

# CONCEPTUAL FRAMEWORK ON REWARD SYSTEM IN IT COMPANIES

Dr. V. M. ANITHARAJATHI<sup>1</sup>, SURYA.E<sup>2</sup>

<sup>1</sup>Assistant professor, Department of Management Studies, Anna University, Trichy.

<sup>2</sup>Student, Department of Management Studies, Anna University, Trichy.

## ABSTRACT

*The study aims to analyze the current reward system in IT companies and suggests potential improvements based on the conceptual framework and empirical evidence. The reward system in IT companies is based on motivation, employee engagement, and different reward systems. The framework considers the role of intrinsic and extrinsic motivators in shaping employee behavior, the impact of a well-designed reward system on employee performance and satisfaction, and the different types of rewards that can be used to motivate employees. The most effective types of rewards were found to be monetary incentives, recognition, and career advancement opportunities.*

**Keywords:** Reward system, motivation, performance, satisfaction.

## INTRODUCTION

In today's fast-paced business environment, companies are continually looking for ways to enhance employee motivation and engagement to achieve high performance. Employee motivation plays a crucial role in the success of an organization. Motivated employees are more likely to achieve their goals, be more productive, and contribute to the growth of the organization. One of the most popular ways to motivate employees is through the use of reward systems. Reward systems are designed to recognize and reward employees for their performance and contribution to the organization. In the context of IT companies, the importance of a well-designed reward system cannot be overstated, particularly in encouraging employees to undertake research and innovation. This conceptual framework aims to explore the reward system in IT companies for research and provide a roadmap for designing an effective reward system.

## REVIEW OF LITERATURE

**Irum shahzadi et.al (2014)**, This study aims to determine the elements that affect workplace motivation in Pakistan and to define the degree to which motivation affects job performance. Use self-administered questionnaires to get information from her 160 teachers in both public and private schools. To ascertain the effect of employee motivation on employee performance, use regression analysis. According to the study's findings, there is a strong positive relationship between employee motivation and productivity. The association between intrinsic reward and employee motivation and performance is also found to be strongly positive. The study came to the conclusion that motivation was negatively correlated with employee perceptions of training efficacy. Their willingness to educate was impacted because they were dissatisfied with the instruction they were receiving.

**Peter kawara (2014)**, The purpose of this study was to assess the impact of a reward system on employee productivity at the Catholic University of East Africa, Kenya. A sample was used to examine her 80 respondents from all ranks of staff. Data were collected through a self-administered questionnaire on a respondent delivery and collection basis. Although the results of this study indicated that different respondents had different motivational preferences, the majority of agency employees were satisfied with recognition, training, opportunities for increased responsibility, employee promotion, and major events. were exposed to the use of non-monetary rewards such as participation in Decision-making and challenging tasks that motivate exemplary achievers. The study concluded that the employee compensation system is a source of employee motivation.

**Muhammad ibrar & Owais khan (2015)**, this study is to investigate how employee performance impact reward in private school. The study also aims to show how employee improves their performance in the reward

system. The questionnaire is used as an instrument and 100 -\*+questionnaires were used to check the respondent's opinions. Studies show rewards (extrinsic and essential) and employee job performance. Most organizations implement reward systems to improve job performance and job satisfaction

**Nosheen khan et.al (2016)**, Intrinsic reward is related to the work itself as the individual enjoys the reward as a result of completing the task successfully or reaching his goals. It is also known as „psychological rewards“ as it covered the opportunity to use one's ability, a sense of challenge and achievement, receive appreciation, and be treated in a caring and considerate manner. These rewards are set to be coherent with individuals self-developing, satisfied with their own rights, and enjoying their autonomy.

**Nosheen khan et.al (2017)**, Intrinsic reward is related to the work itself as the individual enjoys the reward as a result of completing the task successfully or reaching his goals. It is also known as “psychological rewards“ as it covered the opportunity to use one's ability, a sense of challenge and achievement, receive appreciation, and be treated in a caring and considerate manner. These rewards are set to be coherent with individuals self-developing, satisfied with their own rights, and enjoying their autonomy.

**Seema NS & Susheela (2020)**, Studying the effectiveness of the reward system in terms of employee motivation was the overall goal of the research. determine whether a person's motivation affects them, and find out if employee emotional issues are a result of corporate growth and compensation systems. The fact that rewards have a clear and advantageous link was also significant to learn. motivation and job satisfaction. A reward system should encourage employees to put in more effort and help them connect their objectives with those of the company they are employed for.

**Sophy alexander& Steema Tomy (2020)**, In the age of global competition, attracting and retaining the right workforce is becoming the most important task for any organization. To get the most out of these resources, you need to motivate your employees. Managers need to find new ways to capture the attention and interest of employees in the BPO sector. Most employees are satisfied with the compensation system in the BPO area. Research also helps organizations Motivate employees and improves performance. The purpose of the reward system is to motivate employees and thereby improve the bottom line of the organization.

**Muhammad Rudi et.al (2022)**, This study aims to examine the effect of elements such as reward, leadership, ability, and experience on employee performance at the Gowa Regency Department of Fisheries, Marine Affairs, and Livestock. This study employs a descriptive and inferential analysis known as multiple regression analysis. The findings indicated that reward, leadership, ability, and experience substantially affected employee performance at the Gowa Regency Department of Fisheries, Marine Affairs, and Livestock.

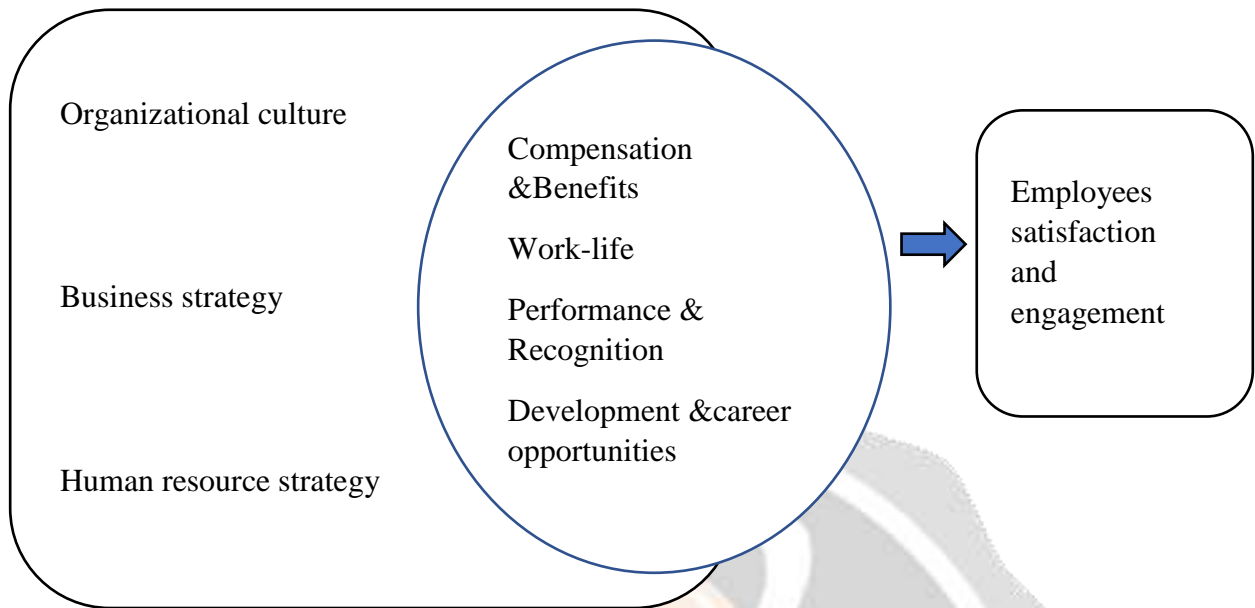
## Rewards

A reward is defined as all of the monetary, non-monetary, and psychological payments that an organization provides for its employee. Rewards are benefits or incentives given to an individual as recognition or appreciation of their efforts, contributions, achievements, or accomplishments. Rewards can be tangible, such as bonuses, promotions, gifts, or certificates, or intangible, such as public recognition, praise, and appreciation. rewards are typically given to motivate and encourage individuals to perform better, achieve their goals, and contribute positively to an organization 's success.

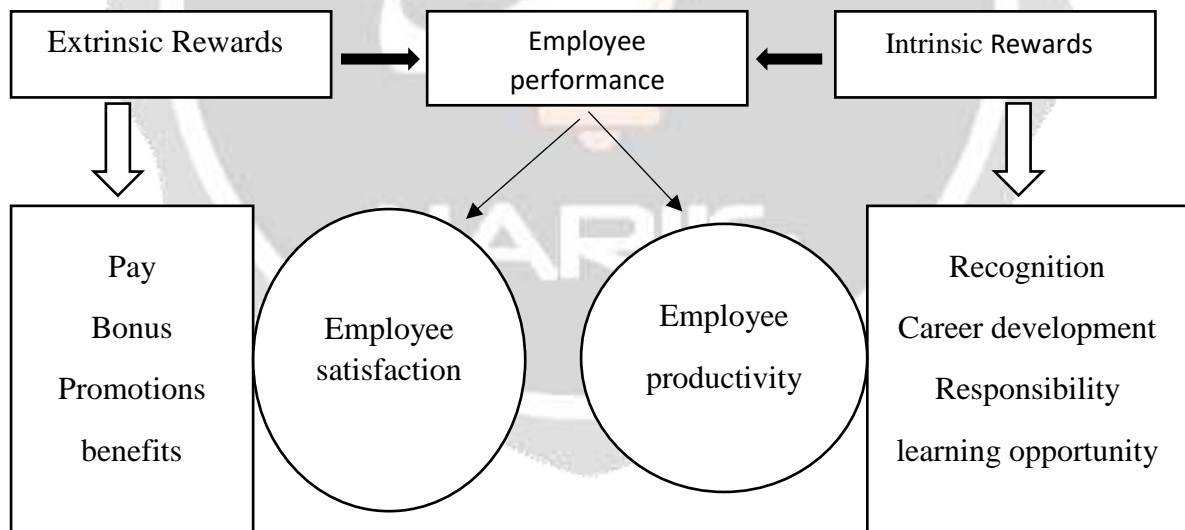
## Need for the study on performance-based rewards

1. Improve the quality of life.
2. Well-being and their status in society.
3. Bridge the gap between the wages of workers.
4. Meet the basic needs of component employees.
5. Support the ultimate goals of workplace reward administration.

**Evolution of job-based rewards to performance-based rewards**



**A framework of reward system**



**Extrinsic Rewards**

Extrinsic rewards are tangible or intangible benefits that come from outside of oneself often given as a form of recognition or compensation for completing a task or achieving a goal. These rewards may include things such as money, prizes, promotions, and other benefits

1. **Pay:** In a reward system, "pay" typically refers to the monetary compensation an employee receives in exchange for their work. This can include salary, wages, bonuses, and other forms of financial compensation.

2. **Bonus:** In a reward system, a bonus is an additional payment or incentive given to an employee or individual for achieving a specific goal or performing exceptionally well.
3. **Promotions:** In a reward system, a promotion typically refers to advancement in an employee's job title or position within the company. This can come with increased responsibilities, a higher salary, and other benefits and perks.
4. **Benefits:** In a reward system, "benefits" refers to the non-monetary incentives or perks that an employer offers to employees in addition to their base salary or wages. Benefits can include things like health insurance, retirement plans, paid time off, and employee discounts.

### **Intrinsic rewards**

Intrinsic rewards refer to the personal satisfaction or fulfilment that an individual experiences as a result of completing a task or achieving a goal. Intrinsic rewards are driven by internal motivations such as curiosity, self-improvement, and a sense of accomplishment.

1. **Recognition:** recognition in a reward system typically refers to acknowledging and appreciating an individual or a team's performance or contribution to the organization. it can take various forms such as verbal praise, written notes, public recognition, awards, or financial incentives.
2. **Career development:** In the reward system, career development can be used to incentivize and motivate employees by offering clear paths for advancement, job security, and the ability to develop new skills and knowledge.
3. **Responsibility:** Responsibility can be reflected in employee rewards and recognition for their performance, such as promotions, bonuses, or increased job security.

### **Employee performance**

Employee performance refers to the level of productivity, efficiency, and effectiveness with which an employee performs their job duties and responsibilities. In a reward system, employees' performance is used as a basis for determining the level and type of rewards that an employee may receive.

1. **Employee satisfaction:** Employee satisfaction in the context of a reward system refers to the degree to which employees feel fulfilled and content with the rewards and recognition they receive from their employer.
2. **Employee productivity:** In a reward system, employee productivity is often used as a measure of an employee's performance and can be used to determine the amount of compensation or rewards that they receive.

### **Pilot Study**

A pilot study has been conducted to check the reliability of the method used to collect Data (using a survey) from the respondents "Cronbach's Alpha" would be computed.

Cronbach's  $\alpha$  is a measure of internal consistency. This refers to how closely related a set of items is as a collective. It can also be defined as the measure of scale reliability.

Sometimes, Cronbach's alpha is defined as the purpose of the number of items in a test, the average covariance between pairs, and the total score variance. Cronbach's alpha tests to see if multiple-question Likert scale surveys are reliable.

### **Reliability**

[DataSet1]

**Scale: ALL VARIABLES**

**Case Processing Summary**

		N	%
Cases	Valid	21	95.5
	Excluded	1	4.5
	Total	22	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	N of Items
.958	36

**Item Statistics**

	Mean	Std. Deviation	N
Years of Experience	1.809523809523810	.980767435177556	21
Monthly income	2.666666666666667	1.390443574307615	21
Are you experienced in reward system	1.428571428571429	.507092552837110	21
Reward system [I have awareness of reward system in my organization.]	3.952380952380953	1.160869952931442	21
Reward system [As per company policy, are you eligible for getting reward. ]	4.000000000000000	.948683298050514	21
Reward system [The reward from management matches my work efforts.]	4.000000000000000	1.000000000000000	21
Existing Reward System [The amount of bonus I receive motivates me to perform better.]	4.000000000000000	1.140175425099138	21
Existing Reward System [The bonus is a form of recognition for my hard work and dedication.]	4.238095238095238	.768424485864545	21
Existing Reward System [I am satisfied with the bonus component of the reward system.]	3.809523809523810	.813575295780767	21
Existing Reward System [The promotion process in the organization is based on merit and performance.]	4.190476190476191	.872871560943970	21
Existing Reward System [There is a possibility of promotion and growth in the organization .]	4.142857142857143	.727029179999969	21
Existing Reward System [The compensation package offered by the company is fair and reasonable.]	4.047619047619048	.589592272353572	21

Existing Reward System [I am satisfied with the benefits providing by the company such as health insurance, retirement plans,etc.]	4.0000000000000000 0	.632455532033676	21
Existing Reward System [Incentives are offered to me enough to be motivating.]	3.95238095238095 3	.920662287496913	21
Existing Reward System [Incentives offered by my organization are effective in improving my job performance.]	4.09523809523809 5	.889087279447970	21
Existing Reward System [I feel that incentives should be based on individual performance rather than team performance.]	4.04761904761904 8	1.07126982951031 0	21
Existing Reward System [I believe that incentives should be tailored to the individual interest and performances.]	4.28571428571428 6	.783763812819726	21
Existing Reward System [Performance appraisal activities are helpful to get motivated.]	4.09523809523809 5	.943650459903556	21
Monetary reward system [The monetary reward system our company is fair and just.]	3.80952380952381 0	.749603069567329	21
Monetary reward system [The monetary reward system motivates me to perform better.]	4.09523809523809 5	.700340053457028	21
Monetary reward system [The monetary reward system is closely linked to individual performance.]	4.0000000000000000 0	.836660026534076	21
2n-monetary reward system [I feel recognized and appreciated for my work.]	4.04761904761904 8	.740012869900955	21
2n-monetary reward system [I am satisfied with the opportunities for career growth in our organization offers.]	3.90476190476190 5	.889087279447968	21
2n-monetary reward system [I feel that company values of work life balance for its employee.]	3.80952380952381 0	.872871560943970	21
2n-monetary reward system [I feel empowered to make decisions and contribute to our organization mission and goals.]	4.04761904761904 8	.740012869900955	21
Motivation on reward system [I feel motivated when I receive rewards for my performance.]	4.09523809523809 5	.943650459903556	21
Motivation on reward system [The rewards offered by my company are fair and motivating.]	3.80952380952381 0	.872871560943970	21
Motivation on reward system [I am willing to put in extra effort to achieve the rewards offered by my company.]	4.0000000000000000 0	.836660026534076	21



Motivation on reward system [The reward system in my company encourages me to perform better.]	3.761904761904762	.995226703056238	21
Motivation Factor [I feel motivated when my salary is tied to my performance.]	4.095238095238095	.830948969838818	21
Motivation Factor [Salary is an important factor for me when it comes to job satisfaction and motivation.]	3.857142857142857	1.236354087052503	21
Motivation Factor [The availability of challenging work assignments increases my motivation at work.]	4.142857142857143	.727029179999969	21
Motivation Factor [Access to flexible work arrangements increase my motivation at work.]	4.047619047619048	.804747816162957	21
Motivation Factor [A positive and supportive work culture is encouraged to me.]	4.190476190476191	.813575295780767	21
Motivation Factor [The availability of opportunities for skill-building and training are increase to involve my work.]	4.095238095238095	.830948969838818	21
Motivation Factor [The promotion opportunities within the organization motivates me at work.]	3.952380952380953	.920662287496913	21

#### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Years of Experience	136.714285714285720	429.014	-.315	.963
Monthly income	135.857142857142860	429.329	-.245	.965
Are you experienced in reward system	137.095238095238100	414.790	.102	.959
Reward system [I have awareness of reward system in my organization.]	134.571428571428560	390.557	.550	.958
Reward system [As per company policy, are you eligible for getting reward. ]	134.523809523809520	396.362	.527	.957
Reward system [The reward from management matches my work efforts.]	134.523809523809520	394.562	.544	.957
Existing Reward System [The amount of bonus I receive motivates me to perform better.]	134.523809523809520	384.662	.698	.956

Existing Reward System [The bonus is a form of recognition for my hard work and dedication.]	134.285714285714280	392.114	.804	.956
Existing Reward System [I am satisfied with the bonus component of the reward system.]	134.714285714285720	393.314	.718	.956
Existing Reward System [The promotion process in the organization is based on merit and performance.]	134.333333333333310	387.633	.837	.955
Existing Reward System [There is a possibility of promotion and growth in the organization .]	134.380952380952380	397.048	.676	.957
Existing Reward System [The compensation package offered by the company is fair and reasonable.]	134.476190476190480	398.362	.784	.956
Existing Reward System [I am satisfied with the benefits providing by the company such as health insurance, retirement plans,etc.]	134.523809523809520	397.462	.765	.956
Existing Reward System [Incentives are offered to me enough to be motivating.]	134.571428571428560	387.157	.805	.956
Existing Reward System [Incentives offered by my organization are effective in improving my job performance.]	134.428571428571420	386.757	.847	.955
Existing Reward System [I feel that incentives should be based on individual performance rather than team performance.]	134.476190476190480	386.262	.707	.956
Existing Reward System [I believe that incentives should be tailored to the individual interest and performances.]	134.238095238095240	394.690	.702	.956
Existing Reward System [Performance appraisal activities are helpful to get motivated.]	134.428571428571420	386.257	.809	.956
Monetary reward system [The monetary reward system our company is fair and just.]	134.714285714285720	397.814	.628	.957
Monetary reward system [The monetary reward system motivates me to perform better.]	134.428571428571420	396.057	.740	.956
Monetary reward system [The monetary reward system is closely linked to individual performance.]	134.523809523809520	397.062	.582	.957
2n-monetary reward system [I feel recognized and appreciated for my work.]	134.476190476190480	400.962	.528	.957
2n-monetary reward system [I am satisfied with the opportunities for career growth in our organization offers.]	134.619047619047620	390.148	.747	.956



2n-monetary reward system [I feel that company values of work life balance for its employee.]	134.714285714285720	387.414	.844	.955
2n-monetary reward system [I feel empowered to make decisions and contribute to our organization mission and goals.]	134.476190476190480	391.562	.855	.956
Motivation on reward system [I feel motivated when I receive rewards for my performance.]	134.428571428571420	388.257	.753	.956
Motivation on reward system [The rewards offered by my company are fair and motivating.]	134.714285714285720	398.014	.528	.957
Motivation on reward system [I am willing to put in extra effort to achieve the rewards offered by my company.]	134.523809523809520	397.062	.582	.957
Motivation on reward system [The reward system in my company encourages me to perform better.]	134.761904761904760	384.890	.801	.956
Motivation Factor [I feel motivated when my salary is tied to my performance.]	134.428571428571420	392.857	.717	.956
Motivation Factor [Salary is an important factor for me when it comes to job satisfaction and motivation.]	134.666666666666660	390.633	.512	.958
Motivation Factor [The availability of challenging work assignments increases my motivation at work.]	134.380952380952380	394.648	.761	.956
Motivation Factor [Access to flexible work arrangements increase my motivation at work.]	134.476190476190480	393.362	.725	.956
Motivation Factor [A positive and supportive work culture is encouraged to me.]	134.333333333333330	388.833	.862	.955
Motivation Factor [The availability of opportunities for skill-building and training are increase to involve my work.]	134.428571428571420	389.557	.821	.956
Motivation Factor [The promotion opportunities within the organization motivates me at work.]	134.571428571428560	386.657	.819	.955

Cronbach's alpha value is 0.958 which means the questionnaire is reliable. Further continuation of the study is continued in the forthcoming paper.

### Conclusion

An effective compensation system is essential to motivate employees to engage in research and innovation activities. The framework of the IT companies research reward system created in this document should be designed to meet the goals and objectives of the organization. This includes a mix of monetary and non-monetary rewards and should be based on a combination of performance, ability, seniority, and contributions.

company's efforts. By designing an effective reward system, IT companies can effectively motivate employees to engage in activities, leading to further innovation and growth of the company.

## References

- G.balamurugan and A.princia(2019)** “conceptual framework on reward systems in organizations for success and its impact: A wide view” vol :3, issue: 2
- Ms. Seema and susheela,(2020)**, A study on the effectiveness of reward system on the motivational level of employees in IT sector at Bangalore. vol.4.issue 12, pp. 285-292.
- Sophy alexander,(2020)**, A study on effectiveness of reward system on employee motivation in BPO sector. vol.7,issue,1.
- Dr.Govinda Gowda H.G and Alisha Fernandes.** A study on effectiveness of reward on motivational level of employees.vol,9. issue,6.
- Nurul asyiqin noorazem et, al.(2021)**, The effects of reward on employees performance. vol, 16,issue,
- Muhammad Nawaz Baloch et,al. (2021).** Impact of reward system in employees motivation in the organizational, Context: A quantitative study of manufacturing industry in UAE.vol,5,no,1.105-122
- Peter kawara (2014)**, effect of reward system on employee productivity in catholic university of eastern Africa. vol,1, issue 2.
- Girma Taye Nigusea and Habtamu Getachewb(2019)**, The Effect of Reward System On Employee Creativity In Oromia Credit And Saving Share Company (Ocscsco) Case of Bale Zone Branch.vol.2,issue 1.
- Muhammad Shahnawaz Adil and Neelam Fatima(2013)**, Impact of Rewards System on Teacher’s Motivation: Evidence from the Private Schools of Karachi . vol.1(1).
- Mohammed Raja Abulraheem Salah(2016)**, The Influence of Rewards on Employees Performance.