

What are the key building blocks in organizational culture: international human r...

[Literature](#), [Russian Literature](#)



Introduction

Today's economic challenges require organizations to find new ways to not only reward top performers, but also to motivate all workers to improve performance. This must be done in a cost effective manner.

Supporting organization culture is very critical for attaining the strategic goals of an organization. Strategy usually focuses on incentives, because it deals with the way goals are achieved. Culture usually focuses on recognition, because it deals with the organizational values of organization.

The key building blocks of the organizational culture are values.

Types of recognition:

1. Extrinsic or Cash Rewards:

The various types of cash rewards are giving bonuses, performance incentives, pay hikes etc. As per Peterson and Luthans (2006, p. 157), 'money serves as an incentive primarily because it can be exchanged for other desirable outcomes' and thus helps employees to satisfy human needs. The informational value of money can provide feedback on employee on employee performance, enhancing employee perception of self-efficacy (Eisenberger, Rhoades and Cameron 1999).

It is thus clear that money should have considerable motivational value, and the empirical evidence indeed finds strong linkages between monetary incentives and employee performance (Rynes et al. 2005) as well as business-unit performance (Peterson and Luthans 2005).

Extrinsic or Non-Cash Rewards:

Non-Cash can be identified as verbal motivation, mementoes, certificates, plaques, vouchers etc. According to Luthans and Krietner (1975), although non-cash rewards can be positive motivators, they have some drawbacks. They involve costs for the organization and they tend to lead to extreme contention very quickly. This means that employees get too satiated by the non-cash rewards

Theories of Motivation:

Many factors beyond cash or tangible (non-cash) reward influence whether an employee is satisfied and ready to give 110 percent to the job. Maslow's and Herzberg provide an important insight into this issue. Abraham Maslow's identified a hierarchy of five basic needs that are interconnected and may be viewed as a kind of pyramid for a person to be motivated and need must be satisfied in an ascending order. Starting with the most basic needs, the list is as follows: Physiological (breathing, food, water, sleep, etc.), Safety (security of body, health, resources, etc.), Love/belonging (friendship, family, etc.), and Esteem (self-esteem, confidence, respect from and by others, etc.), and Self-Actualization (problem solving, morality, creativity, etc.). It is a complex state of being in which people have clear goals and a self-sustaining desire and ability to achieve them. This theory was called as the "HOLY GRAIL OF MOTIVATION".

Another seminal work to consider is that of Frederick Herzberg's Theory who brings Maslow's thinking into the realm of job performance. He called it as "DUAL FACTORY THEORY". Herzberg's Theory of Motivation has been used by

corporations as a way to motivate employees for nearly five decades. Herzberg postulated that there are two types of factors that motivate workers. The first thing was called “Motivators.” This included rewards such as achievement, recognition and responsibility. The second type was identified as “Hygiene Factors” such as salary, company policies and working conditions. Herzberg makes clear that no reward will inspire people if their basic needs are not met or if they get little satisfaction from the work process.

Advantages and of Cash and Non-Cash Rewards:

Advantages

Cash

Non-Cash

Instrumental Value Regular

Symbolic Value Frequent acknowledgement of employee’s contribution.

It can be exchanged for other desirable outcomes-control over satisfying personal needs. Timely basis

Lesser cost to company

High visibility

Attention producing trophy/prize.

Disadvantages of Cash and Non-Cash Rewards:

Disadvantages

Cash

Non-Cash

Less flexible
Total absence of cash rewards/bonuses can lead to loss of confidence in employer

Less frequent

Occurs long after the successful contribution

Increases total costs

Short term motivator

Discourage co-operation among employees

Cash rewards/bonuses effective as recruitment, retention tool rather than reward for good performance.

Relationship between cash and non-cash rewards:

Three possibilities can be highlighted to find the relationship between cash and non-cash rewards:

Non-Cash rewards can be considered as a substitute to cash rewards.

Non-cash recognition serves as a compliment to cash based recognition. or

There is no considerable relationship between cash and non-cash rewards.

Many prominent ideologists suggest that non-cash recognition is superior to cash recognition, in both effect and cost and thus it should substitute for cash recognition. As per Nelson (1996, p. 55), he suggests companies the idea of ' Dump the cash, load on the praise'. Many prominent writers of compensation do not see cash and non-cash rewards as substitutes of one another.

Predictors of cash and Non-cash Rewards:

<https://assignbuster.com/what-are-the-key-building-blocks-in-organizational-culture-international-human-resource-management/>

1. Presence of labour Union:

Union presence/absence has a powerful effect on reward plan choice and configuration of non-managerial workers (Renaud 1998; Bergmann and Scarpello 2002, pp. 21, 140-150; 509-510; Milkovich and Newman 2008, pp. 493-506). Unions generally believe in fixed time based pay over 'at risk' pay and that they will be particularly be against individual performance incentives as they have the potential to undermine worker solidarity. Thus it can be said that there is a negative relationship between union presence and some widely used individual performance pay plans such as merit pay (Guest and Hogue 1994; Wood 1996), although the evidence on some other individual forms of performance pay, such as piece rates, is mixed.

2. HR Strategy:

Another factor that may influence a firm's configuration of rewards is its general approach to human resources management and there is ample of evidence to suggest that the organization's overall strategic approach to managing human resources does influence rewards system configuration (Balkin and Gomez-Mejia 1990; Gerhart and Rynes 2003, pp. 227-255; Shields 2007, pp. 88-120).

3. Use of work Teams:

Use of work teams is another phenomenon is the increasing use of self-managing work or project teams. While the experimental evidence relating to the influence of team working on reward practice remains relatively limited (Balkin and Montemayor 2000; Lawler 2000, pp. 193-219), it is easy to understand that this may have a major influence on the choices firms

make between individual and group recognition practices, both cash and non-cash.

Scientific support for cash and non-cash rewards:

The way by which the brain processes information is responsible for the fact that non-cash rewards have a greater motivational impact on people than cash. Left Hemisphere of the Brain deals with analytical, logical and mathematical functions and the right hand of the brain deals with creativity and emotional expressions. Cash promises are visualized by left side of the brain and it fails to create the aspirations. So the cash is analyzed to determine the time required to earn the amount. Since right side of the brain deals with creativity it generates positive emotions. Emotional response compared to the rational thought drives behaviour. That's why motivation rewards are greater compared to emotional behaviours.

Case Study:

Study #1-Diamond Fiber Products, Inc

Power of Non-cash Rewards

When employees were asked to identify most important aspect in the work place in a survey, the unanimous response was full appreciation for work done

*Source: Aetna Life & Casualty Employee Survey. Business Excellence, Inc., (2007)

Danny E Boyle, Vice President, relates a simple example of power of tangible non cash awards:

A teller at a local bank told me that a woman came in and proudly modeled for both customers and employees a jacket she had won.

She said, My employer gave me this for doing a good job. Its the first time in the 18 years I've worked there that they've recognized the things I do every day

During those years she had earned \$230, 000 in wages, which had paid for cars, a home mortgage, food, vacations, collegeeducationand other essentials.

The money was not recognition of her work, but the jacket was.”

To counter these perceptions, the company developed a program called the 100 Club, which recognised through non cash awards, attendance, punctuality, and consistent top performers. Their internal report shows significant increase in employee satisfaction.

-*HarvardBusiness Review (2007)

Conclusion:

Based on the above theory and case study, we can conclude the following ideas on Cash and Non-Cash Rewards:

A key finding, exemplified by these case studies, is that

A high correlation between recognition and improved employee engagement, which in turn improves job performance and captures business value.

Recognition programs need not be expensive. In fact, studies show that non-cash awards usually work wonders. Recognition programs are a proven, low-cost method for creating improved productivity in organizations.

Recognition programs need to include multiple forms of awards—e. g., what is recognition for one worker will not necessarily work with all.

The 2 HR practices of cash and non-cash rewards, if treated as truly substitute to one another increases the total costs and fails to increase performance

Making use of cash and non-cash rewards simultaneously can help organizations to improve the employee morale and provide better and efficient work culture.

References:

Rynes, Gerhart and Parks 2005, p. 575

Stajkovic and Luthans (2003)

McAdams (1999)

Gibson, J. L., J. M. Ivancevich, , and J. H. Donnelly Jr. Organizations. Boston: Irwin (1991)

Jeffrey and Shaffer (2007)

Aetna Life & Casualty Employee Survey. Business Excellence, Inc., (2007)

The Value and ROI in Employee Recognition: Linking Recognition to Improve Job Performance and Increased Business Value, HCI Report available on [www. hci. com](http://www.hci.com)

<https://assignbuster.com/what-are-the-key-building-blocks-in-organizational-culture-international-human-resource-management/>

Daniel C. Boyle, Vice President, Diamond Fiber Products, Inc, Harvard Business Review

Survey Report, Bob Nelson, Ph. D. (March 15, 2002)

From Delta, 2008 RPI Best Practices Recipient, white paper publshd by Diamond H Recognition, 2008, and Stephanie Merchiere, “ Giving Recognition a Lift,” HR Today, September 2008.