

“EMPLOYEE PERCEPTIONS OF REWARD AND RECOGNITION POLICY OF BPOS OPERATING IN INDIA – AN EMPIRICAL STUDY”

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ABSTRACT

This paper is based on an empirical study of ten ITES-BPO firms operating in India, ranked among the top 100 by the International Association of Outsourcing Professionals (IAOP) for the year 2009. The data was collected using both qualitative and quantitative methods from 406 employees constituting 1% of the population under study. The study findings indicate that, on an average, the level of satisfaction among the respondents towards the reward and recognition policy is at 72.61 per cent, which implies, on our scale, that the respondents are satisfied with the reward and recognition policy of the BPOs for whom they are working at present. Regression analysis, using a significance level of 5 per cent, shows that variables of ‘If I do good work, I can count on being promoted’ ($p = .000$), ‘I am adequately recognized for my good work’ ($p = .000$), and ‘I am encouraged to take new initiatives/risks’ ($p = .010$) are significantly influencing the satisfaction of the respondents towards the reward and recognition policy. Interestingly, these significant variables are positively associated with the satisfaction, and all the variables used in the study collectively account for 39.5 per cent of the satisfaction of the respondents towards the reward and recognition policy.

Key Words: Employee Perceptions, Reward and Recognition Policy, BPO.

INTRODUCTION

Many people think that money is the greatest motivator; however, a significant amount of literature refutes this idea. Luthy (1998) references research completed by Frederick Herzberg who found that money does not motivate employee performance but rather it is a satisfier that allows employees to meet personal and family needs. Additionally, the employees’ level of pay may reflect their status in the workplace. Paul (1985) agrees, stating that “...economic issues no longer serve as primary motivators” (p.

20). Many authors have indicated that the more effective motivators are actually rewards that have little or no monetary value. Studies have shown that most workers value other types of rewards more than money (Grant, 1984). “Of all the factors that will help create highly motivated and satisfied workers, the principal one appears to be that effective performance is recognized and rewarded in terms that are meaningful to the individual, whether financial, psychological or both (Zemke, 1988). Apparently, a large number of employees say that what they earn is not as important as how much they are appreciated for the work they do (Clark, 2000). The satisfaction with the reward is strongly influenced by the amount of the reward but is actually determined by more than simply the quantity (Lawler, 2000; Syedain, 1995; Also see Gorden et al., 1995; Grant, 1984). In the context of the never-ending problem of high attrition rate, the BPO industry has been widely known for offering a number of rewards with the idea of attracting and then motivating the employees to stay in the organization. Although a large number of scholars have spoken about the implementation of an effective reward and recognition policy for the BPO employees, there is a lack of enough empirical evidence to see how far the BPO employees are satisfied with the reward and recognition policy being implemented by the BPO firms. Against this background, the present empirical study makes an attempt to study and analyze the employee perceptions of the reward and recognition policy in BPOs operating in India and also to assess the factors which significantly influence the satisfaction of the employees towards the reward and recognition policy.

OBJECTIVES OF THE STUDY

1. To study and analyze the perceptions of the employees with regard to the reward and recognition policy being practiced by the BPO industry in India
2. To analyze the factors influencing the satisfaction of the BPO employees towards the reward and recognition policy.

THE RESEARCH HYPOTHESIS

The promotion for good work, feeling of being valued in the company, adequate recognition for the good work, feeling that the opinions matter, encouragement to take new initiatives and the freedom to take decisions have significant association with the satisfaction of the respondents towards the reward and recognition policy.

REVIEW OF THE LITERATURE

Dash et al. (2008) report that the factors of recognition for performing well, chances of promotion, professional growth, compensation and incentive schemes, and rewards and gifts are perceived as motivating factors by the BPO employees. Drucker (1988) regarded the development of systems of rewards, recognition and career opportunities as one of several critical tasks of management in the information-based companies. Weiss (1997) has named respectful treatment and recognition as one of the six less costly and perhaps more effective ‘management levers’ to be exercised by management in their efforts to attract, motivate and retain workers. In the opinion of Leigh (2005), one of the root causes of voluntary employee turnover is the lack of recognition. Vijayasimha (2003) suggests that the BPO firms need not have any specific programs for retention of the employees but what they need to have is a ‘reward and award’ policy. When the company is growing, unless the person gets due recognition, he is bound to leave. In his opinion, the BPO firms need to adopt a transparent system with regard to the reward and recognitions; so that whenever some award is given to an employee, there will be no grudges. The

building and projection of visible career paths, incentives and reward mechanisms other than salary in a creative manner is a challenging area for the HR managers of the BPO firms (Tiga and Kumar, 2003). Ramakrishna (2002) opines that recognizing contributions will result in a world class working environment that motivates and propels people to work better and stay on (Also see Joshi, 2007). Bhawal (2005) suggests that the implementation of golden banana concept i.e. immediate reward schemes is one of the parameters in the direction of reducing employee attrition (Also see Reynolds, 2008; Sharma, 2010b). Bhagat (2005) stresses that the lack of recognition is one of the serious demotivators for the employees of the BPO firms (Also see Monis, 2010). Hari (2005) reports that the BPO companies are trying to curtail attrition by introducing better reward and recognition schemes (Also see Chakravorty, 2006). Tripathy (2006) suggests that strategies like building a high degree of recognition value into every reward offered, reducing entitlements and linking as many rewards as possible to performance, troubleshooting the reward system to make sure that what it is rewarding is what you really want to happen, rewarding promptly, giving employees a choice of rewards, increasing the longevity of rewards will motivate the employees (Also see Raman, 2007; Sharma, 2010c). Srikanth and Ramamirtham (2008) suggest that the recognition of innovations will ultimately reduce attritions (Also see Sharma, 2010d). Jarg (2007) adds that establishing correct expectations during interview along with rewards and recognition can check attrition. Keeping these observations in mind, an attempt has been made to understand the perceptions of the BPO employees with regard to the reward and recognition policies of the BPOs operating in India.

RESEARCH METHODOLOGY

The study mainly depended upon the primary data. However, some secondary sources of data were also consulted for the purpose of gathering background information supporting the study. Relevant primary data was collected through a sample survey using a well-structured and pre-tested questionnaire. The draft questionnaire was e-mailed to 25 employees of the sample BPO firms to pre-test the questionnaire and the suggestions received from them were critically examined and were duly incorporated in the final questionnaire wherever found proper. The data was collected from a total of ten MNC BPO firms - five Indian and five foreign - which were selected on the basis of the ranking announced by the International Association of Outsourcing Professionals (IAOPs) for the year 2009 as “The 2009 Global Outsourcing 100”. The study covered the units of these MNCs located in Bangalore, considered to be the Silicon Valley of India. Access to these BPO firms was secured through contacts and through networking techniques. Altogether, data was collected from a total of 406 employees - 243 employees of Indian MNCs and 163 employees of foreign MNCs - and these employees constitute 1 per cent of the employee population of the respective MNCs under study. The perceptions of the respondents on the seven statements, qualifying as the variables being derived from a review of literature in the area of study, are measured on Likert’s (1932) five-point scale of ‘strongly disagree..... strongly agree’, the scale in quantitative terms being: 0 - 20 per cent: strongly disagree, 21 - 40 per cent: disagree, 41 - 60 per cent: not sure, 61 - 80 per cent: agree, 81 - 100 per cent: strongly agree and the satisfaction of the respondents towards the reward and recognition policy is rated again on Likert’s (1932) five-point scale of ‘highly dissatisfied..... highly satisfied’, the scale in quantitative terms being: 0 - 20 per cent: highly dissatisfied, 21 - 40 per cent: dissatisfied, 41 - 60 per cent: not sure, 61 - 80 per cent: satisfied, 81 - 100 per cent: highly satisfied. A multiple regression analysis has been done to identify the variables influencing the satisfaction of the respondents towards the reward and recognition policy and the results

are presented here. Finally, the paper concludes with the researchers’ contributions to the literature and the scope for further research in this area.

RESULTS AND DISCUSSION

EMPLOYEE PERCEPTIONS OF THE REWARD AND RECOGNITION POLICY

The views of the respondents on the seven statements being used to study their agreement towards those statements are presented in Table 1. On our scale, the respondents under the present study report that they ‘agree’ with all the seven statements as follows:

- a. If I do good work I can count on making more money (the level of agreement = 64.83 per cent)
- b. If I do good work I can count on being promoted (the level of agreement = 71.87 per cent)
- c. I feel I am valued in my company (the level of agreement = 75.52 per cent)
- d. I am adequately recognized for my good work (the level of agreement = 74.78 per cent)
- e. My opinion matters in my company (the level of agreement = 69.80 per cent)
- f. I am encouraged to take new initiatives/risks (the level of agreement = 77.59 per cent), and
- g. I have the freedom to take decisions (the level of agreement = 70.00 per cent)

Table 1: Employee perceptions of the reward and recognition policy

Variable	1 %	2 %	3 %	4 %	5 %	Mean	S.D.	% Mean
If I do good work I can count on making more money	9.6	18.0	19.5	44.6	8.4	3.24	1.136	64.83
If I do good work I can count on being promoted	3.4	16.0	15.3	48.3	17.0	3.59	1.054	71.87
I feel I am valued in my company	1.7	9.4	20.7	46.1	22.2	3.78	.954	75.52
I am adequately recognized for my good work	2.2	9.1	13.1	63.8	11.8	3.74	.864	74.78
My opinion matters in my company	3.2	15.0	24.1	44.8	12.8	3.49	1.001	69.80
I am encouraged to take new initiatives/risks	2.7	7.1	14.5	50.7	24.9	3.88	.955	77.59
I have the freedom to take decisions	6.4	14.0	20.2	41.9	17.5	3.50	1.126	70.00

(Note: 1 - strongly disagree, 2 - disagree, 3 - Not sure, 4 –agree, 5 - strongly agree)

Source: Survey data

The study findings indicate that, on an average, the level of satisfaction among the respondents towards the reward and recognition policy is at 72.61 per cent, which implies, on our scale, that the

respondents are satisfied with the reward and recognition policy of the BPOs for whom they are working at present (Table 2).

Table 2: Satisfaction towards the reward and recognition policy

Variable	1 %	2 %	3 %	4 %	5 %	Mean	S.D.	% Mean
Are you satisfied with the reward and recognition policy of your employer?	2.5	11.8	16.3	59.1	10.3	3.63	.909	72.61

(Note: 1 – highly dissatisfied, 2 - dissatisfied, 3 - Not sure, 4 – satisfied, 5 - highly satisfied)

Source: Survey data

FACTORS INFLUENCING THE SATISFACTION TOWARDS REWARD AND RECOGNITION POLICY

The regression analysis has been done to identify the variables significantly influencing the satisfaction of the respondents towards the reward and recognition policy of the BPO firms under study. A significance level of 5 per cent has been used for our analysis (Table 3).

The results of the regression analysis show that the following three variables are significantly influencing the satisfaction of the respondents towards the reward and recognition policy of the BPOs under study:

- a) If I do good work, I can count on being promoted (p = .000)
- b) I am adequately recognized for my good work (p = .000), and
- c) I am encouraged to take new initiatives/risks (p=.010)

Whereas the following four variables have emerged as the insignificant variables in influencing the satisfaction of the respondents towards the reward and recognition policy of the BPOs under study:

- a) If I do good work, I can count on making more money (p=.379)
- b) I feel I am valued in my company (p=.169)
- c) My opinion matters in my company' (p=.148), and
- d) I have the freedom to take decisions' (p=.151)

All the three significant variables are positively associated with the satisfaction of the respondents towards the reward and recognition policy of the BPOs under study as follows:

- a) If I do good work, I can count on being promoted (Standardized Beta Coefficient =.247)
- b) I am adequately recognized for my good work (Standardized Beta Coefficient =.206), and
- c) I am encouraged to take new initiatives/risks (Standardized Beta Coefficient =.141)

The contribution of all the three significant variables towards the satisfaction of the respondents with the reward and recognition policy, in the descending order, is as follows:

- a) If I do good work, I can count on being promoted contributes more towards the satisfaction with 24.7 per cent (Standardized Beta Coefficient =.247)
- b) I am adequately recognized for my good work contributes 20.6 per cent (Standardized Beta Coefficient =.206), and

- c) I am encouraged to take new initiatives/risks contributes 14.1 per cent (Standardized Beta Coefficient =.141).

Table 3: Factors influencing the satisfaction towards reward and recognition policy

		Unstandardized Coefficients		Standardized Coefficients	t	p
		B	Std. Error	Beta		
	(Constant)	.858	.182		4.717	.000
	Good work counts on making more money	.038	.043	.048	.881	.379
	Good work counts on being promoted	.213	.049	.247	4.338	.000
	I feel valued in the company	.072	.052	.075	1.379	.169
	I am adequately recognized for my good work	.217	.054	.206	4.009	.000
	My opinion matters in the company	.082	.056	.090	1.450	.148
	I am encouraged to take new initiatives/risks	.135	.052	.141	2.581	.010
	I have the freedom to take decisions	.070	.048	.086	1.437	.151

However, as per the Model 1, all the variables used in the present study collectively account for 39.5 per cent (R Square = .395) of the satisfaction of the respondents towards the reward and recognition policy of the BPOs under study.

Model 1

Model	R	R Square	F	p
1	.629	.395	37.171	.000

HYPOTHESIS TESTING

The multiple regression analysis has been used to test the hypothesis and the results are reported in Table 3. As discussed already in the previous paragraphs, the regression analysis shows that only the variables of promotion for good work, adequate recognition for the good work and the encouragement to take new initiatives have significant and positive association with the satisfaction of the respondents towards the reward and recognition policy, and hence, the hypothesis being considered by the researchers is partially accepted and partially rejected.

CONCLUSION

The study has been successful in accomplishing its research objectives and it makes two contributions to the literature: First, the researchers have been able to present the perceptions of the BPO employees with regard to the reward and recognition policy wherein the employees convey that they are not highly satisfied with the reward and recognition policy being practiced by the BPOs under study; however, the overall level of satisfaction at 72.61 per cent is something not to be blindly ignored and thus, the respondents appear to be somewhat satisfied with the reward and recognition policy of the BPOs under

study. Second and the most important, the researchers have been able to analyze the variables influencing the satisfaction of the employees towards the reward and recognition policy, wherein the researchers have been able to establish that out of the seven variables being used in the study, only three variables have emerged as the significant variables and all these three variables are positively associated with the satisfaction of the respondents towards reward and recognition policy, and the remaining four variables have emerged as the insignificant variables. With regard to the scope for further research, the following areas are suggested by the researchers: (i) The primary data for the present research was collected during a period when the whole world was reeling under the pressure of global recession and hence, a research in the same area after the recovery from recession is suggested which will help validate or nullify the present findings, (ii) The study was based on a small sample of ten large firms and hence, there is a scope to cover more number of firms in the future, giving proper representation to small, medium and large firms operating in the industry, (iii) A comparative study of Indian and foreign firms is suggested, (iv) A comparative study of captive and third party firms is suggested, (v) A cross-national study in this industry is advised to understand the country-wise differences, and more importantly, (vi) A study in the same area but across different industries is highly suggested by the researchers which will help establish whether there is any similarity among the employees working for different industries with regard to their perceptions of the reward and recognition policy or whether the BPO industry is unique in itself.

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