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A Study of innovative ways to reward top performers in selective IT companies in India

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Abstract: The use of innovative reward methods can create a positive working environment. The objective of the study is to find out innovative ways – monetary or non monetary to reward top performers in IT industry. Initially and exploratory research was carried out to identify the reward methods. Based on the research, research questions were framed and hypothesis was designed. Primary data was collected from selective IT companies with a sample size of 112 which was found sufficient based on KMO test. The results revealed that a combination of monetary and non monetary reward system is important to motivate top performers. These can be categorized as organization's focus on innovation, achieving cost savings, new initiatives for which employees should be aptly motivated. Factors like monetary benefits, work-life balance, comfort, leisure, challenging work environment, psychological motivation, indirect monetary benefit, benefits for family and career graph plans should be considered while framing the reward policies.
Key Words: Innovation, Reward Management, top performers, selective IT companies.

Concept Definitions:
Innovation: Introduction of new ideas that increases the performance of the firm is innovation.(Rogers, 1998)
Reward Management: Reward management deals with the strategies, policies and processes needed to recognize and reward the value of the people and their contribution in order to achieve goals at every level of organization (Armstrong, 3 edition)
Reward is a package of returns given in exchange of employee contributions (Milkovich, 1992: 22)
Top performers: A top performer is individual capable of, and interested in, driving the business results – someone who w takes responsibility of getting results within the set norms of company culture (BOB CORLETT)
Top performer is formed with combination of excellence in role with blend of model leadership traits (Smilansky, 2007)
IT companies: Information technology is a discipline that ties to computer science, information systems, and software engineering. Information technology includes any expertise that would help to create, modify, store, manage and communicate information (Reynolds, 2010)
Selective: (Since standard definition is not available) Head count greater than 75000 in India- TCS, Infosys, Wipro, HCL, Tech-Mahindra.

I.   INTRODUCTION

Reward and Commitment practices and range of organization outcomes has a positive relationship (Ashton & Sung , 2005) The use of innovative reward methods can create a positive working environment. Managers should consider the fact that not all rewards involve cost (D, August 2003). A need for developing and implementing an employee recognition programs is identified in organizations. Employees are motivated to work towards achieving organizational goals (Goldthorpe, J, et al, 1968) In words of (Duncan Brown, (2001: 44))"The need for strategic management is arrived and reward strategy is final way of thinking that can be applied to any reward issue" (Fitzgerald L. et al, 1991) Jonathan Smilansky in his book on Developing Executive Talent, explains that the Talent review for exceptionally high performers should focus on ways to keep the top performers motivated to continue improvement in their performance. As per a field study by Jonathan, the exceptional performers appreciate discussion with other experts in the same content areas, to share ideas and think together.

Research papers have also been published related to linkage of motivation and performance, and it was found that the individual performance has direct effect on organization's performance. Also, top performers who possess the ability to give high performance and possess high potential to perform contribute to major success and growth of organization. Rewards changes triggers success in shifting the business strategy to new situations. (Brown, D, 2001) There are studies proving the need to strategize the reward management as the needs of the employees are demanding also a stiff peer competition and bundle of opportunities are available across globe. Hence the need to study the innovation in reward management exclusively more for top performers who possess the

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ability to give high performance and possess high potential.

II.   REVIEW OF LITERATURE

(Kerr, Steven, 1995) Analyses the need for altering the reward system. He identifies the follies in current reward system and the causes of the same. Reward systems analyze the breadth and magnitude of the phenomenon, whereas diversity increases the difficulty of determining commonalities to establish causes. He identified four general factors that are pertinent explanation of why fouled-up reward system seem to be so prevalent- 1) Fascination with an "Objective" creation, 2) extra emphasis on visible behaviors,   3) hypocrisy, 4) Stress on morality than efficiency.

(Paauwe, J et al, 1997) wrote, 'The actual benefit of reward strategies lies in linkages with other human resource management strategies, which gives a good reason to develop a reward strategic framework indicating how reward processes would be linked to HR processes to be mutually supportive'.

Reward strategy gives the intent and the sense of purpose and direction, a link between the business and its people formed with reward policies of organizations, (Brown Duncan, 2001), suggests a positive relationship between rewards and performance, so the need to think on strengthening it. Also, the expenditure on the pay costs in most organizations are a major chunk, so efforts should be spet on managing them well.

(Armstrong et al, 2004) Pointed out that, 'Reward strategy is conditioned by legacy of the past and the realities of the future and is characterized with diversity'. It is very important for reward strategists to have clear idea of the needs to be addressed. Top management is driven by concept of 'affordability' and the need for action, so should be considered by strategists. Reward strategy must be a detailed analysis with strengths and weaknesses highlighted aptly and gaps defined well.

A study by (Huselid, 1998) concluded that financial performance is found to be influenced by employee skills, motivation and organizational skills whereas, productivity is influenced by employee motivation;. (Thompson and Heron, 1997) Mentioned high performance work systems invest prominently in skills and abilities of employees, designs work to enable employee collaboration in problem solving and in order to motivate workers to use their discretionary effort ,incentives needs to be provided..

(Huselid & Becker, 1998) Describes a high performance work system is key to acquisition, motivation and development of intellectual assets for competitive advantage. Also found that organizations perform well if the HR index has high values.

A research by (Stefanovska, Ceravolo, L & Ristova, E, 2011)has identified, that 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 (Black's academy, April 2003). Implementation of a precise reward method is one way of achieving higher employee motivation and improving performance (Fitzgerald L. et al, 1991). The use of innovative reward methods can create a positive working environment. Managers should consider the fact that not all rewards involve cost [(Deeprose D, August 2006)]. A need for developing and implementing an employee recognition programs is identified in our organizations. Employees are motivated to work towards achieving organizational goals (Goldthorpe, J et al, 1968).

Center for Creative Leadership paper concludes that formal identification of potential employees boost commitments, and so organization's transparency in recognizing key people reflects in retention.

A Harvard Business Review blogger suggests high performers look positively so companies should frequently provide feedback to retain top performers. A research by Scott Ross –Cornell University infers that organizations cannot understate rewarding top performers through development opportunities and monetary rewards, there should be innovative and unique solutions to retain and keep the high performers engaged.

III.   RESEARCH METHODOLOGY

The various steps in research design are as follows.
An exploratory study was carried out based on existing literature on reward strategies. Secondary sources such as national and international research journals, reports, magazines were also studied. The design was planned such that it provides the opportunity to consider all aspects of the innovation in reward strategies.

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The exploratory study helped to identify below nine factors which may create a motivational rewards strategy for top performers. Classified broadly in two categories: Monetary and Non-Monetary.

A. Monetary ways
1) Annual bonus or financial incentives based on the company's achievement in Financial targets
2) Foreign trips for family or bonus company shares as a form of reward for performance or Car/housing benefit, or Free tickets to various events like(movies/cultural events/sports events)
3) Facility of private cabins, sick rooms ,flexible working hours, free first aid medical service, other benefits like swimming pools, gyms and exercising during office hours for stipulated duration

B. Non-monetary ways
1) A day off as a reward of a great work in project, Team lunch, or Attendance award, or long service awards, commitment awards.
2) Publish articles in the company's magazine about employees and their and their families' achievements or a personalized "thank you", a note of appreciation, or acknowledgment of efforts in front of colleagues.
3) Provide new assignments frequently, involvement in decision making and empowerment.
4) Options for getting trained or train, seminar and further education, sponsorships and nominations, formation of technical clubs and associations at global level
5) Visibility of roles at higher levels, opportunities for fast promotion with special grades for performers
6) Day-care centre at the company for children under school age, schools and scholarships for children

C. Research questions
Based on the gaps identified in initial secondary study, research questions were framed to understand the opinion of the employee of selective IT organizations on the identified 9 parameters.
Do employee look for only monetary benefits as part of rewards?
Do employee look for both monetary and non-monetary benefits as part of rewards?

D. Hypothesis Designing
An Alternate hypothesis and Null hypothesis is designed to statistically conclude on the parameters identified from secondary study
1) *Part 1: Monetary benefits analysis*
   H0: Monetary benefits do not have importance in reward strategies
   H1: Monetary benefits have importance in reward strategies
2) *Part 2: Non-Monetary benefits analysis*
   H0: Non-Monetary benefits do not have importance in reward strategies
   H1: Non-Monetary benefits have importance in reward strategies

E. Data Collection
Secondary data was collected through research reports of Harvard Business Review, Black's academy Duncan Brown: CIPD Publishing, Armstrong's Handbook, newspaper articles, research journals and websites related to reward management strategies. The gaps in the existing literature will further strengthen the study.

A brief questionnaire was used to get the primary data from associates of selective IT companies like TCS, Infosys, HCL, in Pune. To finalize the questionnaire a pilot data collection study was done, so as to verify the reliability and validity of data that had to be collected through questionnaire.

Collection of primary data: By mailing the questionnaire to the associates of selective IT companies like TCS, Infosys, HCL, in Pune, of whom the contacts were established from Linked-in and other social media sites

Scaling and quantifying data: Summated scales or Likert type scales were used, as it gives information relevant to study the attitude of people for innovative reward strategies, and each statement would express the definite favorableness or unfavourableness to a particular point of view. Nominal and ordinal scales were also used in the questionnaire to separate the strata.

F. Sampling Design
1) *Sample Size Calculation:* The sample size calculation is done based on number of factors to be studied. 9 factors were identified

that needs to be considered for innovation to reward strategy, referring to various research papers on similar topic, a sample size was 112 (shodhganga), (Kerr, Steven, 1995). Sample size was also fixed on the basis of pilot survey that was done where majority of the employees reverted with more or like similar responses. The adequacy of sample size was also tested by Factor Analysis.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.720
Bartlett's Test of Sphericity	Approx. Chi-Square	618.433
	df	36
	Sig.	.000

A Multistage sampling was performed, the data collected using the questionnaire was tested using Stratified sampling as population from which sample is to be drawn here does not contain homogeneous group, so as to achieve representative sample. The non-overlapping strata would be the top performers of the selective IT industries. Further Non probability sampling – Convenience Sampling was used to identify the required samples from the required strata. Convenience sampling will be useful so that selective information from the questionnaire would be considered for concluding.

G.   Test of validity and Reliability

The validity was confirmed through review of literature and secondary study. Using stratified sampling, samples for top performers of selective IT companies were identified, and 83 samples were considered for testing the reliability.

Reliability was confirmed and verified performing Anova Single factor for the mentioned hypothesis, using automated statistical tools Excel and SPSS. The factors were divided in two major areas: Monetary and Non-Monetary, Anova single factor test is used to check the variance in the responses, for both the areas.

1)   Part 1: Monetary benefits analysis: Hypothesis testing was done using Anova test at confidence interval of 95%.

Anova: Single Factor Monetary Benefits						
Groups	Count	Sum	Average	Variance		
Column 1	83	343	4.13253	0.970026		
Column 2	83	308	3.710843	1.549515		
Column 3	83	302	3.638554	1.136056		
ANOVA						
Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	11.81526	2	5.907631	4.848151	0.008608	3.032512
Within Groups	299.759	246	1.218533			
Total	311.5743	248				

Inference: Null Hypothesis can be rejected as there is no sufficient evidence to accept Null Hypothesis, as p-value< Alpha (0.008<0.05), so we can conclude that Monetary benefits have importance in reward strategies.
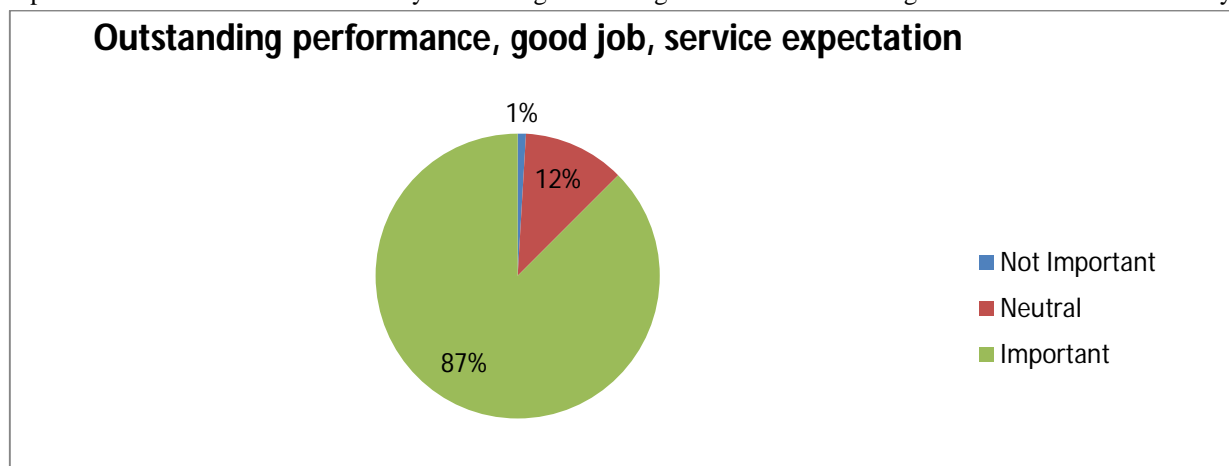
2)   Part 2: Non-Monetary benefits analysis

Hypothesis testing was done using Anova test at confidence interval of 95%.

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| Anova: Single Factor Non-monetary benefits						
SUMMARY						
Groups	*Count*	*Sum*	*Average*	*Variance*		
Column 1	83	312	3.759036	1.014399		
Column 2	83	337	4.060241	0.86218		
Column 3	83	305	3.674699	1.173376		
Column 4	83	330	3.975904	1.218924		
Column 5	83	355	4.277108	1.056421		
Column 6	83	332	4	1.512195		
ANOVA						
Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	19.43976	5	3.887952	3.411733	0.004853	2.232335
Within Groups	560.6747	492	1.139583			
Total	580.1145	497				

Inference: Null Hypothesis can be rejected as there is no sufficient evidence to accept Null Hypothesis, as p-value< Alpha (0.004<0.05), so the conclusion is that Non-Monetary benefits have importance in reward strategies.

Two more parameters that can be considered by HR managers to design the innovative strategies were studied in the survey

Outstanding performance, good job, service expectation

1%
12%
87%

- Not Important
- Neutral
- Important

Inference: From the data collected, 87% of Employees in IT organizations', believe that outstanding performance, consistently doing a good job, exceeding service expectations, demonstrating teamwork are some of the factors to be considered for reward strategies, so HR managers and policies should focus on these factors for innovative HR strategies

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Focus on innovation, achieving cost savings, taing innitiatives
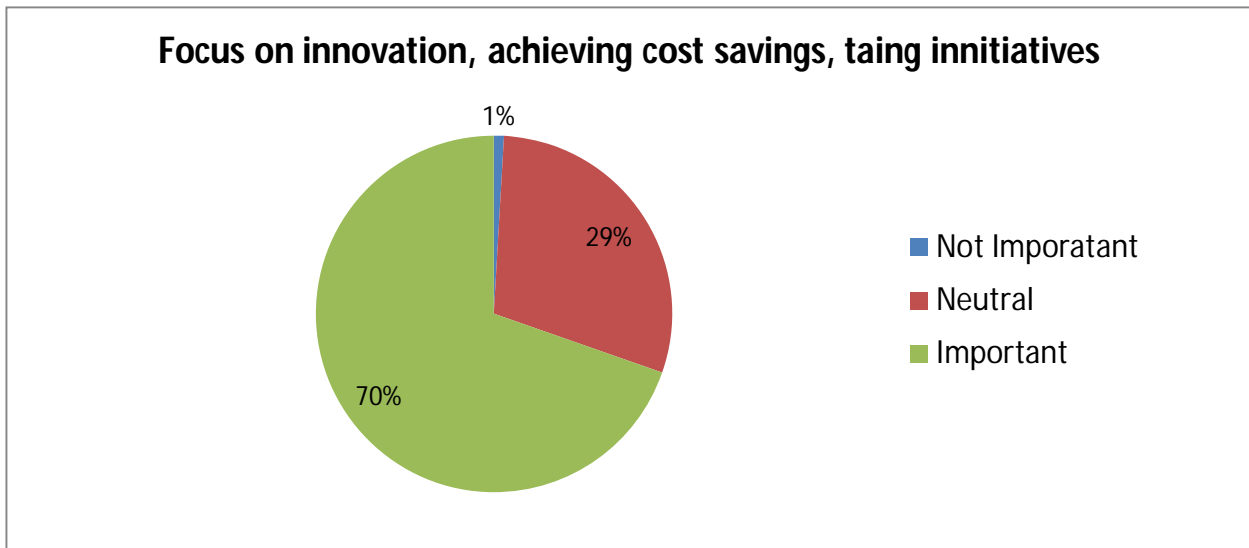
Inference: From the data collected 70% Employees in IT organizations have Focus on innovation, achieving cost savings, taking initiatives, hence such factors should be considered for innovation in reward strategies

IV.   CONCLUSION

A study to find innovative ways to reward exclusively more for top performers was conducted and various innovative factors were identified that will help the HR managers in IT organizations to design innovative strategies. The research points out, that, employees in IT companies are not just looking for rewards in monetary terms but a good mix of monetary as well as non-monetary benefits.

Organizations frame rewards policies in order to provide competitive pay packages and fairly share benefits' of peoples' efforts (Great place to work: Survey, 2013). Now, organizations should think beyond this and implement reward strategies in creative way that will satisfy the exponential needs of employees. It is the fact that retention of top performers in the organization has direct impact on bottom line. It is very evident from the survey done in this research study, that, top performers are looking for creative and innovative ways of being motivated.

Appreciating the experience, expertise and inclusiveness in reward strategies is more important than actual quantum of reward. Some innovative rewarding ways are suggested in the research that will ensure monetary as well as non-monetary benefits. The research also points that outstanding performance, consistently doing a good job, exceeding service expectations, demonstrating teamwork are some of the factors to be considered for reward strategies in IT organizations.

Also, that people are looking for organization's focus on innovation, achieving cost savings, new initiatives for which employees should be aptly motivated. Factors like monetary benefits, work-life balance, comfort, leisure, challenging work environment, psychological motivation, indirect monetary benefit, benefits for family, career graph plans as a factor, should be considered while framing the reward policies.

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