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Effectiveness of Team Based Rewards

Krell (2011) asserts that there is a direct relationship between an organizations high retention rate and the system of reward and recognition. In USA, people like working, and can flourish in companies that create positive environments—environments they feel they can make a difference and competent people pull towards a common goal. Reward and recognition systems are either individual based or team based. Traditionally, American companies focused on individual based because it created aggressive and motivated individuals who strived to get extra compensation on top of what they were earning (Melacon, Noble, & Noble, 2011). However, the system resulted in conflicts, negative outcomes, and a hostile work environment where the less competitive felt unappreciated.

Currently, organizations are facing out individual rewards and replacing them with team based rewards. Team based rewards are thought to encourage team work and bring effectiveness in tasks that are similarly done by employees. Furthermore, the pressures of a competitive business environment due to globalization have forced many companies to implement team based strategies, which makes them flexible. In the current work setting in America, team based rewards take the form of bonuses, recognition schemes such as team of the year, and commissions. The incentive plans, which are team based, are required to be incorporated in team organizations with the aim of improving team spirit, satisfaction, and performance (Gross, 1995)

However, effectiveness of team based rewards has not been concrete. Numerous researches have been mixed with every criterion of interest such as learning, satisfaction, and performance. Therefore, the topic will be analyzed through looking at the necessity of team based rewards, theories governing a successful team based reward system, studies done in the field in America, and recommendations of improving the system.

Necessity of team based incentives

Every employee has a dream of working in a setting that promotes a positive work atmosphere that recognizes each effort in a group. Organizations in the current work environment focus on team work as opposed to individual efforts so as to be able to compete effectively in the competitive globalized business world (Pingolia, 2009). To succeed in achieving any task or goal, every member of a team has to put maximum effort that is geared towards team improvement. Therefore, a successful team requires that each team member is recognized and is encouraged to continue with the same energy and effort in the future.

Team-based rewards come in place here and are aimed at ensuring that each member applies the maximum effort. Incentive pay can be used in team rewards and include pay schemes such as gainsharing and profit sharing (Gross, 1995). The advantages of team based rewards can be listed as:

Encourages teamwork where employees in an organization can work efficiently together and in harmony. Individual incentive plans are proved to

encourage unhealthy competition amongst employees and even lead to conflicting priorities (Federico, 2010). Team rewards therefore promote cooperation and collaboration to improve team work and achievement of goals. Collaborative teams organize work so that each employee can maximally use his skills and abilities effectively (Gross, 1995). For instance, an employee having skills in planning can be charged with organizing work flows and procedures while that having technical skills will be required to focus on task completion.

Increased effort where team based incentives are proved to increase the willingness of put more effort into their tasks since they do not want to let down their team-mates (Xin, 2010). Increased effort originates from a social influence of team members and when there is no incentive the effort is shown to decrease according to a study by Xin (2010). Furthermore, on the same study it was found that motivational effect of team based incentives was significant in employees requiring external incentives—internally motivated employees were less affected.

Decreased worker turnover where employees would feel satisfied with their pay and working conditions hence less likely to be poached by competitive organizations. In a study by Melancon et al., (2011), companies having team based reward schemes recorded lower than average employee turnovers. This is because workers were committed to the common goal and cannot let down their colleagues. Reduced employee turnover to a company has the benefit of low costs in recruiting and training employees (Xin, 2010).

However, there are also limitations to the team based incentive scheme all of which are dependent on how the scheme was implemented. The demerit of group incentive plans is that they damage functionality of organizations. The disadvantages can be brought out in numerous ways. For instance, it takes time for members of a particular team to harmonize and work together efficiently. Furthermore, if a team member feels undermined or unappreciated, then his/her self-worth might lower. Creativity is also under threat where peer pressure limits creativity. In addition, pressure to succeed can make some members to be labeled as underperformers hence conflict from squabbling or harassments. Even if a group is working well, competition amongst groups can be unhealthy for the organization (Pingolia, 2009). Furthermore, there is the threat of change resistance where a successful group can refuse addition of new team member, or even breaking of a group when an organization grows.

Theoretical Frameworks of Team based rewards

Theoretical frameworks are important in predicting the effectiveness of team based rewards on team outcomes. The theories that can best predict the outcomes include: reward interdependence, cooperation and mutual monitoring, game theory, mutual theory, and regulatory focus theory.

Reward interdependence

According to Johnson (2009), it is the extent to which an individual employee can accrue rewards based on the performance of coworkers. Therefore, all members of a team must rely on each other to obtain a reward that is shared amongst team members. Individual members in this theory receive reward

solely on the basis of performance. The reward is not only dependent on team performance, but distributed equally among team members. Equitable allocation is the core of the reward interdependence theory where members rely on other members to help produce an outcome, but rewarded differently based on performance.

Cooperation and mutual monitoring

Cooperation involves putting effort on behalf of the team, and coordinating those efforts with other team members (Johnson, 2009). It entails readiness to work in tandem with other team members on symbiotic tasks, as well as the readiness to coordinate one's efforts with other team members in an order of interdependence. Mutual monitoring theory is where team members monitor each other's behavior and penalize those not performing. In this case, monitoring is a form of peer pressure to ensure high productivity (Johnson, 2009).

Game Theory

“ It is similar to reward interdependence as it deals with analyzing rational behavior in situations involving interdependence of outcomes” (Bianca, 2009, p. 132). Team members decide either to participate in an opportunistic behavior or cooperate with each other, all based on the payout system. The incentive scheme encourages differential rewards where if net outcome of mutual cooperation is greater than the net outcome of defection, then rational players would opt to cooperate. Existence of interdependence reward activates a cognitive state of economic rationality in the players, where they look for behaviors that result in highest payout.

The degree of interdependence of the reward in this theory is related with the more highly activated states of economic rationality. Thus team members will be more conscious of their choices to collaborate or defect. Defection in this case is when team members opt to withdraw effort. In cases where the reward is less interdependent, it is less economically rational to withdraw effort because this will sacrifice economic gain.

Social Identity Theory

In this theory, the social categories to which individuals feel they belong provide a definition of the self-based on the defining characteristics of the social group (Gross, 1995). Perception towards a certain group enables an individual to identify between in-group and out-group members. This distinction stems from the mentality of interdependence where an individual perceives that his outcomes are at least in part dependent upon actions of others. From this theory it is known that people tend to cooperate with in-group members and compete with out-group members (Gross, 1995).

Regulatory Focus theory

It is based on the hedonic principle where people approach pleasure and avoid pain (Melancon et al., 2011). The thrust of the theory is that the hedonic principle operates differently when one is attempting to achieve ideals that when one is attempting to fulfill duties, obligations, or responsibilities. Regulatory focus theory stipulates that promotion and prevention focus arise from individual differences and situational framing. In a team setting, individuals in a prevention focus will aim at completing their

duties so that they do not let their team down. They will never go beyond obligations of the task; instead they focus on avoiding errors.

Empirical Studies

In 1927, a study was conducted in Western Electric plant in Chicago for a period of five years. In the study, a group of five girls were studied with the focus being on their attitudes and behavior. The conclusion in the study was that their productivity rose when they were given special attention. It was the work fulfillment of the casual social pattern of the group and the fact that they had become a team hence working harder (Pingolia, 2009). In another study in NHS by Pizzini (2010) concerning team based rewards, it was found that: success related to having a clear objective, leadership, and proper communication; right team size depended on the goals; and targets need to be clear and concise. In a recent study by Rack et al., (2011), effectiveness of team based rewards was investigated in a lab containing 32 undergraduate groups each having 3 students performing a task electronically. Team based incentives were distributed both equally and equitably with the control group denied any incentive. The conclusion was that team-based rewards have a positive effect on both performance and communication behavior. Practically, this shows that reward effects should be deliberated carefully as they can be swayed by the personality of team members.

Recommendations

In looking at the listed theories on improving effectiveness of team based rewards, it is important to note that they can best be applied through:

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Having a clear criteria and strategy where all departments in the organization get involved in the planning and implementation of the selected team based incentive scheme.

Combining financial non-financial rewards to accommodate individual expectations of team members.

Effective communication to establish trust and fair perception towards other members in a team.

Creating empowerment and authority at all levels to ensure that work decisions are shifted to internal control from external control. Internal control is important when urgent decisions and efficiency are needed.

Conclusion

Team based incentives are important in organizations focusing on team work. They are effective when merits such as increased effort, effective team-work, and decreased employee turnover are required. However, it has the limitation of negative peer pressure on employees resulting to effort withholding or employees having a mentality of lower self-worth. Theories that can be used in understanding team-based rewards and in improving their effectiveness include: reward interdependence, cooperation and mutual monitoring, game theory, mutual theory, and regulatory focus theory. Furthermore, from the analysis of the theories it is important to note that organizations implementing team-based incentives have no guarantee of success. However, what they should do is just follow the recommended solutions in the preceding section and wait for the outcomes. Unwanted

outcomes require that the incentive scheme (plan) be altered for a more favorable one.

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