Chapter 2

Literature Review

*Knowledge is of two kinds. We know a subject ourselves, or we know where we can find information on it*- Samuel Johnson

Intricacies of human mind are such that finding a rationale for human action has been a topic of various researches in past and despite the innumerable studies, there always remains some scope for future research. Human mind is thus limited in its ability to capture its own limitlessness. Revisiting literature in the realm of human motivation is a cumbersome task as it involves assorting and incorporating themes, from a large number of factors, which may be critical to the present research concern. The chapter is presented with the goal of assimilating researches and theories in the field of human work motivation such that foundation of the study can be buttressed. With the objective of maintaining specificity the chapter has been segregated into different sections: 'Theoretical Framework' presents the key theories of motivation which form the underpinnings of the study; 'Frames of Reference' analyses the different topics relevant to the study like reward-performance inter-linkages which discusses the role of reward in motivating performance which is the fundamental assumption of this research endeavor; thereafter researches done in the field with respect to concepts like job attitude, satisfaction etc and their relation with rewards are presented; employee choices as regards rewards are elaborated; the next section discusses the role of money as a motivator; the section thereafter focuses on the decline of traditional incentives. Differentiation between rewards and recognition
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It is imperative for the study and as such is presented in the subsequent section after which are quoted some relevant researches in the field. The penultimate section presents the variables of the study in light of the past researches. The final segment assimilates the learning from theoretical and literature review and leads to a discussion on generation of hypothesis.

2.1. Theoretical Framework: Clashing Paradigms

The present section reviews the various theories which form the underpinning of the study; motivational theories (reinforcement, social learning, content, and process) are analyzed in the backdrop of human need for recognition. The theories are discussed within the two conflicting paradigms of rewards as motivator and rewards as detrimental to motivation.

2.1.1. Paradigm one: Rewards as Motivators

2.1.1.1. Principle of Reinforcement

In context of work-life, the varied needs of individuals are satisfied through the rewards associated with work which motivate individuals towards better performance. This concept of reward as a motivator is attributed to Skinner's reinforcement theory. The principle of reinforcement refers to an increase in the frequency of a response when it is immediately followed by certain events. These events which follow behavior, have to be contingent upon the behavior, that is, they should occur only after the target behavior is performed and should otherwise not occur. Such a contingent event which increases the frequency of the desired behavior is called a reinforcer. Positive reinforcers are events which
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presented after a response is performed and increase the frequency of the behavior they follow. For work rewards to be effective they should serve as positive reinforcers. According to Nelson (2001), positive reinforcement is most effective when it is 'directly reinforcing of the desired behavior', 'is immediate', 'is valued' by the individual and is 'frequent'. Recognition is one such positive reinforcer which when used on the lines of reinforcement theory, increases the frequency of desired behavior. It is thus implied that enhancing the value of recognition leads to an increase in the frequency of desired behavior. The research focuses on the value of recognition which when enhanced will lead to better motivation and as such better performance.

2.1.1.2. Social Learning Theory

Albert Bandura (1969) worked on the foundations of reinforcement theory and suggested that behavior does stem from its consequences but also includes constant learning and adapting to one's environment and that most learning probably occurs vicariously through observation of others. The theory thus explains behavior as a function of the person and his or her social environment and the interaction between both. This was an important element of his theory which was labeled 'reciprocal determinism' which meant that the world and a person's behavior cause each other. Through the famous 'bobo doll studies', Bandura suggested the concept of observational learning or modeling which involved learning through observation and imitation and involved four concepts of attention, retention, reproduction and motivation. Once behavior is observed through attention, it needs to be retained through cognitive processes and then
reproduced due to the motivation associated with modeled behavior. According to Bandura, motivation could take many forms like past reinforcement, promised reinforcement or vicarious reinforcement etc.

Another key element of Social learning theory is self-regulation which involves controlling one's own behavior or the transfer of behavior from external sources to internal ones. This self-regulation occurs through three steps of self-observation (looking at one's own behavior and keeping tabs on it), judgment (comparing one's behavior with a standard) and self-response (rewarding or punishing oneself through the comparison with the standard). It is through this self-regulatory mechanism that an individual gets a sense of self-esteem. It is derived from the theory that an individual's self belief about his or her ability to do a task strongly influences his or her ability to perform (Appelbaum 1996, cited in Nelson 2001) and the relationship between performance and efficacy has been established empirically. (See Earley 1994; Gist and Mitchell 1992)

The implications of social learning theory for employee motivation are abundant and hence it is imperative to assess the theory in the light of the present research concern. According to the theory, the importance associated to the concept of recognition would depend on an individual's past experiences and his or her self belief about it. Likewise, one's perception would also be influenced by others (top management and senior) behavior. That is to say the social learning theory plays a critical role in understanding an individual's perception of recognition and the value associated with it.
2.1.1.3 Need based theories

The phenomenon of recognition as introduced in the earlier chapter provides for Individual political, social and psychological benefits. After food, it is by far the most significant of human needs and as Heikki (2009) points out, "without recognition humans in general would not lead a life above merely animal existence." (Heikki 2009, p.39) Role of recognition in driving human action can be gauged by its placement in the various theories of motivation; need for recognition has been a part of both the traditional and contemporary theories of motivation.

Other than Taylor, who emphasized mainly on economic incentives associated with work, the literature on human work motivation is replete with studies discussing the role of psychic rewards at work. Every exercise in the realm of human motivation witnesses the mention of A H Maslow at the very onset; the relevance of the theory lies in its ability to remain valid even after more than six decades of inception. Maslow (1943) in his seminal work 'A theory of human motivation' discussed the hierarchy of needs which became the center point of all successive motivation theories. Starting with the basic physiological needs, Maslow suggested safety and social needs to take the second and third steps of the ladder. Thereafter self-esteem and self-actualization needs formed the pinnacle of an individual's need hierarchy. Recognition as a concept can be observed in relation to individual's social needs and needs at the higher end of the hierarchy. Acknowledgement as a member of a group satisfies an individual's social need, likewise recognition for achievement helps build self-esteem. The
succeeding discussion will illustrate the role of recognition as a critical element of the 'need based' or 'content' theories of motivation.

David McClelland (1953) worked on Maslow's need theory and condensed it to three main needs for power, affiliation and achievement. Here again the need for recognition is manifested in all the three forms of needs suggested by McClelland. Frederick Herzberg (1959) opined that human needs were derived either from animal instincts of humans (survival, hunger etc) or from an individual's urge to realize potential. He and his associates developed a framework of two factor theory called motivation and hygiene theory which categorized factors associated with work as either motivators (driven from intrinsic needs) or movers (driven from extrinsic needs). Recognition was found in Herzberg's study as a source of motivation when given in the form of direct feedback.

Bassett-Jones and Lloyd (2005) tried to test the validity of Herzberg's study after fifty years of its emergence, found it to be relevant even though the organization's context had changed from rigid hierarchies to flatter organizations with increased autonomy at work to individuals. The authors however contested the placement of recognition as a motivator with the argument that with changes in the work environment, recognition at work determined the climate at work and as such was a major hygiene factor than a motivator. That is, through recognition managers could set the organizational climate which otherwise would serve as a dissatisfier. It was found in the study that recognition from line managers was not an important factor in motivating desired behavior; it was the employees'
perception of line managers which was significant. Another contention related to the complexity of the need for recognition which when given as a 'personal feel good' factor related to the recognition of achievement and as a motivator, however, when desired in relation to the prospects of promotion and better remuneration, it may be placed as a mover.

Schien (1965) in his models of man discusses the varied needs of an individual; rational-economic man tries to maximize gains, social man acts in order to build relations with others and self-actualizing man is self motivated and tries to make the maximum use of all resources. In addition to these, Schien suggested a fourth model of 'complex man' stating that man is possessed by a complex set of needs and he is different in his complexity from other men. It is in context of social man that the concept of recognition finds its place.

![Diagram of Comparison of Content Theories](image)

Figure 2.1.
Comparison of Content Theories
Alderfer's ERG theory (1972) also points out the role of recognition in context of an individual's need for relatedness. Thus as a basic psychological need of human beings, recognition invariably finds its place in need based theories of human work motivation. A comparison of all such theories illustrates the congruence as they relate to the same set of needs. Figure 2.1. depicts a comparison of content theories; other than the lower order needs, recognition finds its place at the higher end of the hierarchy. Through recognition from group members an individual satisfies the need for acceptance in social life. Through recognition of an individual's efforts, one satisfies the need for self-esteem and self-actualization.

2.1.1.4. Process theories

A significant contribution of content theories was their focus on needs of individuals to satisfy which individuals seek rewards. Process theories give relevance to the 'value' associated with those rewards. Vroom's expectancy theory (1964) provides the most significant and holistic presentation of work motivation. Ambrose and Kulik (1999) assert that after thirty years of inception, there is a decline in the research on expectancy theory, which indicates that the basic concerns regarding the theory have been examined and that the theory has matured. (Ambrose and Kulik 1999, p.236) It is said that expectancy theory has been used "as a general framework for assessing, interpreting or evaluating employee behavior" (Ambrose and Kulik 1999, p.236)
the underlying assumption of the present study is drawn from expectancy theory. According to Vroom, an individual's work motivation is a process governed by the 'valence' (preference for an outcome) and 'expectancy' (belief that an act will be followed by the outcome). Vroom defines motivation as a force which is the algebraic sum of the products of valences and expectancies. People tend to maximize their best interests by choosing those acts which have the strongest positive or the weakest negative force. An implication of this theory could be that managers can impact an employee's motivation to work by enhancing the value of reward that the employee receives. The present study thus assumed that enhancing the value of recognition for employees will lead to better motivation for performance.

A refinement of Vroom's expectancy theory is Porter and Lawler's model of motivation. This theory similar to Vroom suggests that employee's effort is determined first by the value of the reward and second by the degree to which the employee believes that the efforts will lead to those rewards. Besides the value of the reward and the perceived effort-reward probability, the amount of effort exerted by an individual is also influenced by his/ her role perception and his/her ability to do that task. That is, an effort will not lead to performance unless the individual has the ability to do it and an understanding of how to do it. Once the efforts lead to performance, the individual receives some reward which may be intrinsic or extrinsic. Furthermore, it is said that the satisfaction that the individual derives from these rewards will be possible only if the rewards received is equal to or more than the expected value of the rewards. This satisfaction will in future determine the value that the individual places on that reward.
Thus this theory presents a more detailed and comprehensive view of the overall motivation process. (Prasad 2000) It discusses through the process of motivation, the 'value' of reward and the intrinsic and extrinsic elements of it. The objective of the present study was to identify the factors which when incorporated in the system would enhance the value of recognition for employees.

2.1.2. Paradigm two: Detrimental effects of Reward

Underlying the content and process theories of motivation is the assumption that rewards are motivating such that they influence performance. Another school of thought however contests the ability of rewards as motivating. Herzberg's two factor theory laid the seeds of the debate. He asserted that a job had two motivational aspects, job content which gives intrinsic rewards and job context which gives extrinsic rewards. Intrinsic rewards associated with work were called as motivators or movers while extrinsic rewards as satisfiers or hygiene factors. Factors like recognition, autonomy, and advancement were regarded as motivating while pay, conditions of work place etc were considered satisfying. (Herzberg et al. 1959)

It was suggested that managers must motivate their employees only through interesting work, training etc and not manipulate them through pay and benefits. It was also said that hygiene factors have an "escalating zero point" (Herzberg 1970, 71a, 71b, cited in Sachau 2007) that is the minimum amount of hygiene factor that satisfies an individual keeps on increasing. "Once a person has experienced a new higher level of a given hygiene factor, the new level becomes the minimal acceptable level" (Sachau 2007, p.386) Sachau asserted that even
though Herzberg initiated the debate, he did not suggest that using pay as a motivator could undermine an individual's intrinsic motivation. It was Edward Deci who pursued this proposition.

Concluding from a series of researches done in the field of intrinsic motivation (Yerkes and Dodson 1908, Miller and Estes 1961, McCullus and Martin 1971, DeCharms 1968, Harlow 1950, Davis 1950 etc.), Deci proposed the cognitive evaluation theory. The theory argues that an intrinsically motivated person will experience reduced motivation to perform a task if extrinsic rewards are given for it. Deci asserted that when extrinsic rewards are administered there is a change in the perceived locus of causality from internal to external and hence intrinsic motivation for the activity is reduced. Another proposition of the theory says that if rewards are given as a source of individual's competence and self-determination, they tend to enhance intrinsic motivation, while if they are used to control behavior intrinsic motivation is reduced.

Furthermore, elaborating the subject, Ryan and Deci propose the Self-determination theory which states that an individual has three psychic needs i.e. need for competence, autonomy and relatedness. Whenever the three psychic needs of humans are provided by the environment, they support individual's self-determination and as such his/her intrinsic motivation to do the activity increases and also the overall sense of well-being. Whenever these needs are thwarted, motivation diminishes. Thus when rewards are given as a source of satisfying these needs an individual's motivation increases or else it decreases.
Another theory challenging the motivating role of rewards is the theory of overjustification as proposed by Lepper and Greene (1978) and based on the early work done by Festinger 1957 in the field of cognitive dissonance. According to the theory, if an individual involved in a dull activity is given insufficient extrinsic rewards, she/he would experience dissonance and to reduce dissonance one would be intrinsically motivated to complete the task. Likewise if a person doing a dull is handsomely rewarded for it, there would be no dissonance; since the dull task is sufficiently justified by the reward, there will be no intrinsic motivation for doing that task. (Lepper and Greene 1978)

The two theories of Cognitive evaluation and Overjustification, have together set off a number of researches in the field of intrinsic motivation. These theories pointed towards a significant aspect of rewarding, they have received much attention in literature and their relevance is manifested in the number of research papers published on the subject. (See Deci et al 1989, Deci et al 1994, Deci and Ryan 2000 a,b; Ryan and Deci 1996; Cameron and Pierce 1994) Following are a few of the researches published in this realm.

Dermer (1975) challenged Deci's conclusion of undermining effect of rewards alleging that Deci's research context did not resemble a real work setting and as such it is erroneous to generalize the results. Findings of Dermer's study reveal that intrinsic motivation is a prerequisite for extrinsic motivation and that the intrinsically motivated manager is the one who is most strongly motivated by performance contingent extrinsic rewards.
Gneezy (2003) conclude that effect of extrinsic rewards on performance depends on the size of reward and that counterproductivity happens in case of small incentives and not large ones. Citing a study by Lazear (2000), (where a 44% rise in productivity was observed with a change in the payment scheme), Gneezy asserts that economic theory and psychological and sociological findings for the role of reward depends on the size of reward. It is concluded that using high payoffs that are contingent on performance result in higher productivity. A plot with incentives on the horizontal axis (such that fines are on the negative side and rewards on the positive), and performance on the vertical axis, resulted in a W-shaped graph.

Morgan (1984) reviewed literature in the field of class room learning and intrinsic motivation and concluded that undermining and enhancing effect of rewards depends on circumstances and that the effect does not necessarily lead to decrement in performance. It was suggested that recipient's perspective of reward was important in determining the effect of reward and that the reward size and type did not matter. The study disapproves of 'blanket condemnation of concrete rewards' as proposed by the overjustification theory.

Frey and Jegen (1999) presented empirical evidences from a wide variety of areas of the economy and society and concluded that external interventions in the form of monetary incentives or punishments undermine intrinsic motivation. The study rejects any criticism of Deci's theory and presents compelling evidence for the existence of crowding out and crowding in effects.
Crino and White (1982) examined the effect of feedback on intrinsic motivation to perform a task. The study supported the work done by Deci suggesting a negative impact of feedback on motivation to do an interesting task. Authors suggested that feedback may have a positive effect only up to a point; increasing frequency of feedback shifts the receiver's attention from the task itself to the feedback provided.

Deckop and Cirka (2000) investigated the influence of merit pay on intrinsic motivation on employees of a non-profit organization. Results indicated a decline in intrinsic motivation of employees after the introduction of a merit pay plan.

Dick Stenmark analysed the motivational aspects of creativity management on the basis of literature and empirical data. Four suggestions were made to promote corporate creativity: abandon reward systems; officially recognize creativity initiatives; encourage self initiated initiatives and allow redundancy.

Following the same line of thought, contemporary theorists (Wilson 1995, Kohn 1993) also propose a negative effect of rewards on performance. According to Kohn, the single motivation that rewards provide is for seeking better rewards. It is claimed that rewards ensure only temporary compliance and not enduring commitment. It is asserted that administering rewards induce a feeling of being controlled which is punitive in itself. Moreover rather than enhancing cooperation, rewards rupture relationships since people have to compete for the much scarce rewards. (Wilson 1995) Pointing to the researches done in the field
of intrinsic motivation, Kohn (1998) also asserts how use of reward undermines performance in stimulating activities and that money as a reward only improves quantity while quality of work is severely affected. He claims that psychologists point to three main needs of human beings and those are needs for autonomy, relatedness and competence. And that an organization should support for such an environment instead of focusing on external inducements for making employees work.

Confronting an argument by Gupta and Shaw (1998) about the myths associated with money and motivation, Kohn argues, 'To create a more democratic and collaborative workplace is not inconsistent with compensating people adequately for what they do. I am not arguing against money, which is necessary and even nice. I am arguing against (1) attributing more importance to money than it actually has, (2) pushing money into people's faces and making it more salient than it needs to be, and (3) confusing compensation with reward (the latter being unnecessary and counterproductive). The problem isn't with the dollars themselves, but with using dollars to get people to jump through hoops.

Thus, my formula for how to pay people distills the best theory, research and practice with which I am familiar into three short sentences:

- Pay people well
- Pay people fairly
- Then do everything possible to take money off people's minds." (Kohn 1998, p.35)
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Researches in the field of reward-behavior correlation are full of similar arguments about the detrimental effect of rewards on performance, however at the same time, counter arguments supporting the role of reward for improving performance are also in plenty.

Cameron and Pierce (1994) did a meta-analysis of ninety-six experimental researches on intrinsic motivation and suggested that rewards do not undermine intrinsic motivation. This paper provoked many debates among researchers (See Ryan and Deci 1996) and is perhaps the most cited article in the debate on role of reward as motivator.

Eisenberger and Cameron (1996) suggested that it is time to move beyond the traditional notion of detrimental effect of rewards. It is asserted by the authors that the negative effect of rewards is largely restricted and that positive effects can be attained easily with the use of behavioral theory techniques.


As evident from the preceding section, literature in the realm of reward-motivation performance interlinkages is divided. Deci also clarifies this distinction stating that different rewards motivate different behavior. That is for scientific management, extrinsic rewards may be effective while when
individual's interest and creativity is sought intrinsic motivation should be targeted through intrinsic rewards.

Lepper and Greene also comment on the dual role of rewards saying, "both the beneficial and detrimental effects of rewards are influenced by a variety of conceptually distinct factors... and that the appearance of these effects will depend upon the specific manner and context of their application to particular problems, subjects and situations." (Lepper & Greene, 1978)

Thus there is no universal reward and no motivational blueprint; it is the contingency approach which may be emphasized. Motivating an individual depends on a wide range of factors like age, sex, career stage, socio-economic circumstances, national culture etc (Meudell and Rodham 1998) and perhaps for the same reason most of the research papers on motivation-reward inter-linkages conclude stating that there is no universal strategy for motivation and no best reward. (See Neal 1992, Bowey 1978, Singh 2002)

Elaborating on the nature of rewards, Weick (1978) discussed the role of individual's instrumentality in determining the impact made by a reward. Taking further the argument of 'no universal reward' author claimed that an individual's instrumentality keeps changing with situation and as such which reward would determine what in whom was difficult to answer. "When using instrumentality notions, we must remember that instrumentality is fluid and malleable rather than stable and durable. A person's ideas about instrumentality itself can shift dramatically overtime. Thus whether viewed as means or end, rewards will
change in their impact on behavior, depending upon the ideas an individual holds about instrumentality." (Weick 1978, p.65)

The preceding section presented a theoretical framework which guided the basic assumptions for the study. In the forthcoming section, researches relevant to the study are conferred.

2.2. Frames of Reference

The phenomenon of employee motivation and its relationship with rewards is best described by Lawler in the following words, "Employees are inherently neither motivated nor unmotivated to perform effectively; their motivation depends on the situation, how they perceive it, and what rewards they need and value." (Lawler, 1995, p.16) The following section presents in detail the concepts relevant to employee motivation and analyses employees' wants, in light of the different researches connected to the concepts.

2.2.1. Reward-Performance Inter-linkages

Although there is a contention among authors for the universality of application of a particular reward or motivation theory, most of them generally agree on reward's capability to induce performance. Notwithstanding researches done in the realm of intrinsic motivation, it has been established by theorists that contingent rewards do impact performance positively. This study follows the proposition and accepts the stand taken by researchers that rewards and recognition are key elements of an individual's motivation for performance. Next
section presents the researches suggesting the positive role of reward in motivating performance.

Jerry A Wallin (1977) in a longitudinal study investigated the proposition that performance contingent rewards (pay) had a direct causal impact on performance. The results supported the hypothesis while no relationship between contingent reward and satisfaction and between performance and satisfaction was empirically established.

Allen and Helms (2001) tried to identify the determinants of organizational performance with reward practices as the independent variable. Four reward practices were found to be statistically significant predictors of organization performance: ESOPs, individual based performance system, regular expression of appreciation by managers/leaders to employees and customer satisfaction monitoring tied to rewards. Researches have been found to interlink recognition and performance. Fred Luthans has been instrumental in establishing positive reinforcement effects of recognition on performance. Positive effects of recognition on employee performance have been found in manufacturing organisations (e.g., Luthans, Maciag, & Rosenkrantz, 1983; Ottemann & Luthans, 1975; Welsh, Luthans, & Sommer, 1993) and also in service organisations, (e.g., Luthans, Fox, & Davis, 1991; Snyder & Luthans, 1982) A meta-analysis of all the studies conducted over a period of 20 years, found an average of 15 percent performance improvement in service applications. When recognition was combined with performance feedback
an average increase of 41 percent was reported in manufacturing and 30 percent in service organizations (Luthans & Stajkovic, 1999; Stajkovic & Luthans, 1997).

The use of monetary incentives however also had the same impact as recognition in service organisations. Although recognition combined with performance feedback, had a double (30% vs. 14%) impact than just monetary incentives in service organisations. (Luthans & Stajkovic, 2000 p3)

Assessing employee attitude about recognition performance link, Bob Nelson (2001) found broad support across all employees.

- Recognizing employees helps me better motivate them. (90.5%)
- Providing non-monetary recognition to my employees when they do good work helps to increase their performance. (84.4%)
- Recognizing employees provides them with practical feedback. (84.4%)
- Recognizing my employees for good work makes it easier to get the work done. (80.3%)
- Recognizing employees helps them to be more productive. (77.7%)
- Providing non-monetary recognition helps me to achieve my personal goals. (69.3%)
- Providing non-monetary recognition helps me to achieve my job goals. (60.3%)

The results indicate strong correlation between recognition and performance. It was also found that of the total number of respondents, 72.9 percent of managers reported that they received the results they expected when they used non-
monetary recognition either immediately or soon thereafter and 98.8 percent said they felt they would eventually obtain the desired results.

Of the 598 employees who reported to the managers in this study, 77.6 percent said that it was very or extremely important to be recognized by their manager when they do good work. Employees expected recognition to occur: immediately (20%), soon thereafter (52.9%), or sometime later (18.8%).

In a meta-analytic review of researches (45 researches conducted over a period of 40 years), it was claimed that the average effect of incentives on all tasks in all work settings was a 22% gain in performance. This effect was not influenced by the location of study (business, government or school), competitive structure of the incentive system (programs where only the highest performers get incentives or where everyone who increased performance receives incentives), the type of study (whether a laboratory experiment or a field study), or the performance outcome (quality, quantity or both). The study reported that monetary rewards tend to influence performance more than non-monetary rewards. The performance gains for money were (27%) twice the average gains from non-monetary rewards (13%).

However, it was asserted that the findings should be "viewed with caution", since the number of monetary rewards studies were four times than the other studies. Moreover, the actual cash value of the non-tangible gifts was not ascertained. "It is possible that the actual cost of the gifts used for incentives might have been low enough that the 13% gain in performance was cost effective." (Condly, Clark and Stolovitch 2003 pp. 46-63)
In a study by Gallup (2007), it was found that with an average increase of 10% in recognition practices, organizations witnessed a 6.5% higher productivity and 2% higher customer engagement where each percentage point equated to hundreds of millions of dollars in sales for a Fortune 500 company. (Cited in Globoforce, 2008)

### 2.2.2. Rewards and Job Satisfaction

Arnold S. Tannenbaum and Walter J. Kuleck, Jr. (1978) did a study of 1750 employees across five countries to test the effect of discrepancy between perceived and preferred rewards on employee's job satisfaction. It was asserted that an individual's job satisfaction decreases with an increase in the discrepancy between the reward (authority and influence or opportunities at work) that one perceives to have received and the reward that one expects or wants. It was also found that reward which exceeded an individual's expectations was equally dissatisfying as the reward which did not match expectation. Authors conclude that those who get what they want are not the ones who are the most satisfied. Rather individuals who expect a lot and get fairly what they expected are the most satisfied. "In fact persons who experience some discrepancy between perceived and preferred reward while having a very high level of preference may be more satisfied than those who experience no discrepancy at all under conditions of a low level of preference." (Tannenbaum and Kuleck, 1978, p.820)

Nina Gupta (1980) reported a positive relationship between employee satisfaction and performance contingent intrinsic rewards and pay.
2.2.3. Rewards and organizational commitment

A study of 1385 workers representing five occupational groups indicated that intrinsic rewards were the most powerful determinants of work satisfaction, followed by extrinsic social rewards and extrinsic organizational rewards. Extrinsic organizational rewards were important only to workers in lower level occupations. The findings of the study suggested that all classes of workers were demanding more from their work than the traditional rewards of good pay, safe and comfortable conditions and opportunities for getting ahead. Autonomy, meaning and challenge in work were sought more than the traditional rewards. (Mottaz, 1985)

Mottaz (1988) also tried to identify the determinants of organizational commitment with reference to work rewards extrinsic and intrinsic. It was asserted that rewards differ in terms of their effect on organizational commitment and the relative importance of rewards depends on an individual's work values. Work values is something that an individual 'wants, desires or seeks to attain from work' (Locke 1976, Kalleberg 1977 cited in Mottaz 1988 p.470) According to Mottaz as the perceived congruence between work rewards and work values increases so does the organizational commitment. Work rewards accounted for the variance in commitment, while work values had a negative influence on commitment when rewards were held constant and the effect was strongest when respondents had intrinsic values followed by extrinsic social and organizational values. This implies that when intrinsic and extrinsic rewards are held constant, individuals with high intrinsic values will have lower commitment.
as their desires remain unfulfilled. Mottaz thus suggests that instead of using extrinsic organizational rewards, organizations must seek to improve workplace by providing opportunities for intrinsic satisfaction. It is asserted that organizations must seek a balance between work rewards and values.

In another study of 51 organisations in India, Baldev R. Sharma defined Organisational Climate as a set of nine factors viz. Scope for advancement, Grievance handling, Monetary Benefits, Participative Management, Objectivity and rationality, Recognition and Appreciation, Safety and Security, Training and Education, and Welfare facilities. It was found that employers believed safety and security, and monetary benefits as the most important needs of employees. "Although Indian employers and managers are taking good care of the material well being of their employees (or perhaps because of it), it is not the factor which explains the variations in the state of employer-employee relations in India. The factors that have emerged as critical relate to personnel policies and practices that cater to the social and psychological needs of employees." (Sharma 1987, PI67)

In his book Not by Bread Alone, Sharma insisted that there was a need by Indian public sector organisations to focus on employee advancement opportunities, training and education and participative management to improve on their organisational climate scores. These were imperative for improving the employer-employee relations, (ibid p. 129)
Other studies conducted in India in the field of organizational commitment show non-tangible extrinsic rewards to be critical in determining organizational commitment. A study conducted by Baldev R. Sharma and Rama J. Joshi, in a manufacturing organisation in the private sector, reported job content and performance appraisal as the two critical determinants of organisational commitment. This was despite the fact that the respondents had asserted 'money' and 'welfare' as the most neglected dimensions of human resource management in the organisation. (Sharma and Joshi, 2001)

### 2.2.4. Rewards and Employee choices

Lawerence Lindhal (1949), conducted a series of researches where employees consistently ranked items such as "full appreciation for work done", "feeling in on things", and "interesting work" as being more important to them than the traditional incentives such as "good wages", "job security", or "promotion/growth opportunities". (Cited in Nelson 2001) Lindhal's study had set off a large number of studies in this area and the results of the study were replicated by many researchers like Kenneth Kovach (1980), Valerie Wilson, Achievers International (1988), Bob Nelson, Blanchard Training & Development (1991), Sheryl & Don Grimme, GHR Training Solutions (1997-2001). The table #2.1 depicts the findings.

Ellis O Keller in a study to identify the job factors important to employees found eight factors none of which related closely to monetary rewards. The eight factors were job satisfaction, pride in organisation, relation with fellow workers,
relations with superiors, treatment by management, opportunity to use ideas, opportunity to offer suggestions at work and appreciation of one's efforts. (Keller 1965)

In another study by W.W. Ronan, it was found that the job characteristics that were important to a diverse group of employees were related to the nature of work they do and satisfaction that they obtain from it. Mailed questionnaire method was adopted and the study included managerial supervisory, salaried and hourly employees. (Ronan 1970)

According to the researches conducted in the field of 'meaningful work', a job is meaningful for employees if it involves them in the identification and solution of the problems that affect them. It is said that if the worker could voice his/her opinion, it would bring positive results for both the worker and the organisation. (Roche and Mackinnon 1970)

A study on job preferences of over fifty-seven thousand job applicants, conducted over a period of thirty years, indicated security, advancement opportunity and type of work, as the job factors most important to men. Women employees considered type of work, company and security as the most important job factors in deciding whether their job is good or bad. Both men and women ranked pay lower to advancement opportunity and type of work. (Jurgensen 1978)
Kenneth Kovach (1980) reports of studies that compared manager's ranking of what they wanted from their jobs with what their bosses thought were important to the managers. At the top of the managers' list was interesting work, followed by appreciation of work, a feeling of being "in on things", job security and good wages. The employers however thought good wages, job security, promotion/ growth, good working conditions and interesting work as most important to their employees. (Cited in Ian Bessell, Brad Dicks et al., 2002.)

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<th>FACTORS</th>
<th>MANAGERS</th>
<th>EMPLOYEES</th>
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<tbody>
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<td>Full Appreciation for Work Done</td>
<td>8</td>
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<td>Good Wages</td>
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<td>Good Working Conditions</td>
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<td>Interesting Work</td>
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<td>Job Security</td>
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<tr>
<td>Promotion/Growth Opportunities</td>
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<td>Personal Loyalty to Workers</td>
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<td>Feeling &quot;In&quot; on Things</td>
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<tr>
<td>Sympathetic Help on Personal Problems</td>
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<td>3</td>
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<tr>
<td>Tactful Disciplining</td>
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Table #2.1
Job factors important to managers and employees
Source: Sheryl & Don Grimme, 2006

Dr. Gerald Graham (1990) conducted a study illustrating the significance of non monetary rewards. After examining and asking employees about 65 potential incentives in the workplace, the top five incentives as initiated by managers and based on employee performance were:

Managers personally congratulate employees who do a good job.
- Literature Review -

- Managers write personal notes for good performance.
- Organisation uses performance as the major basis for promotion.
- Manager publicly recognizes employees for good performance.
- Manager holds morale building meetings to celebrate success.

(Graham 1990, cited in Nelson 2001)

2.2.5. Decline of traditional incentives

O'Dell and McAdams (1987) concluded, from a data of 1598 organizations from 40 different industries of the United States, that there was a rise in the use of nontraditional rewards. Employers were focusing on performance pay and initiatives towards employee involvement. It was found that most of the nontraditional reward practices had a positive impact on performance, the only exception were the recognition programs. The reason for the ineffectiveness of recognition programs was found in its construction: only 4%-5% employees were recognized as winners, a purely subjective criterion of selection was used and the value of recognition was also less for employees. This was less attractive than the pay for performance initiatives which were more objective and transparent. Authors however suggested that employers must consider a variety of options and that nontraditional methods were indispensable in the changing times.

In a benchmarking practice of reward innovations for Fortune 1000 companies, Ledford, Lawlwer and Mohrman (1995) concluded that the most widely used rewards for performance were the non-monetary rewards which were prevalent in almost ninety percent of the organizations. There was a rise in the number of
organizations using non-monetary rewards from 1990 to 1993 and covered almost half of the workforce, these were the most widely used compared to other forms of rewarding like ESOPs, profit sharing and team based incentives.

A survey was conducted by ERC in Northeast Ohio with 46 organizations as sample and the objective of identifying the trends of low cost rewards and recognition practices. It was found that almost one third of organizations had reduced monetary rewards and recognition but few employers had completely eliminated it. More employers had enhanced informal, peer and non-monetary recognition than monetary, formal and intangible recognition. Practices such as praise, lunches, personal thanks and thank you notes were the most common forms of low-cost recognition used by organizations. Intangible recognition in the form of asking opinions and ideas, offering training and development opportunities giving freedom to employees for pursuing their ideas were also the most prevalent forms of recognition in the organizations. The most common changes in rewards and recognition practices in the year 2009 were reducing the frequency of giving rewards, reducing the amount of rewards, postponing and eliminating larger scale recognition events and promoting informal recognition.

The findings of the 1993 Study of changing workforce (US), also indicated a rise in the importance of non monetary rewards. When employees were asked the reasons that were Very important' in deciding to take a job with the current employer, the top variable listed by 65% of respondents was "open communication", followed by "effect on personal/family life", "nature of work"
and "management quality". Wages ranked 16th on the list. (Cited in Nelson 2001 p8)

Another survey of executives by Robert Half International (1994) was reported in which more than 34 percent of executives reported that a lack of praise and recognition was the number one reason why people left their jobs. (Cited in Nelson 2001 p8)

Luthans and Stajkovic (1999) concur with Deci and Kohn and assert that people tend to overemphasize the significance of money and even though pay significantly increases performance, it is not the best reinforcer. In their discussion on the need to 'go beyond pay and even rewards, they' claim that pay is not as important as it is considered to be and even though it can significantly increase performance, it is not the best reinforcer of desired behavior. It is implied that feedback and social reinforcers may have as strong an impact on performance as pay. In their study of manufacturing organization, they implemented the O.B. Mod approach using monetary incentives in one of the plants, and supervisors' feedback and social recognition and attention in the other. Performance improved using all three types of reinforcers-money, feedback, and social recognition. They conclude saying that rewarding may not necessarily deliver desired behavior, but reinforcing would certainly and as a guideline for performance improvement they suggest "Reinforce for performance. Pay for performance may not always lead to performance improvement, but
Literature Review

reinforcing for performance will always improve performance." (Luthans and Stajkovic, 1999, p.18)

Strategic Rewards Survey done by Watson Wyatt in 2000 of about 410 employers, indicated that employers were using non-monetary rewards more than what they used a year ago. Employers participating in the survey were asked to identify their top performers and invite them to participate in a survey to measure and rank their opinions about the effectiveness of various reward programs. Among workers under 30, the five highest-scoring items were: Opportunity to develop skills, Opportunity for promotion, Compensation, Vacation/paid time off, and Type of people/culture. The three most prevalent non-monetary rewards identified were advancement opportunities (76% up from 60% in 1999), flexible work schedules (73% up from 64%) and opportunities to learn new skills (68% up from 62%). The survey statistics gave a clear message to employers that they needed to focus more attention on non-monetary rewards.

Various studies done in US suggest that use of gift certificates and cards tend to increase sales, improve employee performance, build loyalty, foster team work and create new markets. (Katusak, 2003)

It has been confirmed by Newcomb(1999) and Ballentine et al, (2003) that non monetary rewards play an important role in controlling staff turnover. Banker et al (2000), confirm that firms are increasingly adopting non-financial incentives.
Mushrush (2002), identifies lack of non monetary rewards as an important cause for employee turnover. (Cited in Essayarchive.com)

The 2005 Incentive Federation Study of Motivation and Incentive Applications in US, ranks gift cards as the most frequently used type of corporate reward. (Incentive Federation Study, 2005)

Other findings of the study are:

- Three out of five respondents agree that a cash payment is perceived to be part of an employee's total remuneration package.
- Almost two out of three respondents believe that cash awards are remembered for the shortest period of time.
- Approximately three out of four respondents agree that they can build a more exciting, memorable program around travel, merchandise or gift cards than around cash.
- More than half of the respondents agree that employees tend to look at bonus payments as something they are due as part of their compensation package.

These findings speak for the benefits of tangible non monetary rewards over cash rewards.

A recent online poll by Martiz Research Inc (2005), conducted in United States of America over 1,002 randomly selected, full-time, employed adults (502 male, 500 female) ages 18 - 65+ , identified significant gap between how employees are recognised and how they want to be recognised. Following were the major findings of the study:
Literature Review

- Only 27% of employees who want to be recognised by non-cash incentives, such as award merchandise, gift card or trips, are recognised that way.
- Only 27% of employees who want to be recognised by a symbolic award (trophy/plaque) are recognized that way.
- Only 29% of employees who want to be recognised by a cash bonus are recognised that way.
- Only 30% of employees who want to be recognised by a recognition event are recognised that way.
- Only 40% of employees who want to be recognised by written praise are recognised that way.

The study also indicated that the employees who were satisfied with their organization's recognition programs were also more satisfied with their jobs and were more likely to remain with their company than those who were not satisfied with their organization's recognition programs. Research revealed that satisfied employees were more likely to invest in their own company and felt more valued as employees. Moreover, 55% of employees were found to agree or strongly agree that the quality of organization's recognition efforts significantly influences their job performance. The research critically indicates of the gaps between what is desired by employees and what is offered to them.

It has been confirmed by Newcomb(1999) and Ballentine et al, (2003) that non-monetary rewards play an important role in controlling staff turnover. Banker et al (2000), confirm that firms are increasingly adopting non-financial incentives.
Mushrush (2002), identifies lack of non monetary rewards as an important cause for employee turnover. (Cited in Essayarchive.com)

A survey conducted by the members of World at work and National Association for Employee Recognition in May 2005 reported the trends in employee recognition. The key findings of the study indicated an increase in the use of recognition practices, 92% of organizations said that employee recognition was occurring more often today within their organization versus 12 months ago, and nearly half of all respondents (48%), regardless of whether they had employee recognition programs in place were considering adding new recognition programs in the next 12 months. (NAER and WorldatWork, Survey Brief, 2005 p.D)

Globoforce (2009) reports of some statistics as evidence for the fall of traditional incentives: McKinsey 2008 study showed that a $1000 payment had a ten times higher return on investment when it was given as recognition than when it was given as an increase in base pay. Findings of a study by a British consultancy firm White Water Strategies claimed that the impact of 1% increase in pay could be gained simply by frequent appreciation of employees' efforts.

In an online survey of HR and finance professionals (sample size was 266) by Globoforce in the first quarter of 2008, it was suggested that HR take up a more proactive role as regards employee recognition. Following were the major findings of the study:
1. Human Resources must take a more strategic role in the business.

2. Employee recognition drives engagement and therefore impacts recognition, retention and productivity on the bottom line.

3. Creating a universal recognition platform for global companies is difficult.

4. CFOs are not aware of how much they are currently spending on recognition programs.

5. The CTO and the CFO must work together to chart the course for the future. (Globoforce 2008)

2.2.6. Money as a motivator

Exploring the literature in the field of incentives and motivators point to the use of money as the primary incentive for performance. From Taylor's scientific management to the latest total reward strategy, monetary incentives form a key part of an organization's compensation structure. Some of the researches discussing the role of money in employee satisfaction and motivation are elaborated.

It is said that money has the power to motivate people as well as generate anxiety and unhappiness in those who do not have it (Furnham, 1996 cited in Hoon and Lim 2001). Money has been a chief motivator for Chinese (Tang et al 1997) and due to this attitude the Chinese were more accomplishment oriented. As a result, this attitude has been considered a powerful stimulant to economic growth in the past in Asia (Furnham and Argyle, 1998, cited in Hoon and Lim 2001).

Lynn (1991) in her study about attitude towards money found that people responded with greater work effort when offered financial incentives but people's
attitude differs from country to country and also the amount of effort they would exert. In her study on the national differences in the attitudes of money in over 43 countries, Lynn (1991) found that people in more affluent countries attached less value to money.

Monczka et al (1977) assert that even though money has been used extensively as a motivator for performance there is ambiguity as regards its relationship with performance and job satisfaction. It is said that when used as an incentive money is not valued the same by all people and that there will be difference in perception between young 'upwardly mobile' employees and older 'security oriented workers'. Citing Lawler's (1971) work on 'Pay and Organizational effectiveness: A psychological view', authors assert that employee's attitude towards their pay depends upon the difference between the pay received and the pay expected. "When perceived pay equals the amount expected, individuals are satisfied. Should perceived pay fall below the level considered equitable, however, dissatisfaction with pay will result" (Monczka et al 1977, p.23) Furthermore it is said by Lawler that an employee's expectations of pay or perceptions of the amount of pay that should be received depends upon the number of non-monetary rewards associated with work. Workers who receive more non-monetary rewards would perceive their pay as equitable compared to those who receive less non-monetary rewards. The authors thus point to the use of non-monetary rewards as a potential substitute for monetary rewards.

Monczka et al also cite a research done by D D Penner in General Electric which reported that individuals had the maximum satisfaction with pay if they
experienced relatively greater autonomy at work, better relationship with supervisor and opportunity for promotion.

Monczka et al's work tested Lawler's theory of pay satisfaction with 354 respondents representing all organizational levels and functional areas across six organizations. Employee perception on 'importance' and 'satisfaction' dimensions of reward categories was recorded. Approximately 90% of sample reported dissatisfaction from pay levels and that degree of dissatisfaction was consistent across individual characteristics. Individual characteristics showed weak correlations with pay satisfaction while working conditions and non-monetary rewards indicated a strong positive correlation with pay satisfaction ($r=33\text{,}46$). "While monetary rewards play an important role in worker satisfaction, it appears that employees, as Lawler predicted, revise their definition of a 'fair' wage on the basis of the total reward system- monetary and non-monetary- provided by their organization." (Monczka et al 1977 p.25)

In line with Lawler's theory, results also revealed that employees who are satisfied with non-monetary rewards are much more satisfied with pay than those who are dissatisfied with non-monetary rewards. It was also concluded from results that "greatest improvements in pay satisfaction occur when employees are satisfied with autonomy, closely followed by working conditions, esteem and self-actualization" (Monczka et al 1977 p.27) Authors conclude that an 'expanded view' of improving work conditions could be the use of psychological rewards to improve work climate with the use of recognition practices, providing feedback, using 'constructive competition' between individuals, developing supportive
superior-subordinate relations and providing opportunities for employees to gain a sense of achievement.

Vidya Awasthi and Jamie Pratt (1990) investigated the effectiveness of monetary incentives on effort and decision performance in an accounting laboratory study. The contingent factor used in the study was decision maker's cognitive characteristic of perceptual differentiation (that is an individual's ability to perceptually abstract from a complex setting certain familiar concepts or relationships). Seventy full time undergraduate students of a US university voluntarily participated and half of them were given the incentive. It was found that monetary incentives induced subjects to exert additional effort but it could enhance the performance of only those who had the required cognitive ability to complete the task. It was suggested that cognitive characteristics should be considered in the development of performance evaluation and incentive systems.

Karen Meudell and Karen Rodham (1998) evaluated the role of money as a motivator for managers and staff in the hospitality sector in UK. Meudell and Rodham initiated the study with assessing Locke's (1980) work on the importance of four methods in improving performance: money, goal setting participation in decision making and job redesign. Money was found as the strongest determinant. Respondents were asked to rank the items on a scale of 1-7, a total of fifty seven responses were received. Managers laid more stress on job security, threat of job loss, bonus and promotion while employees wanted bonus, money, promotion...
and fringe benefits. Length of service was found to have an influence on people's perception of working and working harder. As the number of years of service increased employees did not emphasize any particular job characteristic for motivating them. Meudell and Rodham (1998) reason the finding asserting that with longer stay employees become aware of the organizational reality and hence are not moved by any job characteristic. Age was also found to be a significant factor in determining employee's motivation, younger employees (18-24) preferred bonus and fringe benefits; employees in the age group (35-44) were concerned with job security; and those in the age group (45-54) were yet again concerned with bonus. Male managers and staff had no difference in choices as they considered all categories as significant, female staff preferred money and bonus while female managers ranked bonus and job security as significant. It is finally concluded that Herzberg's proposition of hygiene factors as a necessary condition for motivating people may not be approved as it is not replicated in the study. It is said that "hygiene and motivating factors mean different things to different people and at different stages in their career- clearly money is a major motivator for "travelers"". (Meudell and Rodham 1998, p.131)

Kristin Griffith, Dale Rose and Stuart Sidle (2003) investigated the role of monetary incentives in determining the response rate of a survey. A training need survey was administered on 4,928 2mp of a national health care organization with some respondents sent a small monetary incentive attached to the survey. In case of monetary incentives, the response rates improved by 20%.
Nelson et al (2008) define pay satisfaction as an attitude developed after an evaluation of one's personal pay in comparison generally with the pay of others. Citing the results of a survey done by Society for Human Resource Management (SHRM 2007), authors assert that employees become dissatisfied with pay when organization fails to match the market rates and is not fair and transparent in applying internal pay policies. The results of the survey done by Nelson et al confirm the findings of SHRM and imply that since the highest standard of comparison used by employees was deserved salary, followed by minimum salary and average salary, providing employees information regarding minimum or average salaries, as well as other compensation components such as benefits, is likely to lead to higher pay satisfaction for employees. It was also found that unionization leads to higher pay satisfaction and that in case of non-unionized workforce, employers must essentially maintain fairness and transparency in compensation methods so as to maintain employee's satisfaction with pay.

2.2.7. Benefits of Non-Monetary rewards

One of the problems associated with hygiene factors or money was pointed by Herzberg (1970) who claimed that hygiene factors had an "escalating zero point". That is the minimum amount of hygiene factor that satisfies an individual, keeps on increasing. So if earlier a small car was satisfying as a perk, offering a bigger car will make the small car lose its value as a satisfying perk as the minimum level would be raised to a bigger segment car. "Once a person has experienced a new higher level of a given hygiene factor, the new level becomes the minimal acceptable level." (Sachau 2007, p.386) Sachau also cites some other researches
indicating a weak correlation between money and happiness. It is said that when US personal income rose from $4000 in 1970 to $16000 in 1990, US citizens did not experience more happiness. (Myers and Diener 1996) Meta-analyses of studies measuring correlation between satisfaction and income of US citizens have shown considerably weak correlation ($r = .17$). (Haring, Stock and Okun, 1984) Sachau concludes suggesting, "Managers should not use money to motivate employees when managers want employees to be interested in their jobs. Focusing employees' attention on pay and security will lead to escalating expectations and will be very expensive for the organization. Most important, managers will increase employee intrinsic motivation and long-term job satisfaction by providing psychological growth opportunities." (Sachau 2007, p.390)

Gallup conducted a study in 2004 findings of which suggested that if a manager ignores an employee, the chances of employee disengagement are 40%. If the manager focuses on employee weaknesses, the chances of disengagement are 22%. And if the manager focuses on an employee's strengths, the chances of the employee being disengaged drops to just 1%. In a subsequent study in 2007, Gallup found it to be not uncommon for between one-fifth and one-third of employees to say, "Not only have I not received any praise recently, my best efforts are routinely ignored." It is thus implied that providing strategic recognition satisfies a dire need of employees and also helps them in better engagement with the organization which eventually leads to better productivity.
Scott Jeffrey did a detailed analysis of non-traditional rewards and stated the following advantages:

- **Separability**: Non monetary rewards are not combined with compensation and hence are registered in the mind of employees as other reward than pay.
- **Memory Value**: Since non monetary rewards can be seen by the employee, (eg. Mugs, Plaques etc, on desk) or can be recalled (through photographs of the trip), they have memory value and help maintaining the employees' bond with the organisation.
- **Trophy Value**: Non monetary rewards can often be shown to coworkers and friends as a trophy given in appreciation of good work done. A cheque or a bank statement is generally something that employees don't display. (Scott Jeffrey, 2004)

Jeffrey and Shaffer (2007) further emphasize the motivational characteristics of tangible non-cash incentives that are contingent on performance by elaborating the psychological concepts of justifiability, social reinforcement, separability and evaluability. Non-cash incentives are said to have justifiability, that is, they allow the recipient to justify the consumption of that reward. A trip to Hawaii, which may be affordable by the employee, may not be justified if taken otherwise, however as a reward it becomes justified as there is no guilt indulging in that level of luxury.

Tangible non-cash incentives are also said to involve 'social reinforcement' that is, in addition to the 'consumption value' of reward, employees also tend to enjoy the acknowledgement and recognition form peers, supervisors, family and
friends. "The value of this "social reinforcement" comes from others knowing about the good performance rather than the receipt of the incentive per se." (Jeffrey and Shaffer 2007, P.45)

Non-cash incentives have evaluability, that is they capitalize on the affective reactions to the award and hence increase the utility value of the award and its significance. "Research has shown that people use vivid items (such as the good weather, etc.) more frequently than mundane items (such as trip preparations, finding a sitter, stopping the mail, etc.) to form attitudes. Because attaching a monetary value to non-cash incentives is difficult, the participant's affective reaction to the award substitutes for its predicted utility." (Jeffrey 2003, P-2)

Finally, non-cash incentives are said to be endowed with separability that is, individuals receiving such a reward, separate it from other compensation and make the reward unique and the rewarded performance stand out. Pointing to the futile nature of cash rewards, Jeffrey and Shaffer cite mental accounting research and avow that cash rewards when given to an individual becomes his/her own money and hence any purchase done through it is regarded as one's own purchase and not something that the organization awarded to the employee. It is also asserted that cash rewards lose their significance as "there is diminishing marginal utility in additional earnings. This implies a person gains less utility from each additional dollar as the total pay increases." (p.45)

Darryl Hutson (2000) reports of various statistics from US, illustrating the fall of traditional rewards and use of new incentives in US organizations. Referring to cash as 'slippery' and non-cash as 'sticky', Hutson claims that cash rewards
involve three times more investment cost compared to non-cash incentives. It is said that rewards need to generate desirous return and that "rewards that produce desirable ROR (return on reward) are ones that offer employees flexibility and sustained value and result in a mix of increased motivation, productivity and better attitudes. Whether it is retention or recruiting, the companies that recognize employees with rewards that stick are the ones that will stay afloat even in the shallowest of labor pools..." (Hutson 2000, p. 44)

Sheryl and Don Grimme from the Employee Retention Headquarters (US) have worked on projects which emphasize the importance of non monetary rewards. They assert that distinguishing traits of organizations that attract, retain and motivate the best employees are 1) "Pay is not bad" and 2) "They treat employees great." Affirming the significant aspect of non-monetary rewards, they say, "You and I will go to work for a pay check and benefits plan. But we won’t do work (at least our best work), unless something else is present. It is the quality of the work itself and of our relationships with others at work that draws us to the best organizations and keeps us there, performing at peak effectiveness."(Sheryl and Don Grimme 2001)

A theoretical attempt to establish the significance of non-monetary rewards was made by Patricia Crifo and Marc-Arthur Diaye (2004) who developed a principal-agent model using both monetary and non-monetary incentives and showed how non-monetary incentives could compete with monetary incentives and could perform better in increasing the intrinsic motivation of the agent. A comparison
of the relative importance of monetary versus non-monetary within the standard principal-agent framework was attempted. An assumption regarding the values of the agent "what matters for the agent" was to be given, i.e. the principal must be aware of the agent's preferences. The paper questions the crowding-out effects of extrinsic rewards (Frey and Jegen 1999) stating that non-monetary rewards would increase intrinsic motivation rather than decrease it as in the case of monetary rewards. (Crifo and Diaye 2004 pp2-3)

A white paper issued by Globoforce (2008) claims that if employees are motivated continuously through cash, a phenomenon called "reward inflation" occurs, which implies that employees get 'habituated' to cash rewards and are no longer motivated by it. It is also said that cash rewards are 'slippery', that is they slip out of recipient's mind as they are forgettable and slip into paycheck unnoticed. On the other hand, non cash rewards are 'sticky' that is they remain in recipient's mind and are memorable. It is claimed that providing non cash rewards reinforces the relationship between the reward earner (the employee) and the reward provider (the manager). The table# presents a comparison of the benefits of cash and non cash rewards.

Another important characteristic associated with recognition is said to be its ability to establish fully the psychological contract through the use of psychic income. Some of the facts illustrate its significance:
A Japanese National Institute for Physiological Sciences study found "paying people a compliment appears to activate the same reward center in the brain as paying them cash."

White Water Strategies found acknowledging staff achievements—praising employees—had the same impact on job satisfaction as a 1% increase in pay, which would equal £5.2 billion for UK businesses alone.

These 2008 studies reinforced research results from a 2004 University of Chicago study that found non-cash incentives were 24% more powerful at boosting performance than cash incentives. (Globoforce 2008)

**Cash Is Slippery**
- Cannot be discussed in front of co-workers
- Is easily spent on necessities such as gas and groceries
- Becomes an expected entitlement
- A 1999 Wirthlin Worldwide survey showed how cash rewards were spent:
  - Bills - 29%
  - Do not remember - 18%
- Never received a cash reward - 15%
- A 2007 survey showed how cash rewards were spent:
  - $500 reward - 25% did not recall how it was spent
  - $1000 reward - 33% did not recall how it was spent

**Non-Cash Is Sticky**
- Fulfills recipients' needs and creates memorable value
- Reinforces recipients' commitment to the company
- Provides trophy value and a tangible symbol of achievement
- Offers opportunity for recognition moments
- Enables other communications opportunities (newsletters, posters)
- Provides something physical to "show off"
- Are socially acceptable to brag about
- Provides a lasting reminder of achievement
- Provides guilt-free enjoyment of the reward
- Delivers a higher perceived value
- Participants may involve family in selecting reward

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<th>Cash = Poor Return on Investment</th>
<th>Non-Cash = Next Big ROI opportunity</th>
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Table#2.2
Comparing Cash and Non Cash rewards
Source: Globoforce 2008
2.2.8. Anatomy of Rewards and Recognition

According to Frederick Hansen, Michele Smith and Ries Hansen (2002), rewards and recognition are two different phenomena. Citing Webster's Third New International Dictionary, authors define reward as "something given in return for good done; recompense, remuneration, compensation for services." It is claimed that rewards are always associated with instrumentality which is an important aspect of rewards. It refers to 'in order to' or 'means to an end' relationship, that is, one exhibits a particular behavior so as to get a particular reward.

Authors quote Webster's Third New International Dictionary's definition of recognition as "special notice or attention, formal acknowledgement, acknowledgement of something done." Recognition does not involve instrumentality that is it is not used as a means to achieve an end. In their words, "Recognition is about noticing and honoring. It may encourage and support an action but does not establish the instrumentality that reward does. The soldier who risked his or her life to save another did not do so in order to get a medal." (Hansen et al, 2002, p.65)

Furthering elaborating on the distinction between rewards and recognition, authors assert that reward refers to the 'deficiency' or the 'coping' behavior related to the lower order needs of the Maslow's Hierarchy while recognition refers to the growth or expression motivation relating to the higher order needs. Reward is said to represent the application of hygiene factors while recognition represents the application of motivational factors.

It is further asserted that reward and recognition must be primarily distinguished since the underlying mechanism of human motivation is different.
"Recognition and reward are not simply two options from which to choose in putting together an employee motivation program. Because they are distinct phenomena, the design of the program has to be driven by the nature of the phenomenon one is dealing with. An organisation does not have a recognition and reward strategy. It needs a reward strategy for the specific behaviours driven by extrinsic motivation and a recognition strategy for those behaviours driven by intrinsic motivation."

(Hansen et al, 2002, p.67)

Differentiating between rewards and reinforcers, Luthans and Stajkovic (1999), suggest that reward is something which has a 'value' as perceived by the reward giver, while reinforcer is something that increases the frequency of desired behavior. Thus for a reward to be effective every reward should be a reinforcer.

Nelson (1991) defines non-monetary recognition as any form (tangible or symbolic) of appreciation that is no cost or of nominal monetary value provided to an individual or group, ideally for demonstrating, improving or achieving desired behaviour or performance. Examples include (interpersonal) a personal or written thanks from one's manager or peers, public praise or granted elite status; (tangible) a certificate, plaque, trophy, paperweight, coffee mug, or memento; (intangible) involvement in decision making, autonomy, flexibility, choice of working assignment etc. Non monetary recognition is typically provided in a personal, informal or spontaneous manner. A nominal cash award would be
considered a form of non monetary recognition, yet a significant non monetary reward such as an overseas trip may not be due to its high cost. (Nelson, 1991)

Luthans and Stajkovic (2000) define recognition as acknowledgement, approval and genuine appreciation (not phony praise) which could be set up on a formal or informal basis. Formal recognition is said to reinforce employee accomplishments through formal company programs such as employee of the month or specific awards for attaining levels of performance and involve giving a token in a public ceremony. It is said that if such programs are not carried out fairly and consistently, then employees tend to perceive them as fake and not valuable. Informal recognition is defined as "as an individual and/or group (thus the use of the term social) providing contingently informal genuine acknowledgment, approval, and appreciation for work well done to another individual and/or group. This informal recognition is provided typically on a one-on-one personal level (thus the use of the term informal), verbally, and/or in writing/email." (Luthans and Stajkovic, 2001, p.240) Authors assert that the appeal of informal recognition lies in its ability to remain applicable for everyone ("bottom to top in the hierarchy"), no body gets enough of it, ("satiation principle fails"), is readily available for use, and it works without the use of money or monetary incentives.

The research and application of recognition is primarily based on reinforcement theory however Luthans and Stajkovic suggest Bandura's social cognitive theory "s a richer and comprehensive explanation of the phenomenon. (Luthans and
Stajkovic 2000) Recognition is said to have three dimensions as an incentive motivator for employee performance 1) its outcome utility, 2) its informative content and 3) the mechanism through which it controls employee behavior. Bandura (1986) suggests that recognition derives its 'outcome utility' from its predictive value. That is recognition for efforts or achievements paves the way for future benefits or 'desired employee outcomes' like promotion, a salary hike or assignment to a prestigious project. It is also asserted that recognition is more effective when given by people at higher authorities or from those who can aid the desired outcomes. Thus recognition from senior manager or president of organization will be more valuable than given by peers or an outside vendor.

Explaining the second dimension of recognition, Luthans and Stajkovic point to an important guideline of delivering recognition. It is said that recognition becomes meaningful because of its informative content and the more specific is the information the more effective is recognition. Thus instead of saying a "good job" managers must point towards the behavior exhibited by the employee and be specific in recognizing. "This detailed form of recognition not only conveys acknowledgement and genuine appreciation, but also information for reinforcing behavior that can lead to improved performance. Standardized phrases such as "good job" have no such informative content that can lead to performance improvement; it becomes an "empty reward," not a positive reinforcer detailing how to improve performance." (Luthans and Stajkovic, 2000, p.5)

Finally it is said that through recognition employees tend to self regulate their behavior by anticipating the desired outcomes. It is pointed that "forethought is the regulatory mechanism that permits perceived future desired outcomes based
on the recognition to be transferred into current and future employee behaviors that lead to performance improvement." (Luthans and Stajkovic, 2000, p.5)

Through their study, Luthans and Stajkovic identified some moderators to the relationship between recognition and performance. It is suggested that type of organization, task complexity and self-efficacy act as moderators in the recognition-performance relationship. It was found that principle of recognition worked better in manufacturing organizations than service organizations. It is also suggested that level of task complexity may be another important determinant of the way recognition can impact performance of the task because different level of complexity of task has different effects on the behavioral, information processing and cognitive capacities of task performer. Finally it is said that recognition may help build efficacy and those with higher self-efficacy, would perform better.

2.2.9. Other relevant researches

Kyle Luthans (2000) investigated the role of recognition as a powerful leadership tool. Literature related to leadership and non-monetary rewards is quoted, the author however overlooks the link between the two concepts of leadership and recognition. The survey was conducted on 254 respondents from a large organization and reactions were sought for a proposed recognition program. The results indicated a need for increased use of non-monetary recognition practices; almost the entire sample (96%) indicated an increased need for recognition, employees preferred to be rewarded based on objective measurable criteria and finally social rewards such as attention, recognition and sincere appreciation
were valued by employees. Although the results are relevant and serve as an
evidence for the increased emphasis on non-monetary recognition, the findings
are not in line with the proposed topic of the paper "Recognition: A powerful but
often overlooked leadership tool to improve employee performance". The
literature and the findings do not go with the objective of the study. Nevertheless
the findings are relevant for the knowledge base.

Bob Nelson (2001) explored the conditions that enable or inhibit the use of non-
monetary recognition by managers. His findings suggested that managers who
were high users of non monetary rewards, had an initial positive experience with
the behaviour, which had made them more likely to use non monetary rewards
with their employees, themselves and other colleagues. A broad based national
survey across 34 organisations was conducted over managers who were identified
as frequent users of non-monetary recognition. The data obtained was compared
with managers who were identified as infrequent users of non-monetary rewards.
The variables were drawn from the three most important theories in the related
literature: 1) reinforcement theory, 2) social learning theory, and 3) expectancy
theory. It was explored in the questionnaire as to how managers were motivated
for using non-monetary rewards with reference to their past experience with
behaviour, present reinforcement of the behaviour and to future expectations
from the behaviour.

Following were the major findings:

- "High-use managers were reinforced for using non-monetary recognition
  (most notably by their employees), while low-use managers were not
of non-monetary rewards were "activities that aim to increase the motivation and efficiency of personnel other than money", "verbal or written appreciation", "promotion", "don't know", "psychological satisfaction". Almost 90% of employees found non-monetary rewards as essential to their working. In addition to this, it was claimed that employees prefer job related non-monetary rewards more than social or any other tangible non-monetary incentives. (Yavuz 2004)

Pragya Sonawane (2008) conducted an exploratory study on non-monetary rewards comparing organizational practices and employee perceptions in the FMCG sector of India. Two analogous organizations, one Indian multinational and another American multinational were selected; qualitative interviews were conducted with the use of an interview guide understanding employee perceptions of organizational practices. Separate interviews were conducted with organizational representatives (HR managers handling Rewards and Recognition and Organization heads) and employees across different functions.

The research emphasized the role of non-monetary rewards in the present context of hypercompetition and soaring retention problems. The findings indicated a gap between what employees preferred and what was offered to them. Employers emphasized formal platforms while employees stressed on formal and informal programs evenly. Another important finding emerged with respect to the differences between the two organizations; it was observed that the Indian organization was not keen on practicing non-monetary recognition as extensively as the American organization. Top management from the Indian organization rarely praised their employees and were not enthusiastic about recognition
platforms. This feeling was reciprocated by the employees from the Indian organization who referred to the recognition attempts by organization as 'mere add-ons' and not important to their work. In contrast to this was the American organization which fostered a culture of recognition and appreciation. Top managers actively participated in all recognition forums and likewise was the feeling responded by employees who emphasized the role of non-monetary recognition to their work-life. A plausible rationale of different growth patterns of the two organizations was given for these differences. It was elucidated that the Indian organization which had witnessed competition only since the opening up of Indian economy was governed by traditional thinking and as such non-traditional rewards were not perceived as critical to them. While the American organization had transcended the nascent stage, and had thus incorporated new strategies of ensuring employee well being and performance. Other important relationships that emerged from the qualitative analysis are as follows:

=> When the top management belief in the power of recognition is high, then the organization will support an extensive non-monetary reward configuration.

=> A manager, who believes in the power of recognition towards employee motivation, will use it with his/her subordinates.

=> Sharing good relations with the superior tends to increase the perceived value of the recognition (reward/ appreciation).

=> Employees perceive rewards as valuable when the organization supports a culture of recognition and celebration and provides for an extensive non-monetary rewards configuration.
2.3.0. Factors in the Study

The preceding sections presented the important researches as regards the main concepts related to the study. In the forthcoming section, researches relevant to the factors under study are quoted so as to develop the framework of the study.

2.3.1. Age and Gender

In an analysis of data from 1385 workers from varied occupational groups, Clifford Mottaz (1986) tried to identify gender differences in reward satisfaction of workers. Quoting various studies, Mottaz conjectures that even though women experience lower status and lower paid jobs, it is surprising that most of the researches in the field of work satisfaction find no difference in satisfaction levels between men and women. It is however explained that satisfaction is assessed through the discrepancy between work rewards (benefits of work) and work values (desires and expectancy). So an elucidation for no difference in satisfaction levels across gender is that women's work values or expectations from work are different to those of men and as such women tend to feel satisfied even though they receive lesser rewards than men. Mottaz's study found work satisfaction to be positively related to occupational level but not to gender. That is, men and women at higher levels reported higher satisfaction than their counterparts at a lower level while maintaining no difference amongst them at various levels. It was also found that at higher occupational levels men and women gave importance to task characteristics that is were more intrinsically oriented while when at lower levels emphasized extrinsic factors at work. At higher levels no difference was reported between men and women in terms of their work values, both regarded extrinsic factors of task autonomy, task
significance and task involvement as critical. Differences emerged at lower occupational levels when women's main concern was supportive and friendly supervisors while men focused on intrinsic factors of work, the differences surfaced on account of the occupational level.

Thus it is concluded that sex does not determine an individual's work satisfaction, two explanations of 'expectancy' and 'value' are made for the parallel levels of work satisfaction between men and women. The 'expectancy' reason suggests that women tend to have lower expectations from work, so even with fewer rewards they tend to be satisfied. Mottaz however points to the slip-up in this argument quoting Locke (1969). It is said that satisfaction or dissatisfaction is independent of what one expects. An unexpected pay rise is satisfying while a surprise pay cut is dissatisfying; what makes one satisfied or dissatisfied depends on what one desires or 'values' and not on what one expects. The 'value' reasoning thus suggests that perception of work rewards remain alike across gender. Mottaz's study found that at higher levels of occupation men and women reported similar work values and hence for the reason that similar rewards are administered, men and women have similar intensity of work satisfaction.

Identifying the differences in determinants of satisfaction, it was concluded that men valued task autonomy while women preferred friendly and supportive supervisors.

The results From Mottaz's study are comparable to the findings of researcher's MPhil study where women managers expected 'warmth' from the system. Although no differences emerged between men and women as regards the
perceived importance of monetary rewards and non-monetary recognition, the women managers hoped their managers could be more concerned and that the organization could provide some help in managing home from work like a facility for procuring daily goods or a creche within office premises. (Sonawane 2007) The results could not find a relationship between age and one's perception and choices of rewards. A senior manager with thirty-five years of experience had similar expectations from job as a young professional.

In a study by Meudell and Rodham (1998), age was found to be a significant factor in determining employee's motivation. Younger employees (18-24) preferred bonus and fringe benefits; employees in the age group (35-44) were concerned with job security; and those in the age group (45-54) were yet again concerned with bonus. Male managers and staff had no difference in choices as they considered all categories as significant, female staff preferred money and bonus while female managers ranked bonus and job security as significant.

Nelson (2001) however found age as an important factor in determining the use of non-monetary recognition by managers. Older managers were less likely to practice non-monetary recognition.

Maren Bassy (2002) investigated and analysed the individual factors which motivate employees to work. It was found that older employees received more satisfaction out of the intrinsic rewards at work compared to younger employees who experience intrinsic motivation to a lesser extent. It was also found that
extrinsic factors like job security and compensation were evaluated similarly irrespective of employee's age. It was pointed that these were hygiene factors and hence were only controlling employees' dissatisfaction. Applying Hackman and Oldham (1980) model of job characteristics it was elucidated that people experience their work as more meaningful (skill variety, task identity, and task significance), experience more responsibility for the outcomes of the work (autonomy), and have a higher knowledge of the actual results of the work activities (feedback) with increasing age. That leads in turn to a higher internal work motivation and satisfaction with the work, which increases in the age.

As regards gender, no differences were found in job satisfaction of employees. The only difference observed was in the environmental factors (co-operation with other persons, good relationship to co-workers, and a good work environment) which were rated higher by women employees than men.

Hickson (2003) found a positive relationship between pay satisfaction and gender (women were more satisfied than men) for academics in the United Kingdom, but their most significant finding was that job dissatisfaction increased with age and length of service. (Cited Nelson 2008)

2.3.2. Career Stage, Functional Area and Years of Experience

Mottaz (1988) tried to establish the determinants of organizational commitment and found individual demographic factors as insignificant in making an impact. However job tenure was found to have a strong positive relationship with organizational commitment. It was elucidated that with a longer tenure,
employees would enjoy higher positions and higher levels of extrinsic organizational rewards and as such would be more satisfied and committed. That is to say that tenure per se doesn't produce commitment, it is the rewards associated with it that lead to commitment.

James M Pappas and Karen E Flaherty (2005) investigated the influence of company based compensation programs on the motivation level of sales people. Data was collected from 214 sales people and a questionnaire was administered with the objective of identifying the factors which impact an individual's motivation and its three components of valence, expectancy and instrumentality. Career stage and risk preference of respondents were found to make an impact on their motivation levels. Findings indicated that a pay mix reflecting greater variable pay results in a significant negative effect on instrumentality estimates and expectancy estimates for salespeople in exploration. Conversely, variable pay had a significant positive influence on instrumentality and expectancy estimates for salespeople in establishment, as well as a positive significant influence on instrumentality and expectancy estimates for salespeople in maintenance stage of their career. It is implied from the results that organizations need to be more 'strategic' as regards compensation; since not all people have same perceptions, attitude and needs, organization must consider the role of individual level variables in designing of compensation programs.

Yao Apasu (1987) conducted a study on salespersons to understand their perception of rewards. The study discussed as to how salesperson's Value
structure' could determine an individual's perception of rewards and how an organization could design its reward system to reflect the dominant value structure of its workforce. It was also asserted that the degree of congruence between an individual's values and the organization's values also determines the perception of rewards. Companies that have high value congruence with their employees must emphasize job security, promotion and social recognition. While in case where value congruence is low, organizational reward system must emphasize financial remuneration in the short run.

Farhad Analoui (1999) conducted a study on senior managers of 23 Romanian firms to comprehend their motivation for improved performance and effectiveness at work. Factors that were found to be the most important determinants of senior managers' motivation were the psychological factors like recognition and appreciation, and financial factors like salary and remuneration. Other important factors were promotional status and job satisfaction.

George Kominis and Clive R Emmanuel (2005) explored the reward preferences of 225 middle level managers in a large UK based financial institution. Following were the main findings of the study:

- Significant positive relationship was recorded between the perceived value of rewards for employees and their motivation and performance. That is managers who value the rewards received, experience higher motivation and also tend to exhibit a higher level of performance.

- Managers tend to value the intrinsic rewards of work more than the extrinsic rewards associated with work. However, the analysis provided
little support for the hypothesis that managers who value extrinsic rewards will place relatively small value on the intrinsic rewards associated with their job.

- Managers who value both kinds of reward in their job tend to exhibit a significantly higher level of motivation and performance than managers who value extrinsic rewards only.

- Career Stage and Functional area do not impact the reward preferences of managers.

Career Stage and functional area were not found to make an impact on employee's perception of non-monetary rewards in an exploratory study by the researcher. Junior managers had similar perception of rewards as senior managers and also had same expectations, which was primarily, growth in their career or advancement opportunities at work. Years of experience was also a non-significant variable in determining an employee's choice of rewards. (Sonawane 2007)

2.3.3. Locus of Control

Locus of control as developed by Julian B Rotter (1954) is a belief about the causes of the good or bad events in one's life. Locus of control refers to the extent to which individuals believe that they can control events that affect them. The study uses an adaptation of Rotter's LOC designed by Spector (1988) which is a measure of individual's LOC in the context of work and organization setting. Individuals with a high internal locus of control believe that events result
primarily from their own behavior and actions. Those with a high external locus of control believe that powerful others, fate, or chance primarily determine events. Those with a high internal locus of control have better control of their behavior, tend to exhibit more political behaviors, and are more likely to attempt to influence other people than those with a high external locus of control. It is said that internals tend to be more self-determined than externals and hence will exhibit higher levels of intrinsic motivation. (Deci 1978)

It is thus implied that those who have higher self-determination and feel in control of outcomes may perceive external rewards as a true measure of their achievement at work and hence may perceive them as important to their work life. It is thus hypothesized in the study that for internals the value of recognition would be higher as compared to externals who would perceive external rewards as something under the control of environment (that is the organization or the superior in the research context) and not something that they have gained through their efforts.

Gupta (1980) tried to assess the nature of relationship between employee satisfaction and performance contingent intrinsic rewards and pay with locus of control, equity and tolerance of ambiguity as moderator variables. It was hypothesized that internally controlled employees would exhibit a stronger relationship between performance contingent rewards and satisfaction than would the externally controlled employees. The Locus of control was measured through two items taken from Rotter (1966) and Gurin, Gurin, Lao and Beattie(i969), both items in the index referred to work related perceptions of internal (self-controlling) and external (controlled by external agents) locus of
control. A high score on this index represented an internal locus of control. The results of the study although established a positive relationship between satisfaction and performance contingent rewards, no significant interaction effects were observed between performance reward contingency and locus of control. It was however found that individuals with an internal locus of control consistently had a higher level of satisfaction than individuals with an external locus of control.

2.3.4. Top management and Seniors

Brian P Niehoff et al (1990) report the influence of top management's actions on employee's attitude and perception. Top management's actions such as 'inspiring a shared vision', 'supporting employee efforts' and 'allowing influence in decision making' were positively related to organizational commitment and job satisfaction and negatively related to role ambiguity. 'Positive visibility' of senior management is said to be a 'high level satisfier'. The opportunity to speak with managers and executives provides employees an opportunity to address their concerns and comments directly to the top, and immediate actions taken to resolve the issues show the employee that the organization cares. (Clive 2007)

Jones and Lloyd (2005) established that the employee perception of senior management had a significant impact on employees' motivation to perform which was to contribute to suggestion schemes in the study. It was observed that 52% of employees who contributed an idea to the suggestion scheme had a
Literature Review

positive orientation towards the senior management compared to 42% of employees who perceived senior management negatively.

One of the important findings of researcher's earlier study (Mphil), was the role of top management in employees' perception of rewards. It was found that in organizations in which the top managers believed in the power of recognition and that they actively participated in recognition forums to encourage and acknowledge the contribution of employees, the perceived importance of non-monetary recognition was high for employees. However in organizations where there was a limited structure of non-monetary recognition practices and where the organization did not nurture a culture of appreciation, the employees did not perceive their non-monetary rewards as relevant to their work. The top management's role was critical in nurturing a climate of appreciation and enhancing the value of recognition for employees.

2.3.5. Superior-Subordinate Relations

Foa and Foa's (1974) resource theory suggests a framework for resources: particularism and universalism. Particularism means that the value of resource is influenced by the people involved in the exchange of that resource. Three particularist resources were identified: love, status and information. "In all the three cases, the source of the resource affects its meaning and acceptability to the receiver."(Rousseau 1998 p.222) It is said that particularist resources can be given only when trust exists between the two parties. Universalistic resources like money or goods on the contrary, can be exchanged in any type of interaction.
"The constraints that a relationship puts on the exchange of particularist resources mean that employers are only able to offer a broad array of resources when their employees are willing to accept them." (Rousseau 1998 p.223) That is to say that when workers do not trust the management or does not share good relations with the management, the organization will not be able to use symbolic rewards like the employee of the month etc. When workers identify with the organization, the managers are able to give and take both the universalistic and particularistic rewards. When workers do not identify, only universalistic rewards can be used. It is thus obvious that relationship that an individual shares with his or her superior is significant in influencing the value of recognition that an individual receives from the superior.

Other studies are also found to examine leader subordinate relation and their subsequent effect on behavior: leadership style and its influence on subordinate resilience has been studied (Harland et al 2005); subordinate perception of leader's reinforcement style and leader's bases of power are identified (Hinkin and Schriesheim 1994); subordinate's perceptions of leader reward and punishment behaviors and its effect on group cohesiveness, drive and productivity have also been established (Podsakoff and Todor 1985). The following section reviews the researches examining the role of supervisor and the impact of his/her actions (in motivating employees through non-monetary Awards) on subordinate's behavior.
According to Rowley Mayfield et al. (1998), supervisor's use of motivating language correlates significantly with subordinate's performance and job satisfaction. A survey conducted on nursing staff proved the hypothesis that the superior's use of motivating language had a positive effect on the subordinate's performance and job satisfaction. (Mayfield et al. 1998)

Role of line managers is also considered important in motivating employees by reinforcing behavior through the non-financial rewards like praise and feedback. (Fisher 1996)

Jones and Lloyd (2005) assert through illustrations from leadership theories that an individual's motivation depends upon the nature of his/her relationship with the leader. As such they explored how employee behavior was influenced by the employee perception of senior management. It was found that 80% of those who contributed an idea had a positive attitude towards their line manager. The results however also indicated that recognition from line managers was not an important factor in motivating desired behavior, but a poor perception of line managers had a negative impact on employee behavior. That is, good relationship with line managers had become a 'hygiene factor' for employees to perform such that a mere absence of it would lead to dissatisfaction at work place with an unhealthy work climate. "In the context of ideas generation and the two-factor model, the conclusion is that the relationship with the line manager in the contemporary context has ceased to be a motivator. Most contributors appear not to need line manager's recognition when it comes to motivating them to
contribute ideas. However, a poor perception of the line manager has a strong negative impact on employee willingness to contribute ideas. This prompted the thought that managerial recognition determines the climate within which work is undertaken, and has become a major hygiene factor in the contemporary employment context.” (Jones and Lloyd, 2005, P- 938)

Duncan Brown and John Purcell (2007) did an extensive survey (535 organizations) and combined it with an in-depth study(5 organizations) to conclude that lack of line management skills was the main barrier for the successful operation of the organization's rewards strategy. It is suggested that the HR professionals must involve, support, skill and enable front line managers to create a totally rewarding environment at work; the reward policy and strategy would thus result in a highly committed and high performance workforce with high business returns.

Paul S. Goodman and Brian E. Moore (1976) investigated the relationship between individual, organizational and interpersonal variables on the acquisition of beliefs about a new organizational reward system. Two sets of beliefs were analyzed: the belief that suggestion making behavior leads to rewards (system expectancy) and the belief that given the effort, the individual can make productivity-related suggestions (self-expectancy). It was found that manager's belief about the reward plan was affected by the individual level variables like the education level, while in case of blue collar workers it was the organizational variables like nature of task and interpersonal variables like one's work group's
evaluation of plan and supervisor-subordinate relationship that made an impact on the acquired beliefs about the new rewards plan. It was found that if employees were encouraged in past to make suggestions by their supervisor they were keen to recommend changes for the new plan as well and as such believed in the success of new plan.

Attitude of supervisor is said to be the most common factor that is overlooked in motivating employees. It is asserted by Bessler et al (2002) that if a supervisor approaches the workplace with a positive upbeat attitude about the work project, that attitude gets transferred to the subordinates and thus created a better work environment.

Empirical studies have also indicated the influence of supervision on performance. Barkema(1995) conducted an econometric study in 1985 on 116 managers in mid sized firms and tried to assess the role of external intervention on work performance. The intensity of external regulation was done in three ways: the regularity with which their performance was evaluated; the degree of formality of the evaluation procedure; and the degree to which the managers were evaluated by well defined criteria. A measurement model was used to ensure that the variables represented 'regulating'. A structural model was then used to show the influence of external intervention on managers' performance.

The findings indicated that in case of impersonal supervision, there was a positive influence of monitoring. While in cases where there was strict regulation there was a negative influence on work performance. "The econometrically
estimated parameters capturing the effect of external intervention on work performance turns out to be positive and statistically significant in case (i) of impersonal control. In case (ii) of personalized control, on the other hand, the corresponding parameter is statistically significant and negative; regulating strongly crowds out intrinsic motivation, so that the net effect of control on performance is counterproductive. In the intermediate case (iii) of somewhat personalized control, the estimated parameter does not deviate from zero in a statistically significant way." Extrinsic interventions made the employees feel that the managers did not have faith in their abilities. (Cited in Frey& Jegen 2000 PP13-14)

In a recent exploratory study, relations with superior emerged as an important determinant of employees' perception of non-monetary rewards. Sonawane (2007) It was claimed that it was critical for employees to share good relations with superior or else the rewards bestowed would appear phony.

2.4.0. Generation of Hypothesis
Arriving at a set of hypothesis involves making assumptions on the basis of the existing knowledge on the subject and or through one's experiences in the field. From the preceding section of theoretical and literature review, some propositions are established.
It is understandable at this stage to accept the present study as a part of the 'paradigm one' of rewards as instrumental in employee motivation. Recognition is believed to be the primary psychological need of individuals which may get
activated (as per Maslow and other need based theorists) no sooner than the satisfaction of physiological and safety needs. However according to Vroom and followers, for recognition to translate into performance it needs to have the necessary valence and instrumentality. That is if recognition is valuable to employees they will have the necessary motivation to exhibit performance.

Furthermore it needs to be recognized through the wisdom of social learning theory, that the phenomenon of recognition is not just internal to an individual (coming from one's needs) or completely external (receiving rewards from the sources outside self). It is in interaction with the environment that an individual may get acquainted to the idea of recognition. That is to say, an individual's perception of recognition will depend on one's past experiences and one's self-belief about recognition. Moreover the comprehension of an individual's behavior on the basis of one's psycho-social variables would remain incomplete without a mention of his or her locus of control. As per the theory of locus of control, an individual with an internal locus of control would be less motivated by external rewards, the following hypothesis are thus proposed as regards an individual's psycho-social factors:

1. Managers with an external WLOC will value recognition more than those with an internal WLOC.
2. Managers with a positive past experience of non-monetary recognition will value recognition more than those with a negative past experience.
3- Managers with a stronger self belief in recognition will value it more than those with a weaker belief.
Likewise one's perception would also be influenced by the environment in which one is working that is the organizational context (the organization recognition practices, superior's belief and top manager's belief) will impact an employee's perception of recognition and hence the value associated with it.

The role of environment (organization recognition practices, superior and the top management) has been established by other researches as well. (See Sonawane (2007), Niehoff et al (1990), Jones and Lloyd (2005), Mayfield et al (1998) etc) it is thus imperative to test the environmental factors in the present research concern. Following is the list of hypothesis made as regards the environmental factors:

4. Managers from an organization with a stronger top management belief in recognition will value recognition more than the managers from an organization with a weaker top management belief in recognition.

5. Managers with a superior who believes in recognition will value recognition received more than the managers whose superior does not believe in recognition.

6. Managers sharing good relations with a senior will value recognition more than the managers who do not share good relations with their senior.

7. Managers from an organization with a high recognition score will value recognition more than the managers from an organization with a lower recognition score.

Individual demographic factors (age, sex) or the "non-ability variables" (Gupta 1980) have also been examined with a mixed impact on organization
commitment (Mottaz 1980), employee choices of rewards (Sonawane 2008), job satisfaction (Hickson 2003), and motivation (Bassy 2002). Although the significance of these factors is found to be limited, it will be naive to overlook the factors in a study of reward perceptions. Following hypothesis have been proposed as regards individual demographic factors:

8. Older managers tend to value recognition more than younger (under 40) managers.

9. Women managers will value recognition more than men.

The role of individual functional variables like career stage, years of experience and functional expertise have been investigated for their influence on organization commitment, satisfaction and reward choices. (See Mottaz 1980, Pappas and Flaherty 2005, Analoui 1999, Kominis and Emmanuel 2005 and Sonawane 2007) Although the influence of such factors have been found to be restricted, these variables may need attention to grasp the employee's perception of rewards and recognition in totality. Following is the list of proposed hypothesis as regards the individual's functional variables:

10. Managers with more years of experience will value recognition more than those with lesser experience.

11. Managers at higher career stage will value recognition more than those at lower stages.

12. Managers across different functions will perceive recognition differently.

The focus of the present chapter had been the comprehension of the theories and basic concepts related to them. Past researches were analyzed in the backdrop of
the research concern and assumptions were made to carry forward the study. The forthcoming chapter on 'Methodology' discusses the tactics and techniques applied in order to achieve the research objectives.