

Rewarding and reward management: a research on the five star hotels in Istanbul¹

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ABSTRACT

Human Resource is important component of organizations. In a global world where competition is being increase, effective and profitable employees provide to achieve the goals of organizations. Therefore employees want to supply with needs and expectations. Rewards provide them.

Rewarding is one of the important means which is used to provide the abilities of employees for organizations objectives. Employees are considered as the main objectives of the reward systems to attract the right people right on time, to retain them and to motivate. Role of the reward management in organizations motivate employees and increase their dependence to hold them for organizations.

In this study; first of all the notions of, rewarding, reward system and reward management. Then in the findings and analysis which have been gained by the questionnaire, which has

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been implemented on the employees who work in the five star hotels of Istanbul, in order to measure the effect of rewarding on employees, are displayed.

Key Word: Reward, Rewarding, Reward Management

1. Concepts of Rewarding

What sustains businesses are human resources which they possess. As enterprises have needs and expectations, employees also have needs and expectations. Employees can only commit themselves to work if their needs and expectations are met. Every employee wants to get in return for its efforts. Rewards given by enterprises aim to motivate employees to work.

Every result improving repetition possibility of person's behaviors is characterized as a reward (Koçel, 2005: 647). If employees perform what is required of them, they should be rewarded with incentives they prefer. Rewarding is a favorable outcome and employees prefer to be oriented towards those positive results and keep away from unfavorable outcomes (Nelson and Economy, 2010: 77). Reward is a broad construct that has been said to represent anything that an employee may value that an employer is willing to offer in exchange for the employee's contribution (Chiang and Birtch, 2008: 492).

Reward ensures both desired behavior to emerge constantly and also undesired behaviors to be eliminated (Güney, 2009: 354). Awarded employee identifies itself with the organization, exerts more effort and thus enterprises achieve their objectives.

Different people value different aspects of rewards but some common benefits recognized by recipient include (Aguanno, 2004: 13):

- Recognition of unusual efforts,
- Recognition of changed behaviors,
- Recognition of unusual accomplishments,
- Acceptance by the broader group,
- A sense of job security,
- A feeling of personal accomplishment and
- A feeling of satisfaction.

As rewarding motivates employees towards work, criticisms are also available for reward concept. According to Herzberg, rewards do not enhance employee's satisfaction and

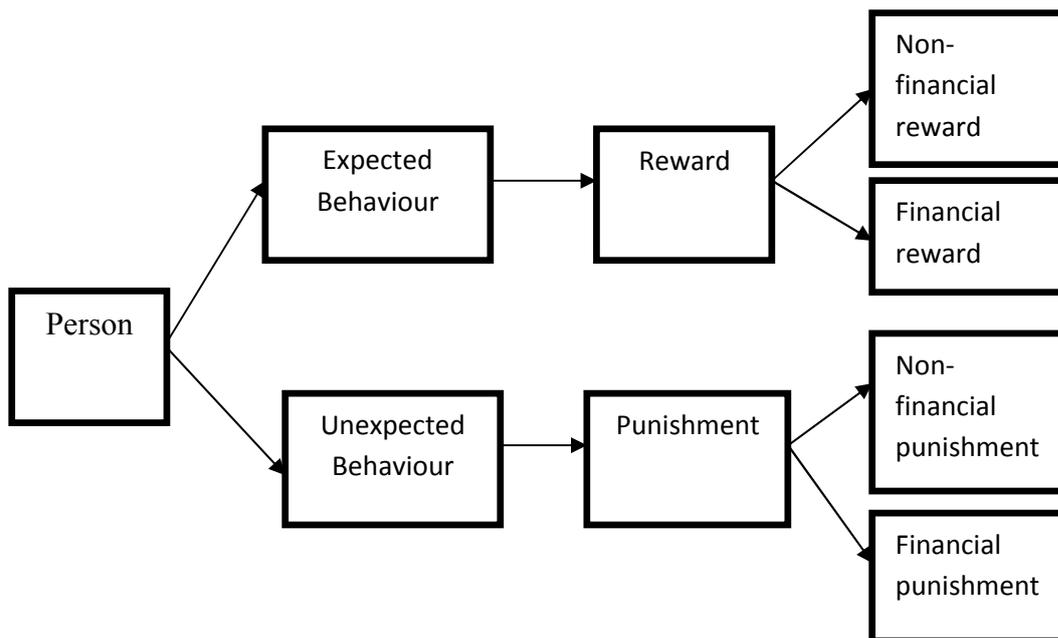
success, but only prevent discontent (Yüksel, 2007: 221). According to another point of view, disadvantages of rewards are as following (Kohn, 1997: 19-22):

- Pay is not motivator: If someone's take home pay was cut in half, his or her morale would suffer enough to undermine performance. But it doesn't necessarily follow that doubling that person's pay would result in better work.
- Reward punish: Rewards have a punitive effect because they like outright punishment, are manipulative. In the case of incentives, the reward itself may be highly desired; but by making that bonus contingent on certain behaviors, managers manipulate their subordinates, and that experience of being controlled is likely to assume a punitive quality overtime.
- Rewardrupturerelationships: Rewards, due to their pecuniary characteristics, harm both relations among employees and also relationships between managers and employees.
- Rewards ignore reasons: Placing emphasis only on rewards mitigates the significance regarding main problems that might occur and changes they shall generate.
- Rewarddiscourage risk-tasking: A number of other studies have also found that people working for a reward generally try to minimize challenge.
- Rewards undermine interest: Rewards like punishment, may actually undermine the intrinsic motivation that results in optimal performance. The more a manager stresses what an employee can earn for good work, the less interested that employee will be in the work itself.

Means to motivate employees is to bring forward their positive sides, successes and appreciate them (Fındıkçı, 2009: 385). In a sense, rewarding is satisfaction of ambition and penalizing, depending on its method, is diminishing the desire for ambition (Garih, 2010: 59).

In following figure, punishment and reward system is given. Rewards are granted when behaviors expected from employees are performed and punishments are applied when employees perform behaviors not desired by the organization.

Figure 1. Systems of Reward and Punishment



Resource: Fındıkcı 2009, p.386

Today, the reward infrastructures of modern organizations are comprised of two major categories of rewards: financial and non-financial (Chiang and Birtch, 2012: 540). While financial rewards are material elements such as premium, bonus, pay increase, nonfinancial rewards consist of moral elements such as appreciation (recognition), acknowledgement, empowering. Nonfinancial reward is a source of pride for employee as it is a concrete symbol for success. If an employee also receives a material reward such as money, then he may use this for his needs. Financial rewards may be preferred by employees who are in financial difficulties (Yenipinar, 2005: 197). Another reason for the attraction for money is the symbolic economic satisfaction it gives to people. Humans think that more money they have quicker they shall meet their wishes and requirements (Eren, 2008: 506).

Rewards may also be classified as internal and external rewards. Intrinsic elements include recognition, work satisfaction, and other aspects of the work climate (Wright, 2010: 190). Intrinsic rewards involve a positive psychological state within individuals generally accompanied by feelings of passion, energy and enthusiasm (Tymon etc., 2010: 111). Extrinsic rewards include pay and benefits (Wright, 2010: 190). While internal rewards increase employees' intrinsic motivations such as personal satisfaction, external rewards satisfy employees by providing external motivation.

2. Reward System

An employee reward system consists of an organization's integrated policies, processes and practices for rewarding its employees in accordance with their contribution, skill and competence and their market worth (Armstrong, 2002: 4).

Reward systems contain all the elements reward, as follow (Armstrong and Stephens, 2005: 6-7):

- Policies, which provide guidelines and approaches to managing rewards,
- Practices, which provide rewards including contingent pay,
- Processes, which are concerned with evaluating the relative size of jobs and assessing individual performance,
- Procedures, which main,
- Structure, which provide the framework for pay.

A well formulated and administered reward system is likely to have a number of important secondary objectives. These objectives are below (Shields, 2007: 35):

- Need-fulfilling: the rewards should be of value to employees in satisfying relevant human needs.
- Felt-fair, particularly in terms of offering rewards commensurate with contribution.
- Legal: it should comply with relevant legal requirements regarding employee rights and entitlements, including, of course, all mandatory benefits and minimum standards.
- Affordable: the rewards allocated, and any associated on-costs, should be within the organization's financial means.
- Cost-effective: there should be an appropriate return on investment from total reward outlays.
- Strategically aligned: as with performance management, reward management should support to organization's corporate and business objectives.

A reward system consists of financial rewards (fixed and variable pay) and employee benefits, the system also in corporate non-financial rewards (recognition, praise, achievement,

responsibility and personal growth). The combination of financial rewards, employee benefits and non-financial compensation comprises the total reward system (Armstrong, 2002: 4).

Rewards to be used to motivate employees should be compatible with establishment's policies, strategies, plans and objectives. Therefore, continuity of reward systems should be ensured and effective, fair, transparent management should be required.

An effective reward systems leads to, increased satisfaction an employees, recognition of accomplishments, a desire to attain high standards, a means to achieve personal and social goals, high productivity and feelings of competence and freedom (Cameron and Pierce, 2002: 6).

3. Reward Management

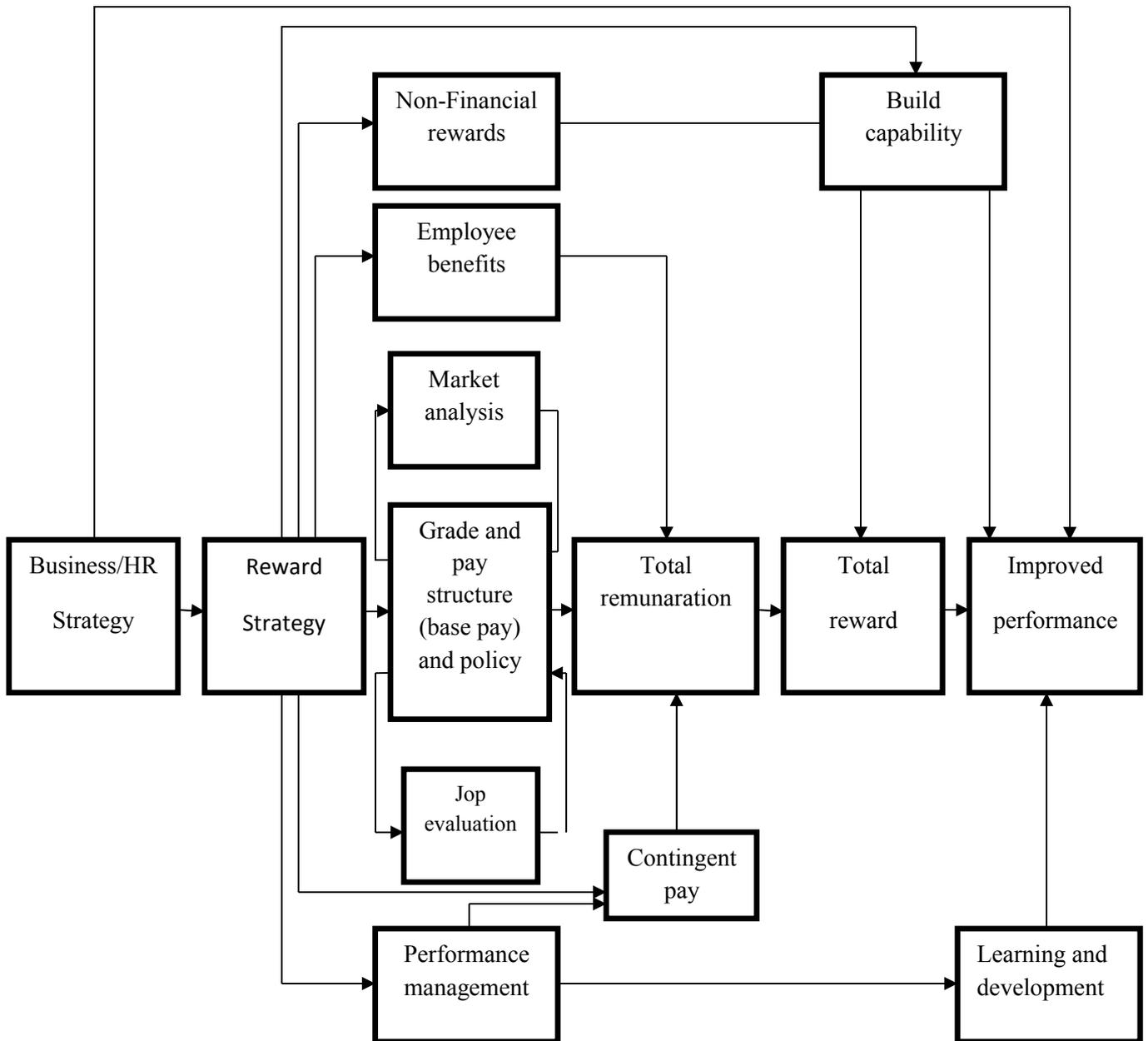
Effective and fair management of reward systems increases performance of employees and ensures that enterprise reaches its objectives. Thus, the organization achieves competitive advantage and may maintain a strong position strategically.

Through its basic definition, reward management is management of remuneration systems (Perkins and Vartiainen, 2010: 177). Reward management concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to organization. It deals with the design, implementation and maintenance reward processes and practices that are geared to the improvement of organizational team and individual performance (Armstrong and Murlis, 2007: 3).

The aims of reward management are to (Armstrong, 2007: 4):

- Reward people according to the value they create,
- Align reward practices with business goals and with employee values and needs,
- Reward the right things to convey the right message about what is important in terms of behaviors and outcomes,
- Help to attract and retain the high quality people the organization needs,
- Motivate people and obtain their engagement and commitment,
- Develop a high performance culture.

Figure 2. The components of the reward management



Resource: Armstrong, Murlis, 2007, p.7

Reward management components are shown in Figure 2. As can be seen in the figure, business strategy is the initiation point of reward management process. Reward strategy however determines the direction of reward management process. Rewards to be given in line with strategy determined, employee rights, market research, job evaluation should be carried out and remuneration structure and policies should be established. Employees' performances, unanticipated wages, employee training and development activities should be taken in

consideration, total reward should be determined and changing performances should be observed.

Reward management is significant in terms of providing competitive advantage to enterprises. Through an effective and good reward management process, suitable employees can be attracted to the business at the right time and skilled, quality employees may be motivated, their commitment to business may be improved. Therefore, it shall be appropriate to handle reward management as long term and dynamically with a strategic point of view. When relevant literature is reviewed, it is seen that strategic reward management issues are emphasized.

Strategic reward management is an approach to development and implementation over the longer terms of reward strategies and the guiding principles that underpin them (Armstrong, 2007: 48). It provides answer to two basic questions 1) where do we want our reward practices to be in a few years' time and 2) how do we intend to get there. It therefore deals like in a few years' time. As a means, it shows how it is expected that the vision will be realized (Armstrong and Brown, 2006: 7).

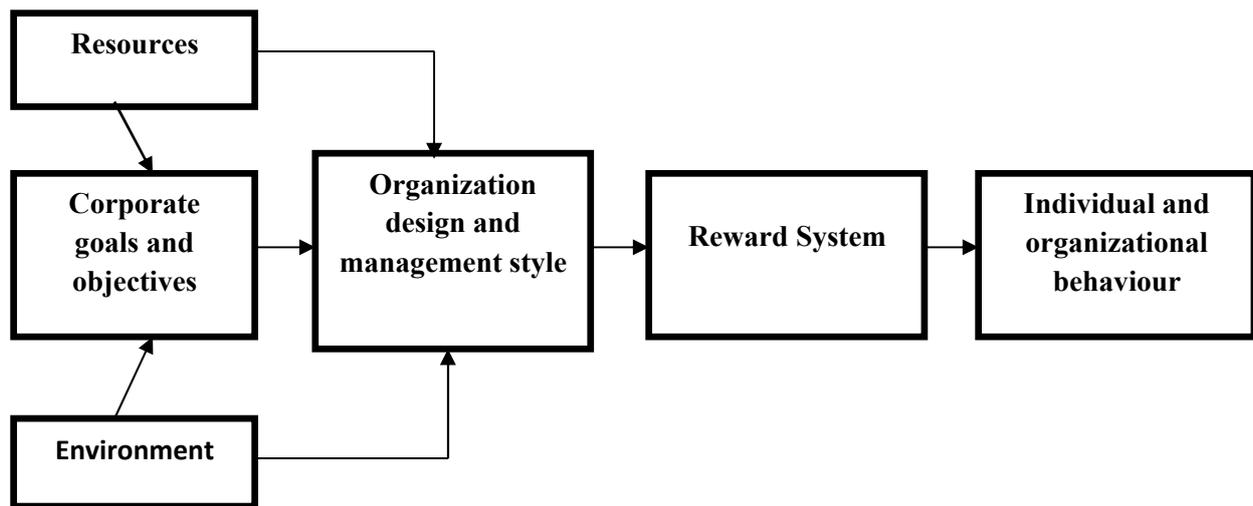
The aim of strategic reward is to create total reward processes that are based on beliefs about what the organization values and wants to achieve (Armstrong, 2007: 48). Strategic reward is about making reward management work effectively for the organization and its people (Armstrong and Brown, 2006: 9). Reward strategies provide a road map from where the organization is presently to where it wants to be in the future (Armstrong, 2002: 83).

Three factors explaining importance of strategic reward approach for many organizations are as following (Brown, 2001: 9):

- Including passive decisions maintaining present status, all decisions taken related with reward systems are significant and considerable.
- A connection exists between business strategies and predetermined wage and reward implementations.
- Human capital (manpower) is the source of constant competitive advantage.

Ed Lawler defines reward strategy as an integrated reward approach, linking company strategy, pay systems and employee behaviors (Armstrong, 2002: 83).

Figure 3. Lawler's reward strategy modal

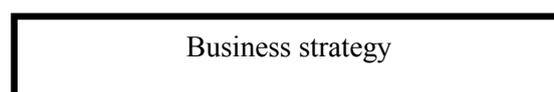


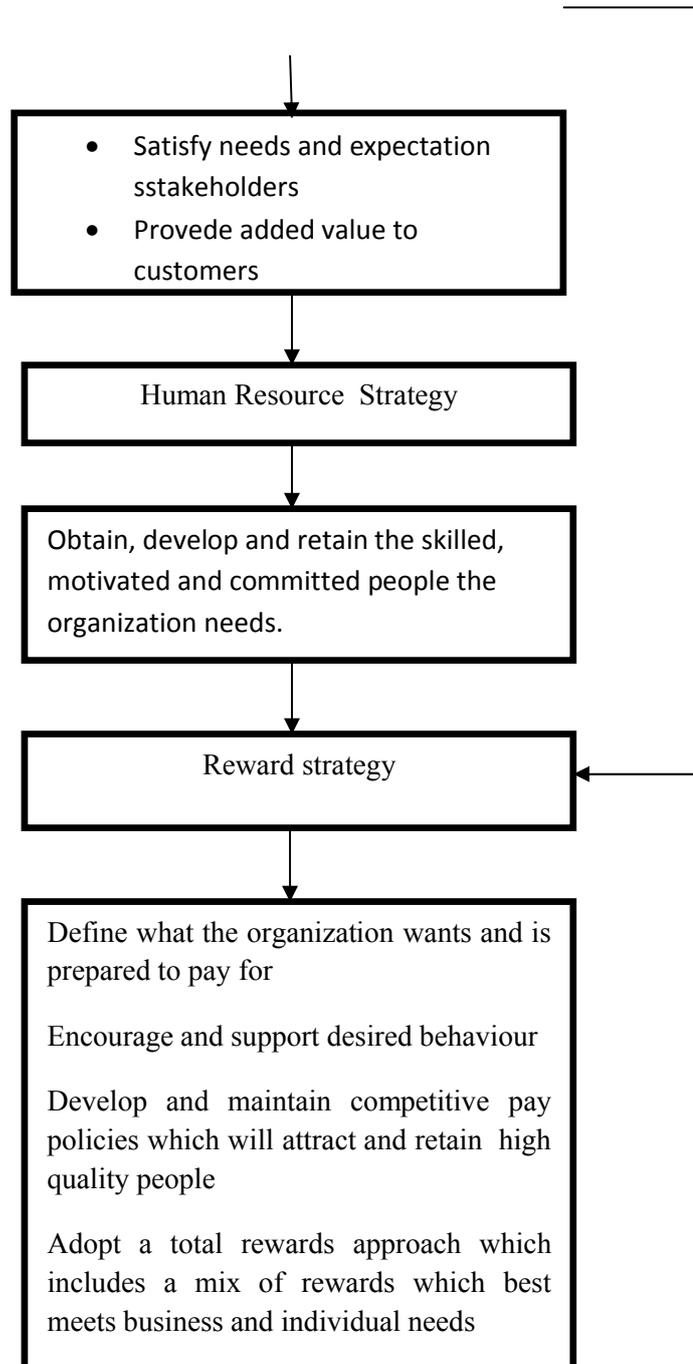
Resource: Brown, 2001, p.2

In Figure 3, Ed Lawler’s reward strategy model is shown. According to this model, organization determines its objectives and targets in accordance with resources owned and the environment exists. In line with objectives and targets determined, organization design, management style and understanding ensure formation of reward systems. Well structured rewards systems provide that both the enterprise and employees reach their objectives.

Reward strategy has been broadly defined as the intentions of on the organization on how its reward policies and processes should be developed to meet business requirements’ (Wright, 2004: 8). In following figure, it is clearly explained how reward strategy is developed. Business strategies form the initial stage when determining reward strategies as they do in reward management process. Reward strategy is determined in accordance with stakeholders’ expectations and needs, accordingly developed human resources strategies, recruitment, training and development activities. After reward strategy is determined, those strategies should be conveyed to employees, behaviors anticipated and unanticipated from employees and their results should be informed explicitly.

Figure 4. The development of reward strategy





Resource: Armstrong, 2002, p.84

4. A research on the five star hotels in Istanbul

Five star hotels in İstanbul have constituted the implementation area of research carried out to measure (assess) points of view of personnel working in hotel enterprises towards rewarding process. İstanbul is center of attraction for world tourism with its historical beauties as well as its natural and cultural richness. Thousands of tourists visit İstanbul every year to admire

those beauties. Five star hotels in İstanbul have been selected for research purposes since world famous five star hotels have their branches available in İstanbul and as those hotels are mainly urban hotels, they render services throughout the year and since their organization structure being at high standard.

In first part of survey; 14 questions towards assessing (measuring) demographic characteristics of participating personnel and 20 questions towards assessing their points of view related with rewarding are available. 140 personnel working in five star hotels in İstanbul participated in the survey. Thus, limitations occur regarding generalizing the received data for all hotel workers in İstanbul.

Cronbach Alpha Coefficient method is used for reliability analysis in this study. General reliability of expressions scaled with 5 point Likert type scale is tested with reliability analysis. Cronbach alpha of rewarding size model has been found as 0,952. Alpha Coefficient indicates that model is highly reliable.

Data obtained from survey have been evaluated by using SPSS 14.0 statistic package program (software) and results achieved have been interpreted.

❖ *Demographic findings of the research:*

- While most of participants in the survey consists of male employees with 52,9%, rate of woman employees is 47,1%.
- Distribution of 140 personnel participating in the survey is such; 30% between 15-25 age range, 46,4% 26-35 age, 18,6% 36-45 age range, 4,3% 46-55 age, 0,7% 56 age and over.
- Among employees participating in the survey; 57,9% is single, 41,4% married.
- Out of participants; 0,7% has primary education, 25,7% High School, 13,6% Associate Degree, 45% Undergraduate, 12,1% Postgraduate and 2,9% Doctorate graduate.
- Monthly earnings of participants are as following; 3,6% monthly 0-700 TL, 24,3% 701-1500 TL, 24,3% 1501-2300 TL, 17,9% 2301-3100 TL and 4,3% 3101-3900 TL, 6,4% 3901 and over. 19,3% of participants refrains from stating their monthly total income.

- Among participants responding to the survey; 85,7% has been working in their establishment for a period of 1-5 years, 6,4% 6-10 years, 2,9% 11-15 years, 3,6% 16-20 years, 1,4% 21-25 years. Accordingly, a substantial part of personnel has been working in hotel organizations for a period of 1 to 5 years.
- Personnel's working positions are as such; 15,0% Management, 3,6% Purchasing, 7,9% Human Resources, 7,9% Accounting, 17,9% Front Office, 7,9% Public Relations, 14,3% Sales and Marketing, 9,3% Catering, 2,1% Housekeeping, 5,7% Service, 3,6% Technical Services. 5% of participants refuse to indicate their working position. Accordingly, great majority of participants work in Management, Front Office, Sales and Marketing departments.
- ❖ *When descriptive statistics in likert scale of answers given by personnel working in five star hotels subject of research for assessing (measuring) their points of view for rewarding process are taken in consideration;*
- While commitment (loyalty) to the organization by personnel responding to questions regarding rewarding in the survey is represented with 3 and over values, non commitment to organization is indicated with values under 3.
- Item with highest average of 4,14 is, "Ideas to provide positive contribution to the organization should be rewarded". While ratio of those who absolutely share this item is 48,6%, rate of those who just share it is 31,4%. Those who look positively at this item is 80%, those who take a dim view however is 10%.
- Item "Opinion of employees should be received in determining rewards to be given to employees" with 4,05 average is placed second. Rate of those who absolutely share this item is 40% and those who share it is 38,6%. Those who are favorable with this item is 78,6% and those who are unfavorable is 10,8%.
- With 3,32 average, "Wage given by the organization satisfy me" item is the most unfavorable item, those who absolutely share this is 23,6% and those who share is 25%. Those who look favorably at this item is 48,6% and those who look unfavorably is 28,5%.

Considering the fact that they are not suitable for normal distribution from non-parametric tests, Mann-Whitney U and Kruskal Wallis tests have been carried out to understand whether

difference exists between demographic characteristics and points of view towards rewarding process of personnel working in hotels subject of research. According to test results, no variation has been observed in participants' understanding of rewarding in terms of their gender, age, marital status, education, level of income, period of work in work premises and position being held.

5. Conclusion

According to results of research made on employees of five star hotels in İstanbul; whether male or female, their ages, marital status, education, period of work in the organization and positions do not affect personnel's point of view towards rewarding. Employees place great significance that ideas providing contribution to establishment should be rewarded. As a part of rewarding system, employees wish to express their own needs and anticipations explicitly. Wages received by participants do not satisfy them. In the light of those information, hotel enterprises are required to establish a rewarding system working effectively and in right manner, compatible with enterprise's policies and strategies in order to improve motivation of present workforce and keep them within the organization and to attract quality personnel to the organization. Functionality of rewarding system should be ensured by skilled managers by taking into account all factors. Reward management should be handled as long term and systematically as it provides competitive edge.

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