

## **ANALYZING REWARD POLICY IN CONNECTION WITH THEORIES OF MOTIVATION**

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In today's high competitive labour market it is highly important to recruit and retain critical employees. About 86% of companies were experiencing difficulty attracting and retaining new employees while 58% of companies assume that they are feeling difficulty retaining their employees (Ramlall, 2004). On the other hand to survive and grow any company should be able to motivate employees correctly. There are many theories about motivation and majority of them admit that pay is not a primary factor driving job satisfaction. Companies should be able to respond employees' expectancy about their job and be flexible suggesting "reward menu".

However, thoughtful pay policy, connected with personal performance indicators is often underestimated. A 2006 study found that whereas only 45% of employers considered that pay was a key factor in losing top talent, 71% of top employees indicated that it was the main reason (Robbins, Judge and Campbell, 2010). The average company loses nearly \$1 mil with every 10 managers and professional employees leaving the company (Ramlall, 2004).

So, it becomes crucial to the company to elaborate efficient "reward menu" strategy and policy. It is necessary to understand how to pay employees and what to pay. To underpin strategic decisions correctly managers should be guided both by theory and working experience. The assignment shed light through examples that reasonable care about the staff can significantly contribute to company growth.

Employees have multiple needs depending on the individual, family, and cultural values. Human resource (HR) managers are responsible for anticipating employees' desires and making them work better in exchange for goods. But according to Guest's national attitude study found that only 37% of UK employees reported that their managers motivated them improve their performance (Brown and Purcell, 2007).

There are different approaches to the concept of reward by theory and practice. But they both assume that the main function of reward is to motivate employees. In the first part of the assignment the nature of reward will be discussed through the literature.

Reward according to Zhou (2009) is the compensation which an employee receives from the company for his or her service. It not only contains currencies

and other forms which can convert into currencies, but also an access to comfortable location, friendly climate and favourable relations inside the company, participation in decision making process, the challenges and sense of achievement, opportunities to grow and other elements that are difficult to evaluate in currency.

Beardwell and Claydon (2010: 497) suggest that reward is ‘a bundle of returns offered in exchange for a cluster of employee contributions’.

Reward has a few functions. As a compensatory function, it is a retribution for the service or work that employee granted to the company. Another function of reward is motivation. Regulatory function of reward includes allocation of the labour force according to the market conjuncture (Zhou, 2009).

As rightly noted Bowey (2005) theories of motivation underpin many of the decisions, made by managers about reward systems. It is necessary to know theories of motivation to understand reward concepts today. The main theories of motivation that are popularly discussed in HR management (HRM) literature are represented in the table:

Table

Theories of motivation

Theory name	Main idea
Maslow’s need hierarchy theory	Motivation is a function of five basic orderly arranged needs
Alderfer’s ERG theory	There are three types of needs: existence, relatedness, growth orderly arranged
Two factor theory	Job related factors are hygiene and motivation factors
Expectancy Theory	Level of motivation depends on the attractiveness of the rewards and probability of obtaining those rewards.
Adam’s Equity Theory	Focuses on the concept of fairness in the workplace

Reflecting these theories to small businesses, the expectancy theory seems the most winning, because there are perspectives to grow in sales and profit. In big companies the most reliable seems Adam’s Equity Theory as building good corporate culture and climate.

In big companies it is a responsibility of human resource department to participate in designing reward strategy, policy and realize it. For instance, in Saint-Petersburg State University of Civil Aviation, there is human resource department, headed with provost that implements appropriate strategy in accor-

dance with the University Strategic Plan Development, confirmed by Federal Agency of Air Transport and Rector.

In small companies' founders or general manager produce reward strategy according to his or her personal strategic view and experience. In starting up company TNL International Treading, dealing with export-import between Russian-Serbian markets, reward is the matter of founders' reward policy that is mutually accepted just after the company was established.

During the last centuries many economists, sociologists and politicians have been reflecting upon the concepts of reward. In the second part of the assignment the evolution of concept of reward will be discussed. It is necessary to know historical approaches in order to foresee future and adapt contemporary reward system to changes.

The earliest views on the reward issues emerged in Ancient East, Mesopotamia, Ancient Egypt, Babylon, and they were purely practical.

The first scientific approaches to the reward policy were outlined by Ancient thinkers Plato, Aristotle, Xenophon.

The father of scientific management, as Taylor is often regarded, believed that the vital necessity of the company is to provide employees as high wages as possible. At the beginning of the XX century Ford advocated the idea of "welfare capitalism"; he was among the first pioneers who embodied the concept of persistent hiring, keeping and promotion the best workers on his manufacturers. Ford believed that people have different abilities to work and that is why employees should be rewarded individually according to extend of their contribution to the company. Ford paid the highest salary in industry of 6 \$ per day and shared annual profit with employees to encourage them to work more productively. These ideas are reflected particularly in his famous book "My life and work" (Ford, 2010).

Considering contemporary approaches to the rewards it seems obviously that previous concepts should not be removed entirely, it is recommended to modern companies find balance between old and new approaches to reward.

Traditional reward concept assumes that employees' benefits are largely function of social or organizational position they have. Unlike it the contemporary approach suggests reward people according to the value they brought to the company. People should be also rewarded according to the acquisition of new knowledge, skills and qualifications.

The contemporary reward management literature as well as practice support shift towards the individualization of employment relationships and rewards, stress the necessity of closer connection HRM, policy and practice of the

organization and employees' efficiency. Modern HRM literature recommends to companies to move from ad hoc, short-oriented approach to strategic, long-term approach to the reward management.

Contemporary concept of reward management suggests shift from collectively bargained wages to individually pre-set salary system, linking to the key performance indicators and stimulating employees to be more efficiency driven and skilful; connect pay system to company goals and objectives, develop more flexible pay elements such as “adds-on” and “at risk” components (Drucker and White, 1997).

So, the research outlines major problems of motivation in rewards context. It contains vast literature overview on the problem of rewards and motivation in modern European countries and Russia. The article describes functions of reward and links them with motivation theories. Also it traces the evolution of scientific approaches of the concept of reward from the Ancient times till modern views. It summarizes modern trends to reward by theory and practice.

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