Innovative Employee Reward Methods Use and Its Linkage with Employee Motivation and Performance

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Abstract:

The presence of motivational methods and systems in companies defines its success. The perception of what motivates and should motivate employees towards achieving organizational and their own needs, has been changed over the years and the era of technological change, economic crisis and new achievements. Recognition of employee's work and indentifying an innovative idea, followed by an innovative reward method can make a huge difference in the workspace and improve employee performance within the company. Does management encourage every single employee to contribute their ideas and implement the best ones? Many companies continue to offer employees the basic package that has been around for years like base salary, traditional benefits like health, welfare and retirement or maybe a profit-sharing plan. There are absolutely alternatives to consider. This is where manager's creativity takes place. Many of the traditional reward methods are tied to performance, but employers should also consider non-performance based methods. Another category of ideas is to consider motivating employees and maximise performance through implementing relationship-building programs. The lack of existence of innovative employee reward methods is identified in our research, which took place in 39 Macedonian organizations (218 employees). During the research we identified very few reward methods and many of them tie directly to employee performance. Considering the lack of the existence of innovative reward methods in our companies the basic step every employer should concentrate on, should be defining the right factors of motivation that are connected with other indicators and not just performance, as well as making this factors a part of an innovative employee reward method that will be accepted by employees and supported by the top management of companies.

Key words: reward, reward methods, employee motivation, performance, innovative reward methods

1. Introduction

Reward programs followed by adequate recognition programs, are quickly becoming a staple in the way organizations attract, retain and motivate employees [1]. Today's dynamic workforce is looking for everyday recognition. According to a Gallup Poll in 2007, employees who receive regular recognition:

- Are more productive;
- Rate higher on customer satisfaction surveys;
- Increase co-worker's engagement;
- Have better safety records;
- Are less likely to leave the organization.

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Reward has been defined as one of the leading factors that drive motivation. Many studies through the years have been made using reward programs as a basic factor of their research.

2. Linking motivation and performance

Motivation, as a driving tool that leads towards performance, has been a challenging issue through the years of technological change. The perception of what motivates employees has been changed. The needs employees had, well defined in the motivation based theories, are still the basic needs organizations use and try to fullfill in order to achieve better employee performance.
Summary of motivation based theories is given below as shown in Table 1.

Table 1. Summary of theories based on motivation

Maslow	ERG	Herzberg	McClelland
Self-Actualization • Highest need level. • Involves an individual's desire to realize full potential • Can be satisfied without this level. **Esteem** *Self-esteem* • Need for personal sense of accomplishment, mastery. *Social-esteem* • Need for respect, recognition, attention, and appreciation of others **Social** • Need for love, affection, sense of belonging in one's relationship • Dealings with friends, family, and colleagues falls in here. **Safety and Security** *Relationships* • need for security in relationships *Physical* • need for security, protection from future threats, and stability. **Physiological** • Basic needs: food, water, etc.	**Growth** • Desire for continued personal growth and development **Relatedness** • Desire to satisfy interpersonal relationships **Existence** • Desire for physiological and material well-being	**Motivation Factors** • Improving factors leads to satisfaction, effort, and performance. • Related to job content; what employees actually do. • Factors: (1) achievement (2) recognition (3) work itself (4) responsibility (5) advancement (6) growth **Hygiene Factors** • Improving factors prevents dissatisfaction. • Related to job environment more than nature of work itself. • Factors: (1) policies and procedures (2) supervision (3) relations with supervisor (4) work conditions (5) salary (6) relations with peers (7) personal life (8) relations with subordinates (9) status (10) security	**Need for Achievement** • a drive to pursue and attain goals • accomplishment is important for its own sake **Need for Competence** • a desire to do quality work • want to develop skills **Need for Power** • desire to influence others • desire recognition of others **Need for Affiliation** • a drive to relate to people effectively • desire for close relationships

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In order to achieve the goals of this research and connect motivation theories with performance, as well as to make a study which will point out the motivation factors that lead to a better performance, a unique methodology has been created. Theoretical findings have built a path for making this research possible, pointing out the basic concentrations that needed to be explored. The fact motivation is something that cannot be uniformed, gives us directions for identifying a wider range of criteria that needs to be satisfied too. The lack of performance measurement systems in organizations makes it hard for the managers to connect motivation and performance.

2.1 The importance of a performance measurement system in organizations

Reviewing the performance of an organization is an important step when formulating the direction of the strategic activities. It is important to know where the strengths and weaknesses of the organization lie as part of one measurement cycle. Measurement plays a key role in quality and productivity improvement activities [2]. Performance measurement frameworks play an important role in identifying and tracking employee and organizational progress, through measuring the achievement of organizational goals and identifying opportunities for improvement. They can be used as a tool for comparing performance against both internal and external standards. Recognizing people's achievements and strengths is a part of performance management. Feedback is the best way for informing employees about how well they are performing by reference to achievements and behaviours. They can also be helped to understand how they can do even better, by taking action to make the best use of the opportunities the feedback has revealed. There are two often-quoted statements that demonstrate why measurement is important. Using measurement can lead supervisors to a clear feedback about employees work and also create a firm ground for fair reward/punishment system. Yet it is surprising that organizations find the area of measurement so difficult to manage. Armstrong commented as long ago as 1976 that: "It is undesirable to have a direct link between the performance review and the reward review. The former must aim primarily at improving performance and, possibly, assessing potential. If this is confused with a salary review, everyone becomes overconcerned about the impact of the assessment on the increment. It is better to separate the two [3]." Armstrong and Murlis comment that:" Some organizations separate entirely performance pay ratings from the performance management review. But there will, of course, inevitably be a read-across from the performance management review to the pay-for-performance review" [4].

2.2 Reward as a part of a motivation system that drives performance

Developing a performance measurement framework must be followed by a motivational system. A good performance measurement framework will focus on the customer and measure the right things. Performance measurement can provide a basis for motivating people by enabling them to develop their skills. They can be thanked, formally and informally, for what they have done. When looking at a task, we evaluate it in terms of how well it meets our needs to feel competent and in control. We will be intrinsically motivated to complete the task if we think we will be able to complete the task, requiring no further external motivation. Where a person has stronger internal locus of control they will feel they are in control of how they behave. Where they have a strong external locus of control, they will believe the environment or others have a greater influence over what they do. People may see external rewards as achieving some degree of control over them or may see the reward as informational, such as where they reinforce feelings of competence and self – determination. When people see reward as mostly for control, they will be motivated by gaining the reward, but not by enacting the requested behaviour [5]. This are the postulations of the Cognitive Evaluation Theory also called Self-Perception Theory [6]. Performance measures have to be very carefully chosen and have the following characteristics:

- Meaningful, unambiguous and widely understood;
- Owned and managed by the teams within the organization;
- Based on a high level of data integrity;
- Such that data collection is embedded within the normal procedures;
- Able to drive improvement;
- Linked to critical goals and key drivers of the organization.

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Performance is considered to be a function of ability and motivation [7]:

$$\text{Performance} = f[(\text{ability})*(\text{motivation})]$$
$$\text{Motivation} = f[(\text{valence})*(\text{expectancy})]$$

Ability is defined as the variety of skills one person possesses, powered by employee trainings and available resources.

The best way for implementing a performance measurement system can be the acceptance of the basic strategies of motivation, while defining strategies and goals [8]:

- Positive reinforcement/high expectancy;
- Effective reward and punishment;
- Satisfying employees needs;
- Positive work environment;
- Setting work related goals;
- Restructured work places;
- Performance based rewards.

Acording to a 2003 survey conducted by WorldatWork and the National Association for Employee Recognition (NAER), the majority of companies maintain formal and informal reward and recognition programs and their use is becoming increasingly prevalent. The study identified the following driving forces for implementing and maintaining reward and recognition programs:
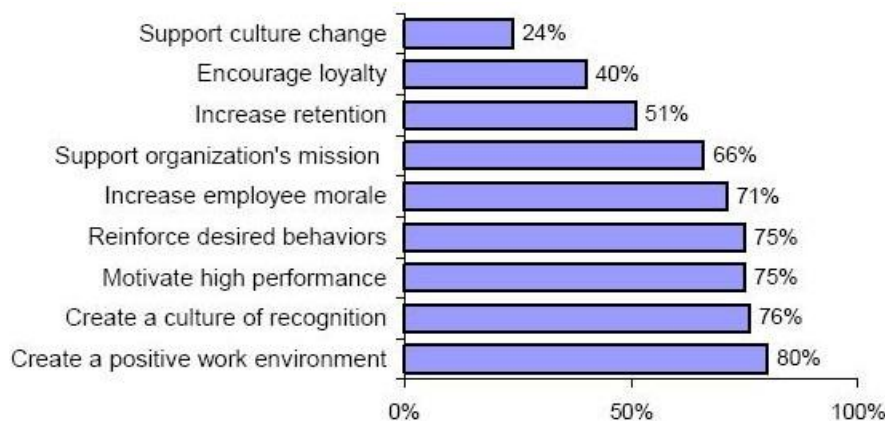

Figure 1. Key Goals of Rewards and recognition program [9]

In survey of 35.000 employees, researchers Joseph Cangemi and George Guttshalk, asked employees to nominate what they wanted most from their jobs. The research shows that there is no parallel that can be made between the "wants" of employees and supervisors. For many people there are few things more motivating than seeing the successful implementation of any idea they suggested. Supervisors overlook the possibility that their employees may be untapped mine of good ideas.

An organization needs to evolve its own set of metrics, using any existing metrics as a starting point in understanding current performance. To ensure they trigger the improvement cycle, they should be in three main areas:

$$\text{Effectiveness} = \text{Actual output} \times 100\% / \text{Expected output}$$

The effectiveness metrics should reflect whether the desired results are being achieved, the right things being accomplished.

$$\text{Efficiency} = \text{Resource actually used} \times 100\% / \text{Resources planned to be used}$$

This is about the process input and measures the performance of the process system management cause it is possible to use resources efficiently but innefectively.

$$\text{Productivity} = \text{Outputs} / \text{Inputs}$$

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Productivity can also be quoted as:

Expected productivity = Expected output / Resources expected to be consumed; or
Actual productivity = Actual output / Resources actually consumed

The research which took part in the public and private sector in Republic of Macedonia, has it's basic accent on indentifying the reward methods that companies use and the factors that directly apply employees motivation.

3. Innovative reward methods use – research

The research took place in 39 companies (219 employees). It is comparing theoretical postulations of motivation, linking them to performance and giving conclusions about the use of motivational systems and reward methods in our organizations.
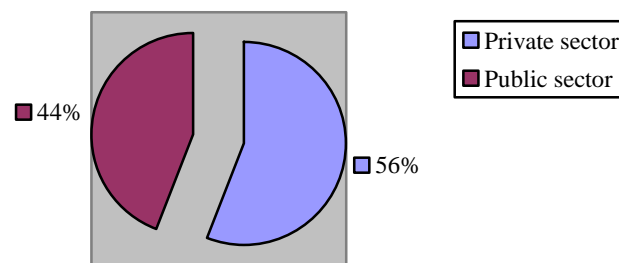

Figure 2 Employee structure

Considering the structure of the employees that were included in this survey, we can highlight that 49% of them are middle level managers which are in charge of working groups that count less than 20 employees. Most of the employees are: (a) around 41- 50 years old, (b) 58,7% have a previous work experience, (c) 61,4% are men, (d) 10,9% of the employees are MSc and (e) 2,7% of the employees have a PhD.
The basic points of the research were the relevant factors that apply directly to employee motivation and its connection with performance. The significance of the *personal factors* are taken in consideration as well as *leadership factors, team factors and system factors,* as defined from Armstrong and Baron [10].
If we take a closer look at the results that apply to personal factors, we can point out the positive structure from the given answers. The work recognition employees get from their supervisors is rated as good - 46,7% of the employees defined it as level 3 on a scale from 1-4, where 1 is the lowest grade and 4 is the highest rating. These factors apply to personal skills, confidence, motivation and employee engagement.
Leadership factors, as quality of encouragement and support from employees and supervisors, can be stated as satisfactory (50,4% of the employees answered that their company encourages them to search for possibilities for their own growth and professional development). We have very disappointing results that are connected with the effort companies make to keep their high skilled employees, 34,8% answered that are partially satisfied with their company policy for keeping their high skilled employees (which is level 2 on a scale from 1-4, where 1 is the lowest grade).
We can highlight *work systematisation* as one of the issues that has an urgent need to be improved. Employees from private sector have a huge need of systematisation of their work, mainly because of the extra effort they put into their work and not getting a satisfactory award and recognition for it.
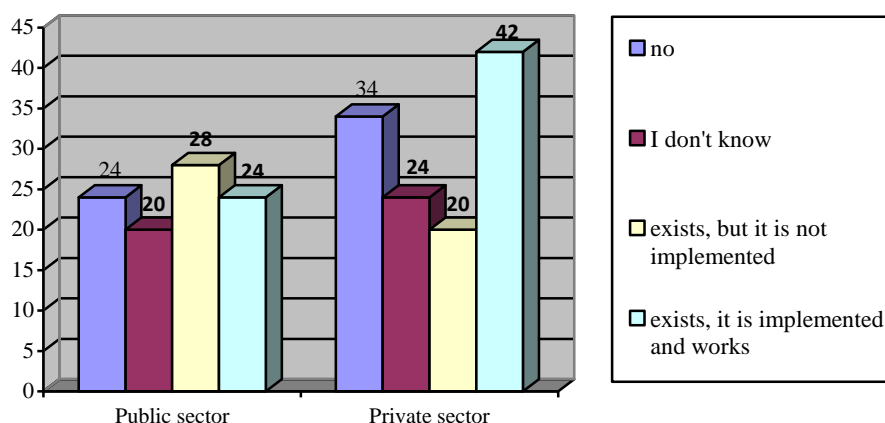
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Figure 3 Reward systems in Macedonian Organizations

It seems like most of the organizations from the public sector have reward systems, but they are not implemented right. The picture in the private sector is different. Most of the organizations (42 organizations) have a reward system which is already implemented and works.

The rewards used as a part of the reward systems in these organizations, are mainly financial awards that employees receive for a complex work that has been properly finished and didn't suffer additional expenses. Rewards, as additional pay for extra work, and yearly paid bonuses are also mentioned. Innovative rewards have not been identified or used.

Very few organizations use performance evaluation plans for measuring their employees work. This is one of the basic issues that leads us to believe these organizations don't have a solid ground to create a strategy that will include implementation of a reward system.

One effective reward system should have the following characteristics [11]: (a) set high goals for performance, (b) develop accurate ways to measure performance, (c) train supervisors in performance appraisal, (d) link pay to performance and (e) make increases noticeable and meaningful.

The research has shown that the basic motivation method organizations use is the financial bonus given as a reward for the excellent work. Other mentioned rewards are: higher hierarchy position, public recognition, non-financial benefits etc.

Table 2 Expected rewards from employees

	1 (no)			2 (maybe)			3 (yes)		
	Pub. Sec	Pr. Sec.	(%)	Pub. Sec	Pr. Sec.	(%)	Pub. Sec	Pr. Sec.	(%)
Crystal statue	80	76	**71,5**	12	32	**20,1**	4	14	**8,2**
Functional reward	20	38	**26,6**	58	42	**45,8**	18	42	**27,5**
Certificate	10	48	**26,6**	46	18	**29,3**	40	56	**44**
Money/ bonuses	4	18	**10**	18	20	**17,4**	74	84	**72,4**
Days off - vacation	8	42	**22,9**	20	38	**26,6**	68	42	**50,5**

*Pub. Sec. – Public Sector
*Pr. Sec. – Private Sector

Every employee has a need for praise and recognition, and the more often they get it the better. Supervisors are in the best position to give recognition, but few do it often enough or creatively enough [12]. Employees have made it very clear that their performance depends on the reward methods used in their companies.
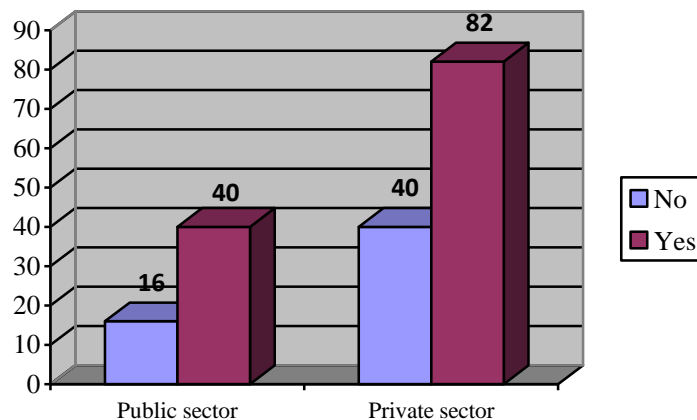
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Figure 4 The case of existing rewards method**:** reward methods improve productivity

There are many kinds of rewards to choose from, besides regular awards. One of the easiest, most effective forms of rewarding is praise, which is misguided. Pay fails to motivate where bonuses or merit pay is too small, when there is non-existence link between pay and performance, performance appraisal is done poorly, when there is effect of unions and when employees have adaptation problems [13]. The fact that rewards tend to be given at big annual or semi annual awards ceremonies poses yet another problem. Since so much time elapses between awards cycles, the awards are typically granted for work that was accomplished many months in the past. This makes a very weak linkage between accomplishments and rewards. Employees need recognition more that once a year. Managers share the opinion that rewards may influence the financial picture of the company. Innovative rewards methods involve minimal or no cost. There are over 100 low-cost or no-cost programs which have been used successfully by companies [14]. Many of them are tied to performance [15], but employees should also consider non-performance based programs, which complement post-performance reward programs. Some examples of non-performance based programs include: (a) core hours (flexible work time), (b) Tips for improving performance (workshops on topics that affect some working issues), (c) casual dress program, (d) employee discounts for company goods etc. Another category of ideas to motivate employees and maximize performance are relationship-building programs [16]. These incentives may not be viewed by some as compensation because there is no exchange of cash or merchandise and no traditional or non-traditional benefits. These programs are a broad set of interactions which build open communication channels and break down organizational barriers. Some examples of a relationship building programs are: (a) executive coffee breaks, (b) family program, (c) cooperative charity day, (d) special dress days etc.

4. Conclusion

Companies are not bound by tradition when it comes to rewarding, compensating or motivating employees. It is a fact that good motivation leads to a better performance [17]. Implementation of a precise reward method is one way of achieving higher employee motivation and improving performance [18]. The use of innovative reward methods can create a positive working environment. Managers should consider the fact that not all rewards involve cost [19]. A need for developing and implementing an employee recognition programs is identified in our organizations. Employees are motivated to work towards achieving organizational goals [20]. Activities that are needed to be taken in consideration by the top management are: reducing ineffective work time and implementing an innovative reward methods system. The current motivation factor in our organizations are money, work recognition comes next, positive working environment is third and continuing training in the field of work, is also considered as one of the factors that lead to a better performance. All of these factors should be taken in consideration while projecting a work frame that can be used for future development of an innovative reward method - system.

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