valued and

• Supports a culture of Performance Excellence.

Rationale of Study:

1.   Motivation strategies such as commendation and appreciation of employee performance work better than monetary rewards on all positions levels.

2.   Monetary rewards is more preferred by rank and file employees whereas top management executives prefer promotion and recognition.

3.   A homogenous and identical reward system is less preferred by workers concerned in sales and marketing as opposed to that of workers concerned of paper works alone.

4.   Social benefits such as medical, housing and car plans are desired by female employees while male employees prefer higher salaries.

5.   A singular generic strategy of reward system is more desired by employees rather than a more dynamic reward system.

6.   Regular employees favor increase in salary rather than increase in the compensation package offered by the company.

7.   Male employees prefer position advancement or promotion rather than increase in their salary.

8.   Female employees favor security of tenure rather than a faster promotion system in the company.

9.   Monetary rewards are secondary consideration for employees on probation while it is the top priority of employees who have security of tenure.

10. Work autonomy and the freedom to exercise discretion is favored by male employees whereas female employees prefer a superior to constantly check her job progress.

11. Job satisfaction and fulfillment is the top priority for rank and file employees whereas promotion and higher monetary incentives is the top priority of top executives.

12. Morale booster programs are preferable for male employees than female employees.

Reward and recognition mechanisms fall into four categories:

Informal Rewards may be monetary or non-monetary and are spontaneous and sincere appreciation of individual or group efforts.

Formal Financial Rewards are pre-determined rewards. They form part of the overall conditions of service of staff and are used to recognize employee performance and achievement, contributions and accomplishments. Their application is covered by specific policies.

Formal Organization-Wide Awards for excellence are by nomination, and are assessed by a committee, with selection primarily evidence based. The awards are usually presented at an annual ceremony.

Extraordinary Rewards fall outside the formal range of rewarding mechanisms and are awarded for performance and achievement that has brought significant value to the organization.

Reward Management:

Reward Management is concerned with the strategies, Policies and Processes required to ensure that the value of people and the contribution they make to organizational and team goal is recognized and rewarded Fairly, Equitably and Consistent.

Assessing job through job evaluation and market Pricing. It should be emphasized that reward management is not just about financial rewards, pay and employee benefit. It is equally concerned with non-financial rewards such as recognition, learning and development opportunities and increased job responsibility.

## Reward Management Framework:
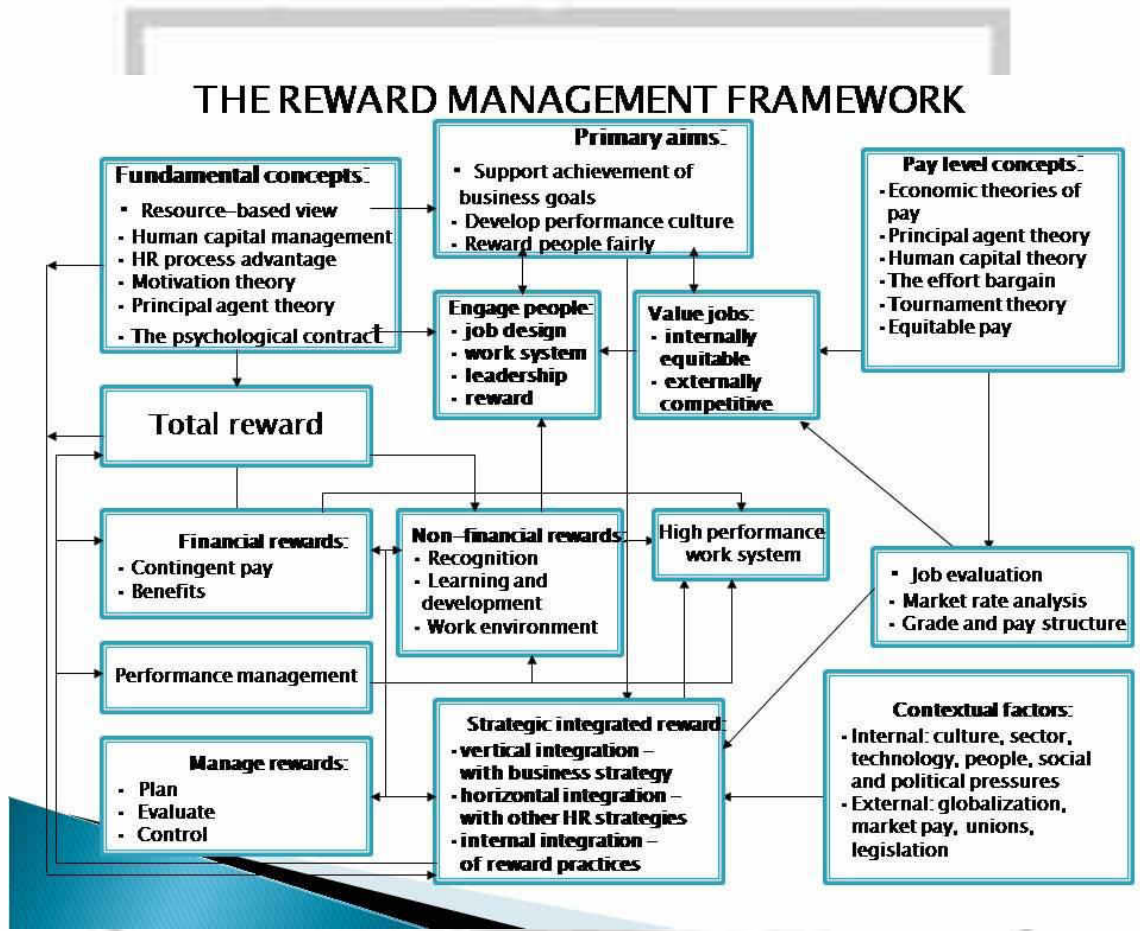
Primary Aims Reward Management:

▸ Support the achievement of business goals through high performance.

▸ Develop and support the org culture.

▸ Define behavior and outcomes.

▸ Reward people according to the value they create.

▸ Reward people according to what the org value.

▶ Align employee practices with employee needs.

The Reward system:

A reward system consists of the interrelated processes and practices that combine to ensure that total reward management is carried out effectively to the benefit of the organization and the people who work there.
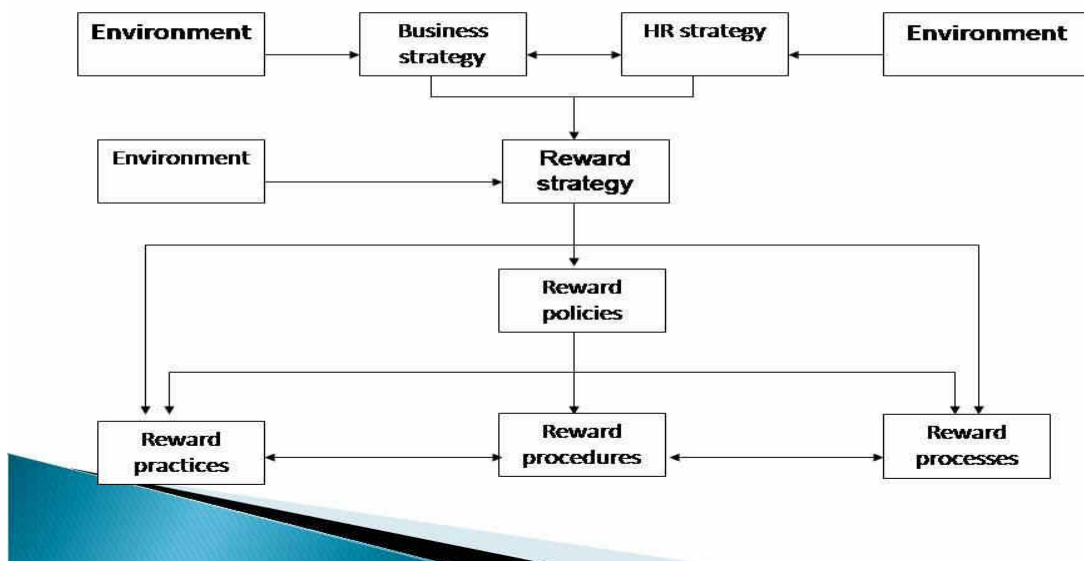

- *Reward strategy* – A description of what the organization wants to do about reward in the future. It defines the intentions of the organization on how its reward policies and processes should be developed to satisfy business and individual needs.

- *Reward practices* – The schemes, structures and techniques used to implement reward strategy and policy.

- *Reward policy* – A definition of how reward practices and processes should be designed and managed. Provides guidelines for line managers and HR or pay specialists on how particular and recurring reward issues should be dealt with.

- *Reward processes* – These consist of the ways in which policies are implemented and practices carried out.

- *Reward procedures* – These set out the actions or behaviours required to carry out a reward practice or process.

Components of Reward System:
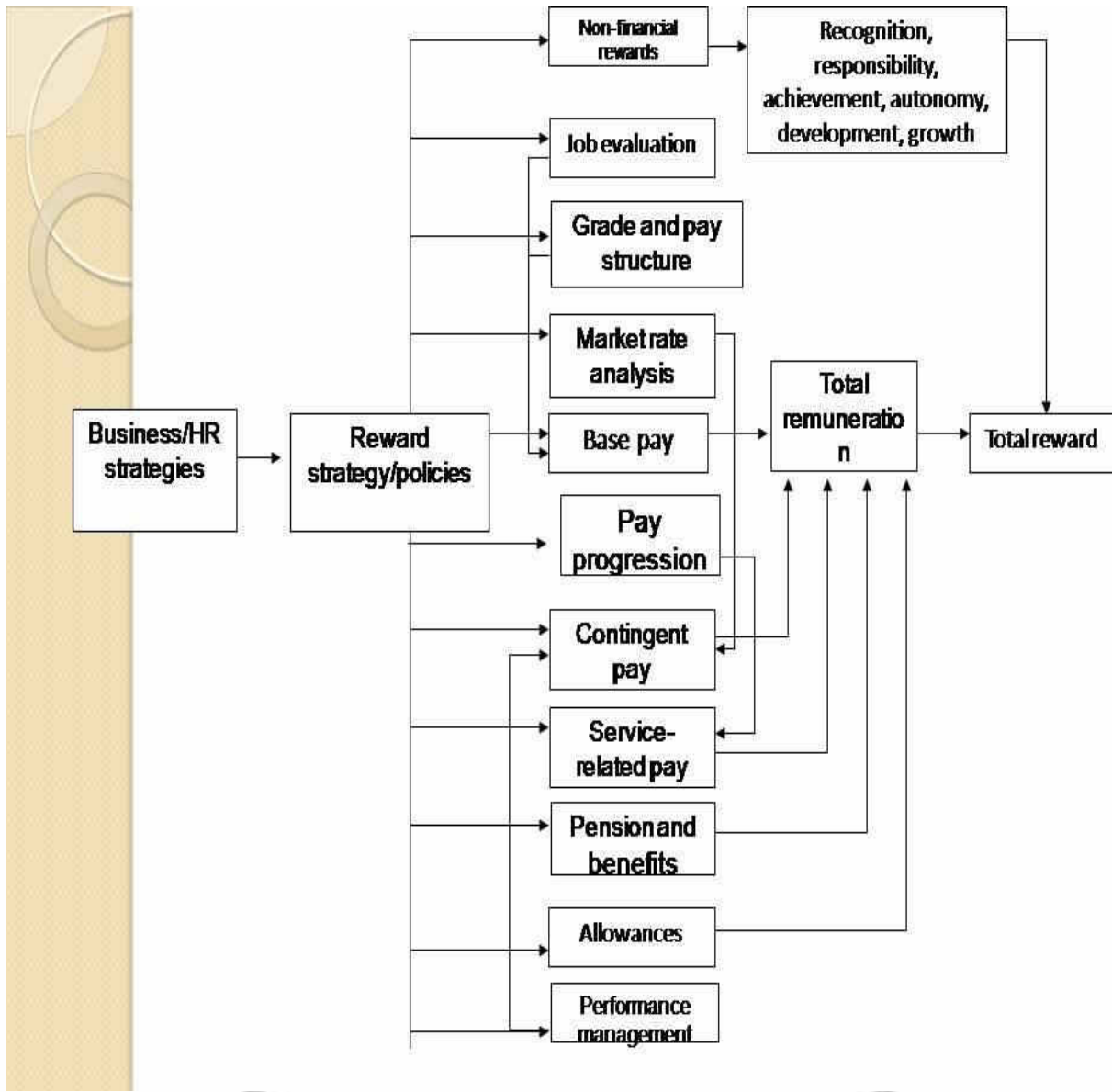
Total Reward:

Total reward includes all types of reward – non-financial as well as financial, indirect as well as direct, intrinsic as well as extrinsic. These embrace everything that people value in the employment relationship and are developed and implemented as an integrated and coherent whole.
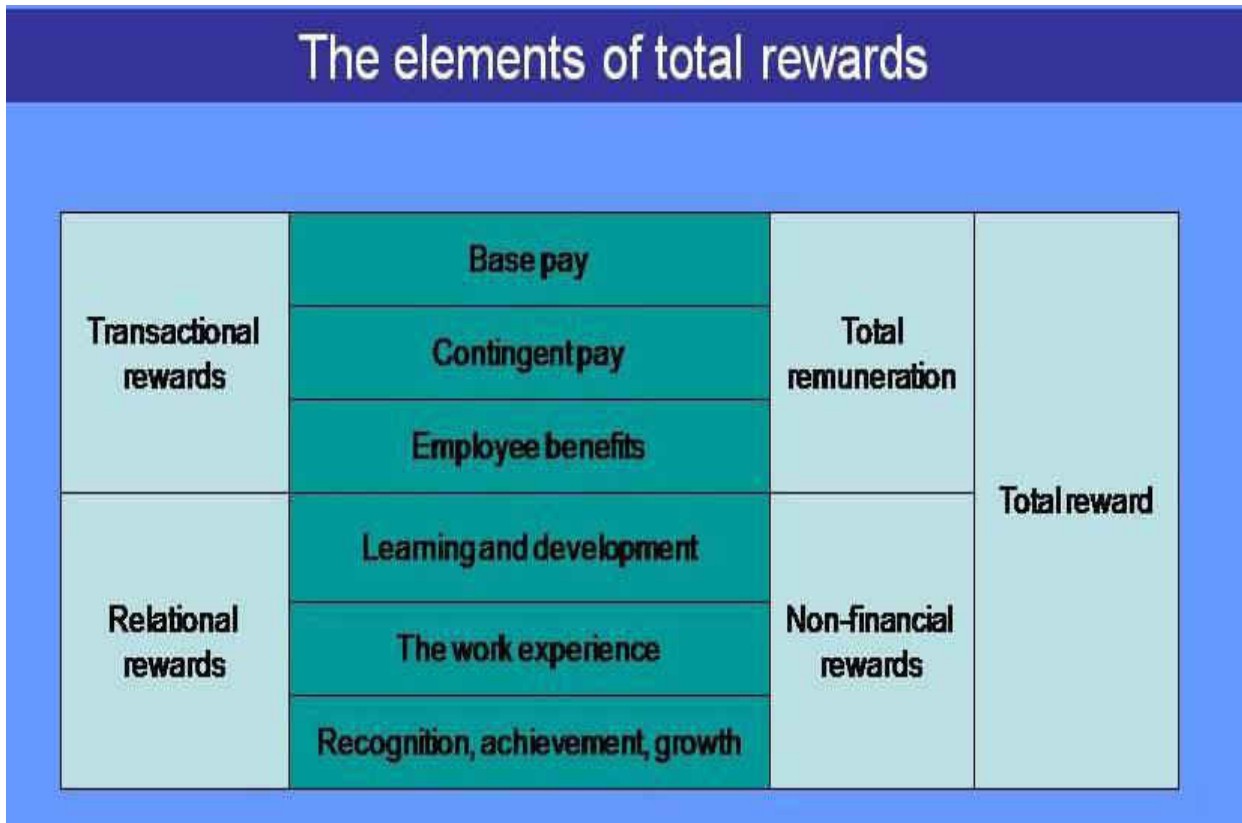
Benefits of Total Rewards:

Greater Impact:- the combined effect of the different types of rewards will make a deeper and longer-lasting impact on the motivation and commitment of people.

Enhancing the employment relationship:- the employment relationship created by a total rewards approach makes the maximum use of relational as well as transactional rewards and will therefore appeal more to individuals.

Flexibility to meet individual needs:- as pointed out by Milkovich and Bloom (1998): Relational rewards may bind individuals more strongly to the organization because they can answer those special individual needs

Attraction and Retention: relational rewards help to deliver a positive psychological contract.

Models of Total Rewards:

Towers Perrin: Perrin mode is a Matrix with four Quadrants. The Upper two Quadrants- Pay and benefits – Represent transactional or tangible rewards.
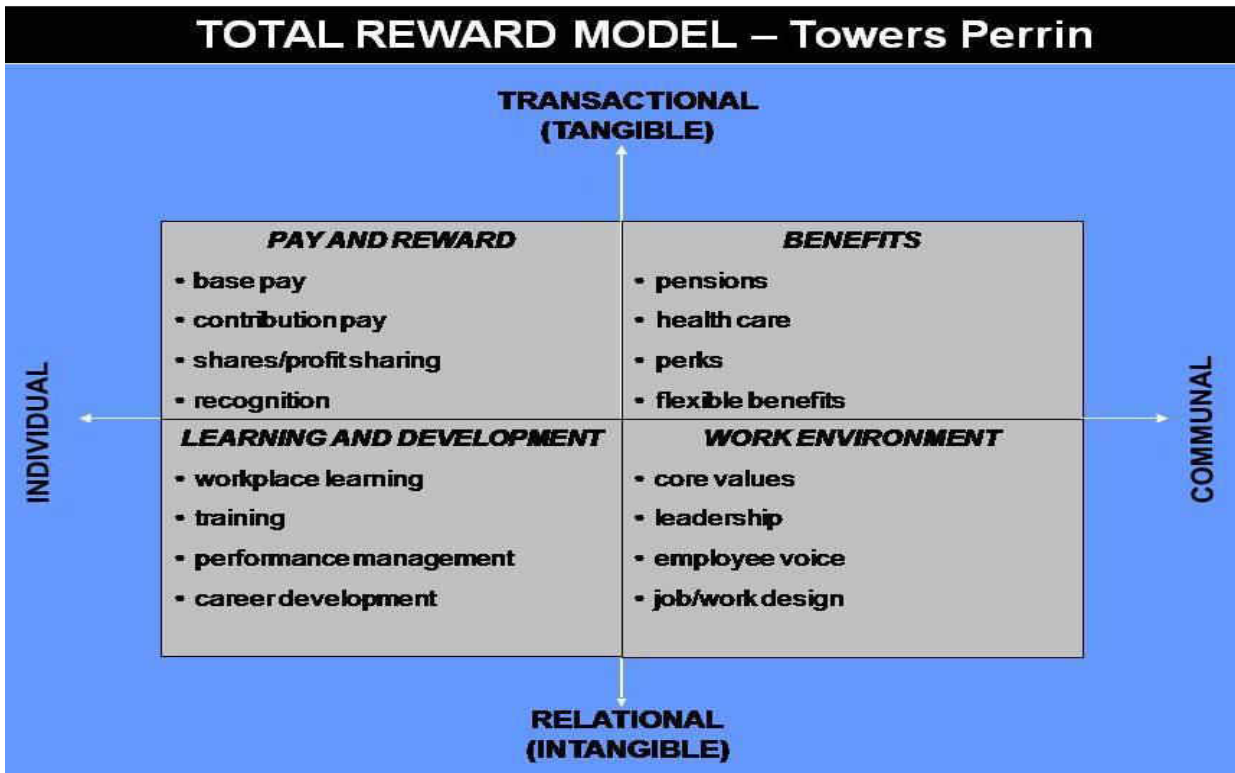
Hay Group Total Rewards Model: IDS (2008) places pay and benefits at the heart of its total Rewards model and in increasing degrees of intangibility, adds personal development, career progression, work-life balance environment and culture.
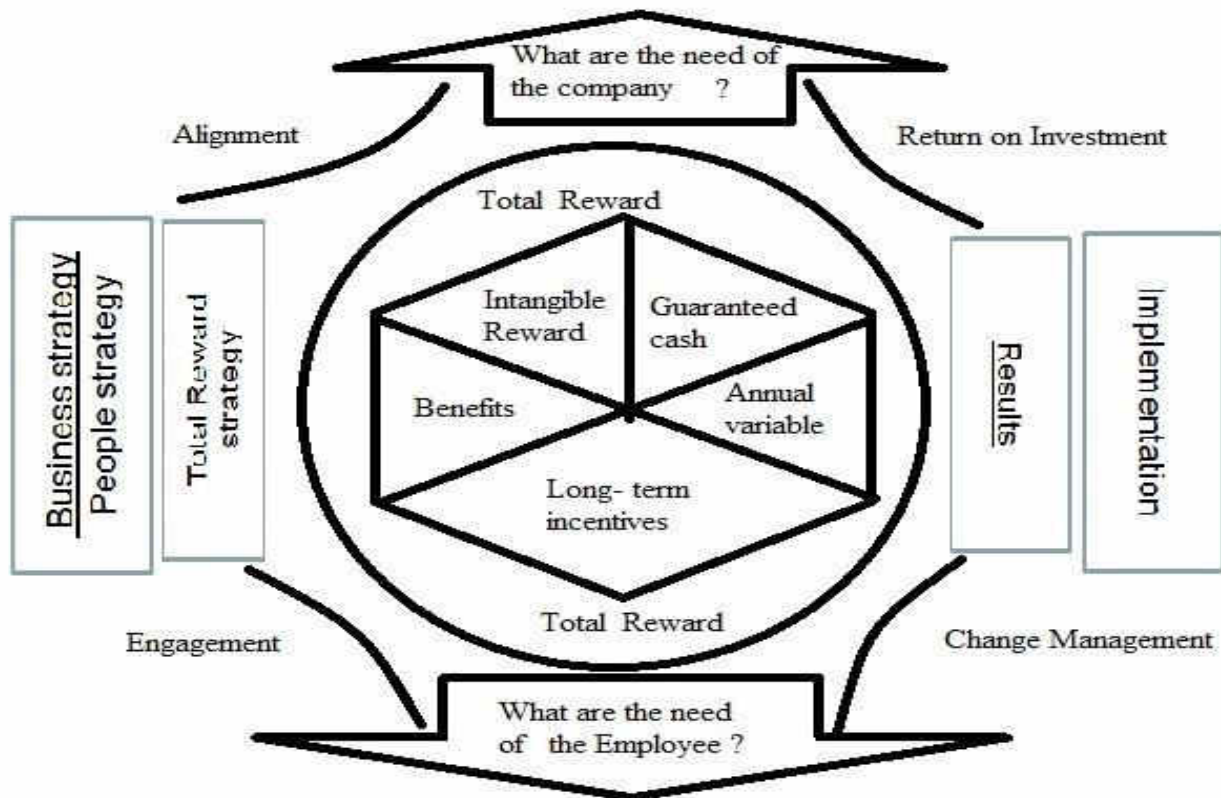
Recognition Schemes:

Recognition Schemes acknowledge success. They can form an important part of a total reward approach.   Recognition schemes enable appreciation to be shown to individuals for their achievements either informally on a day-to-day basis or through formal recognition arrangements. They can take place quietly between managers and individuals in their terms or be visible celebrations of success.

Recognition Scheme can be formal and Organization wide, providing scope to recognize achievements by gifts or treats or public applause.

Benefits of Recognition Schemes:

- Enable people's achievements and contributions to be publicly acknowledged and provide an effective way of motivating them.

- Complement and reinforce financial rewards as part of a total reward process.

- Increase engagement by demonstrating that the organization values its employees.

- Provide rewards for the average performers who are the core contributors in a business and may not benefit much if at all from performance pay

- Provide ways of rewarding teams as well as individual effort and contribution.

Principles of Recognition:

- Should be given for specially valued behaviors and exceptional effort as well as for special achievements.

- Should be personalized so that people appreciate that it applies to them.

- Needs to be applied equitably, fairly and consistently throughout the organization.

- Must be genuine, not used as a mechanistic motivating device.

- Need to be given as soon as possible after the achievement.

Types of Recognition:

Day-to-day Recognition: The most effective form of recognition is that provided by managers to their staff on a day-to-day basis. This is an aspect of good management practice in the same way as getting to know people, monitoring performance.

Public Recognition: Recognition for particular achievements or continuing effective contribution can be provided by public 'applause' through and 'employee of the month scheme' or some other announcement using an intranet, the house journal or notice boards.

Formal Recognition: Formal recognition schemes provide individuals with tangible forms of recognition such as gifts, vouchers, holidays or trips in the UK or abroad, days or weekends away at hotels or health spas, or meals out.

References:

1) Adams, J S 1965 *injustice in social exchange, in Advances in experimental psychology,et L Berkowitz, academic press , new your*

2) Alderfer, C 1972 *Existence, Relatedness and growth, Free press , New your*

3) Cameron J, Pierce WD (1994). *Reinforcement, reward, and intrinsic motivation: A meta-analysis. Review of Educational research. 64(3): 363-423*

4) Chiu RK, Luk VW, Tang TL (2002). *Retaining and motivating employees: Compensation preferences in Hong Kong and China. Personnel Review, 31(4): 402-431.*

5) CIPD (2009) *Reward management Annual survey Report , CIPD , London*

6) Katz, D and Kahn R (1966) *The social psychology of organization , john wiley, New york*

7) Miller, E and Rice A (1967) *Systems of Organization tavistock london*

8) Nelson, Bob (2004). Everything you thought you knew about Recognition (online). Workforce Management. Available from: http://www.workforce.com/section/01/feature/23/61/87/index.html

9) Beer M, Spector B, Lawrence P, Mills QR (1984*). Managing Human Assets: New York: Free Press.*

10) Wirralmet (2007). Introduction to Management-Motivation and Reward (online). Available from: http://www.wmc.ac.uk/flm/text_version/section02.html

_____