

# ***Employee Benefits and Motivation: How it-Experts are Motivated and Prefer to be Rewarded***

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## **Abstract**

This paper identifies the role of rewarding and recognition in employees' motivation and work commitment in a bank's IT-department. The IT-department is located in Istanbul, Turkey with total almost 400 employees and it is part of a greater organization which's main branch is financial services and banking and it operates internationally in more than 40 countries. To identify the role of rewarding and recognition in employees' motivation this survey was conducted in the IT-department and it was sent to 80 employees. The study intends to increase the understanding of the relationship between motivation and rewarding, especially in such business environment as information technology is. The findings show that though there is a relationship between motivation and rewarding, the relationship is not apparent and the effect is hard to be observed when measuring individual rewarding methods. Therefore this study concentrates more on general opinions about rewarding system used in the organization and how, according to employees' prospects, it could be improved.

***Keywords:*** *Motivation, IT-departments, Management*

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## **Introduction**

The business world has been in change for a while and traditional values such as continuous employment, guaranteed wage base, secured incentive plans and definite workplace loyalty do not quite describe today's work environment. Employers cannot anymore ensure workplace for next year but also employees are free to go and change their jobs according to their interest and current market situation. Management have new role in business life and managers are not anymore only straight commanding their employees but identifying, measuring and developing their performances by individual and team level and aligning the performance with strategic goals of the organization. All these changes are part of everyday work life and they have great role in rewarding and motivation since the changes have changed their origin too. (Aguinis, 2009) Rewarding is not just a monetary way to give feedback from employee's work performance and motivation is not only related to employee's capability to do their job. However it is assumed that these two themes are related to each other and this research aims to find out how they are depended and how effective is the relation.

Motivation and rewarding have a proven relation but literature argues if it is measurable by individual rewarding methods or not. For example Kressler (2003) claims that motivation is combination of different desires that direct and have an influence on employee's behavior and action but rewarding methods such as bonuses are too specific and their impact on behavior is only short term, thereby they cannot largely increase or decrease motivation. Human motivation is too complex and personal concept that organizations could create guaranteed rewarding system which motivates their employees entirely. This however does not mean that organizations should not reward their employees and as Kouzes & Posner (2003) assert, employees who are not being rewarded and motivated properly will cause more harm to the organization than the cost of total rewarding itself. Literature commonly agrees that money is not a good motivator since it has only short term effect on human behavior and it is costly for the organization. Instead of increasing monetary rewards it is recommended to apply rewarding methods such as feedback, praises, events or educations to enhance performance and eventually motivation. Managers however should know their employees first and reward them in appropriate ways

whenever it is needed and as personally as possible if they want to foster job performance.

In order to fill the research gaps the study was implemented in Turkey, Istanbul in March 2015 just before the annual bonus announcements at the chosen organization. The research was carried out before the bonus announcements so they will not have positive or negative effect on research outcomes. The organization which was chosen to this research is an IT-department of a top ten international financial institution in Turkey and the department has 400 employees in Istanbul. The organization wishes to stay anonymous because of the sensitivity of the research topic. For the same reason the research itself was carried out anonymously and the results were demonstrated only in common level so no individual responses were able to be tracked. Because of the timing and anonymity the responses from the research were expected to be truthful and sincere.

The contribution of this research is manifold. First it helps to increase the understanding of the relation between rewarding and motivation and more importantly how strong impact individual rewards have on employee's performance. It also tests how effective the current rewarding and recognizing methods are in the examined company. Third it also attempts to uncover more effective practices to reward and recognize employees while increasing motivation. Finding new ways to reward employees is crucial in order to keep the employees motivated and maintain their performance level especially in such organizations where over hours and intense pace of work is common.

## **Theoretical Background**

### **1. Rewarding**

Rewarding includes all the methods that intend positively affect worker's attitude, productivity and organizational competitiveness. It also aims to attract and retain valued employees in the organization. (Bowen, 2000) Rewarding is according to Armstrong & Stephens (2005) divided to transactional and relational rewards which sometimes are also called tangible and intangible rewarding methods. Transactional or tangible rewards are: base pay, shares, holidays, health care and other perks.

Transactional rewards are mostly mandatory and they constitute the foundation of total rewarding. Every employee receives at least in certain degree these rewards unlike relational rewards which are more personal. Relational rewards cover learning and development and work environment hence they do not have clear visibility and pure money exchange features. However Epstein & Manzoni (2008) intensify that even though relational rewards are personal, they are not independent and they require influence and existence of a manager. Sometimes it designates that employees who enjoy higher quality relationship with their managers are more likely to receive more rewards such as challenging task assignments, more resources to do their job, wider training opportunities and more support and information from their managers. This highlights the importance of social skills and reputation within the organization since it might be crucial when talking about rewarding and recognition.

Kouzes & Posner (2003) suggest visible recognition as the most efficient rewarding method. Public recognition builds recipient's self-esteem and increases sense of community and belonging of working together to achieve shared goals and victories. Public recognition is according to Parker & McAdams & Zielinski (2000) spontaneous and unplanned activities such as celebrations, team lunches or meetings where manager shares accomplishments and challenges which have been achieved by individual worker, specific team or even whole organization. Recognition requires strong involvement from talented manager but it is an inexpensive and powerful way to reward and motivate employees since recognition enhances the awareness of good work and it can increase good competition among employees. Deeprose (2006) amplifies that also employee empowerment is an effective way to recognize and reward since employees' innovative ideas, important contribution to the organization and talents and skills will not only help make employees feel important but also help managers to improve their job performances and foster employee-manager relationship. This also gains employee motivation since employees will feel more valuable and important to the organization and their thoughts and opinions are being listened.

Cameron & Pierce (2002) capsulize the concept of effective rewarding system as a scheme that requires experimental attitude, continual fine-

tuning, input from everyone within the system including employees and ongoing evaluation of the effectiveness of the system. However the exact rewarding methods that should be used in each organization depends on the field and culture that dominates in the company. The aim of effective rewarding system should in any case increase employee satisfaction and productivity, attain high standards, lead to personal and social goals and increase the feeling of competence and freedom among employees. Proper rewarding methods can be unraveled by fundamental rewarding strategy planning and later by following the practices that are functional within the organization. In any case it is important to understand that all successful rewarding plans are tailor made, literature or other resources cannot present absolute practices how to reward and motivate employees.

## **2. Motivation**

Kressler (2003) defines motivation as a rationale behind human behavior; anyone who has motives is motivated and has reasons and causes for their actions and inactions. Rationale to work is generally a combination of necessity to work, satisfy individual needs and avoid frustration. However motivation is highly personal and people react differently to motivational factors. Armstrong (2006) continues that motivation has three dimensions; direction that tells what person is trying to do, effort which explains how hard persons is trying and persistence that clarifies how long person keeps on trying. Motivation is shortly a goal-directed behavior where actions lead to valued reward and as Pinder (2008) defines: “Work motivation is a set of energetic forces that originate both within as well as beyond individual’s being to initiate work-related behavior, and to determine its form, direction, intensity and duration” (p.11).

McCoy (1992) explained work motivation more than 20 years ago as a set of employee’s and organization’s needs which should be taken into consideration when examining the efficiency of work motivation in any organization. McCoy asserts that like human motivation, work motivation is a need of fulfillment and it is divided to employee’s intrinsic and extrinsic needs and organization’s needs to be organizationally effective and pursue economic value. For example in order to motivate employee job should satisfy basic human needs such as sense of belonging, acceptance, achievement, accomplishment and self-fulfillment. To do so

organization requires human resources investment and clear plan how-what-and-why employees are being compensated. Educated managers will reward and guide their employees according to that plan in the most convenient way depending on the situation. The organization also needs an effective organization's culture and environment that supports the business objectives of the organization so it can benefit from the work motivation and reward planning and attain economic value from these efforts.

### **i. The Relationship Between Rewarding and Motivation**

Armstrong (2006) agreed that there is a relation between rewarding and motivation. For example rewards like work itself, opportunities to achieve and possibilities to develop and use skills are self-generated factors that influence employee's behavior and motivation. Rewards like incentives, promotions, praises and appraisals are related to career development and they aim to promote employee motivation too. It is however argued whether rewards affect work motivation or just the quality of work life since it is commonly agreed that monetary rewards like bonuses or incentives have only short time influence on human behavior. Cameron & Pierce (2002) even claimed that money or other valuable rewards can be harmful or lead to negative motivation if they are frequently used since employees might get used to them and when monetary rewards are being discontinued, it can make employees do less and more importantly enjoy less of their doing.

Cameron & Pierce (2002) analyzed the concept of motivation by dividing it to intrinsic and extrinsic motivation as social psychologists do. Intrinsic motivation refers to behaviors that humans are doing because they are interested in them, they enjoy and they do the activity for their own sake rather than for the reward. Actually usually there is no apparent reward waiting except the activity itself. Extrinsic motivation whereas refer to behavior which is controlled by external variable or reward which is readily identified. This is commonly applied in work organizations; employees work for their projects for beforehand set goals and bonuses and adjust their input depending on the size and benefit of the reward. Separating these two motivation concepts assists to understand that instead of discovering the effect of individual rewarding methods on motivation, the concentration should be in motivational factors which designate if employer should rather develop the work environment and conditions

to meet with employee's needs and intrinsic motivation or increase the extrinsic rewards to increase employee's motivation.

What makes it even more difficult to research motivation in organizations is that the results vary considerably across investigators and investigations. Persons as well as organizations are largely different which makes it difficult to find relationships between two factors or creating fully covering theoretical framework. (Elliott & Dweck, 2005) Also Epstein & Manzoni (2008) underline that even though motivation and rewarding have proven relation, it is nearly impossible to evaluate the effect of an individual rewarding method on one employee's not to mention whole organization's motivation. Hence the focus should be in total rewarding and that rewarding principles are being felt-fair among employees. No one should be rewarded any less or more than they deserve and people from equal background and performance level should be rewarded same way. This can be ensured with open communication, objective reward determination and by including employees into decision making.

Combining the previous arguments regarding rewarding and motivation it is hypothesized that: Rewarding and recognizing employees will have positive effect on employees' motivation. However how and what kind of rewarding methods should be used are not constant and they vary from organization to organization. Although there is a consensus in literature that the relationship between these two factors exists, the methods used can affect separately and in different ways. For example using social events as a rewarding method in a team-based organization will develop performance culture but might not work in any other organization. (Baron & Armstrong, 2007) The study is made only in one organization because results vary strongly depending on the organization and no generalization can be made. Also ready data from other organization cannot be found due the sensibility of the topic so no comparison between other organizations can be made. In addition this is the first research about rewarding and motivate ion in the examined organization.



## **Methodology**

### **ii. Sampling**

Probability sampling method was chosen for the study since the research was made survey-based and researching the whole population was not possible in this case. The research was conducted in Istanbul, Turkey in a large international financial institution's IT-department. For the purpose of the study, the IT-department was valuable sample as its culture, innovative work environment and performance management is ideal for using and developing rewarding methods to increase employee motivation. Bowen (2000) claims that constructive culture, which is common in IT-field, supports rewarding and recognition as motivation methods and IT-organization is therefore good example for the research. The department practices energizing, interesting and challenging work environment and it appreciates what people do and want to do in future. This gave competent research platform for the research and ensured that the research was carried out successfully in chosen organization.

The total size of the IT-department is around 400 employees and the survey was sent to the employees of two selected teams which totally have 80 employees. For research limitations no more teams were approved to the research. However the sample size, 80 employees out of 400 employees, is still as big as 20% of the total population thus the results are considered truthful and comprehensive. Nonetheless it is important to notice that due the nature of the research topic the results cannot be completely generalized and they are only directive rather than absolute truth.

The sample teams have earlier participated different researches and experimentations which minimized the error of misunderstanding the purpose of research and survey questions and thereby it supported the research validity. The research was made anonymously to ensure employees will respond truthfully and that the results will not harm employees' reputation. The anonymity presumably affected positively to survey's response rate which was 77,5%. Total 62 employees out of 80 responded the survey which was sent to the employees' corporate e-mail addresses on March 2015. 24 of the respondents were women and 38 men and more than half of the employees were under 30 years old who had been working in the organization less than three years and have average seven years total work experience.



### iii. Measurement and Analysing

The survey included ten questions and it was made by online survey software. Questions varied from basic information to open questions and multiple choice questions. The satisfaction to the rewarding methods was measured by using the questionnaire which was based on the earlier interview with one of the manager in the organization and general research about the research topic. The format of the questionnaire and individual questions were however formulated by the researcher itself. Previous investigations about rewarding and motivation have not been made in the organization before. Questionnaire was made easy and simple to understand to avoid misunderstandings and hold the interest of respondents in order to get representative responses.

The satisfaction to total rewarding was evaluated by set of claims such as “I am satisfied with the rewarding” and “Work performance has effect on rewarding”. For example 50 respondents out of 62 said that the social environment at the company helps them to do their job better. According to Bowen (2000) investing in social environment is common and effective way to motivate employees in IT sector since feedback, open conversations and mutual appreciation and trust come naturally in such organizations. This reveals that the social environment is proper in the examined company. However 27 were not satisfied in the overall rewarding in the organization and 21 stated that the rewarding is not fair. Also 20 of the respondents measured the rewarding system worse than in the previous companies they have been working. This states that rewarding is not arranged well enough in the company according to employees. Still the motivational factor such as work environment is sufficient and as the survey disclosed 54 consider their job is important, and 40 that their job is challenging. 42 said that managers give feedback and 45 that managers trust on them. Kressler (2003) notes that managers’ function in motivating employees is to provide good work conditions, offer responsibilities and help employees to grow and develop themselves. These features will have positive impact on employee performance which eventually will effect on their motivation too. The survey presented managers have succeeded in this and that employees feel motivated.

This study discovered that rewarding has a certain degree of impact on motivation. However, the findings show that the relationship is vague and complicated since employees seemed to be satisfied to their work and social environment and they believed they are being recognized in their job. These matters according to literature are not just motivation related but also strong rewarding methods too which means that employees should also be satisfied in total rewarding in the organization. The reasons for dissatisfaction to rewarding in the organization are likely manifold but this underlines the importance of communication between employees and employers. Rewarding is not just monetary ways to recognize from good work even though 49 of the respondents claimed that financial rewards motivate them most.

## **Discussion**

In terms of motivation this survey did not found evident relation with rewarding. The survey however presented that employees feel motivated and satisfied with their jobs but it is clear that employees do not think motivation is directly depended on rewarding methods. When employees were asked to state the most important rewarding method 44 said money and 22 favored promotion. Only 7 people said challenging job rewards them even though in other question 40 said that their job is challenging. This reveals the complexity of motivation and instead of stating that motivation is dependent on rewarding, the concepts can be determined to function side by side and influence one another. Just as motivated employee do not always perform to the expectations of the organization. (Podmoroff, 2005)

Adding more monetary rewards is not necessarily needed even though employees believed that money motivate them most. Incentives like bonuses are too specific to increase or decrease motivation but they rather boost employees' performance momentary. (Kressler, 2003). Money is not the only way to reward employees even though it is a needed way to for example measure achievements or compare people's performance among others in the organization. (Deeprise, 2006) Also Bagshawe (2011) amplified that sometimes asking for promotion or monetary rewards the deepest reason can be lack of success or self-esteem, which some people measures by money. Also covering other elements that cause dissatisfaction such as monotonous job, unsuitable working hours or tedious work conditions can be the reason for asking more money or monetary rewards.

It is important to remember that relatively young employees who are in the beginning of their careers value methods that measure success than techniques which attend to combine work and private life. This can justify why money or monetary rewards are so important for the employees in this organization.

Regardless of how the current rewarding and motivation methods are felt the employees came across with practical development proposals how the rewarding system could serve better its purpose. Social activities such as team events or supporting sport activities could bring variety to work day and might increase physical well-being as decrease sick leave absences too. Nevertheless the amount of annual bonuses and salary upgrades the more important is to understand that the activities leading to monetary rewards should be equally and frankly evaluated. Few of the respondents believed that the bonus calculations are not made fairly and that jealousy and talks start after the announcements every year. To avoid this Armstrong (2008) suggest transparent rewarding decisions that visibly show how rewarding processes operate and how rewarding policies and practices effect on individual's performance. Official pay policies and principles which are visible for all of the employees will increase the feeling that rewarding is fair and thus increase employee satisfaction.

## **Conclusion**

In today's workplace employees want respect, they want to be trusted and have autonomy to decide how to do their job best. Needless to say participation in decision making and asking opinion when decisions affect their job is important in every modern organization and for every employee. Money is little by little been displaced as a rewarding method especially in successful positions where people are already been paid well. (Nelson, 2012) This survey unveiled that the organization and managers are already using these recommended ways to motivate and reward their employees. Managers are sharing responsibilities and giving important daily feedback to recognize their employees, but they could be more innovative when organizing activities that are not work related.

The purpose of this research was not only to find out the relationship between motivation and rewarding but also to discover how the currently

used rewarding and motivation methods succeed and how they could be even better. The research could not find unambiguous relation between motivation and rewarding as Kressler (2003) predicted; rewarding alone is not the case that motivates instead it boosts employee's performance. Rewarding methods however contribute employee's motivation and can keep up the existing motivation but claiming that individual reward has a direct effect on motivation is not true. However this research clarified that employees are motivated, their managers know how to motivate them, they are satisfied with the social environment and they are willing to create new innovative ways to reward themselves, which in the end can increase the sense of belonging to the organization and health competition between the teams and other employees.

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