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Declaration

I hereby declare that this material, which I now submit for assessment on the programme of study leading to the reward of Masters of Business Administration at Dublin Business School, is entirely my own work unless referenced in the text as a specific source and included in the bibliography. Furthermore, no part of this work has been submitted for assessment for any other academic purpose other than in partial fulfilment of that stated above.

Signed                         Date

Brian Murphy                  05/05/2015
Abstract

This research paper focuses on the effects of reward systems on employee performance in the modern work environment and how satisfaction with rewards can lead to higher performance and better job satisfaction. Based on a critical review of published literature, it is clear how important the right combination of rewards is to the performance of an organisation. Employees should always be aware of the relationship between their level of performance and how they are rewarded for that performance. This thesis will examine how different types of reward systems affect that performance and attempt to establish which type of reward systems are more beneficial to the company in question and in the current business climate it operates in. The research is conducted in a period of particular financial turbulence for the mining industry, and wider global economic environment. As such, reward structures and the perceived value of those rewards, come more into focus as financial pressures restrict the type of rewards available, while retaining and motivating staff becomes more challenging. How can performance be enhanced and the required business outcomes accomplished? How can reward systems contribute to this performance and outcomes? These issues will be addressed in the context of best international practice regarding reward structures and from primary data collection. This research was conducted at operational managerial level. Considering how many employees report into this level, this is where I believe both employee and employer interact the most regarding rewards, motivation and how that affects performance.
Chapter 1: Introduction and background

1.1 Introduction
Paying employees for productivity has been the cornerstone of industrial and business development for centuries. Financial reward has always been important in managing employee’s performance, but over the last 25 years other elements of compensation have developed to provide employers with more scope to reward, and thus, motivate employees. Armstrong and Taylor (2010, p. 331) state that “performance is defined as behaviour that accomplishes results. Performance management influences performance by helping people to understand what good performance means and by providing the information needed to improve it. Reward management influences performance by recognising and rewarding good performance and by providing incentives to improve it”.

The purpose of this research study is to attempt to identify how these rewards impact employee performance and how well the current reward system does this, within the company forming the basis for my research. Torrington et al. (2011) describe the importance of workplace rewards as:

Reward is clearly central to the employment relationship. While there are plenty of people who enjoy working and who claim they would not stop working even if they were to win a big cash prize in a lottery, most of us work in large part because it is our only means of earning the money we need to sustain us and our families. How much we are paid and in what form is therefore an issue which matters hugely to us (Torrington et al., 2011, p.514).

The rewards that we apply to both individual and team performance are therefore critical in determining how affective our reward strategy will be. Wilson (2003, p.128) describes rewards and their purpose as including systems, programmes and practices that influence the actions of people. The purpose of reward systems is to provide a systematic way to deliver positive consequences. Fundamental purpose is to provide positive consequences for contributions to desired performance.
Defining the concept of human resource management in the mid-1980’s led to a greater appreciation for the value your workforce could make to the overall business goals of the organisation and how it could be groomed and cultivated to add most value to competitive advantage. For the purpose of this study, the desired outcome is to show if different types of reward systems do have positive consequences and if these consequences develop into increased or decreased performance. Weightman (2004, p. 174) argues “the main construct of performance management is that work groups and individuals see what they have to do to make their contribution to the organisations overall effectiveness. There needs to be a clear link with the organisational objectives and this involves good communication of clear objectives that everyone understands”.

Based on the review of current literature, this research sets out to explore clearly what variables exist in attributing the correct reward structure to an individual employee or team. Reward management is both complex and problematic and very susceptible to outside influences such as economic environments, culture and individual employee preferences and perceptions. What is applicable, effective and performance enhancing for one employee or team may not have the same effect on other employee’s in similar circumstances. There is much published literature on the benefits and problems surrounding performance management and performance appraisal systems. These become more complex and harder to manage as organisational structures cross international boundaries and cultures. In this context, the reward systems we apply can become vital in achieving the desired level of performance and job satisfaction. The researcher has worked for 7 years within the chosen organisation for the research, holding various supervisory and managerial roles, so is aware of how important rewards systems are to employee performance. As such, I aim to examine what impacts the current reward structure has on performance, and to a lesser extent motivation, and how that relates to best international practice in the themes examined.
1.2 Background

The research will focus on one company - Sandvik Mining - a Swedish manufacturing company, specialising in producing and supplying machinery for the mining sector globally. It has over 15,000 employees. Sandvik Mining has been a part of the Sandvik Group since 1998 when the Sandvik Group acquired the Finish Company, Tamrock. Sandvik Mining is a leading global supplier of equipment and tools, service and technical solutions for the mining industry.

http://www.mining.sandvik.com/

The research will focus on employees in the supply chain management section of the company, across different departments and geographic locations and with different cultural backgrounds.

This research proposal takes a qualitative approach to analysing collected primary data and also extensively uses published literature concerning the role of reward systems in performance management and there effect on employee performance.

Employee retention relates directly to how we reward them. Replacing employees in a company can be an arduous and expensive exercise. Even in more secure industries such as the public sector, performance needs to be managed and staff motivated as in the private sector. Retention of experienced staff in both these industries is important to create competitive advantage and organisational success. This study will also look at the importance of rewarding experienced and high performing staff. So in a time when the amount of financial rewards is restricted by the economic climate, retaining high performers with rewards has to be achieved while making all staff feel valued. I will investigate if these values, along with a total reward approach to how we compensate employees, have an effect on employee performance.

As more and more organisations cross international boundaries to conduct business, rewards that are relevant in one country may not be as important in another. I aim to establish if a structured reward system, and the specific type of rewards applicable to this organisation, is imperative for increasing employee performance or if it has any effect at all. This is all in the context of an ever changing society, where most workers aspire to be
wealthy in a way that previous generations did not. These aspirations from an increasing educated and mobile workforce put even more emphasis on an organisations reward systems and structures, and highlight the importance of rewards in the context of achieving job satisfaction among employee’s and using this as a competitive weapon against business rivals.

1.3 Research Issue
This research takes place at a time of unprecedented change within the Sandvik group and by extension, Sandvik Mining. Several organisational changes have occurred across the company in the last 4 years and these have led to major internal uncertainty within the company. It is important to note that the reward system within Sandvik is dependent and driven by current market conditions which are not financially favourable in the mining industry at present.

Also, reward systems and strategy are a centralised activity due to out-sourcing and centralising of HR functions, so remuneration and reward is very much guided from remote locations and often not fully in touch with specific in country market conditions.
Chapter 2: Literature Review

2.1 Introduction

Saunders et al. (2009, p.98) state that “a critical review of literature is necessary to help you to develop a thorough understanding of, and insight into, previous research that relates to your research question(s) and objectives”.

This literature review on reward systems encompasses the areas of performance related pay, total reward systems and team rewards. It will reveal the many different types of incentives available to modern day employees as well as the most favourable way to apply those incentives to get the best performance form your staff. Reviewing the current published literature in this field will allow the researcher establish a base, to which further research can be added. This dissertation explores three of the main theories and practices of rewards in the workplace and how they affect performance, as well as specific cases within organisations explored in the critical review of already published literature. The theory on reward systems and their effects on performance cannot be evaluated without looking at how work motivation is also affected by these rewards and how that motivation is directly linked to performance. Kanfer et al. (2012) describe motivation in the work sense as a set of processes which are ultimately used to determine a person’s actions, and which actions they will use to achieve a desired outcome. This psychological procedure determines how personal effort is used in the ‘direction, intensity and persistence’ of these actions in relation to your work. How you are rewarded for this work will have a great effect on this direction, intensity and persistence. Ensuring you have the right reward strategy and structure in place in your organisation is vital for the positive performance and motivation of your staff and these rewards systems should be based on what is needed to achieve the desired level of performance and motivation. Adams (1965) describes equity theory as the perception of how you are treated compared to others and in essence that you will be more satisfied and motivated if you think you are been fairly treated. This procedural justice element to how rewards are interpreted runs deep in terms of this performance and motivation. Armstrong (2010,
p.41) states that “in general, use an evidence-based approach, which essentially means managing reward systems on the basis of evidence rather than opinion, on understanding rather than assumptions, and on an unrelenting commitment to gather the necessary facts to make more intelligent and informed decisions”.

2.2 Team Based Reward Systems

In the modern business environment, team performance is becoming more and more critical to organisational success. One of the first questions asked at most interviews today is ‘can you work as part of a team?’ Ensuring employees work both productively and collaboratively as part of a team can be difficult and according to Torrington et al. (2011) if the performance management activity is not defined correctly, employees individual goals may damage the team’s performance and vice versa. Group based awards appear to be logical compliments of performance measurement that focuses on teams and the quality/quantity of work they produce and (Dematteo et al., 1998, p. 144) found that applying rewards to teams as a whole is based on the assumption that team rewards will do something qualitatively different than individual rewards. Also from a performance evaluation point of view, it may be easier and less complex for a manager to evaluate a team’s performance as opposed to individual performance. So it could be argued that managing performance and rewards available for achieving the level of performance desired can be complimentary and less time consuming from a monitoring and measuring point of view in a team based structure. However, according to (Armstrong, 2012, p. 294) it can take time for a team member to adjust to part of their remuneration been determined by the group effort and how long that takes will be determined by the maturity of the team members and how used they are to working together. Although the idea of having a high performing team working closely and collaboratively together is appealing, the danger is forcing people into a new remuneration arrangement who may already be just getting used to a new way of working.
In some organisations it may be more advantageous to not apply individual performance targets and focus only on collective reward and performance plans. Kramar and Syed (2012) has identified that group rewards or incentives are more likely to yield a collaborative approach to performance and thus be more effective in reaching your shared goals. They also argue that collective incentive schemes may encourage more organisational buy in from employees compared to those schemes of an individual nature. However, this does not mean that team based rewards are not compatible with individual performance related pay schemes as both can be combined with careful attention. As Kerrin’s and Oliver (2002) comment in their research on collective and individual improvement activities, the effectiveness of collective or team based rewards can be directly related to the culture of the organisation. As base pay from an individualistic point of view has always been seen as the backbone of compensation, when organisational design moves into supporting teams for productivity, then the applicable collective rewards should be adapted to support this. They found that companies faced challenges in moving from a traditional system of reward based around the individual to a more team based reward structure, but that they could operate simultaneously with success. They also note that challenges also arise where manufacturing processes can be built around the concept of teams, while rewards for continuous improvement activities still remain linked to individual rewards.

A study by Michael D. Johnson (2009) argues the effectiveness of a team based reward system in the basic sense. The dynamics of the team play a big part in the “reward interdependence”, i.e. how an individual’s reward is based on the performance of another team member. This study argues the need to introduce more individual incentives within the team based reward structure. “Equal Allocations” become important where reward is not only dependent on overall team performance, but is shared equally between all team members (Johnson, 2009, p. 4). It suggests team members must help each other to achieve their end result, but they are rewarded differently based on what they have contributed to the team’s performance. He also found that where transparency of team member’s contributions is visible, then it can make the team member more conscious of that contribution, thus increasing the tendency to act in favour of the team. Research into the relationship between empowerment and rewards by Born and Molleman (1996) found
that the correct reward system, targeted in the right way, can support in the empowerment of the employee. This was in the context of autonomous work groups where cross training was prevalent. Although ‘incidental bonuses’ were deemed to be effective, applying them to reward the behaviour of the group was considered to be more effective and encouraged an overall feeling of empowerment.

Similarly in a survey carried out on team based rewards in computer – mediated groups, (Rock et al., 2011, p. 431) found there was a lower based score for an ‘equity strategy’ where everybody gets the same. In this study team based rewards showed no correlation with higher performance. However, it did show that a team based rewards system can lead to better cooperation and communication between team members. In their study of the employee reward and recognition process within an Australian organisation London and Higgit (1997) found that emphasising recognition as part of the reward process increased employee involvement and recognising team based success at company meetings where all employees were invited to, resulted in positive outcomes. They also suggest that any rewards or recognition process needs to be a formal one and removed from too much direct managerial influence. It should be seen to be unbiased and fair.

With the increasing use of team based work structures, it is important to choose the right rewards to obtain the highest performance. But constructive behaviours between team members are also important. The argument for ‘equality’ based team rewards where all members are rewarded in an identical way as opposed to an ‘equity’ system where members are rewarded based on their individual performance in the team, is further explored in a study by (Bamberger and Levi, 2009, p. 301). They found “equality orientated pay structures” within a team setting led to better behaviour outcomes for the team such as more positive cooperation between members and better sharing of individual competencies. So rather than focusing on specific team performance goals they look at the ‘behaviour responses’ that a team based reward structure can bring when teammates have to respond to help requests from other teammates. Rewarding team-related behaviour such as helping your team mates enhanced the over-all effectiveness of the team. It also found that individuals at the higher level of development within the organisation were more inclined to help in a team setting even when doing so was not to
their apparent advantage. Understanding behaviour is important in this context. Weightman (2004) describes influencing employee behaviour through instructing and rewarding as ‘behaviour modification’. This is important for managing people because if personality is learned and reliant on reinforcement then the right type of rewards applied to a team should yield positive behaviours which can increase motivation and performance. Similarly, King (2007) argues that initiating team work on a small scale throughout the organisation and focussing on essential tasks that help people to grow along the entire career chain, will contribute positively to ‘career motivation’. As the corporate world sees such a high turnover of staff and thus have less incentive to spend resources on motivating staff, this idea of ‘career motivation’ i.e. getting the best commitment from your staff, can add real value to your organisation. There are proven clear links between commitment, productivity, and quality of work/life balance.

The validity of team based reward systems can also depend on the specific industry you apply them in. Sometimes a combination of individual and group financial incentives as well as a mixture of formal and informal rewards schemes, can encourage employees to engage in both ‘in-role’ and ‘extra-role’ behaviour at the same time (Yap et al., 2009, p. 280). In this study specific to the retail sales industry, it found a mix of individual and group rewards encouraged both ‘in’ and ‘extra’ role behaviours or tasks, specific to your job description and tasks that are more discretionary and go above and beyond what you are expected to do. It also showed ‘informal rewards’, defined as more spontaneous rewards presented by individual store managers to be more effective in enhancing the performance and motivation of team members. As DeMatteo et al.(1998) comment in their extensive review on team based rewards, a key question is how can different reward practices be applied to support and foster high levels of individual performance while still encourage team work within your organisation? Most researchers seem to suggest a combination of both type of rewards, applied in the right combination and in the right environment can be most conducive to improving performance.

There is evidence to suggest that individual monetary incentives within a team setting, aligned with the right type of group rewards, can positively affect behaviours, team dynamics and productivity. However many organisations are slow to implement team pay
or other extrinsic team rewards because they are adequately happy with their individual performance related pay schemes (Armstrong, 2007, p. 352). It is these companies who should consider team based rewards as a means to improve performance more and if they wish to include teamwork as a competence to be measured and rewarded as part of a performance management system. Similarly, in her study on reward and recognition programmes in the knowledge based environment, Milne (2007) found major shortcomings on how team based rewards were viewed in terms of motivation. Employees may have difficulty in seeing how their efforts translate into results and may become demotivated if they see a team member been rewarded for not contributing enough to the end result. She argues an equality based reward in a team setting rather than an equity based one where everyone gets the same. Therefore the design of team based rewards is vital if you are to avoid negative effects on motivation, which ultimately will lead to bigger problems for your organisation, if allowed to foster.

So although the basic elements of teamwork need to be in place to achieve the desired level of performance, Cacioppe (1999, p. 325) in his study on how team rewards drive organisational success suggests “this especially includes positive interdependence, personal accountability, promoted interaction, and appropriate use of social skills and group processing. This suggests that reward and recognition systems, are one of the most important ways to foster positive interdependence and personal accountability”. So identifying the correct rewards for your team should be followed by the correct design of that strategy. This evidence based research also found that as organisations continue to flatten hierarchies and develop team based models to improve performance; reward and recognition practices which are aligned to these changes will yield the best results. Aligning organisational goals with developing team based rewards and including the culture and value of the organisation in this development, is the suggested approach.

A low risk approach to this would be to introduce a team based recognition strategy which should aim to reinforce the capability of the team. This will allow organisations to reap the benefits of closer working relationships with the team now, and to assess whether even greater benefits would arise later from specific team based pay (Thorpe & Homan, 2000). In their evidence based research including a survey of over 173 reward
and HR practitioners, (Armstrong et al., 2011, p. 114) show that while many organisations are still not evaluating the effectiveness of their reward systems, some are by using certain criteria. This reluctance relates to team rewards just as it does to individual reward structures. The researchers show that although evaluation of the reward systems in question displayed a higher level of employee engagement after a change in that system, it could not conclusively be linked to improved performance. It was not possible to develop a reward system with a system of logical steps that concluded with a well-developed and operational reward system. As the very nature of reward is specific to an individual or team for only a certain period in time, and as all organisations are different or may have different cultures and designs, they will use different criteria and measures in their approach to reward systems. What works for one organisation may not work for another. However, in the evidence based research on organisational rewards systems carried by (Datta, 2012, p. 482) an ORD (optimised rewards distribution) model was developed where rewards distribution followed ‘well-grounded strategy which best corresponds to the exchange’. In this sense human resources are considered as portfolio or capital assets. So this research considered rewards distribution as a human capital management system with performance reviews as inputs in the process and the actual end rewards as the outputs. A team of eight employees were closely monitored in terms of job tasks and performance output. Results showed that using this evidence based model, both individuals and the entire team could be measured effectively in what was seen as an unbiased and transparent way. Effective measurement made the distribution of rewards more relevant and ultimately reflected positively on performance.

There is a need for more focussed research on the effectiveness of team based rewards on performance and within the industry which this research is focussed on.

### 2.3 Performance Related Pay (PRP)

In recent years, many organisations have moved towards rewarding employees for performance as a means to achieve organisational goals (Mullins, 2005). Essentially they have tied compensation to performance. The debate on the effectiveness of financial
remuneration on performance goes on as researchers try to establish the organisational and cultural fit for such a practice. Rayner and Adam-Smith (2005, p. 101) state “as both performance and motivation are affected by many factors, performance related pay (PRP) (or any other intervention) cannot be linked in a casual manner”. They argue that although it may be relatively easy to provide answers to individual aspects of the effectiveness of PRP, when all variables related to this concept as it is applied are taken into consideration, connecting PRP to performance levels becomes more difficult.

Performance appraisals are a key aspect of managing any pay for performance model. Smith and William (2003) in their research paper exploring the link among performance rating pay and motivational influences looked at the dangers of receiving the incorrect merit increase where performance related pay models are applied and the effects this can have on motivation. In a survey administered to 5 different companies, ranging from administrative support to supervisors and managers, they found that 58% of those surveyed received a merit increase that did not correspond to their actual performance rating. It found that the “de-coupling” concept between performance rating and the reward was a common practice among companies surveyed. This highlights the importance for any merit based pay model to be fair and transparent in order for it to be successful in the long term in increasing motivation and performance. The majority of respondents did not feel their increased reward was based on their performance but rather influenced by organisational budget constraints. Similarly, St-Onge et al. (2009), highlight the prevalence of performance appraisal distortion and its effects on performance and motivation. Although this distortion is inevitable in most organisations, managers should also look at reviewing the appraisals and how we communicate the success or failure as well the reward attached.

Armstrong (2009, p. 254) claims it is better to separate performance management and pay, “decoupling” both, so as to make a distinction between developmental potential and the impact of your performance on incremental pay rises. He describes the difficulty in paying for performance where it needs to be measurable on different levels, thus evidence based and this evidence needs to be seen to be fair and transparent and not conducted behind closed doors.
In an interview with Juliet Norton (2010, pp. 41-43), Michael Armstrong goes on to argue that HR departments for some time have not evaluated their reward policies to validate their relevance. In a Chartered Institute of Personnel Development (CIPD) survey in 2009, they found that the “remarkably low proportion of 12 per cent of respondents had evaluated their performance-related pay schemes”. This indifference to the current relevance of their reward systems contrasted starkly to the attention and funding given to training schemes for employees and considering how much is spent on pay and rewards, more attention should be given to this rather than training programmes considering the consequences those poor rewards systems can have on an organisation.

Having the right type of rewards programme will help workers to grow, mature and ultimately add value to your organisation. Pay, both ‘variable and base’, is key to ensuring you get the most value from your employees, especially high performers according to a report on salary surveys (Zingheim, 2010, p. 9). Organisations that spread pay more evenly drive away high performers and encourage the same type of average performance throughout the organisation. This report argues financial remuneration should be based on the value you add to your organisation. But how important is pay to the success of a company over a longer period of time? In their study on the role of reward systems in the high performance organisation, de Waal and Jansen (2011, p. 9) found pay related bonuses to be neither effectual nor ineffectual to an organisation’s performance. While there is ample evidence to suggest certain types of performance related pay increases productivity, this was not the conclusion of the study. Of the 12 ‘HPO’ (high performance organisation) characteristics discussed in this study, pay was the most dominant. However it concluded that over the longer period, this does not have a positive or negative effect on organisational performance. Gilmore and Smith (2005) refer to this high performance organisation as been non-hierarchical and moving away from central management control to a more team based form of working with responsibilities spread more evenly and based on high levels of trust and communication. This raises some interesting points on how to reward these teams, either collectively or individually, and how reward systems work in the team based environment. This will be further discussed later in the chapter. To enhance this point, employee motivation can be driven more by intrinsic rewards (e.g. doing work you enjoy) than by extrinsic rewards.
In their study on employee and change initiatives, Stumpf et al. (2013, p. 10) focussed on two intrinsic rewards - meaningfulness and choice. They argue that these are essential to employee satisfaction and retaining employees in times of organisational uncertainty and change. So in this case, intrinsic rewards were more effective than monetary rewards. This is in the context of organisational change, so it is interesting to note that job satisfaction and intention to stay within your role during times of organisational change, rely of the correct blend of non-financial rewards. Job satisfaction is an important factor in an employee’s performance and intrinsic rewards play an important part in this.

Similarly, in their study of the effect of cash bonuses on employee performance in the Kenya Power and Lighting Company Ltd, Njanja et al. (2013) found that although the majority of staff surveyed had a perception that cash bonuses motivate performance, the study concluded that these cash bonuses had no effect on employee performance. Those who had received a bonus and those who had not, perceived it to affect their performance the same; hence it did not have a significant effect on performance. However, conversely in their study of reward structures within the British construction industry (Drunker and White, 1996, p. 142) showed that due to the project nature of that industry and the clear distinction in its work force between the manual and white collar workforce, PRP systems may yield results among professional and senior managers in that industry. It suggests that this PRP model could be developed in the context of improving performance in a project team, and around a competency or skill based pay system.

Similarly, Bart et al. (2008, p. 9), in their wide ranging study on who pays for performance and based on Norwegian establishment surveys from 1997 to 2003, found that the success or failure of performance related pay will very much depend on the setting that it is introduced into and the “prediction is that output-based incentive pay schemes are more likely to be observed when there is considerable employee discretion over work tasks”. So they found that performance related pay is more widespread in bigger organisations and less common in more unionised organisations. They found a link between the educational qualification of employees and the use of individual based performance pay and also a clear link between performance been positively affected by
PRP and the level of autonomy the work has. In this sense the more discretion a worker has over his/her tasks, the more successful PRP will be.

Although there is a lot of evidence to suggest both type of rewards affect organisational performance, here the researchers suggest that focusing on intrinsic rewards shows that the role itself is enough to foster within the employee, a sense of worth, enjoyment and empowerment. These intrinsic rewards can be particularly affective in times of change within an organisational structure. However, the allocation of these rewards in a systematic and fair manner is crucial to their success. And of course the issue of individualistic need can directly affect the positive performance outcome of PRP. In their study on organisational rewards: considering employee need in allocation, Webb Day et al. (2014) discuss how using a pay-for-performance model in a western organisation can have positive results on performance. By focusing not just on the pay, but also on the individual’s specific needs for this pay, it found that not only can you achieve positive performance outcomes, but it helps the organisation to respond better to employee expectations. It also found that through communication of need to your manager, employees with higher needs were more likely to receive larger rewards.

Similarly, when rewarding knowledge workers or those tasked with innovating as part of their role, a motivated employee is more productive and thus a higher performer. Intrinsic motivation is more important for productivity and performance when relating to creative or innovative workers (Markova and Ford, 2011). This study focussed on employees in over 30 large companies and through a scaling system rated by supervisors, found that neither monetary nor non-monetary rewards had any direct effect on performance. However, they did have an effect on motivation and the more motivated the employees were, the more time they spent on job tasks and therefore positively affect performance in the long term.

This in turn is important for organisational competitiveness. It also shows how non pay based rewards and performance and innovation can intertwine with positive outcomes. So in affect money is not the panacea and does not lead to a longer working time or improved cooperation and behaviours among workers. Intrinsic rewards can be equally effective, but less costly.
Bratton and Gold (2012, p. 370) highlight the fact that performance-based pay systems tie pay to employees outputs. These outputs might contain positive contributions from the individual or team, thus providing the basis for different types of pay systems.

However PRP is not without its pitfalls, specifically if not managed or implemented correctly. Lewis (2006) argues employees and managers can lose faith in the concept due to:

1). Poor design or communication

2). Excessive focus on financial results

3). Inadequate salary differentiation (a problem in times of low inflation and across different geographic locations)

4). Too much emphasis on individual performance

According to Armstrong (2007, p. 285) there has been a backlash against PRP in the 1990’s and this has led modern day organisations to introduce second generation schemes, in order to avoid earlier mistakes. There is room for more research in this area in relation to trying the concept with more competence-related or contribution-related pay.

So depending on the scheme of PRP chosen, it can be effective when a ‘participative system’ is used inclusive of an employee’s overall performance objectives or ineffective where the PRP scheme is ‘highly selective’ (Schmidt et al., 2011). In this study on performance related pay in German public services, the researchers looked at how PRP influences functionality, or how people work. This, by extension, can determine performance. They looked at the impact of introducing PRP in a decentralised way and if local factors influence its effectiveness, which is an interesting concept when evaluating PRP in a multinational organization. Their findings pointed firmly to the introduction of PRP causing problems to a greater or lesser extent depending on the method of performance assessment applied. Within the context of a public service body, the effectiveness of PRP has weakened because of the small financial budget available for reward.
However, in their research involving six different case studies from Italian central government, (Azzone and Palermo, 2011, p. 107) found serious flaws in the reward structure where no link could be found between performance appraisal and rewards. In this case performance was found to suffer adversely, and it was recommended to use existing reliable performance measures to overcome this especially when the organisation is going through change. However, in the context of the public sector performance-based rewards schemes (PBRS), and pay as a facet of these, have been shown to be effective in managing employee performance, especially high performers. Performance based pay aligned with a broader performance assessment can facilitate better customer focussed performance metrics as well as other organisational objectives within a public sector environment (Kealesitse et al., 2013). This study on developing customer-focussed public sector reward schemes in the Botswana government’s performance based reward system, found that implementing a performance based reward scheme was difficult where employees do not have a high degree of autonomy, which is common in many public sector bodies. They also found the broad and conflicting nature of targets within this public sector meant performance related pay schemes were more difficult to implement successfully and thus to increase performance.

Similarly, but in a different industry (Randle, 1997, p. 192) in his research paper on PRP systems in the pharmaceutical research sector, discovered that most participants were not opposed to the concept of performance related pay but in practice it was widely condemned as the rating system was not perceived to be fair or transparent enough. He questions how accurately managers can define what constitutes good performance in the research sector as measuring the quality of ideas, which is extremely important in the R&D sector, can prove difficult for managers. The real danger in this industry context is that PRP may alter the output of scientific researchers, encouraging them to adapt certain behaviours which are at odds with the essential practice of team work in this industry. In this regard, PRP can have an adverse effect on performance in the overall value add to the organisation. They also found that PRP, applied contingently on performance, can reduce “intrinsic motivation” which is believed to be important among scientific staff. They considered the dysfunctional elements of PRP outweighs any perceived benefits in
organisations that rely on team work for productivity and that it will eventually be relegated in terms of valuable rewards available to employees in such settings.

Even if the correct PRP scheme is chosen, employee motivation can also affect this performance so it’s important that this is not ignored as Hume (1995) highlights:

Whilst employees will normally attend work in return for an agreed wage or salary, the level of effort or work rate of employees receiving the same wage or salary is likely to be significantly different. Motivation is therefore concerned with both the direction and intensity of behaviour - what causes specific actions, and what determines the intensity of such action (Hume, 1995, p. 14).

As traditional reward systems such as pay compensate employees based on skills and competences, it is important not to lose the ability to reward based on flexibility and other personal and professional traits employees may demonstrate in the workplace, such as performing well in teams or showing the right decision making ability in difficult situations.

2.4 Total Rewards System

This concept, although broad in its application, is defined by Taylor (2011, p. 140) as “total reward involves designing a rich mix of complimentary initiatives which aim to maximize the chances that employees will find their work to be ‘rewarding’ in the widest sense of the word”. Aligning this reward system design with the overall strategy of the organization so as it’s not perceived to be ad-hoc is considered to be a key factor in its success according to Stredwick (2000) in his case study on aligning rewards to organizational goals within a multinational pharmaceutical company. It found that through “broad-banding” or the allocation of roles into different grades with different rewards, it motivated employees to perform better in order to attain progression in the their careers, but these rewards needed to be varied and flexible and not just pay related. Also it highlights the need for HR practitioners to understand the business needs of the
organization and to design reward strategies that change employee behaviors that will in turn lead to increased performance.

Finding the right blend of tangible and intangible rewards to adequately motivate and retain your employees is a difficult task. The total reward approach is therefore very broad and can never constitute a one size fits all solution to rewarding employees in the workplace. One important question posed by (De Mattio et al., 1998, p. 174) is how a combination of reward practices can be used to reinforce and encourage high levels of individual performance and, at the same time, foster team work among individuals. Some researchers suggest that rather than choosing individual or group based incentives on their own, a combination of the two incentive strategies may be more effective in motivating performance at the individual level and cooperation at the team level (Heneman and von Hippel, 1995). In their research on how reward strategy effects performance in the Malaysian insurance industry, (Tze San et al., 2012) found that although financial and objective measures are central in designing reward systems, when they incorporated non-financial rewards into the reward system, they seen an increase in both financial and non-financial aspects of performance. They believed this lead to an increase in the organisations reputation, more energy and team spirit in the workplace and made the organisation more attractive to potential new recruits. They also concluded that although similar reward systems exist across organisations in this industry, the development of the reward system will depend on the size of the organisation.

As you can see below in Figure 1, the world at work total rewards model on strategies to attract, motivate and retain employees illustrates how a total rewards package, incorporated into the organisations design, is supposed to yield positive performance results.
Investing in this type of reward system can foster high-performance work teams and individuals, and help to achieve organisational goals (Hall-Ellis, 2014, p. 66). In this study on how reward systems can promote high performance work teams within a library environment, the researcher found that development and recognition is a shared responsibility between employee and management. So you must establish a clear connection between behaviour and performance on one side and rewards on the other. Employees expected compensation and benefits as a normal parts of their rewards for working, but performance can be increased by adding to these typical rewards with recognition of achievements in front of peers, “employee of the month”, message on library intranet or social media and appreciation (handwritten note from manager, lunch with manager, recognition meal event). Although the monetary outlay was modest, it was well worth the investment.

The total reward system should be well structured, customer focussed, fit in strategically with organisational goals and be designed to encourage ethical behaviour. Pay is still an important part of it. So the pressures to achieve this incentive and reach your
performance target should not lead to ‘unethical behaviour’ (Mujtaba and Shuaib, 2010, p. 119).

Although pay is an important part of the overall reward structure within an organisation, there is no guarantee that it will lead to increased performance or even increased satisfaction. Whatever reward or combination of rewards and employee receives it needs to be meaningful. The argument that higher pay increases do not increase job satisfaction is explored in a study by Bhakta and Nagy (2005, p. 8). Using a series of psychophysical techniques with a group of 118 MBA students, it found that the pay satisfaction was the largest when in the lower percentage increase, rather than in the higher percentage increase, where the range was between 3% & 7% and 7% & 11%. In other words, there may be a point in which high pay increase may not lead to higher job satisfaction. Therefore, there is no reason to expect performance to be increased in this scenario.

In their study on the role of the reward systems for a total quality management based strategy, Allen and Kilmann (1998) suggest a combination of extrinsic reward practices including “profit sharing, gain sharing, employment security and comp time” showed a positive effect between the reward system in the total quality management approach and performance. It is noticeable that direct or base pay is not included in this list of extrinsic rewards. It showed that just as a TQM approach within an organisation can improve performance; it can be greatly complimented by the correct use of the appropriate blend of rewards. It also found the type of rewards on offer can have an impact on employee’s acceptance of organisational change and that the rewards should be linked strategically at organisational, group and individual level. It recommends that extrinsic rewards should be adapted and applied to those who support the change process and new practices.

This behavioural technique of measuring the effect a certain type of reward has on performance and indeed the performance management process itself, could become a more common way of measuring employees responses to reward systems as well as to performance appraisals. Kramar and Syed (2012, p. 235) state “the further use and refinement of behavioural methods (BOS) will be a major step in the development of performance appraisal systems. Behavioural methods possess good validity and reliability.
and are presently widely used in MNCs. BOSs will soon become cost-effective and accessible for smaller and medium-sized enterprises”.

It is important that aspects of pay and other complementary reward programmes be seen to be fair. This is a key factor if you are to achieve genuine buy in from participating employees. Reward preferences can differ throughout an organisation. So having a good mix is beneficial to the overall company. Adequate or attractive pension schemes are becoming more important in managing talent as employees not fearful of ‘outliving their savings’ put less pressure on healthcare plans, make way for newer talent and are generally more productive (Employee Advisor, 2012). Taylor made retirement plans along with more customised healthcare packages are becoming more important in retaining and motivating employees (Ingram, 2012). However, evidence suggests that a mix of both intrinsic and extrinsic rewards lead to overall satisfaction and to achieve this one cannot be directly substituted for the other. Its success or failure will depend on who influences or controls this, so management participation is vital (Newman, 2009).

As mentioned earlier, there is no one size fits all solution to adapting a total rewards system that will achieve a high level of organisational effectiveness. Once the organisation defines the performance and behaviour expected, it needs to design the correct blend of ‘financial versus non-financial and extrinsic versus intrinsic rewards’. These can range from recognition, opportunities to succeed and skills development to the various types of pay rewards, whether team based or individual (Yiannis et al., 2009, p. 910). Deciding on the type of reward which will be most effective for your organisation is therefore essential if you wish to drive performance with this type of approach. Similarly, Yousaf et al. (2015) in their research in a non-western culture found that employees with different work motivations had different levels of work performance. They looked at the effects of intrinsic and extrinsic motivation on different types of performance (task and contextual) and found a stronger relationship between intrinsic motivation and task performance compared to extrinsic motivation and contextual performance. In other words, a total rewards approach can have a very positive effect on activities related to the social and inner core of the organisation.
According to Kramar and Syed (2012), the fact that there is debate over extrinsic and intrinsic rewards as drivers of motivation shows us the importance of adopting a critical approach to reward management and highlights the importance of implementing the right system in your organisation. If your mix of rewards or reward system is not thought out properly, it can have the opposite effect so not only will it adversely affect performance it could also lead to dysfunctional behaviour. Therefore a critical approach to reward management may help in avoiding this dysfunctional behaviour. It is widely identified that behaviour is closely linked with motivation. Ankli and Palliam (2012, p. 9) in their study on exploring the sources of motivation in the workplace, found that using a self-determination theory (SDT) of motivation, as a way of predicting performance, showed positive results. This theory focuses on the perception of one’s self and how you fit into the overall organisation and its culture. Making work and play indistinguishable through the use of intrinsic motivation and the rewards associated with this, may well be the ‘defining characteristics of work in the future’, they argue. As such, organisations should consider issues associated with ‘autonomous motivation, controlled motivation, and motivation as a predictor to performance’.

In this regard the total rewards strategy should be well incorporated into the organisational design of your company and the elements most important to an employee’s performance are described by White & Druker (2009, p. 176) as “the nature of reward is drawn widely, in this account, to encompass five separate elements – pay, benefits, work-life balance, performance review/feedback/recognition and employee/career development. While there is evidence of employer initiatives in all these areas there is less evidence of strategic coherence”. Similarly, Stacey (2007) stressed that commitment from the leaders and their teams, as well as proper education and communication are all needed to align business strategy and people strategy with the total rewards approach.

In their study on the links between learning, performance and reward and using data from over 700 managers, Rowland and Hall (2014) found that little progress has been made in aligning competitive advantage through learning with the right performance and reward systems. Many organisations do not formally measure or reward learning. So if performance appraisals are to contribute to organisational success, they must adequately
acknowledge and reward learning, which has a proven theoretical link to improving motivation. So as performance management and the rewards supporting it need to be strategically positioned within an organisations design, reward for learning needs to be incorporated into these appraisals. It also found that financial rewards are often seen solely as compensation and can be divisive. A wider interpretation of rewards needs to be considered in order to fully understand and capitalise of what makes people thrive.

So rewards do not always have to be expensive, but for these low cost rewards to be successful, they need to fit in with the overall goals and management style of the company. One of the many reasons organisations establish operations across international boundaries is to take advantage of the differences in human resource management practices. According to Gunkel et al (2009, p. 308) in their study of a German multinational corporation at locations in China, Japan, Germany and the US, they found that employees in different countries have different preferences, both managerial and from a rewards point of view. This theory fits well with a total rewards approach for international managers as it allows them to vary the organisations reward system and tailor it to the specific country or culture they need to. Transplanting a managerial or HRM system from one country to another can have the opposite effect of what is desired in terms of performance and motivation. It also found that diminishing marginal utility exists over reward structures, where employees in one country can compare them to reward systems in other countries, and where this existed there was no increase in performance due to the rewards linked to this performance. It is important also to make your total rewards system distinctive from your normal compensation and benefits, otherwise it will not be seen anything more than the conventional rewards concept repackaged.

A total rewards approach is also a proven model in retaining top talent in all economic climates and enhancing their performance. Even in tough economic times, good people retain career mobility and you cannot afford to lose these, especially if you are to retain competitive advantage when market conditions improve. So retaining your best people through your reward structure becomes the first step in driving performance through this total rewards approach. A tailored or total rewards approach coupled with a coherent
business-to-business (B2B) strategy will help in the retention of talented employees during a recession (Ferguson and Brohaugh, 2009, p. 359). In this study on retaining and rewarding top talent during a recession, Ferguson and Brohaugh (2009), found that good people retain career mobility even in tough times. Retaining top performers in the organisation in both the short and long term, through avoiding any short term organisational or operational problems and maintaining their expertise and existing professional relationships, will mostly be in the strategic interest of the organisation. But it also found the traditional HR practices were still not aligned with the overall business goal of the organisations in question and these two parallel tracks have yet to converge.

So just as consumer loyalty is important during a recession, so too is staff loyalty but particularly the loyalty of talented staff and high performers. It is always important to link direct incentives to performance measurement. If you do not incentivise changed performance you run the risk of it becoming irrelevant (Kasdins, 2010). This is particularly true of public sector organisations. Although the total reward concept was previously associated with executive reward, the value of it across the organisation is now been acknowledged and it is proven to work best when integrated into overall work and HR/management practices (Wright, A: 2004). This is particularly true of the non-financial elements of any total reward system such as career development, training and relaxed work environment.

It is also important to note the restrictions a company may have on the allocation of their rewards across different departments or geographical boundaries. In a UK study on the centralised nature of remuneration policy, Top Pay Research Group (2003) found that decentralised divisional units with compensation authority were better at attracting ambitious managers. Although they do not suggest the complete break up of a centralised financial control, it found that as divisional management is normally much younger than a holding company managers, mistakes were made by older board members on approving the types of compensation required by divisional managers. The financial challenges faced by them, may be very different to the challenges faced by your staff members who may be more interested in balancing their personal budgets. It also found that divisional resistance to remuneration schemes not paid in cash can be significant.
This is further supported by Kominis and Emmanuel (2005) in their comprehensive study on exploring the reward preferences of 225 middle level managers. Their findings suggest that:

- different reward preferences for managers at different stages of their career, expecting managers in the early career stage to exhibit a greater proclivity for intrinsic rewards, managers in the middle stage a preference for extrinsic rewards, and managers in the late career stage to generally place less importance on both kinds of rewards (Kominis and Emmanuel, 2005, p 68).

These findings also suggested that although intrinsic rewards can be highly valued by employees, for some managers a combination of extrinsic and intrinsic rewards can have a positive effect on performance and motivation. But deciding on the reward package for an individual manager can sometimes prove difficult.

In her study of over 40 years of motivation surveys, Wiley (1997, p. 276), found that the strongest motivators are what employee’s value but lack, and the top 5 factors were:

1). Good wages
2). Full appreciation of work done
3). Job security
4). Promotion and growth within the organisation
5). Interesting work

These motivators were directly linked to performance and the study found that the regular use of surveys within the workplace was useful to gain insights into employee motivation preferences. Also, employee responses to these surveys in general directly related back to the content theories such as Maslow’s Hierarchy of Needs theory and the Reinforcement Theory. However, Nicholson et al. (1995) argue that motivation affects behaviour rather than performance and that motivation and performance are not necessarily mutually exclusive, as they argue there is a link between employee performance and employee effort. And in some cases the effort of the employee can be weak.
2.5 Conclusion on literature review

This research topic is based on is on the effects of reward systems on employee performance and key issues and concepts relating to this have been explored in the critical review of literature.

In establishing an effective reward system within your organisation and cultivating a culture towards continuous improvement and efficiency, backing this up with the appropriate level or combination of rewards at that particular point in time is important. There is certainly no ‘one size fits all’ approach to the type of reward system to apply within your organisation. But the timing of that reward system and the dynamics of the staff will be vital to its success. In this sense an effective reward and recognition structure will provide a transparent means to get the most for your employees while cultivating a positive work environment. As Armstrong (2012, p. 324) highlights, high performers are usually highly motivated. However, it has been argued that extrinsic rewards may erode intrinsic interest and that working for just money may lead to a less motivated or pleasurable environment. It is the combination of rewards targeted in the right way and to the right individual or group that will improve performance the most.

It can be concluded that today, it is generally accepted that a combination of rewards from total rewards perspective is the most effective approach to take within an organisation. Much of the published literature is now focussed around a more comprehensive approach to how we reward our employees. The standard motivation theories are still applicable in today’s organisations and as these theories are complimentary to one another, they can also compliment employee engagement and thus performance. According to Armstrong (2009, p. 38) engagement will exist where employees understand well the nature of their role and where it fits into the bigger picture and where they feel they are intrinsically motivated through a sense of belonging and accomplishment. And this is in accordance with expectancy theory, where a relationship exists between performance and outcomes.
2.6 Limitations on literature review

This literature review was not intended to be a comprehensive or collective review of all aspects of rewards but rather those most relevant to the organisation in question. There has not been enough evidence based research available to this researcher concerning the success or failure of team based rewards in the context of cross functional and cross cultural teams, as is the setting for this this research regarding the organisation in question. Also the impact of rewards on motivation, although not in the specific scope of this research, could have been more comprehensive. Lack of time has been an element in the collection of data and information for this literature review. Thus the researcher would like to mention that this was an issue in the over-all collection of information in this literature review.
Chapter 3: Research Methodology

3.1 Introduction
While describing the sources that will provide the data to be analysed and the methods and design used in collecting this data, I have chosen to use in-depth semi-structured interviews with targeted senior managers with direct reports in the supply chain department of the company selected for this research. I have chosen this method as an optimal way to collect data on an individual’s perspectives, particularly where sensitive topics are discussed. Data collection and interview selection directly related to this research paper, and the research philosophy, approach and strategy will also be explored in detail. Limitations and ethical issues associated with the research methods used will also be described. In understanding research methodology, you must examine research philosophy and according to Sanders et al. (2009) this centres on how knowledge is developed and the nature of that knowledge.

3.2 Research Philosophy
The consideration of the research philosophy is an important part of the research process and relates to developing knowledge and understanding the type of knowledge in question (Saunders et al., 2009, p. 107). As this research is based around human behaviour in terms of work performance and how this is affected depending on the perceived merits connected to that performance, the researcher believes a ‘realism’ outlook on the research is appropriate. As Bryman and Bell (2007, p. 18) state “what makes critical realism critical is that the identification of generative mechanisms offers the prospect of introducing changes that can transform the status quo”.

As the researcher collects and analyses data from a personal experience perspective of that data, and as the research topic is a fluid aspect or measurement, the researcher is adapting an epistemology realism philosophy. Moreover the primary research was collected through semi-structured interviews in an organisation where the researcher is
currently employed. This was on a small sample and in relation to interpretivism philosophy, the data collection characteristics are for qualitative techniques with small samples. Thus, this researcher for the purpose of this research should be considered a ‘feelings’ researcher who has extensive knowledge in the industry the research is based upon and uses that knowledge to collect and interpret that data in a ‘resourced’ manner. So it lends to the argument that data collected by the ‘resources’ researcher is any more convincing than that collected by the feelings researcher (Saunders et al. 2009, p. 119).

3.3 Research Approach & Design

Saunders et al. (2009) claim there are two approaches to research which can be described as inductive reasoning and deductive reasoning. Ghauri and Gronhaug (2005, p. 16) state deductive reasoning is “the logical process of deriving a conclusion from a known premise or something known as true, inductive reasoning is the systematic process of establishing a general proposition on the basis of observation or particular facts”. These two approaches are commonly used in business and management research, particularly in terms of the cause-effect relationship. The qualitative approach to this research aims to give the researcher a better feel for what is the perceived opinion, both positive and negative, of the reward systems structure and what impact that has on the topic in question.

As the aim of this research is to interpret people’s behaviour, a quantitative approach could also be taken because the outcome is concerned about what people actually do and what they think. However, qualitative researchers often want to look at standard behaviour and the culture of the organisation in question as opposed to looking solely at the meanings, through questionnaires or surveys. Therefore, the overlap of behaviours and meanings contrast very much with quantitative and qualitative research (Bryman and Bell, 2007, p. 425).

So although both of these approaches can be used in terms of collecting research data from several different sources, the researcher has decided to adapt an inductive approach. According to Eriksson and Kovalainen (2008, p. 22), when you take an inductive approach
in terms of the relationship between the theory and observed research, you then follow the rationale of progressing from observed research to a theoretical result. However, it is also possible to combine both deductive and inductive approaches to research and this can be beneficial in a number of ways, depending on topic chosen for research, Saunders et al. (2009). Although an inductive approach is followed through patterns that emerge in the interviews, comparing this with the recent published literature can be considered complimentary to a deductive research approach.

The type of the research topic under investigation will determine the choice of research design approach you take. In this case, there is ample published literature available to support this research topic. From here the research design can begin and research questions developed. According to Thietart et al. (2001, p. 118), it is advised to establish a clear and transparent research design before you move to your data collection stage as to collect data before you know how you will analyse this data may make much of the data not applicable. This is very important as the data collection method in this research is semi-structured interviews and the researcher did not want to lose any opportunity for collecting the most relevant data.

Although this research will take mostly an inductive approach in the qualitative data analysis, I would hope that this data would conflict or contradict some of the established theory. The research project will collect primary data and refer to the secondary data as outlined in the literature review.

Saunders et al. (2009, p. 138) defines the so-called research process “onion”, consisting of five different layers in terms of design.

1). Research Philosophy (Positivism, Interpretivism).

2). Research Approaches (Deductive, Inductive)

3). Research Strategies (Experiment, survey, case study, grounded theory, ethnography, action research).

4). Time Horizons (Cross sectional, longitudinal)
5). Data Collection Methods (Secondary data, questionnaires, interviews, observation, sampling).

How we collect this knowledge and interpret is further charted in the ‘research onion’ (Figure 2) below.

(Source: Saunders, Lewis and Thornhill (2009, p. 138))

The research questions for this proposal are quite specific; therefore I believe in-depth interviews would encourage the best response from employees. Protecting the anonymity of the respondents should encourage a more open and honest response.

3.4 Research Strategy

According to Saunders et al. (2009, p. 141) the main research strategies are “experiment, survey, case study, action research, grounded theory, ethnography and archival research”, and the method chosen will be the one most applicable to your actual research question(s), and labels should not be attached to the different type of strategies.
The strategy used in this research is a case study, based on one organisation, and centred on four in-depth semi-structured interviews using a qualitative approach. This will be the primary research strategy and the investigative questions can be seen further in this chapter. These questions developed from the secondary research carried out in the form of a review of the current literature on the topic of rewards systems. Maylor and Blackmon (2005) urge caution in relation to the reliability of secondary research as you are further away from the topic than primary research. However, the closer you are to the research, the more caution you should display concerning potential bias of the researcher and the researched. According to Saunders et al. (2009, p.141) “your choice of strategy will be guided by your research questions and objectives, the extent of existing knowledge, the amount of time and other resources you have available, as well as your own philosophical underpinnings”.

In order to gain more general information about the topic in question, semi-structured interviewing was chosen to gain the maximum amount of feedback and in line with the inductive approach. This allowed the researcher more flexibility. It is important that the interviewer frames the questions in the correct context and understands the issues in question, thus the interviewee must be able to explain and understand events, patterns and forms of behaviour (Bryman and Bell, 2007, p. 475).

3.5 Data Collection

Data collection, both primary and secondary, is an important part of the research process. Having identified your sources of data, Hart (2005, p. 356) advises systematically collecting the data in sufficient quality and quantity in order to conduct your data analysis. So if the researcher does not collect and gather the appropriate data, they will not meet their research aims and objectives sufficiently enough to produce credible and thorough findings. As already mentioned, in collecting primary research for this study, the researcher will use semi-structured interviews and refer to secondary data from the literature review.
3.5.1 Primary Data

Thietart et al. (2001, p. 73) consider primary research to yield greater truth-value as they argue the researcher has observed the phenomena with their own eyes. It is generally considered to be a superior form of data collection as the researcher will have formed a system of data collection very specific to the research been undertaken. In this sense, primary research does have advantages and disadvantages.

Advantages of primary data:

- Addresses specific research issue
- Efficient spending for information
- Greater control
- Proprietary information i.e. you do not have to share it with others.

Disadvantages of primary data:

- Time consuming
- Can be expensive
- Not always feasible to do it and have access to respondents

Within the primary data collection, I intend conducting 4 interviews with senior managers within the supply chain department in Sandvik and the nature of those interviews will be consistent with the selected research questions. Time constraints did not allow for more interviews to be conducted.

This research aims to establish how effective certain reward systems are on employee performance. There are 16 proposed questions, which centre around 6 topics consistent with the topics and information gathered from the critical review of current literature. I aim to establish factors which can influence the satisfaction and/or dissatisfaction of employees in the workplace in relation to my research statement. The main proposed research questions or themes as related to the secondary research are:

**Do reward systems have an effect on employee performance?**

The purpose of this question is to establish in general if reward systems are effective or not in employee performance and/or employee motivation. Is their level of
performance determined solely on how they are rewarded or are there other factors involved?

**What effect does performance related pay have on an individual’s performance?**

This question aims to determine in a more specific way a certain and controversial aspect of reward systems, PRP, and how effective it is relating to the sample and company in question (It is widely available within the chosen company). Also does it only affect performance and not motivation?

**Are intrinsic or extrinsic rewards more motivating to increase employee performance?**

These questions are intended to establish which types of rewards (from the total rewards spectrum) are most effective in increasing employee performance.

**Are team based rewards more effective in achieving a better overall performance for your department?**

With this question I hope to establish if there is a correlation between rewarding collectively or individually, in terms of the performance output of the team. Also, can better team performance enhance overall organisational performance.

**As the company has many international dimensions to it, and employees in different countries naturally communicate with one another, do you find that when they become aware of the different reward systems in different countries, this can be divisive?**

As the company selected for this research has such an international dimension to its functional areas of management, and managers and teams can be separated by different geographic locations, with this question I am specifically seeking to determine what affects different rewards systems can have on people in the same teams, but in different locations.

**Do you think the reward structure in Sandvik is currently sufficient to meet the needs of managers and their teams?**
This question aims to be very specific to the organisation in question and I aim to get a feel for how the respondents view the current state of the companies reward system overall.

3.5.2 Secondary Data
For the purpose of this research, the secondary data research consisted of a critical review of current published literature, in order to give a better understanding of the topic in question. Although secondary data can be a useful source of information to help you formulate and answer your research questions, it also should be met with some caution, just as primary research. According to Sanders et al. (2009) secondary sources of information can first seem to be relevant but upon closer scrutiny are not appropriate to your research objectives and in light of this you must be careful when selecting your secondary data sources and their validity.

Advantages of secondary data:

- Ease of access
- Low cost to acquire
- May help to clarify the research question

Disadvantages of secondary data:

- May not be specific to researchers needs
- Incomplete information in the data you have found
- Not timely or in date relevant to your research

For the purpose of this research, the secondary data consisted of online data resources, published journals from the college library data base and published books relevant to research statement. Although there was ample secondary theory available to the researcher relating to the topic in question, according to Cameron and Price (2009) most people avoid doing research based on secondary data only as they can be more intellectual exercises rather than providing real practical proposals. However, this does
not necessarily mean that secondary data based research projects do not have real practical implications

In mixing the data collection methods between primary and secondary data collection, I hope the research is not overly theoretical and that the primary research provides some balance in terms of what is practical to the organisation in terms of the topic in question and recommendations for further research.

**3.6 Interview Selection**

The research on which this dissertation is based consisted of 4 semi-structured interviews averaging around 40 minutes in length. The interviews were carried out across the supply chain department and encompass a mix of genders over different generations and cultures, and with varying lengths of service with the company. The group in question are between supervisory and middle management levels. Saunders et al. (2009), explain the nature of interviews should be in line with your research objectives, questions, and strategy. Interviews can be:

- Structured interviews
- Semi-structured interviews
- Unstructured or in-depth interviews

As mentioned earlier in the primary data section, the semi-structured interviews focussed around a number of themes or questions. These were individual interviews conducted face-to-face and the data was recorded by audio recording and trans-scripted into text form. Thietart et al (2009, p. 180) state that “in qualitative research, the interview involves questioning the subject while maintaining an empathetic demeanour: that is, accepting the subject’s frame of reference, whether in terms of feeling or relevance”.

**3.6.1 Link to the research**

As this is an explanatory study in part, relating to a limited number of semi-structured interviews, the aim of the researcher was to establish a link between the variables
determined from the interview data and the already published secondary research. According to Saunders et al. (2009) they key point to remember when linking your interviews to your research is to consider the relationship between your research question and objectives and the strategy and data collection methods used to achieve these objectives.

3.6.2 Data Quality

Data Quality issues also need to be carefully considered in terms of validity, bias and reliability. The data should provide firm support for the conclusions drawn from the research. Cameron and Price (2009) consider the importance of telling good data from bad and that as you will be careful of how much trust you put on secondary data in order to draw conclusions form it, you too need to be cautious and critical with your own primary research. The semi-structured nature of the interview questions has allowed for a high level of validity and relevance as I have used questions from a variety of perspectives in relation to the topic in question. I was also aware of the bias and unreliability of potential data due to the researchers own employment position within the company which forms this basis for this research.

Bryman (2001) considers three aspects of reliability:

- Is a measure stable over time
- Is there internal consistency between items
- Is the ‘measure’ independent of the observer

When constructing your research method, you need to think about the reliability of the data you produce and the checks you will incorporate to maximise that reliability.

3.6.3 Preparing the interviews

Planning in advance of the interviews is vital to a successful outcome in terms of valid and reliable information. As well as the interview questions, all interviewee’s were provided with a ‘request to gain access’ form, confidentiality agreement and consent form prior to the interview to ensure reliability of the research and to ensure all participants were fully aware of the nature of the research prior to the interview. Contextual notes from the interviews can be found in the Appendix.
Saunders et al. (2009) describes the most important preparatory elements for conducting an interview as:

- Level of knowledge
- Level of information supplied to the interviewee
- Appropriateness of researchers appearance at the interview
- Nature of the opening comments
- Approach to questioning
- Nature and impact of the interviewers behaviour during the interview
- Demonstration of attentive listening skills

The researcher in this case reviewed the current literature on the research questions in detail prior to the interview and this enabled them to increase their credibility with the interviewee. The researcher focused on six different themes relating to the research question, then asked a number of questions under each theme to allow the interview more scope to deviate between questions, and provide more detailed responses as a whole. Demonstrating listing skills and allowing the interview flexibility in how they answered each question was also the approach undertaken in these interviews.

### 3.7 Ethical Issues

Hart (2005, p. 307) states that “ethics in research, as in everyday life, are a combination of socialisation, instinct, discretion and been able to put yourself in the position of others to reflect on and see our actions as others may do”.

Although I did not encounter any ethical issues relating to the interview questions, the questions are not designed to go into very great personal detail or probe the respondent for more revealing information. The very nature of this research study could be considered controversial for most people in the workplace who are subject to varying degrees of rewards and how those rewards affect them both personally and professionally. I intend to disclose in full the reasons for the study, the procedure in analysing the results of the interview questions and to obtain their consent for using the
findings as part of this study and to clarify that all individual feedback would be kept confidential. This will be detailed in the email accompanying the request for the interview. A confidentiality agreement will also be presented and signed prior to each interview conducted. The researcher has also maintained honesty, integrity, and objectivity throughout the process of this research study. The researcher has acknowledged all previous works that have been include in this research study.

3.8 Research Limitations

Although the research been undertaken aims to achieve results of the upmost validity and reliability, it is acknowledged that the research methods used may have some limitations. Such limitations may be a result of the small sample size used in the collection of primary data.

This research relied on interviews with managers across the organisation and they may offer a biased or limited perspective of how the practices of reward structures, especially the non-financial ones, are perceived by all employees in the organisation, at all levels. I note that my research focuses on only one organisation, so my results may not be pertinent to other companies or businesses. Also, as this study involved interviews with managers across different international locations, these locations may have different preferences compared with smaller subsidiaries. It proved difficult to get more managers involved in the research due to the nature of their roles within the company. The research analysis and findings should be measured in terms of these limitations and other potential limitations that may arise.
Chapter 4: Findings, Analysis and Discussion

4.1 Introduction
Research findings and analysis are a very important part of the research report. Saunders et al. (2009) emphasise the importance of research findings and the vital role they play in representing primary and secondary data gathered during the research process for the purpose of presenting a sound report. In this chapter I aim to present the findings from the qualitative primary research conducted. I will aim to validate the primary data collected and explain any links between this data. I will also interpret the findings in relation to the theories and literature discussed in chapter 2. I will then discuss the rewards systems specific to the interviewee’s in terms of how it currently reflects on their own performance in relation to cross cultural / functional nature of their work.

4.2 Interviewee Profile
I conducted 4 semi-structured interviews with senior managers from different functions within the global supply chain department of the organisation in question. The interviews lasted an average of 40 minutes and were audio recorded for future reference. All of the interviewee’s had people management experience and had teams reporting into them. The cross cultural and managerial element of their roles was considered in terms of rewards and performance. Interviewee’s are referred to below as SK01, SK02, SK03 and SK04. All are considered to be mid/senior managers with the organisation and include a mix of genders. They would generally be considered a fair representation of functional areas with the global supply chain department.

4.3 Presentation of Findings
The findings from the primary data in the form of interview responses can be found under the 4 subheadings below. The effect that these types of rewards have on performance is
analysed along with how the cross cultural divide in terms of different rewards in different locations (rewarded for the same work completed), is perceived.

### 4.3.1 Employee Performance and Rewards

In this segment we looked at the effects rewards in general have on employee performance. For question 1, Participant SK01 found rewards to be an ‘exceptional’ motivator in terms of increasing performance, as did SK03. Both similarly agreed it does depend on the type of reward on offer. SK03 believes increased motivation will depend on what is happening at that point in time with the employee and that it also depends on the individual. By contrast SK04 and SK02 do not believe rewards are the primary motivator, and that job satisfaction is more important. SK03 believes “self-worth” and sense of achievement to be more of a motivator.

All agreed that performance increases as rewards increase (Question2), however SK01 believed not necessarily. This participant believes it depends on the individual and the rewards they value. SK01, SK02 and SK03 believe the reward system needs to be well structured for this to work effectively e.g. if it’s linked directly to your bonus. SK03 found it is less effective if it’s seen to be a once off while SK02 found increased rewards only increase performance in the short term. They found it has a limited shelf life and people will revert back to normal pace of working in the long term.

Asked directly if increased rewards lead to a more motivated employee (Question 3), SK01 agreed they do but works best when the reward is known early on in the process. Having something tangible to aim for is an important factor here. SK04 does not believe monetary reward will motivate an employee more and stressed job satisfaction to be most important from their experience. This trend continued with SK02 who found staff to be more motivated by each other, ability to learn and their managers, other than rewards in general. Rewards would only be a short term motivator. On the contrary, SK03 agreed rewards do lead to a more motivated employee but that it’s a very personal thing and there is no “one size fits all” when it comes to motivating people. They stated you need to understand the person you are rewarding to make it most effective. They found targeting what reward people value most is best for increasing performance.
All participants agreed that motivating an employee to perform better essentially depends on the person and that this process is very individualistic.

As asked if rewarding employees who are on the same level and doing the same tasks differently can be divisive - due to people been based in different physical jurisdictions - (Question 15), all participants found this to be a major problem and very divisive. SK01 found this has a negative effect on performance, once it becomes known to employees. SK03 found it to be de-motivating and perceived it to be the company not treating you fairly and a lack of procedural justice. People don’t except that it may be a legal necessity to have this in place and that showing unity in the reward structure is more beneficial to performance and motivation. SK04 had a similar opinion and gave examples of interest free loans and exceptional parental leave in several other jurisdictions (mostly Nordic countries) as major issue of contention. SK02 found this divisiveness to be particularly prevalent in Sandvik and tends to happen among more senior members of staff who have more international experience. They found this view to be short sighted, naïve and immature to expect many of the same rewards that someone in a totally different legal jurisdiction would get. Nevertheless, this is a difficult issue to address. Sometimes cross cultural rewards have to be different for a reason.

4.3.2 Team based rewards
This section focussed on team based rewards and this reward system currently exist in the company this research is based on. In relation to team based rewards participants were asked their opinion on these in general (Question 11). Participant SK01 believes that although good for the company overall, they can have adverse effects on high performers. These people often end up carrying the weaker team members. This sentiment was also shared by SK04 who added that this risk can be mitigated depending on the type of reward on offer and that intrinsic reward are better suited to teams. SK02 and SK03 found them to be most effective when everyone was on the same level and that they should be linked to the organisations overall goals. SK02 has seen very mixed response to team based rewards and found they can be divisive. They found a mixture of rewards within the team to be more effective (so some rewards are team based and some are individual) for reaching the team target. All participants seem to think team rewards are
more beneficial for the company through higher productivity and more knowledge sharing, but can be less beneficial to certain individual’s especially higher performers or those with more knowledge.

Question 12 asked if it is better to have them or not, and all agreed it was. But they can only be efficient if designed correctly. SK01 believes they don’t always bring cooperation and collaboration when not designed correctly. SK02 described them as been determined by the economic condition of the company and that although better to have them, they should be limited in their use. While SK03 found them to be effective in bringing people closer together, they have the potential to also bring conflict. Goals and rewards of the entire team need to be valued by the entire team. Similarly, SK04 believes team rewards will be valued ore when they are “softer” rewards so keep team rewards more intrinsic.

Asked if they are perceived to be fair (Question 13), only SK01 believed them to be fair, but that this could backfire if they were not managed and monitored closely. The perceived unfairness of the rewards seems to be the biggest problem with them. SK02 found this to be the case, as they worked against higher performers so a person who works harder and has put in more of an effort gets the same rewards for that compared to someone who has not made much of an effort at all. This was shared by SK03, who added however, that this can have the benefit of helping other team members grow and learn new skills. SK04 found them to be conducive to a positive working environment and atmosphere in the office.

Question 14 asked if team rewards were more or less likely to make you help your team mates, all agreed they were but for some different reasons. SK02 found some people like to be loyal to their work colleagues no matter what the reward structure in a team. And this can increase performance as you won’t want to let anyone down, as opposed to working on a task individually. You may not feel the same way. SK03 believes they will encourage knowledge sharing as everyone will want “their ship to reach the port safely, as all their interests rest with this”. SK01 believes that as the company can benefit mostly from them, it’s better to have them. This is shared by SK04 who regards knowledge sharing in a team setting to be a natural outcome of team based rewards.
4.3.3 Performance Related Pay
This section looked at the specific and contentious filed of PRP. Asked if performance related pay (PRP) encourages employees to perform better, SK02 believes it can, but it has its limitations and its effectiveness is very individualistic. So it can be “time specific” as people may want extra monetary gain only for a certain amount of time. In that sense they believe it is a short term incentive, and that eventually people will revert back to their normal pace of work. Similarly SK04 found that it is not sustainable in the long term, and even in the short-term job satisfaction and pride in your work can be more effective in increasing performance. However, SK01 was more favourable towards this reward. They believed it would encourage you to perform better, as the primary reason people come to work is to earn a living wage. So although the monetary reward can give you “more options externally”, it depends very much on the individuals personal circumstances. SK03 found that it does not always improve performance, as it depends on the person. If it’s used a lot, people will just see it as part of their normal salary package. This questioned whether it is used to try and change behaviour, and if so will not be successful.

Asked if it improves your priorities at work (Question 5), SK01 does not believe so as you will only focus on the targets and priorities that your pay is linked to. In that sense other areas of work might suffer and PRP can miss the bigger picture. Similarly, SK04 does not believe it improves priorities and your priorities should be aligned more with your overall operational targets. These should not be made unrealistic. However, SK02 found it can improve your priorities, if based on a specific project for example; because your only priority will be the one linked to your PRP. This type of approach may offset the problem of PRP affecting other duties. SK03 was broadly in line with this approach and added that your priorities must be very clear and transparent. PRP should be structured to meet the organisations entire goals. They also mentioned it is not a good reward if you are looking to retain employees or attract new ones and in general it does not create satisfied employees.

In relation to PRP increasing the quality/quantity of work produced (Question 6) all agreed that this depends again on the individual. SK01 found it does, but that this
quality/quantity needs to be clearly defined in your target. This was also the view of SK04 who believes the PRP targets should be aligned with your overall performance review. But this is a very subjective point. SK02 found quality/quantity is more likely to increase if the person is very career orientated and wants to climb the ladder in the company. But again they found this point to be very individualistic, and if a person is not ambitious it can have the opposite effect on your work. Similarly this was found with SK03 who believes quality/quantity can be hard to measure, depending on the type of work you are doing.

Finally when asked if PRP makes you show more initiative (Question 7), SK01 again says it depends on the individual i.e. what are you looking for in your role. In other words you might show more initiative in your job, but this might not be dependent on pay. SK03 believes you will only show initiative in the task you are paid for and overall initiative will not be affected by PRP. People will eventually work out the system and gaps in that system and only show initiative in the part that actually rewards them monetarily. SK04 does not believes it does make you show more initiative and that the work itself and job satisfaction will make you show more initiative. Conversely, SK02 found PRP does make you show more initiative if you are money orientated, so again it depends on the individual.

4.3.4 Total Rewards System
This theme was explored in the context of best international practice generally and then with a question specific to Sandvik. I aimed to examine how intrinsic and extrinsic rewards are viewed in terms of motivating and encouraging employees to perform better. Asked if financial incentives are better for increasing performance (Question 8) SK01 does not believe they are (with exception of base pay) in the long term. They may present some positive results in the short term, depending on the situation. They believe work-life balance will ultimately be more important and motivating to the person. SK01 found financial incentive to be effective in departments where career advancement was harder to achieve or not an option at all. On the other hand, SK03 found they were not effective at all and again reiterated the point that they do not work long term, as other companies will eventually be able to compete with you and offer the same incentive to attract talent.
But it is an individual perspective and is guided by what a person needs at that time of their lives. SK02 did not believe financial incentive are effective for increasing performance overall (again with the exception of base pay). So they can only be considered effective from their experience for those with short term monetary goals. For SK04 they were not considered effective in the long term and that a more total rewards package, where generous leave and a good work-life balance were well structured into your employment contract, would be more effective.

In terms of intrinsic rewards, participants were asked if recognition and appreciation were considered to be more effective at increasing performance (Question 9) and all agreed this was very effective. However SK01 found that this still needs to be backed up with something tangible. SK02 believes a manager’s respect and admiration for a subordinate is very effective in motivating them and encouraging them to perform better. SK03 found that once your basic professional needs are met i.e. through salary, then recognition and appreciation in front of your peers especially can be very effective.

All participants were asked to name some intrinsic and extrinsic reward within their own organisation (Question 10) and all were standard for a major multinational organisation. Such as various types of financial remuneration, various types of leave procedures, education and training benefits and global recognition processes through company literature. However, asked is the company’s current reward structure is sufficient to meet the needs of staff (Question 16) all agreed that it wasn’t. SK03 thought it was not structured or transparent enough and that the timing of rewards was not appropriate. They viewed rewards as only coming through your performance review and this was only conducted once a year, which was not enough. Also they found these reviews and the rewards attached only focused on what was measurable, where most of the work was not measurable. This was more or less the view of SK01 and SK04 who both also believed the reward system is not well communicated and although as a company it may be comprehensive, that is on a global level and not specific to any one country. Geographic boundaries “water-down” the overall reward structure depending on what country you are in. SK02 clarified that at the end of the day, the reward structure is
dependent on the economic condition of the company, and what resources they have available to reward with which is important to note.

4.4 Analysis and Discussion

4.4.1 Introduction
In this section I will aim to link the findings of the primary research to the main theories discussed in the literature review chapter. I will also discuss the main themes of the research questions and how they link to the research statement of how performance is affected by the rewards system of the organisation forming the primary basis of my research. The main themes of team based rewards, performance related pay and total rewards are discussed in the context of how these effect employee performance overall. The general concept of how rewards affect employee performance can be directly linked to the three main themes of the literature review. The objectives of this research are discussed in line with the results from the primary data collection and from the review of current literature on this topic. It is clear from the findings that rewards are closely linked to motivation as well as performance and this is in line with Kanfer et al. (2012, p. 4) who describe motivation in the work sense to be a set of processes which ultimately determine a person’s actions.

4.4.2 Discussion of Themes
In terms of team based rewards, the general perception from all interviewee’s is that your work mates can be more motivating than the reward itself. This in turn can increase performance. The primary research found that team based rewards can be less favourable to higher performers or those with more knowledge and can be divisive in this respect. This is corroborated by Johnson (2009) who argues for the need to introduce more individual rewards within the team setting where team members must help each other to achieve a common goal, but they are rewarded differently based on what they have contributed. Interviewees found the procedural just element of team based rewards to be compromised as they felt they were been penalised for having more knowledge and sharing that knowledge with weaker team members. Bamberger and Levi (2009) found
this to be a problem also with team based rewards and suggest ‘equity’ system of reward where individual or high performers are rewarded for their behaviour and how they help their team mates.

However, all participants agreed it was better to have them but their success relied heavily in how they were designed and the type of rewards on offer. The general consensus was that a mixture of reward types is most effective, depending on the group. This was also the case with Born and Mollemen (1996) who found the correct reward system in the team setting and setting targets in the right way was found to be effective and create a feeling of empowerment. This was further validated by London and Higgot (1997) who found recognition in a team setting to be a very effective reward. Participants in this study believed the design of the reward structure to be crucial to their success as does Kerrin’s and Oliver (2002), who highlights the important of organisation culture and design in the implementation of team rewards. Interestingly, 75% of participants believed they were not fair, highlighting again the perceived lack of procedural justice in team rewards. But all agreed they were more beneficial to the company productivity and knowledge sharing; therefore better for the company than the individual. This is also validated by Dematteo et al. (1998) who found they will do something qualitatively different from individual rewards and for a manager can be easier to evaluate a team, than an individual.

All interviewees agreed, although for different reasons, that team based rewards do encourage knowledge sharing and communication and this in itself will ultimately increase company performance. This was further corroborated by Rock et al. (2001) who found cooperation and communication improved with team based rewards, and Cacioppe (1999) who argues team based reward can drive organisational success as they can foster positive interdependence.

Performance Related Pay (PRP) seemed to be a more controversial concept within the reward systems examined. Again here the results were mixed on whether this encourages employees to perform better. This difficulty in determining the effectiveness of PRP is further confirmed by Rayner and Adam-Smith (2005) who present findings that show when all variables related to PRP are taken into account, connecting PRP to performance
becomes very difficult. In general, the primary research showed that the effects of PRP on performance and motivation were very much down to the individual and their needs or requirements at a certain point in time. This is further discussed by Hume (1995) who argues the need for flexibility in your reward system in order for it to be most effective. It is further corroborated by Randle (1997) who found difficulties in the introduction and measurement of PRP, where the job type was hard to manage or measure and Kealesitse et al. (2013) who found difficulties in PRP where employees had a high degree of autonomy. All participants expressed agreement on how difficult it was to measure the quality and quantity of work produced using a PRP model as it was more likely to increase if a person was career orientated rather than just in search of the reward itself. Also, it was expressed by one participant the importance of having clear goals for PRP and that they should be linked to your overall operational objectives.

From the findings, it appears participants believe that PRP can work in the short term, but long-term it cannot sustain increased performance. When set by senior managers, it can end up only achieving goals that are important to them, thus missing the bigger picture within the organisation. There is a concern for the usefulness of PRP long term and highlighted by Randle (1997) in his research where he found the dysfunctional elements of PRP outweighed any perceived benefits to the organisation. In evaluating PRP in a multinational setting, this was further corroborated by Schmidt et al. (2011) where his finding point to PRP causing to a greater or lesser extent, depending on how it was measured.

In terms of motivation, increased performance and initiative, it was generally agreed that PRP would only be effective on those who are money orientated. Job satisfaction was considered to be more effective and there is a high probability that other priorities in work may suffer, where PRP is implemented. Lewis (2006) validates this point by citing examples of why employees can lose faith in the process and employee motivation is driven more by intrinsic rewards than extrinsic ones as found by Stumpf et al. (2013).

Data from all participants, also urges caution with PRP as it can be seen as divisive and you may lose the discretionary effort from the employee once it is introduced. PRP does not improve your overall initiative or long-term performance as employees can solely
focus on one specific task which can eventually be manipulated just to achieve only the reward linked to pay, at the expense of other tasks.

In terms of the total rewards concept, distinctions were made between intrinsic and extrinsic rewards in general and what effect they would have on performance. An interesting element in the primary data gathered, showed that all participants distinguished between what was effective short term and long term, in relation to reward systems. For example, the research showed that financial incentives, in whatever form, were only effective in increasing performance in the short term, and only among individuals who were very money orientated. However, as short term performance is also important for productivity, the right blend of rewards is vital. This is corroborated by De Mattio et al. (1998) who found it crucial in other to encourage high levels of individual performance, and also to foster good team work. Furthermore, Heneman and Von Hippel (1995) found that developing a total rewards approach based on financial and non-financial rewards increases performance within an organisation. Interestingly, primary research found that financial incentives tended to be more effective in departments where employee career advancement was not attainable.

Similarly, Bhakta and Nagy (2005) found that there comes a point where higher pay no longer leads to job satisfaction, therefore there is no reason to expect performance to be increase in this scenario. However, according to Mujtaba and Shuaib (2010, p. 114) although a well-structured total rewards package is important for a company, pay is still a very important part of that.

Yiannis et al. (2009) found that any total rewards package should contain strong elements of recognition and appreciation and this was also evidenced in the primary data. It was also found that management participation in this is vital to its success and this was further corroborated by Newman (2009) who found that management involvement and monitoring is essential to success. The primary research data also found that once your basic professional needs were met in the workplace, recognition from management in front of your peers became important to increasing performance and motivation. This was also the case with Hall-Ellis (2014) who found clear links between behaviour and
performance on one hand, and rewards on the other. This was a shared responsibility between employee and management.

The research also highlighted that a comprehensive total reward approach was also dependent on the economic health of the organisation and if they were in a position to offer this package. However, according to Gunkel et al. (2009) rewards do not have to be expensive and if implementing them across different geographical boundaries, you can take advantage of the different HR practice in different countries as employees in different countries will have different preferences. This of course can have its own problems if employees value a reward in one jurisdiction that is not available in their own. However, it was generally accepted that a total rewards package seemed to be most important to attract and retain talent.

In summary, the reward system in Sandvik although comprehensive does not seem to be viewed as a structured system fit for purpose in the modern sense, and that many times positive behaviour is either not rewarded at all or rewarded too late to have the desired effect. The cross cultural nature of the business means reward structures operating in different jurisdictions, but rewarding people operating on the same level and doing the same tasks, can be very divisive. This becomes more of a problem if the reward is something you really value.
Chapter 5: Conclusion and Recommendations

5.1 Conclusion
This research aimed to determine what impact rewards systems within organisations have on performance. As discussed in the introduction to this research, we have seen a shift from a very narrow based reward structure involving only pay, to one which incorporates other rewards, both intrinsic and extrinsic, which are valued by the modern day workforce.

Managing your reward structure and systems within an organisation can be a difficult task and can easily go wrong with extremely serious consequences for both organisational performance and productivity. It becomes all the more difficult to manage within organisations of diverse culture and where their operations spread over many different international boundaries. This is evident in data gathered from the primary research conducted and the research has shown how divisive this can be, thus affecting a positive trend in performance. The difficulty faced by organisations generally in managing reward systems and structures was found to be no different for the company forming the basis of this research. Results from the primary research and literature review highlight the importance of building a transparent and relevant reward structure, closely linked to organisational design, strategy and culture.

Although traditionally performance improvement focussed on many aspects of Human Resource Management such as learning, training, development, coaching as well as reward schemes, this research has shown how important the reward management aspect is in improving performance. In the critical review of literature it shows how closely related commitment, motivation and performance are to reward systems and how they are implemented. In general terms, motivation depends on the appeal or perceived value of the rewards on offer to an individual employee or a group of employees. Managers, who highly value the reward they perceive to receive, tend to perform higher and be more motivated. Therefore, we can conclude that performance and motivation are closely linked, but the rewards that drive both of these may be very different and there is no
universal system that can adequately be applied across the board. I believe the ability to motivate employees is critical to every manager's role in order to increase productivity and performance, although evidence from chapter 2 would dispute this. As modern day staff retention levels decrease among mid to senior managers, it is argued that motivating these staff can be more of a cost than a benefit. It is important to note that this research was carried out within a western organisation and people's preference for reward will change, depending on culture. One question that arises from the review in chapter 2 is have peoples motivations to work and expectation of reward changed in western culture faster than research has documented.

In chapter 2 we have seen that people will perform for different reasons, depending on skillset, career progression or personal circumstances, and this was also particularly evident from the interview results. The literature review also highlighted the importance of management support and buy-in when designing and implementing rewards systems. This can be particularly difficult where team based rewards are concerned. As these were seen from the research to be more favourable to the organisation than to high performers, the challenge is how we can promote high levels of individual performance yet foster a culture that encourages team work and how can we make team based rewards compatible with individual ones. From the research, both primary and secondary, it is clear that employees in general hold mixed views on team based rewards. And although it encourages knowledge sharing and communication within teams, this is not seen as beneficial to the individual, but he rather the organisation as a whole.

Many of the problems related with performance related pay identified by other studies in chapter 2, are reproduced and reflected in the interview data. While it is not the key concern for employees within the company, opinions are divided in terms of its effectiveness. It is clearly viewed as a short term reward, with limited effectiveness in increasing performance. It is certainly not considered the most favourable of rewards. So how a person performs and the reward that improves that performance will depend very much on what they value at that specific time of their lives. It is clear from this research that reward practices do have a relationship with performance but as is the case with PRP, it is difficult to determine which practices are likely to be effective in a specific context.
In both the primary and secondary research, we found evidence to support the use of a more comprehensive or total rewards approach to how we manage and design reward systems. Responding to employee needs and expectations should govern an organisation's reward systems. These expectations may ultimately change the standard practice or formal policies that govern the organisation in question, but also other organisations of similar design and culture. A total rewards design within a modern multinational organisation above all needs to be relevant to current needs and expectations. It should always be developed in real time.

Conveying a message that employees are valued within the organisation and that their performance and commitment matters fosters a positive environment where morale, motivation and ultimately performance is high. A relevant and applicable reward system is crucial in driving home this message as it shows existing and potential new employees you are serious about their interests.

**5.2 Recommendations**

Firstly, I would recommend to any researcher considering a similar study, that a more detailed quantitative approach in the form of a survey or trend analysis would be beneficial to get a more comprehensive interpretation of the needs and expectations of the current workforce and to measure the effectiveness of reward strategy.

The following are the researcher’s recommendations as result of this study:

1) Performance management systems can be seen as cynical and measured using irrelevant criteria and sometimes people can be rewarded for meeting these criteria. Unfair reward systems can also be viewed in such a manner and be considered procedural rather than fitting an individuals or team’s needs. Therefore some further study is needed on the integration of rewards systems in both performance appraisals and how that reward system and structure supports overall organisational strategy.
2) We need to be able to accurately measure performance to determine if the investment in creating and maintaining complex reward systems is economically viable. This needs to be considered in terms of cost associated with motivating employees and return on investment from that in terms of staff movement to other companies. As performance appraisal in organisations has mostly been highly quantitative, I would recommend a more qualitative approach to determine this.

3) The relationship between learning and reward in organisational performance is one area where little information exists, both in general and within the company chosen for this study. I would recommend that more research is needed to determine what aspects of reward systems are most important for specific desired outcomes.

4) It is clear from current review on literature and from data gathered through my primary research, that team based rewards are considered a controversial aspect of reward management. Yet, there is not sufficient published material on this form of reward to understand their true potential and also the best way to make these acceptable to all stakeholders. More research in this area of reward management is merited.
Chapter 6: Reflection on Learning

As I complete my final studies related to my MBA and reflect on the learning and skills acquired during that time, I feel a sense of empowerment and structured confidence that was not overly evident in me as a professional prior to commencing the course. The choice of topic for my dissertation and the skills I have acquired to complete it, have proved both motivating and advantageous in my professional career. This has led to a behaviour change in how I act and process information. As a supply chain manager, going outside of my comfort zone of operations into the world of HRM was a deliberate choice in order to understand the power behind those operations; the people. And particularly what drives them to perform, achieve and add value to their organisation. These are key components to the success of any organisation in today’s globalised and competitive market place. This has proved challenging for me, but has I believe given me valuable insight into a field of study that I find many operational or senior managers do not pay enough attention to. Working currently in an organisation and industry where so much change is happening, this topic felt particularly relevant to me.

The result of this complacency, I have found, in both my research and from my professional experience, have serious negative impacts on all aspects of an organisation from operational efficiency and staff morale to competitive advantage and reputational perception. The choice of topic and the process of research undertaken in order to complete it, have given me more appreciation for the complexity and importance of the role of HR professionals within the global multinational environment, and to a certain extent how these roles are not been utilised correctly. In the words of Rear Admiral Grace Murray Hooper, “You mange things; you lead people”.

As I was working full time during my studies, I found time management to be a problem not easily overcome. This was compounded by the fact that I received a promotion during my course, which leads me to defer the final module i.e. the dissertation. This break in learning, especially as a more mature or older student, was not wise in hindsight and I have found that continuity is important in a field of study as large as a master’s
programme. Particularly as a research thesis required me to think and process information in a different way. My professional mid managerial career does not require you to be critical as much as it does to conform to the status quo. The skills acquired through research from my experience do not like conformity; critical thinking is central to producing something that others will value and that may have real practical benefits in the real world. This was a key learning point for me. The dissertation process has thought me to be more analytical in that critical process also. Exposure to so much research material and the process in how to access that, have given me the opportunity to apply best international practice and theories to my own role. I have found this very beneficial in influencing change and approaching a problem or implementing a new process. It can be achieved so much easier when you back it up with sound data and evidence already in existence. This is the structured confidence which I have learned, alluded to earlier in this chapter.

I believe in general my findings were in line with evidence obtained through my literature review, but also that my topic was closely related to individual human behaviour. And although that is a vast area of study, I found it to be very relevant and practical in the current workplace. With the limited time I had available for my research dissertation, I would define my research topic more specifically if conducting research on this topic again. I underestimated both the workload and thought processes involved in the critical evaluation of literature, but although a challenge and I believe I have gained valuable insights into the process and how that can be applied in my professional career in a proactive way. I do believe certain aspects of my research topic deserve further attention by researchers and who have possibly not kept up to pace with the rapidly changing nature of the global workforce.

I found that while conducting my research, my own learning style was tested and understanding this style is important for my future professional and personal development. I fundamentally believe in the concept of life-long learning. This is not just for personal enjoyment and enrichment, but also to consolidate your professional position in a future where there is always someone younger, smarter and possibly more motivated, challenging you in the workplace. This dissertation has given me a structured experience
in how I can continue that learning. Knowles et al. (2005) explains that adults generally prefer ‘problem solving learning’ rather than ‘subject-centred learning’, and they learn best in real life situations. In this regard, I believe the research process involved in this dissertation has made learning easier for me, as it was more practical. I really believe what I have learned can be put into practice in the real life context.

Honey and Mumford (2000, p.11) describe learning styles in terms of attitudes and behaviours, and that although learning can be both formal and informal, the problem of ineffective learning exits as much today as it always has. They further describe 4 main learning styles as:

- Activist
- Reflector
- Theorist
- Pragmatist

In completing Honey’s (2006, p. 14) short questionnaire, I was able to discover my learning style preference was ‘pragmatist’ i.e. “practical, down to earth and like to solve problems………..and like to gain practical advantage from learning” followed next by ‘reflector’ i.e. “they take a thoughtful approach……..are good listeners…..and make decisions in their own time” (Honey and Mumford, 2000, p. 18). This is interesting as I have learned that the theoretical aspect of my research dissertation and skills developed in that process, can add weight to the practical decisions I have to make every day at work. Understanding my style can help me to play to my strengths when I need to in the professional environment I am exposed to.

Understanding the mix of learning styles that dominate my approach to learning and research is also very important for my own development. I think my ‘reflector’ style, although not my dominant learning style has developed positively through this research process. Interestingly, I scored lowest in the ‘theorist’ option which gives me something to reflect on as I progress my career to a more senior managerial position. The research process and the logical steps required for that have helped me to understand what I need to work on to improve this.
Comprehending these learning styles and applying them in a practical way, both professionally and personally, is something I look forward to doing in the future. I believe my role in a major multinational company will give me that opportunity. But understanding your weaknesses are also as important as understating these new found strengths. As mentioned earlier, time management has been a problem for me during this dissertation process, though the scale of the project has thought me new planning skills in what to prioritise and when. My decision making skills have been enhanced as a result.

The next steps for me professionally are to take all I have learned in this MBA, and specifically the dissertation, and apply it practically to my working environment. I now feel I can more confidently develop new processes and ideas that are structured and have a certain theory behind them. I also feel I can confidently take more of a leadership position in questioning or complimenting current processes, especially those centred on the topic of my research. The challenge of the research at first was not appealing, but having completed it, I now not only understand its importance, but find it enjoyable and this I hope will encourage me to continue to seek out new ideas and best practices in my work life. I believe I have lost time in my professional development by deferring my dissertation, and because of this I have not fully used what I have learned. I intend to now change that by seeking a new position where these new skills and capabilities can be applied. I believe applying what has been learned in the MBA immediately is important in order to keep that momentum of learning going forwards and applying that learning in real life situations.
Bibliography

Texts


Honey, P. (20006) The learning Styles Questionnaire. Maidenhead UK: Peter Honey


Journals


Appendix 1: Interview 1  SK01

Interview and contextual notes for participant SK01

**Question 1:** Are rewards the primary motivation for increasing performance?

Yes and they can be exceptional motivators in improving performance for people and obviously this depends on the type of reward whether it’s monetary rewards or other types of rewards. So for me a very big motivator

**Question 2:** From your experience, does performance increase as rewards increase?

Not necessarily, I do not think they go hand in hand. It can be an incentive for people but it does not automatically mean that because you give them more of a reward that you will automatically reap the benefits in an increased performance. So basically it can be mixed, it can work in some cases and not in others depending on the person and the reward on offer.

**Question 3:** Do these increased rewards lead to a more motivated employee?

Yes, from my experience I think they do lead to a more motivated employee. I have seen this with my direct reports. This works well when the reward is visible or known so they have something to aim for or work towards. This has shown motivation from an early point and obviously this should be done in line with a particular target that they have to achieve so the rewards do not have to come afterwards. The most important is that people have something they feel is tangible to aim for.

**Question 4:** Does performance related pay encourage an employee to perform better?

Yes I think it does. It is not the only factor but can play a big part. At the end of the day everybody comes to work to earn a wage and get paid that wage and the primary reason for people to be here is to earn a living. And if they have the ability to earn more that can be a big motivator and help performance if managed correctly. More pay can increase your living standards outside of work. It is a work to live, not a live to work environment
we live in. But it also does depend on the individual and their specific circumstances. PRP can give you more options externally.

**Question 5:** Does it improve your priorities at work?

No, I don’t believe so. Just because you are paid more it does not mean your priorities will improve. Again, this depends on the specific targets. If it’s a target related pay incentive that may be one to drive you’re a specific priority but just because you are paid more it does not dictate what priorities are the most important generally in the workplace. So your complete set of tasks in work should be prioritised based on a combination of criteria, not just pay on its own. So if your bonus is only on a certain metric and pay is the most important thing to you, you will only focus on that metric or metrics. Sometimes senior managers who sign off on the metrics or bonuses don’t see the bigger picture. They just want to see certain targets been met.

**Question 6:** Does it increase the quality/quantity of work produced?

In general terms, yes it does but it does depend on the structure i.e. if its target related people will strive to hit their targets if they think it will negatively hit their pay. But I mean quality and quantity in relation to your targets, not necessarily other tasks. I think there is no real reason for people to focus on quantity of work if it is not target driven. It also depends on whether the target is quality or quantity based.

**Question 7:** Does it make you show more initiative?

I think this depends on the individual. Ultimately if they can see they will receive more pay just for performing certain tasks, some people will be happy just to do that and that alone. I think some people have another view and like to show more initiative with the view to getting a promotion or something along those lines. It doesn’t necessarily make you show more initiative because you are getting a financial reward, but because other incentives might be available e.g. advance in your career.

**Question 8:** Are financial incentives more effective?
From the teams I have managed yes they are. I think from my experience if you put it in front of people that they will go home with more money for achieving something specific, I think it’s better than just recognition of that achievement for example. In this company and specifically in my department, career advancement is not that evident so short term monetary gain is seen as more of an incentive. Some people are happy sitting and staying at the level they are at, and if a bonus or extra pay is available they will be happy to take that. Some people want short term monetary gain while others look at the longer term and try to advance their career with the view to earning a larger amount at the end of that particular advancement. When there is a structured career path, short term monetary gain is not as important.

**Question 9:** Is recognition/appreciation more effective?

No in my experience the extrinsic rewards are more effective. But again it depends on the person and their specific set of circumstances at the time. Some people would appreciate the recognition with a view to standing out from the crowd and progressing in their career. Other people would not respond to recognition as much as they would to monetary gain. Recognition or appreciation and other type on non-tangible rewards can only be effective up to a point. To back this up and make it really effective in terms of performance and motivation you need to add something tangible to it. As this company provide yearly increases in pay, it has shown to be effective whereas recognition can eventually ware off. A pay increase is seen as something you always have. If a pay increase does come year on year, I can have more positive effects on performance.

**Question 10:** Name some intrinsic/extrinsic rewards as examples.

Annual bonus and annual salary review. Recognition within your own team by your manager e.g. at team meetings, regular positive feedback in one to one sessions, and recognition on the company intranet. It’s important to have regular one to ones to give that feedback as tangible reads are more limited in frequency. This company should be increasing intrinsic rewards to try and increase performance in a climate of economical difficulty to keep staff motivated. They have not been good at this.
**Question 11:** What do your employees think of team based rewards?

They have had very mixed views on these in my experience, but it depends on the individual. Some people can get motivated by team based rewards, but others will look at the weakest link and may not be happy with them on the team. As they think this person will be the downfall of not achieving your desired reward. So it doesn’t always bring a collaborative approach. Depends on the people you have in the team. Team based rewards can make people look at themselves and their performance and encourage them to work harder as they don’t want to be the weakest link on the team. No one wants to be the one that makes the team fail. Ideally people should look at the bigger picture and greater goal and strive together to achieve that, and if that means helping the weaker people, then managers should encourage that.

**Question 12:** Is it better to have them or not?

From my experience it is better to have them. It shows up the weaker members of the overall team. It does encourage team work and better personal interaction between people. Also people learn more when they interact more and I have seen positives results with team based rewards personally. It encourages harmony amongst the team.

**Question 13:** Are they fair?

Yes in general terms. But it also depends who you have on the team as some people will care more than others. But team rewards are better for the company overall performance and you are trying to get everyone into the same line of thinking. So they are fair in that respect, but maybe considered unfair to a particular strong team member. It can highlight the need for change or extra training requirements. Ultimately it is a fair way to manage performance and reward.

**Question 14:** Does it make you more/less willing to help your team mates?

People typically like to share their knowledge so in my experience they male you’re more willing to help your team mates. This can share a heavy workload throughout the team and it helps to bring everyone up to a certain or shared standard. It generates a better team spirit. Also new or less competent people ask questions easier in teams than going direct
to their manager in my experience. Struggling team members become more visible, so you can spot them easier and take action to help them.

**Question 15:** As the company has many international dimensions to it, and employees in different countries naturally communicate with one another, do you find that when they become aware of the different reward systems in different countries, this can be divisive?

Definitely this is the case. If people see other people been rewarded better for doing the same work as they are doing, even if it’s in a different location, this can be de-motivating and viewed negatively. Of course the company has to work within the legal limits of what’s allowed in each country. Reward structures should be more general across the company rather than specific to each different country or region. This can have a negative effect on performance or a person motivation. I have seen this personally here, some people receive better benefits for doing the same work, and it is not at all relative to the country the person happens to be in. It has been on occasions very visible in this company and openly discussed in a negative way.

**Question 16:** Do you think the reward structure in Sandvik is currently sufficient to meet the needs of managers and their teams?

In general terms, no. It is not a good company for an overall good reward structure and not looking at best international practice. I think they have a lot to do to improve the intrinsic and extrinsic reward structure. Although downturns in business do dictate the type of reward on offer, this company could improve on its non-tangible rewards.
Appendix 2: Interview 2  SK02

Interview and contextual notes for participant SK02

**Question 1:** Are rewards the primary motivation for increasing performance?

No I don’t believe they are the primary motivation, I think primary is the wrong word to use. I do think motivation is attached in some way. I think employees have a certain amount of self-worth in what they do and so they therefore want to be paid the correct amount for what they do, but I think generally speaking most people want to feel a sense of achievement and be paid a fair salary for that.

**Question 2:** From your experience, does performance increase as rewards increase?

Yes but I believe the performance increase is probably short term. I think when you receive a good salary increase or a good bonus or another intangible reward, based on your performance, I think in the short term it gives people a boost and it give people this kind of initiative to come in and try their hardest. I believe that eventually wares off though and that people will revert back to their natural way or pace of working. So yes in the short term, but long term no.

**Question 3:** Do these increased rewards lead to a more motivated employee?

No, not always but it depends very much on the reward. I think staff is motivated by a combination of things, and money for an example is only a short term motivator. I think staffs are motivated by each other, motivated by an ability to learn and motivated by their managers. I think rewards essentially are short term. So these increased rewards may improve motivation but only in the short term.

**Question 4:** Does performance related pay encourage an employee to perform better?

Well, yes we offer performance related pay in Sandvik. Yes it can and I have seen it do so but it has its limitations. I think it effectiveness is very individualistic. If people are very money orientated they can have a long period in time where they are only working for that pay or bonus so it depends very much on the individual and their state of mind at
that particular time. So yes it has a short term incentive but long term people can’t work consistently at a pace that is not their natural pace. So they will ultimately revert back to what their natural pace is, and money is not as important then. So in some ways that might not be good enough, but it is still their natural pace. So it can work in the short term but can’t sustain performance.

**Question 5:** Does it improve your priorities at work?

If based on a specific project for example then yes but other tasks can then suffer and this will eventually have a negative effect on performance; because your only priority will be the one that that is tied to the increased pay. If pay is linked to a specific task then that becomes a priority on your to do list. And the other tasks not related to it play ‘second fiddle’.

**Question 6:** Does it increase the quality/quantity of work produced?

In some cases yes, but it depends on the person. If you are an individual who is money orientated or very career orientated and you’re trying to climb the ladder in work I believe quality and/or quantity can increase. But if you are a person who is happy enough to plod along and happy with their salary, and if you reach the targets you might get an increase and if you don’t you are not that concerned, then I think it very individualistic in terms of how people perform.

**Question 7:** Does it make you show more initiative?

Yes I believe so, but again I think is the person. Some people want to achieve and they want the salary to match it. And that can create an initiative in someone as the reward is tangible but some other people are not driven in that way. I think it’s very much an individual thing.

**Question 8:** Are financial incentives more effective?

Personally speaking, no. I think financial incentives (with possible exception of base pay) are a nice have but I don’t think that they are effective for increasing a person’s performance in the long term. People may have external short term monetary goals, away
from the company in their personal lives and once that’s achieved, increased pay may not be as important anymore, work life balance becomes important. So they can effective short term if linked to a person’s personal goal in life, also short term.

**Question 9:** Is recognition/appreciation more effective?

I think so as people are naturally drawn to other people for the most part. A managers respect and a managers admiration towards an employees work ethic and commitment and the acknowledgement of all those things generally will have the effect of making the employee more interested, willing and present e.g. if you pay an employee 100,000 Euro and say nothing about their performance and give them no recognition for their work, and you pay someone else doing the same job 80,000 euro but you were prepared to sit with them and train and mentor them then you will more success in the long term with that so called underpaid employee than you will with the higher earner.

**Question 10:** Name some intrinsic/extrinsic rewards as examples.

Performance management process and procedure in terms of a way to give people feedback on a regular basis (informal and formal). Different ways of supporting the staff with their careers in the company such as further education, internal training, transferring internally, talent management, unpaid extensive leave (up to 6 months). But we could do with introducing some more. In relation to extrinsic are annual percentage bonus PRP, general package including pension contributions up to 10% and life, risk and medical cover

**Question 11:** What do your employees think of team based rewards?

In my opinion, generally speaking they mostly in favour of them, but I have seen some very mixed response to it. Some work team can be much divided on this topic. If you offer most of your rewards based on a team achieving I think you will face some criticism as there will always be someone in the team who is the weakest link and who could ultimately bring down the overall score of the team. So opinion is mixed on this and it can also depend on the size of the team. It works well with likeminded people based in the same location. So there are pros and cons to it. If you have it so as some of the reward
is based on team performance and some of it is individual I think it would be far more effective. So a mixture of rewards within teams is a good idea. So if you can get it to work, it can be very beneficial for productivity. The more varied the team dynamics is, then the harder it is to work.

**Question 12:** Is it better to have them or not?

It is better to have them but possible in smaller amounts and not the main type of reward. They have the potential to get people working together and on the same wavelength. They need to have their limitations though. But they are also economically or market condition determined.

**Question 13:** Are they fair?

No I don’t think they are always fair and that is the problem with team based rewards so highlights the difficulty in that concept of people working together who are on different levels. So high achievers who understand the work very well and are quick to pick things up quickly can come out worse in terms of the reward they think they deserve. So the high achiever it seen to be marked based on someone else’s work, which is unfair if it’s not up to their standard. However, I think the overall concept of building a team and structure that work and cooperate together is good, but it needs to be managed very carefully. They are very good for productivity in the company if you can sell the concept to your employees. Maybe you should split them so the high achievers in the team could get a little bit extra for adding more value to the team.

**Question 14:** Does it make you more/less willing to help your team mates?

Mostly it makes you more willing to help your team mates. I think people like camaraderie and people like to come to work for the people around them. In general terms, not all people that is. People like to be loyal to your colleges that you work with on a very regular basis; they don’t want to let their team mates down. So when you are not working as part of a team, and you have none to support or be sure you don’t let them down, you can become complacent. Because it does not matter if you don’t perform, you’re not letting anyone down. Except, of course, if you care about your performance
appraisal or if other rewards that you value are tied to personal performance. When people come to work they are motivated by other people in general, not as much by the package they are on. They expect the package, but in terms of motivation they come in for other people. Their work mates have a more motivating influence on them.

**Question 15:** As the company has many international dimensions to it, and employees in different countries naturally communicate with one another, do you find that when they become aware of the different reward systems in different countries, this can be divisive?

Yes I think so. This is experienced a lot in Sandvik unfortunately, but varies from people to people. In other words, people with more experience of the working world tens to notice this more and it’s a bigger issue for them. I think it’s very short sighted and narrow minded of an adult who has a certain amount of professional experience, to come to their manager and suggest that because another manager in for example, Finland, does the same job as a manger in Ireland, that he/she should be entitled to the same benefits. It is not always relevant to compare like for like. All countries are different even if the roles are the same. I think this view is naive and immature. And it does lead to division, we have seen this many times. But it’s difficult to address successfully as a manager. Bottom line is, different countries operate at different levels with different economies, different costs of living, different unions etc., therefore they have different rates of pay and different ways of making employees perform. Sometime cross cultural rewards have to be different for this reason.

**Question 16:** Do you think the reward structure in Sandvik is currently sufficient to meet the needs of managers and their teams?

Overall I think it’s acceptable, but here is certainly room for improvement. It can happen that the ball is dropped and certain reward measures are not introduced when they need to be. But we are still competitive in this respect. There can be specific examples where we need to improve, but this is all economically dependent too. We don’t over pay, but we don’t under pay either. When the mining industry was booming or in the super cycle a few years ago rewards were generally better, specifically extrinsic ones. There may be examples where someone has slipped through the net and we have not rewarded them as
we should have. The economic downturn has affected our reward system. We reduced the number of rewards due to profitability. We strive to pay everyone to the current market rate, at that specific point in time. So it’s not an intentional thing that we underpay or under reward someone. We rectify it retrospectively if we have to. But tend to be more reactive than proactive in this regard. Rewards are dependent on the economic reality at the time they are looked for from the employee. So in the boom, we set salaries high, as the recession hit and we hired new people through natural replacement. They naturally did not start on the same salary as the person before them. Now they consider themselves underpaid and this is a problem. We try and rectify this over a number of years, rather on one go. This requires patience and understanding from the employee. So we hope people look at our total rewards package when considering working and staying in this company.
Appendix 3: Interview 3  SK03

Interview and contextual notes for participant SK03

**Question 1:** Are rewards the primary motivation for increasing performance?

Yes, in general. Rewards can motivate you to perform better. But depends on how the reward is happening in that point in time. If it accounted for a large part of their salary then it would be a primary motivation. But can depend on the role for example a sales man with sales target then yes it would be very effective at increasing performance. But it depends on a lot of variable, the reward type itself, the individual and the organisation. But it also depends on what the performance is made up of i.e. is it made up of targets and results or are you trying to change people’s behaviour.

**Question 2:** From your experience, does performance increase as rewards increase?

Yes, if the rewards are consistent and structured. People want to perform well in general. But it depends on the individual and their values eg.do they want to progress in the company or just take a short term gain. The reward must be reinforced positively and not be seen as just a once off. So the reared must be applicable to the person or you won’t get the results you desire.

**Question 3:** Do these increased rewards lead to a more motivated employee?

Yes and it very much relates to the reward system and what makes it up. It’s important to note that motivation can be quite personal so it’s not one size fits all. The worker needs to see a direct link between their efforts and the outcome. You need to understand the people behind the reward and what makes them tick. Target what people value most to increase performance. Try and get them involved in the reward structure. For example some people might value recognition over a certain financial payment.

**Question 4:** Does performance related pay encourage an employee to perform better?

Personally speaking, not always. But again it depends on the person. Its only one type of rewards and incentive, so what are you basing the financial amount on and are you trying
to use it to change behaviour. So it’s not the best way to encourage performance overall. If it’s just tagged on to existing salary then it is eventually just seen as part of that salary package as per normal.

**Question 5:** Does it improve your priorities at work?

If the PRP is structured to meet the organisation’s entire goals, then it will. So yes it can. But your right priorities must be very clear and transparent. But you have to be careful that people don’t become solely focussed on that. So it’s not good if you are trying to retain people as it’s only a temporary thing. Also it’s not enough if that’s all you have to attract new employees. You have to be very cautious and careful with pay related performance. PRP is not necessarily seen to create satisfied employees. It doesn’t encourage any discretionary effort from the employee. Not all people are just about pay.

**Question 6:** Does it increase the quality/quantity of work produced?

It can if you target the right type of work, e.g. piece rate pay. But it’s very individualistic, so it very specific to the work type in question. But it’s also affected by some external dynamics so as how does it conflict with teamwork if that is part of your job function. In terms of quality that can be harder measure. But depends on the work. E.g. if work had to be re-done then it’s ok as you can easily measure quality here.

**Question 7:** Does it make you show more initiative?

It can, but only on the specific task I question. Increasing overall initiative is more linked to your overall rewards package of hard and soft rewards. With PRP, people will eventually work out the system and find gaps in it, then just focusing on that part of the PRP process. It doesn’t add a lot of overall value to the company in that it won’t improve a person’s overall work/company performance.

**Question 8:** Are financial incentives more effective?

No not necessarily, as it may be only a temporary thing from my experience. It does not work long term as other organisations can offer the same financial incentives as you. But it depends on the person and what they want at that point in their lives, but it’s not good
for retaining them long term. So with some people more holidays or better pension contributions are more important. So what the person wants at that that in their lives will determine how well they perform with these financial rewards or how motivated they make them.

**Question 9: Is recognition/appreciation more effective?**

For me yes it is as its fits in with a person’s hierarchy of needs. People need recognition or that overall feeling of been valued. So once your basic profession needs are established, recognition and appreciation in front of your peers etc. becomes important. Those in tangible rewards become very important for increasing performance overall and in the long term. So ultimately it is more effective.

**Question 10: Name some intrinsic/extrinsic rewards as examples.**

Sandvik’s industry magazine is effective as it gives recognition on a global level. Recognition from mangers and peers are useful and used in Sandvik during organisation team meetings. In terms of extrinsic, we have twice yearly salary reviews for certain levels and excellent pension contributions and health plans. The company has very good further education allowance for staff to continue training.

**Question 11: What do your employees think of team based rewards?**

They should be linked to both the organisations goals and an individual’s goals where possible. So they are very good when all of the team are on the same level, but can be divisive if they are not. So the goals and rewards for team performance have to be valued by the entire team.

**Question 12: Is it better to have them or not?**

It is better to have them, as they can bring people closer. But they can also bring conflict if not managed correctly. Overall they will benefit the organisation as people work closer together and share information. Bu they are effective in a global organisation where success can be dependent on the next link in the chain. Keep the common goal in team rewards simple for it to be effective.
Question 13: Are they fair?

No, not on certain individuals. So not for a better performer. And weaker people can get rewarded when they do not contribute as much as others. But they are of course good for the company. They can help other people grow in their roles and learn new skills.

Question 14: Does it make you more/less willing to help your team mates?

Yes it would, because of the common goal. Stronger people will share their knowledge more. Everyone will work tighter to ensure ‘their ship reaches the port safely, as all their interests rest with this’.

Question 15: As the company has many international dimensions to it, and employees in different countries naturally communicate with one another, do you find that when they become aware of the different reward systems in different countries, this can be divisive?

Yes, very much so. This can be very de-motivating and makes you feel undervalued. It makes you feel like the company is not supporting you as they should. People don’t accept that this is a legal requirement in certain countries, and this fact does not help the situation. It especial becomes a problem when the reward is something you really value. E.g. paternity leave in some Nordic countries. Way to improve this is to agree a reward structure between the entire cross cultural team, as much as possible. Show unity. Work with your staff in setting the reward structure.

Question 16: Do you think the reward structure in Sandvik is currently sufficient to meet the needs of managers and their teams?

No, not at present. It is not structured enough or not transparent enough. They currently do not reflect the work people do and are out of date. Positive behaviour should be rewarded immediately but it’s not in Sandvik. So the timing of rewards is important. They need to be guided by local factors also. Really, performance reviews are only conducted once a year and only focus and address work that is measurable whereas most work we do is not. This is a problem for retaining staff and attracting new staff. They will want a breakdown of the reward system.
Appendix 4: Interview 4  SK04

Interview and contextual notes for participant SK04

Question 1: Are rewards the primary motivation for increasing performance?

Not the primary one. Job satisfaction is very important for me and motivates people also. His is my experience but not all people think like this.

Question 2: From your experience, does performance increase as rewards increase?

Although a little contradictory to my first question, but if you have a performance related target then you will increase performance, so yes. You will push your performance if it’s linked to your bonus.

Question 3: Do these increased rewards lead to a more motivated employee?

Money can motivate some people, but again it’s an individual thing. I am more motivated and perform higher if I have job satisfaction. But it depends sometimes on where you are in your life and what you need at a specific point in time.

Question 4: Does performance related pay encourage an employee to perform better?

This depends on the structure so the targets you are given have to be achievable. Pride and job satisfaction makes me perform better and I have seen this in team members. So it depends on how PRP is set up and now in Sandvik a lot of PRP is set up on company financials, not personal financials so this does not encourage me to perform better. PRP are only short term goals and you will not sustain performance through this reward all of the time.

Question 5: Does it improve your priorities at work?

No I don’t think so. You should have operational targets and priorities should be aligned to those. But your priorities like me as a project manager so are set in detail to exactly what the company want me to deliver. You should not be set unrealistic targets. Priorities should be aligned with work in general.
**Question 6:** Does it increase the quality/quantity of work produced?

It depends very much on the individual. This is a very subjective question or topic. So your performance targets need to be very defined and aligned with your overall performance review.

**Question 7:** Does it make you show more initiative?

No, I don’t think so. The actual works on hand give me the initiative. Job satisfaction gives me more initiative.

**Question 8:** Are financial incentives more effective?

In general terms, and in the long term I do not think so. Again I think it’s a very individual thing. Leave is very important to me and time off in general is very important to me. Intrinsic rewards in general I think are very encouraging to increase performance. But you need firm targets. And also I value family time very much. I am driven by more than financial targets. But I do like to see these non-tangible rewards built into a person’s contract and I think this is important.

**Question 9:** Is recognition/appreciation more effective?

This depends on the role. As a project manager it’s very important that you get feedback from your team, even when you don’t look for it. Because I deliver something that is supposed to have tangible benefit to the company going forward. I think this appreciation and recognition should always come proactively, you should never have to seek it. Then it can be very effective.

**Question 10:** Name some intrinsic/extrinsic rewards as examples.

Extensive leave process, different types i.e. also, flexibility in working from home. Good educational plans, both internal and external. A lot of business travel is seen as a benefit for some people and also the pension scheme with the company is excellent.

**Question 11:** What do your employees think of team based rewards?
In general not really popular among employees because you will always have what people see as a ‘bad apple’. It also depends on the reward system. Intrinsic rewards are better suited to team I think. Not so much financial rewards as these can be divisive in a team setting. But good productivity can come from team if you get them working well together to their good in that sense from a company point of view. They can be very good for people to share what they know about the company and all they have learned in the company.

Question 12: Is it better to have them or not?

Yes it’s better to have them. But try and keep the rewards ‘soft’. So it’s better to have them as long as they don’t become divisive. For example if we hit a certain target we can all have a team meal or a night out tighter, team building and bonding.

Question 13: Are they fair?

No not really but his depends on the reward also. You might not be able to change the behaviour of the weaker team members. So this has to be addressed in any team rewards structure or system. But they can be good for the atmosphere in the office and generally can create good feeling around the place.

Question 14: Does it make you more/less willing to help your team mates?

Yes, I think this is a natural outcome of them. And this can really help productivity. It also encourages knowledge sharing within the company which is very important for the company.

Question 15: As the company has many international dimensions to it, and employees in different countries naturally communicate with one another, do you find that when they become aware of the different reward systems in different countries, this can be divisive?

Yes from my experience. I know my colleagues in other countries on the same level as me have different packages than me. They have access to interest free loans from the company and very good parental leave. Some are better and some are not so good. For
example in Sweden they offer employees on my level interest free loans and extensive parental leave.

**Question 16:** Do you think the reward structure in Sandvik is currently sufficient to meet the needs of managers and their teams?

No I don’t. They have recently changed the bonus structure so that the outcome of this is related to company financial and not personal targets. So this has had a negative impact on performance in my opinion. If the reward structure is not rounded overall, it will encourage people to look externally for jobs. We also don’t have a structured reward system. So many time people don’t always know what’s on offer. Extra time spent in work at any level in not rewarded. So just because the industry is going through a recession, does not mean my work should not be valued any less. I find the reward structure, by the time it gets to certain location i.e. countries, can be changed and ‘watered down’ by HR.
Appendix 5: Request to gain access to research material

The purpose of this letter is to request your cooperation to aid in the primary research of a college dissertation.

What is the purpose of this research?
As part of the researchers Masters in Business Administration, all course participants are required to complete a dissertation, which is a piece of research in their chosen field. A requirement of this dissertation is to conduct primary research, which involves the researcher carrying on their own research either through surveys, questionnaires or interviews. Once this primary research is conducted the researcher analyses the data collected and it becomes part of the dissertation. The primary aim of this research study is to establish how rewards affect performance and motivation in the workplace. This research is focused in the supply chain functional area of the company.

Your current position comes under the discipline of supply chain management or its supporting task/roles, which mean you, are in an invaluable position to contribute to the primary research required for this dissertation. Moreover your current management position for a global company which involves the management of large and high performing teams, and has been part of high performing team yourselves, further strengthens the research due to the daily interaction with your staff.

What does your participation involve?
Your participation requires your time and content to be interviewed. The interview will be a semi-structured interview; the questions that will be asked are attached. Not all of the questions may be asked and during the interview other questions leading on from a discussion may arise. The proposed time required for the interview is one hour. Ideally the interview would be done in person, and the interview recorded.

The request to record the interview is for the following reasons:
• To allow the interviewer to be fully focused on the interview and what the interviewee is discussing. Rather than simultaneous taking notes on what is being discussed
• Easy analysis for the researcher after the interview, and to avoid further contact or discussion on the interview. Recording of the interview will help to clarify topics and discussion during the interview.
• Ensure the data collected during the discussion is relayed accurately.
• To validate the primary research conducted.
• Phone interview can be alternatively conducted at a time that is convenient.

However please note that a transcription or paper record of all interviews must be conducted regardless if the interview is recorded or not.

**Questions and Concerns**

• A form of confidentiality, signed by the researcher will be sent to all interview candidates. Please see attachment.
• All interviewees will remain anonymous, and referred to respondents by codes, rather than real names.
• Naming of industry or geographic location may be required to give context to the analysis.
• Any recordings will only be accessed by the researcher/interviewer, and no other outside party will have access to these recordings.
• All interviews must be transcribed or recorded on paper for validity purposes only.
• Participants will be sent a summary of the interview and a copy of the recording or a transcript of the interview (once complete) for their own records.
• At least one transcription must be included in the appendix of this dissertation.
• This dissertation/research will never be published.
• This dissertation will only be viewed, by the researcher, dissertation supervisor and one external examiner for the purpose of grading. Otherwise no other persons will have access to the finished dissertation.
Contact details for the dissertation supervisor can be provided upon request.
Appendix 6: Confidentiality Agreement

Title of the dissertation: “The impact of reward systems on employee performance: A study of a multinational mining organisation”

Name and Position of Researcher: Brian Murphy, part-time MBA Student, School of Business, Dublin Business School, Aungier Street, Dublin 2

This form is to establish that any information collected for the dissertation is for research purposes only. All information provided will be treated with the up most confidentiality and will not be shared or published in any public form.

- All participants will be anonymous and referred to by codes in subsequent analysis and transcription.
- The analysis from all the research collected will only be view by the researcher, as well as the researchers supervisor and one external examiner, for the purpose of grading only.
- The final dissertation will not be published or disclosed to any third parties or any public forum.
- No references will be made to the organisations the interviewee is currently, or has being employed in, or referenced to during the interview.
- Copies of the data collected during the primary research and the dissertation can be provided upon request

If you have any cause or concern please e-mail me at: bmurphy75@hotmail.com or call me on 087 9643500.

Signature

Date
Appendix 7: Consent Form

Title of the dissertation: “The impact of reward systems on employee performance: A study of a multinational mining organisation”

Name and Position of Researcher: Brian Murphy, part-time MBA Student, School of Business, Dublin Business School, Aungier Street, Dublin 2

1. I confirm I have read and understood the information provided for the above research and had the opportunity to ask questions.  

2. I understand my participation is voluntary and that I am free to withdraw at any time without giving a reason.  

3. I agree to take part in the research  

4. I agree to the interview being audio recorded.  

Name of Participant:                               Date:                                      Signature:  

_________________________                        ________________                        ________________  

Brian Murphy (Researcher)                           Date:                                      Signature:  

_________________________                        ________________                        ________________
Appendix 8: Security Clearance

Dublin Business School

Company Security Clearance

Name: Brian Murphy

Student Number: 1690779

Dissertation Title: The impact of reward systems on employee performance

Company Security Clearance

Please initial as appropriate

☑️ We agree that the student(s) may undertake a dissertation of the nature indicated above and that he/she/they will be given access to appropriate information sources within our Organisation

☑️ We agree that copies of the finished project will be made available for assessment by staff of Dublin Business School and External examiners

Company Name: SANDVIK MINING

Signed: 

Position: HR Specialist

Date: 13/04/2015