

Employee Perception towards Compensation & Motivation: A Study of Front Line Executives

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Key Words:

1. Customer Perception
2. Compensation
3. Motivation

Abstract

A successful organization can run only with the help of their satisfied employees. A satisfied employee will always encourage the levels of service and quality which in turn will affect customer satisfaction and retention and therefore will significantly influence profitability of the firm. This paper attempts to study the relationship of employee perception towards compensation and employee motivation. The study was focused on the front line executive of various industries and their level of satisfaction due to the compensation. The data was collected through self designed questionnaire, sample size of 150 respondents were used. The results were analyzed by using linear regression and found that there was no significant impact of compensation and motivation instead other factors like working conditions, better lighting etc. influenced employee sensitivity.

INTRODUCTION

It is more common for companies to think in terms of customer satisfaction. It is not as common for organizations to see the linkage between employee satisfaction and customer satisfaction. Research and experience establish a strong correlation between employee satisfaction and profitability.

Employee satisfaction plays an essential role in shaping company profits. Federal Express, Southwest Airlines, Banc One, British Airways, Taco Bell, Ritz Carlton, USAA Insurance and American Express are examples of companies that subscribe to this philosophy.

But employee satisfaction depends on number of factors which can be due to the reason the way he perceives i.e. employee perception plays a vital role in employees' satisfaction. Compensation, incentives, work environment, respect from peers and superiors, etc. can be some of the factors which determine the employee satisfaction.

An employee is satisfied or not can be seen from the factors like rate of absenteeism, turnover of employees, lowered productivity, increased costs etc.

The structure of managers' compensation is an important variable in the design of management systems.

Accordingly, it has received significant attention at the top management level (Tosi and Gomez-Mejia, 1994; Ittner et al., 1997) as well as the level of the division (Keating, 1997) or of the sales organization (Bartol, 1999). A truly motivating environment is one where employees feel that their opinions are valued and where they can experience a sense of belongingness.

REVIEW OF LITERATURE

A variety of methods can be used to measure satisfaction levels among employees. The largest survey of workers in the United States was administered by the work institute of America. The findings from this research reveal that salary and wage do not rank as high in importance as most people would commonly think. In fact the top ten reasons considered very important in deciding to take current job, included

1. Open Communication
2. Effect on Family/Personal Life
3. Nature of Work
4. Management Quality
5. Supervisor
6. Control over Work Content
7. Gain New Skills
8. Job Security
9. Co-Worker Quality
10. Job Location

Using the same theory and hypothesizes vast review of

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various studies suggested the same results. One of them was done by Bowen and Lawler (1992) whose study examined that employee satisfaction depends on the kind of service that is offered whether to empower frontline employees and to what extent. In a production line context where low costs and high volumes are important, the tie to the customer is transaction-oriented, the tasks are routine and simple, the environment predictable with few surprises, and the employees have low growth and social needs so, therefore, empowerment is not necessary. Similar study was done by Barber, Dunham, Formisano (2006) who examined the attitudes of 110 employees of a financial service organization before and after the introduction of a flexible benefit plan. A large, statistically significant increase in benefit satisfaction was observed following implementation, as was a smaller significant increase in overall satisfaction. No significant relationships were found between demographic characteristics and responses to the flexible plan. Potential confounds due to the complexity of the intervention were exposed.

One more factor was analysed from the studies of Chen, Choi & Chi (2002), which was equity and social justice. They examined how local employees of international joint ventures (IJVs) perceived disparity between their compensation and foreign expatriates' compensation from equity theory and social justice perspectives and found results that perceived compensation fairness was related positively to compensation satisfaction but negatively to intentions to quit. Similarly, Cooper, and McKenna (1987) examined the equity theory studying on pay level satisfaction is influenced when comparison of one's pay relative to that of referent others is made. In the same light Dyer and Theriault (1976) found that lower satisfaction with pay raises results when they perceived appropriateness of pay criteria. One would expect attitudes about the performance appraisal link with pay increase and therefore perceive inadequate performance appraisals to be procedurally unfair with respect to the process of obtaining pay increase suggested by Folger and Konovsky (1989). As concluded by Gaynor and Gertler (1995), Hellerstein and Neumark (1995), those compensation arrangements with greater degrees of revenue sharing (capitation) dramatically reduce the agent's effort; this result is supportive of theory arguing that firms adopt second-best incentive structures in order to spread risk. Pfeffer & Langton (1993)

Alternatively, studies like of Core, Guay & Larcker (2003) analysed the stock and option compensation and the level of managerial equity incentives are aspects of corporate governance that are especially controversial to shareholders, institutional activists, and governmental

regulators. Bergman & Jenter (2007) analysed whether the popularity of option compensation may be driven by employee optimism. They provided empirical evidence that firms use broad-based option compensation when bloodedly rational employees are likely to be excessively optimistic about company stock, and when employees are likely to strictly prefer options over stock.

Hallowell, Schlesinger Zornitsky (1996) premeditated internal service quality which has received little attention in the empirical literature, although certain aspects of it have been discussed theoretically as far back as Barnard (1938). Only in the past decade has it begun to be examined as a holistic concept. In short, answers to questions like which internal services are important, and how important their quality is, lies on an organization's tasks and employees. Similar study was carried out by Pfeffer & Langton (1993) using a large sample of college and university faculty, analysed the effects of wage inequality on satisfaction, productivity, and collaboration and the results suggest that one's position in the salary structure, the availability of information about wage inequality, and legitimate bases of reward allocation all affect the extent to which wage dispersion produces adverse effects.

Another aspect was intended regarding needs and wants of the employee as analysed by Goodrich Jeanne, Paula M. Singer (2004) who stated in their study that pay, benefits, perquisites, the work environment and the intrinsic rewards that it offers, all need to be used to attract the executive a library needs and wants. To that end, this article provided an overview of current practices in library executive compensation, with an explanation of various approaches and the provision of ideas for compensation components. In the same approach Bowon & Oh (2002) examined that in order to enhance R&D performance; R&D managers make sure that R&D personnel are satisfied with their compensation both economic and non-economic.

Money & Graham (1999) studied what factors affect sales force performance and job satisfaction in sales managers of the country. Conventional wisdom in the United States suggests that money is the paramount motivator of salespeople (Churchill and Pecotich, 1984). Does this conventional wisdom make sense in other countries? Pay has been often mentioned as a motivator for performance and a determinant of job satisfaction (John and Weitz, 1989; Sager, Futrell and Varadarajan, 1989), although the exact role of pay has been questioned (Churchill and Pecotich, 1982). For American sales forces, perhaps the most widely accepted model of performance/satisfaction determinants has been conceptualized as follows: Internal variables (such as aptitude and motivation) influence performance, which influence intrinsic and extrinsic

rewards, and subsequently satisfaction (Churchill, Walker and Ford, 1997). This model has been developed and almost exclusively been tested in U.S. settings. An important issue in sales force management in the increasingly global marketplace (Cook and Herche, 1992) is the applicability of such a model in settings other than the United States.

A model that integrates factors like comparative advantage, valuations of benefits, and some other benefits can reduce the marginal cost to an employee of extra working time (Oyer, 2005). Then empirical implications of the model were generated and data from the National Longitudinal Survey of Youth was used to test these implications. He examined access to employer-provided meals, child-care, dental insurance, and health insurance. He also studied how benefits can be grouped together and differences between benefits packages at for-profit, not-for-profit, and government employers. The empirical analysis provided evidence consistent with all three factors in the model contributing to firms' decisions about which benefits to offer. Likely Steven H. Appelbaum, Loring Mackenzie (1996) observed that there were many approaches to incentive compensation such as cash bonuses, stock purchase and profit sharing like individual and group incentive concepts, several behavioural theories associated with reward and compensation, and convergent and divergent views and conclusions from the business community. Although results of Wieselhuber and Koeniginstr (2005) were that compensation systems are an essential tool to link corporate goals such as customer orientation with individual and organisational performance.

OBJECTIVES OF THE STUDY

1. To develop and standardize broad measures to evaluate employee perception towards compensation.
2. To develop and identify a measure for evaluating motivation.
3. To evaluate the relationship between employee perception and motivation.
4. To indicate future scope for research in this area.

RESEARCH METHODOLOGY

The Study

The study was exploratory in nature with survey method being used to complete the study. Population for the study was frontline executives of Gwalior region. An individual respondent was the sampling element. Purposive sampling technique was used to select the sample. Sample size was 150 respondents.

Tools Used for data Collection

Self-designed questionnaires were used for evaluating employee satisfaction with compensation system and employee motivation. Data was collected on a Likert type scale, where 1 stands for minimum agreement and 5 stands for maximum agreement.

Tools Used for Data Analysis

- Item to total correlation was applied to check the internal consistency of the questionnaires.
- The measures have standardized through computation of reliability and validity.
- Linear Regression Test was applied to identify the relationship between employees' perception towards compensation and motivation.

RESULTS AND DISCUSSION

Consistency Measure

Foremost in the study, the consistency of all the Items was checked through item to total correlation. Under this total of every item with total of all the Items were measured and the computed value is compared with standard value (i.e.0.15905). If computed value is found less than standard value than whole statement is dropped and was termed as inconsistent. No item was dropped, as the computed value was more than standard value.

Reliability Measure

Reliability test was carried out using SPSS software and the reliability test measures are given below:

The reliability of satisfaction with compensation was found 0.8 and the reliability of employee motivation was found 0.864 so that both questionnaires were found reliable

Validity Measure

Face validity was applied to the questionnaire and it was found to be very high.

Regression Analysis of Employee Perception towards Compensation and Motivation

The regression was calculated by taking the two variables employee perception towards compensation and motivation by using SPSS software. In this the employee perception towards compensation was independent variable and employee motivation was the dependent variable. Therefore, regression was calculated by taking dependent and independent variable.

Null hypothesis (Ho): It states that there is no significant impact of satisfaction with compensation on employee motivation.

Table 1 : Showing item to total correlations for the satisfaction with compensation

Items	Computed Correlation value	Consistency	Accepted/ Dropped
1. Strong sense of "belonging"	0.529878	Consistent	Accepted
2. Responsibilities	0.373452	Consistent	Accepted
3. Education and training	0.740534	Consistent	Accepted
4. Experience	0.351382	Consistent	Accepted
5. Rewarded for work	0.447656	Consistent	Accepted
6. Effort beyond that normally expected	0.628142	Consistent	Accepted
7. Talk about this organization	0.568617	Consistent	Accepted
8. values	0.575005	Consistent	Accepted
9. Working in organization	0.616923	Consistent	Accepted
10. Benefits package.	0.328665	Consistent	Accepted
11. Most recent raise	0.249097	Consistent	Accepted
12. Current salary.	0.317359	Consistent	Accepted
13. Amount of benefits	0.591453	Consistent	Accepted
14. Organization's pay structure	0.244862	Consistent	Accepted
15. Overall level of pay	0.705592	Consistent	Accepted
16. Size of current salary	0.585569	Consistent	Accepted
17. Spend the rest of career			
with this organization.	0.601238	Consistent	Accepted
18. Complete satisfaction	0.195712	Consistent	Accepted

Table 2 : Showing item to total correlations for the employee motivation

Items	Computed Correlation value	Consistency	Accepted/ Dropped
1. Working hours	0.644358	Consistent	Accepted
2. Bonus paid by organization	0.643755	Consistent	Accepted
3. Training programs conducted by organization	0.695736	Consistent	Accepted
4. activities of team leaders	0.707124	Consistent	Accepted
5. Appreciation by boss	0.558134	Consistent	Accepted
6. Increments in salary	0.794277	Consistent	Accepted
7. Promotion	0.739039	Consistent	Accepted
8. Rewards	0.532543	Consistent	Accepted
9. Promotion of colleague	0.685272	Consistent	Accepted
10. compensation policies of my organization	0.724672	Consistent	Accepted

Table 3 : showing Alpha reliability statistics for perception towards compensation Reliability Statistics

Cronbach's Alpha	N of Items
.800	18

Table 4 : showing Alpha reliability statistics for employee motivation Reliability Statistics

Cronbach's Alpha	N of Items
.864	10

Table 5 : Coefficients

Model		Unstandardized Coefficients	Standardized Coefficients	Beta	T	Sig.
		B	Std. Error			
1	(Constant)	34.909	5.043		6.922	.000
	VAR00002	.083	.069	.100	1.219	.225

a. Dependent Variable: VAR00001

Dependent Variable: Employee motivation

$$Y = a + bX$$

$$Y = 34.909 + .083X$$

X = Satisfaction with Compensation (independent variable)

Y = Employee motivation (dependent variable)

ANOVA table summary indicates that the value of F (1.485) is significant at 22.5% level of significance and the F value is not significant at 5% level of significance ($t = 1.219$, insignificant at 22.5%). The beta value (.100) indicates insignificant positive relationship between the employee perception towards compensation and employee motivation. That means both these variable are correlated but the relationship is insignificant. Results of the regression clearly show that the perception towards compensation does not affect the motivation.

IMPLICATIONS OF THE STUDY

This study will be useful to know the impact of employee perception towards compensation and employee motivation. This study will also contribute to the organizations, which are taken as sample because it provides a way of finding the employees satisfaction.

Suggestions of the study

Research can be done on perception towards compensation and employee performance. Compensation should be reviewed as per the needs & government norms. More extensive research can be done by increasing the sample size and population of the study.

CONCLUSION

In present time the compensation is very important part of the organizations. This study was all about the employee

perception towards compensation & motivation of frontline executives. The study found its results through by using standardized questionnaire which was developed for the purpose. The study came to conclusions that there is no effect of employee perception towards compensation on employee's motivation the reasons of this may be the employees were giving more importance to other factors like working condition, participation in decision making, recognition than the compensation.

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Annexure

1. Questionnaire

Part A

1	I feel a strong sense of "belonging" to my organization	1 2 3 4 5
2	I am fairly rewarded considering the responsibilities I have.	1 2 3 4 5
3	I am fairly rewarded taking into account the amount of education and training that I have had.	1 2 3 4 5
4	I am fairly rewarded in view of the amount of experience I have.	1 2 3 4 5
5	I am fairly rewarded for work that I have done well.	1 2 3 4 5
6	I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.	1 2 3 4 5
7	I talk about this organization to my friends as a great organization to work for.	1 2 3 4 5
8	I find that my values and the organization's value are very similar.	1 2 3 4 5
9	In general, I like working in this organization.	1 2 3 4 5
10	I am satisfied with my benefits package.	1 2 3 4 5
11	I am satisfied with my most recent raise.	1 2 3 4 5
12	I am satisfied with my current salary.	1 2 3 4 5
13	I am satisfied with amount the company contributes toward my benefits.	1 2 3 4 5
14	I am satisfied with the organization's pay structure.	1 2 3 4 5
15	I am satisfied with my overall level of pay.	1 2 3 4 5
16	I am satisfied with Size of my current salary.	1 2 3 4 5
17	I would be very happy to spend the rest of my career with this organization.	1 2 3 4 5
18	All in all, I am satisfied with my job.	1 2 3 4 5
	Part B	
1	I am satisfied with the working hours.	1 2 3 4 5
2	Bonus paid by organization is increased your motivation level.	1 2 3 4 5
3	Training programs conducted by organization increase my motivation level.	1 2 3 4 5
4	The activities of my team leaders motivate me.	1 2 3 4 5
5	Appreciation by my boss motivates me.	1 2 3 4 5
6	Increments in my salary motivate me.	1 2 3 4 5
7	If I will be promoted by organization then it will motivate me.	1 2 3 4 5
8	A reward given by organization for my performance motivates me.	1 2 3 4 5
9	I get motivated when my colleague will be rewarded.	1 2 3 4 5
10	I motivated by compensation policies of my organization.	1 2 3 4 5

Name.....

Date.....

Designation.....

Mob. No.....



2. Regression Results

Variables Entered/Removedb

Model	Variables Entered	Variables Removed	Method
1	VAR00002a	.	Enter

a. All requested variables entered.

b. Dependent Variable: VAR00001

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.100a	.010	.003	6.61890

a. Predictors: (Constant), VAR00002

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	65.074	1	65.074	1.485	.225a
	Residual	6483.866	148	43.810		
	Total	6548.940	149			

a. Predictors: (Constant), VAR00002

>Error # 2084

b. Dependent Variable: VAR00001

>The license for SPSS for Windows is not valid on a computer running NT

1. Reliability –Motivation

>Terminal Server.

Reliability

>This command not executed.

/VARIABLES=VAR00001 VAR00002 VAR00003

VAR00004 VAR00005 VAR00006 VAR00007

VAR00008 VAR00009 VAR00010

>Specific symptom number: 88

/SCALE('ALL VARIABLES') ALL

End of job: 0 command lines 1 errors 0 warnings 6 CPU seconds

/MODEL=ALPHA.

[DataSet0]

Scale: ALL VARIABLES

Case Processing Summary

	N	%
Cases Valid	150	100.0
Excluded ^a	0	.0
Total	150	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.800	18