

# Reward Management Practices-Evidence from Constanta County, Romania

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## Abstract

*Modern companies are aware of the importance of their human resources. The human resources management field raised numerous research themes that have been debated in the specialized literature. One of these themes concerns the relationship between the specific practices regarding human resources field and the level of performance achieved by the organization and its members.*

*In this context, one important subject proved to be the reward practices used by the companies in order to motivate and achieve a certain level of performance.*

*The results of several specialized studies reflect a better image on this particular field within the Romanian companies.*

*This paper intends to analyse specific issues based on an empirical study on the companies located in Constanta County. The use of modern reward practices such as supplementary variable payment correlated with individual or group performances was targeted. The results indicate an area with underdeveloped practices and challenges to be faced.*

**Key words:** human resources, reward management, practices

**J.E.L. classification:** M12, M50

## 1. Introduction

The human resources management practices have been intensely debated in the specialized literature. Modern companies perceive their employees as the most valuable assets.

The human resources specific practices determine the level of performance registered by company's employees. Therefore, some specialists approached this issue through the concept of high performance work practices (HPWP). Such a system has been seen by some specialists as a group of separate but interconnected human resource practices concerning the recruitment, selection, development, motivation, and retaining employees (Way, 2002).

The specialized literature has presented results of different studies that try to explain how human resources management practices enable organizational performance (Guest, 2011). Evidences suggested that such practices have a strong influence over the company's performance.

It can be noticed that the issues related to employee's motivation and retention practices are important in order to obtain an appropriate level of performance. Thus, we decided to approach the reward practices used by the local companies from Constanta County. The main objective was to determine that the size of the company determines the use of such specific reward practices such as supplementary variable payment related to individual/group performance and the correlation between reward and employee's level of productivity.

This paper is structured as follows: first a brief review of reward practices is presented based on the results of several previous studies on this topic in Romanian companies, the next section presents the research methodology, followed by a section reserved for data analysis and hypotheses

testing.

## 2. Reward practices in Romanian companies

In this section we presented the results of different specialised studies on various human resources management practices used by the Romanian companies. We focused on those practices related with the reward issues.

The 3<sup>rd</sup> European Company Survey that took place in 2013, has revealed some interesting results for the Romanian companies. The analysed data indicate that the domestic companies are using variable pay schemes in a moderate manner.

They can determine a positive influence over the results of the organization.

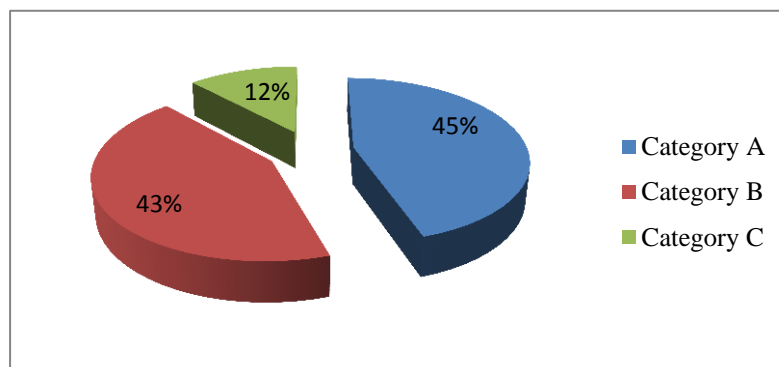
Companies participating in the survey were separated into three categories. First category (A) included the companies that used none or limited variable pay schemes.

A second category (B) contained the companies that used a medium percentage of such schemes. Most of those formulas are performance-related pay schemes. In the same time the formulas of pay based on group performance and profit-sharing are less used.

The last category (C) covered a low percentage of companies that provided different variable pay schemes on a large scale.

The situation of the Romanian companies included in those three categories mentioned above is presented in the figure below.

Figure no.1. Categories of Romanian companies using variable pay schemes



Source: Processing data from [www.eurofound.europa.eu](http://www.eurofound.europa.eu)

The analysed data indicate that the domestic companies are using such reward practices in a moderate manner. This situation generates a positive influence on company's performance in the same manner.

The study undergone by Ensign Management Consulting, 3<sup>rd</sup> Edition, in 2014, has revealed among other results that the reward management practices are still underdeveloped, meaning that many companies are not interested in a correlation between rewards granted and the results of the performance appraisal.

In the next sections we aim at determining through the results of the empirical study if the analysed companies are using developed, performance related reward practices.

## 3. The Research Methodology

The empirical study presented hereafter is aimed at inventorying human resources managers' opinions on several issues regarding reward management. The present study is part of a broader research conducted in order to respond to several critical issues human resources managers are confronted with in today's companies.

The research tool employed was a questionnaire designed to encompass various sections focused on general data on the company, on strategies employed in the field of human resources, and on retention and development of human resources within the company.

The research was conducted between October and November 2015, in Constanta County, and

out of a total of 75 questionnaires distributed, 62 were returned filled in and made the object of analysis using SPSS (Statistical Data Analysis, version 21).

In the present case study the focus is on reward management. Five questions from the questionnaire are concentrated on reward management and they target the evaluation of motivation factors such as – job security, salary, work conditions, working team, organizational culture, job description, promotion perspectives, and socio-economic benefits, as well as the connection between rewards and labour productivity, salary system, and individual and team/workgroup/department performance.

Three research hypotheses were formulated:

H<sub>1</sub>: There is a statistically significant association between company size and the practice of using variable supplementary payment correlated to evaluated individual performance.

H<sub>2</sub>: There is a statistically significant association between company size and the practice of using variable supplementary payment correlated to team/working group/department performance.

H<sub>3</sub>: There is a significant difference in the assessment of the productivity-reward relation among managers from different sized companies.

#### *General considerations regarding the analysed sample*

The majority of the companies involved in this study (58.1%) are active in the service field, 29% are industry based companies, 9.7% are active in constructions, and only 3.2% have agriculture as main object of activity.

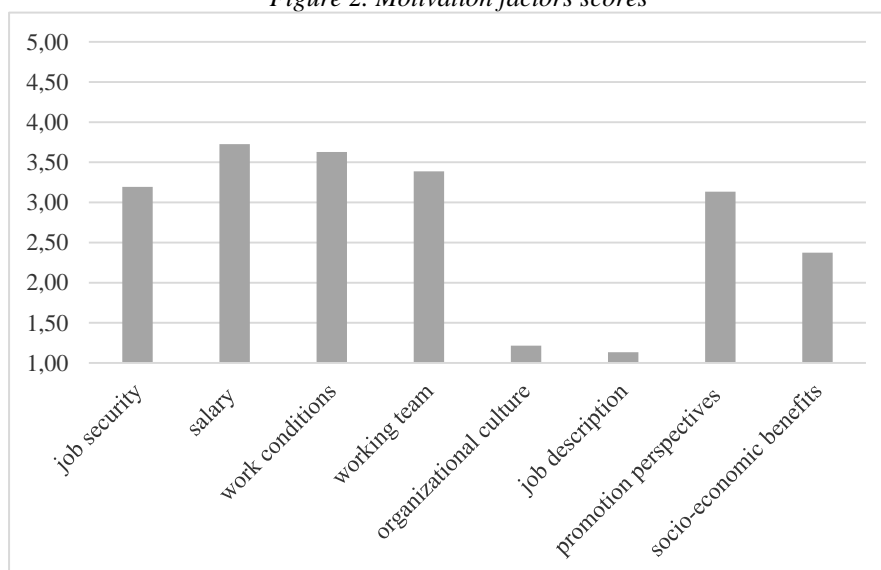
Most companies in the sample, 96.8% respectively, are private companies.

Analysing the structure of the sample from the size perspective, half of them have between 50 and 249 employees, 37% have between 10 and 49 employees, while only 12.9% are large companies with more than 250 employees.

#### **4. Data analysis and hypotheses testing**

A first question of the reward management section of the questionnaire focused on the evaluation of motivation factors used in the company (a five point semantic differential was used, from 1 – least important to 5 - most important). The enumerated motivation factors included: job security, salary, work conditions, working team, organizational culture, job description, promotion perspectives, and socio-economic benefits, such as company car, telephone, accommodation, medical and life insurance.

*Figure 2. Motivation factors scores*



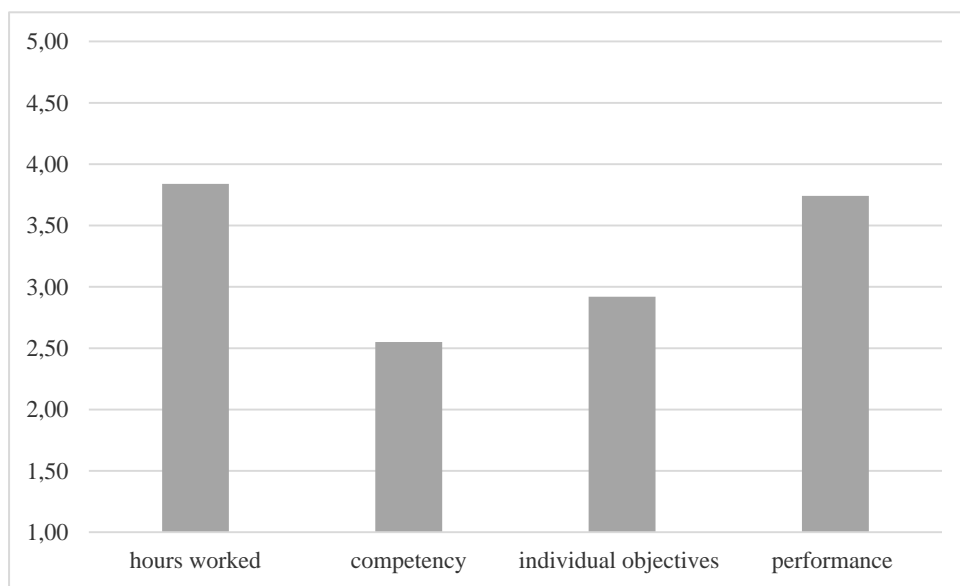
*Source: Data from survey*

As may be observed from Figure 1, salary and work conditions were perceived as most important motivation factors, with score of 3.73 and 3.63 respectively. On the other hand, perceived as least important were job description (1.13) and organizational culture (1.22).

The next question focused on obtaining managers' opinion on the existence of a direct relation between rewards granted within the company and employee productivity; to this end a five point Likert type scale was used, ranging from -2 (rewards granted are not directly linked to employee productivity) to 2 (rewards granted are directly linked to employee productivity). The medium score obtained was 0.5 leading to the conclusion that respondents do not consider rewards granted as being directly linked to employee productivity.

Next, there was investigated the perceived importance of several elements (hours worked, competency, individual objectives, and performance) which may be correlated to the salary system within the company; a five point semantic differential was used, from 1 – least important to 5 - most important. As expected, the hours worked scored highest (3.84), followed by performance (3.74); individual objectives scored 2.92, while competency scored only 2.55 (Figure 2).

Figure no.3. Importance scores of elements to be correlated to company salary system



Source: Data from survey

The last two questions of the reward management section of the questionnaire focused on finding whether companies use variable supplementary payment correlated to evaluated individual performance, and to the team/working group/department performance respectively. The results showed that 33.9% of the companies use variable supplementary payment correlated to evaluated individual performance, and 45.2% use variable supplementary payment correlated to team/working group/department performance.

In order to test the first formulated hypothesis ( $H_1$ : There is a statistically significant association between company size and the practice of using variable supplementary payment correlated to evaluated individual performance.) a Chi Square test was performed. The test results,  $X^2(2)=0.601$ ,  $p=0.740$ , indicated there was no statistically significant association between company size and the practice of using variable supplementary payment correlated to evaluated individual performance.

Another Chi Square test was performed in order to test the second hypothesis ( $H_2$ : There is a statistically significant association between company size and the practice of using variable supplementary payment correlated to team/working group/department performance.). The test results,  $X^2(2) = 5.711$ ,  $p=0.058$ , showed no statistically significant association between the two variables.

In order to test the third formulated research hypothesis ( $H_3$ : There is a significant difference in

the assessment of the productivity-reward relation among managers from different sized companies.), a Kruskal-Wallis H test was performed, subsequently to verifying that all assumptions were met. The Kruskal-Wallis H test results showed there was no statistically significant difference in reward-productivity scores among different sized companies ( $X^2(2) = 0.520, p=0.771$ ).

## 5. Conclusions

The study of human resources management practices generated a great deal of interest for researchers. Such preoccupation is justified by the fact that such practices generate a major influence over the company's level of performance.

In order to achieve the targeted level of results the companies must deploy the appropriate set of human resources management practices. Such practices will ensure the right number of employees, with the right skills and proper motivation to perform according to the planned objectives.

Among these practices, the ones concerning the employee's reward present a particular importance. Developing the right set of reward practice will generate proper level of motivation of the company's employees. At the same time, in order to obtain a higher level of performance, the management should use those practices that correlate the payment level with the results obtained by the employees.

This paper aimed to analyse through an empirical study the usage of such innovative practices among local companies in Constanta County. The results obtained revealed that the major motivational factors for the employees are the salaries granted and the working conditions offered by the companies. Such results are normal and confirm the results of previous studies on this topic.

In what concerns the usage of supplementary variable pay schemes related to individual or group performances, the results indicate that there are no connections between the size of the analysed companies and the use of such practices, and that such schemes are used in a moderate manner. This situation confirms the results of some previous studies on this topic in Romanian companies, results presented in the second section of this paper.

The results of the study also indicate that there are no significant differences between the assessment of productivity-reward correlation and the size of the studied companies. This situation indicates that even the medium and large companies are still little preoccupied by this matter.

The situation revealed by this study indicates that the companies are not aware of the importance such practices have on the performance level and the benefits they could obtain.

This study could be further developed by extending the research questions and also the number of the studied companies, and by including in the investigated sample companies from other counties.

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