

Relationship between Employee Recognition and Employee Contribution in Service Industry

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Abstract : Organizations have become increasingly interested in managing their human resources in such a way that can contribute to the business performance. The service industry is not an exception to this. Increasingly, organisations are realising that they have to establish an equitable balance between the employee's contribution to the organisation and the organisation's contribution to the employee. Establishing this balance is one of the main reasons to reward and recognise employees. Employees of these organizations truly represent the business bearing in mind that humans are the sole strategic assets, and other physical assets are supportive. Therefore, in order to ensure the success of the business, the maintenance, management and development of human resources cannot be underestimated. Studies that have been conducted on the topic indicates that the most common problem in organisations today is that they miss the important component of recognition, which is the low-cost, high-return ingredient to a well-balanced reward system. A key focus of recognition is to make employees feel appreciated and valued (Sarvadi, 2005). Research has proven that employees who get recognised tend to have higher self-esteem, more confidence, more willingness to take on new challenges and more eagerness to be innovative (Mason, 2001). This research aims to analyze the impact of employees' recognition on their contribution to the organization, with special reference to the service industry. From the initial investigation it is revealed that due to the underperformance of human capital this sector is not getting appropriate momentum. In this paper we have tried to provide an empirical work on human resource management in the service sector, that is, how human resources can contribute to the business substantially by being recognized in the organization. Regression analysis has been used to investigate the impact of employee recognition, as a factor, on their actual contribution to their organizations.

Key words: Reward and recognition, employee contribution, motivation, satisfaction, regression analysis.

Introduction and background

In order for an organisation to meet its obligations to shareholders, employees and society, its top management must develop a relationship between the organisation and employees that will fulfil the continually changing needs of both parties. At a minimum the organisation expects employees to perform reliably the tasks assigned to them and at the standards set for them, and to follow the rules that have been established to govern the workplace. Management often expects more: that employees take initiative, supervise themselves, continue to learn new skills, and be responsive to business needs. At a minimum, employees expect their organisation to provide fair pay, safe working conditions, and fair treatment. Like management, employees often expect more, depending on the strength of their needs for security, status, involvement, challenge, power, and responsibility. Just how ambitious the expectations of each party are, vary from organisation to organisation. For organisations to address these expectations an understanding of employee motivation is required, of which employee recognition is one of (Beer, Spector et al, 1984). Many corporations brand their workforce as part of their marketing campaigns to attract not only the right talent, but also to attract business and consumers. Kim Harrison in his journal, 'Cutting Edge PR' defined employee recognition as the timely, informal or formal acknowledgement of a person's or team's behaviour, effort or business result that supports the organization's goals and values, and which has clearly been beyond normal expectations.

In any organisation, people are the most important factors- they are the processors, deliverers and marketers. Employees of these organisations truly represent the business. Humans are the sole strategic assets and other physical assets are supportive. Therefore, the success of the business depends on the maintenance, management and development of human resources of the business.

Although the development of human resource in developed countries has been impressive over the past few decades but the overall scenario in developing countries is not that impressive. From various reports, surveys, professional

journals, financial reports, etc. it is found that companies want the best from their workers but ascribe little or no significance to employees' recognition. It is also believed that recognition and contribution have a positive strong correlation. Studies have also revealed that lack of recognition has led to the under-performance of human capital in the service industry in developing countries. During this initial investigation some other issues were discovered which have been enumerated in 'Problem Statement'. It is mentionable that through the study the terms employee reward and recognition might be used interchangeably for the ease of discussion even though there are some differences.

PROBLEM STATEMENT

In every organization employees' reward and recognition programs are observed basically to motivate the employees to get the best from them. Service organization is not an exception to that. But what has been irritating is that lot of the recognition programs have not been successful. This had made various managements taking steps toward initiating new recognition system over the years.

In an organization people are very important. They can be the resource or they can be the burden. People can be of great advantage for some organizations if they are adequately motivated through reward and recognition but before this can work out, the management must analyze the perception, attitude and thinking of the people of the organization to avoid a mismatch.

Discussions with experts in this field revealed that several gaps exist in between expectations of the customers and service delivery system, which clearly indicate that the internal management particularly in the human side of the business are lacking. Consequently there is a mismatch between the overall business strategy, human resource function and their ability to cope with the changes in the external environment.

Organisations often express their concerns that they are not getting the right person for the right position. On the other hand, employees say that organisations are failing to attract and maintain promising employees - a deviation in between organizational and individual expectations. Current research will try to find out this gap by investigating the factors of employee recognition and their effect on employee contribution to the organization.

LITERATURE REVIEW

"If businesses are to grow their way out of the current economic malaise, they will have to get more productivity out of their people—not by cutting and slashing, but by nurturing, engaging and recognizing."

—John A. Byrne, editor-in-chief, *Fast Company* magazine, January 2002

Recognition is the identification or acknowledgement given for something. Employees must be recognized and rewarded for their good work and contribution to the organization. In his journal, '*Why Employee Recognition is so Important*', Kim Harrison sees employee recognition as the timely, informal or formal acknowledgement of a person's or team's behaviour, effort or business result that supports the organization's goals and values, and which has clearly been beyond normal expectations.

While human resources output can be arrayed on a continuum from relatively pure product deliveries (e.g. employee handbook) on the one end and pure service deliveries (e.g. leadership training) on the other (Lengnick- Hall and Lengnick- Hall, 1999), one of the most central tasks within the human resource function deals with the development of effective and efficient compensation and recognition programs. This can be attributed to the fact that recognition systems are an essential tool to integrate individual efforts with strategic business objectives by encouraging employees to do the right things (Schuler and MacMillan, 2006). To achieve these managers must understand the psychology of praising others for their good work, to apply the principles of employee recognition himself and to encourage others to initiate it in their working relationships. In other words, recognition systems are a powerful means of focusing attention within an organization.

Appreciation is a fundamental human need. Employees respond to appreciation expressed through recognition of their good work because it confirms their work is valued. When employees and their work are valued, their satisfaction and productivity rises, and they are motivated to maintain or improve their good work (Roshan L.R, 2005). They send clear messages to all members of a company informing them about expected attitudes and behaviours. Praise and recognition are essential to an outstanding workplace. People want to be respected and valued for their contribution. Everyone feels the need to be recognized as an individual or member of a group and to feel a sense of achievement for work well done or even for a valiant effort. Everyone wants a 'pat on the back' to make them feel good (Kim H, 2004). Furthermore, researchers have argued that compensation systems can create and sustain a competitive advantage for organizations (Milkovich, Newman, Milkovich, and Mirror, 1999).

In recent years, the integration of non-financial measures (e.g. quality, customer satisfaction) has gained some popularity in compensation programs. While some authors demonstrate positive effects of incorporating non-financial measures into the compensation system empirically (Widmier, 2002).

Due to economic problem many organizations are responding with layoffs, wage freezes and increased employee workloads. Employees in turn, are feeling overworked and overstressed. This environment makes recognition programs particularly attractive (Robins and Pattison, 2005). Along with money, non-monetary compensations have been used to attract, retain, and motivate employees and to achieve organizational goals around the world (Chiu, Luk, and Tang, 2002; Lazear and Shaw, 2007; Randy, Luk, Tang, 1998) There are two aspects to employee recognition. The first aspect is to actually see, identify or realize an opportunity to praise someone. If not in a receptive frame of mind it is easy to pass over many such opportunities. This happens all too frequently. The other aspect of employee recognition is, of course, the physical act of doing something to acknowledge and praise people for their good work.

Employee recognition programs cover a wide spectrum of activities. They range from a spontaneous and private "thank you" to broad and formal programs in which specific types of behaviour are encouraged and in which the procedures for attaining recognition are clearly identified (Robbins, 2005).

Money is the instrument of commerce and the measure of value. "Money isn't everything, but it is the best metric" (Lazear, 1999). It has been suggested by researchers that money is a motivator (LAWLER III, 1985). Others argue that money is not a motivator (Cameron and Pierce, 1994; Herzberg, 1968; Pfeffer, 1998). Money does improve performance quantity and does not erode intrinsic motivation (Jenkins Jr, Mitra, Gupta, and Shaw, 1998). However, the jury is still out regarding the impact of financial incentives on performance quality.

So, employees can be recognized by Monetary Rewards and Non-Monetary Rewards. Whatever the rewards are we want to see the influence of rewards particularly from the employees' point of view. After analyzing the literature review we have identified some critical factors that have effect on employee contribution. Out of many factors we have chosen five factors.

METHODOLOGY

The research design has been a descriptive research by using the prepared questionnaire. The questionnaires was furnished and constructed as closed ended. Both mailing and interviewed methods were used in different situations.

In this survey the number of sample is only 109. It is mentionable that initially the sample was 149. I got questionnaire back from 121 employees. Some were sorted out due to insufficient and irrelevant information.

Finally to measure the relationship between employee recognition and employee contribution we conducted regression analysis. It can be expressed as:

$$C = \beta_0 + \beta_1 E + \beta_2 A + \beta_3 P + \beta_4 Cp + \beta_5 M + \epsilon$$

Where,

C=employee contribution

E = Engagement

A=Appreciation

P= Performance Appraisal

Cp =Career Progress

M=Monetary Reward

β_0 =intercept

β_1 = regression coefficient

ϵ = stochastic error term

Random sample designing has been chosen for the ease of data collection. Returned questionnaire's data have been entered into a computer for analyzing through SPSS.

Data Analysis and Discussion

Data Reliability

Following the procedures described by Davidson et al (2002), (Davidson, Manning, Brosnan, and Timo, 2001; Nunnally Jum and Bernstein Ira, 1978) the reliability test conducted using SPSS 17.0 for the six items that are contained in the questionnaire were found to have a high level of reliability with a coefficient Cronbach's alpha of 0.814. Nunnally (1978)

Table 1. Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.814	.848	6

Table 2. Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Employee Contribution	17.95	7.867	.808	.737	.737
Engagement	17.96	10.221	.590	.916	.791
Appreciation	17.25	13.601	.626	.831	.793
Performance Appraisal	18.95	11.793	.676	.899	.766
Career Progress	17.95	13.830	.401	.821	.817
Monetary Reward	16.76	13.332	.705	.565	.783

suggested that a minimum alpha of 0.6 sufficed for early stage of research. So, this indicates greater internal consistency of the scale thereby denoting excellent reliability.

Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. Below, for conceptual purposes, we show the formula for the standardized Cronbach's alpha:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Here N = the number of items

\bar{c} = average inter-item covariance among the items

\bar{v} = average variance

Table 1 Data Reliability test case processing summary

-----that in our example, Cronbach's alpha is 0.814, which indicates a high level of internal consistency for our scale with this specific sample.

Item-Total Statistics

The Item-Total Statistics table presents the Cronbach's Alpha If Item Deleted in the final column, as shown in table 2

This table shows that the value of Cronbach's alpha would be if that particular item was deleted from the scale. We can see that removal of any question except *career progress* would result in a lower Cronbach's alpha. Therefore, we would not want to remove these items. Removal of variable *career progress* would lead to a small improvement in Cronbach's alpha. So, we are removing none of the variables.

Normality of Data and Multi-Collinearity

This study involves a relatively small sample (109). We know that larger sample sizes decrease standard errors (because the denominator gets bigger). This reflects the fact that larger samples will produce more precise estimates of regression. But due to time and resource constraints we could not manage more than this sample size.

I used only 5 independent variables. Because adding more variables to the equation can increase the size of standard errors, especially if the extra variables do not produce increases in R^2 . More variables can also decrease the tolerance of the variable and hence increase the standard error. In short, adding extraneous variables to a model tends to reduce

Table 3. multicollinearity test

Variables	Tolerance	VIF
Engagement	.085	8.814
Appreciation	.219	4.571
Performance Appraisal	.113	8.834
Career Progress	.179	5.573
Monetary Reward	.468	2.138

Table 4. Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.859 ^a	.737	.724	.747	1.501

a. Predictors: (Constant), Monetary Reward, Performance Appraisal, Career Progress, Appreciation, Engagement

b. Dependent Variable: employee contribution

the precision of all our estimates.

Two major methods were utilized in order to determine the presence of multicollinearity among independent variables in this study. These methodologies involved calculation of both a Tolerance test and Variance Inflation Factor (VIF) (Kleinbaum, Kupper, and Muller, 1988). The results of these analyses are presented in the table 3. As can be seen from this data;

- (i) none of the Tolerance levels is less than or equal to .01; and
- (ii) all VIF values are well below 10

Thus, the measures selected for assessing independent variables in this study do not reach levels indicated by multicollinearity. The acceptable Durbin – Watson (DW) range is between 1.5 and 2.5. In this analysis Durbin – Watson value of 1.519, which is between the acceptable ranges, show that there were no auto correlation problems in the data used in this research. Thus, the measures selected for assessing independent variables in this study do not reach levels indicated by multicollinearity.

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Hypotheses Testing

The following hypotheses are tested in null format.

H1: There is no significant relationship between engagement and employee contribution.

H2: There is no significant relationship between Appreciation and employee contribution.

H3: There is no significant relationship between Performance Appraisal and employee contribution.

H4: There is no significant relationship between Career Progress and employee contribution.

H5: There is no significant relationship between Monetary Reward and employee contribution.

It is as depicted in figure 1

To test the hypotheses the data were analysed using multiple linear regression analysis following the guidelines established by Hair et al. (1998) (Hair Jr, Anderson, Tatham, and William, 1995). The purpose of regression analysis is to relate a dependent variable to a set of independent variables (Mendenhall and Sincich, 1986).

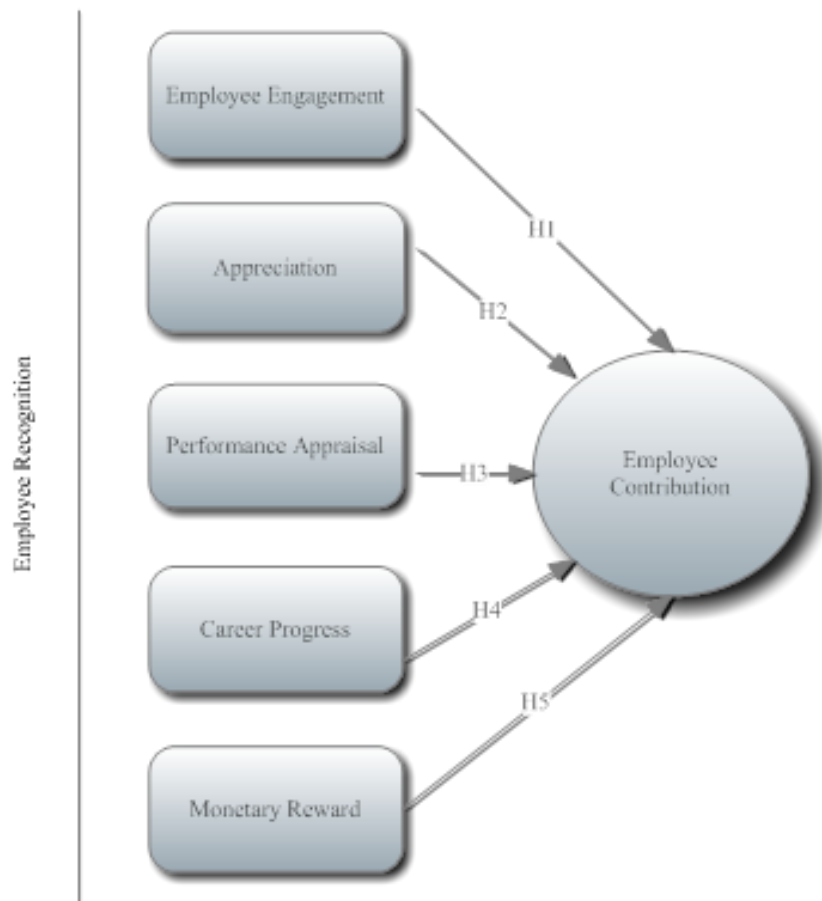
The Results of Hypothesis 1

Surprisingly, the results of this study shows that the association of engagement and employee contribution is not significant with ($p=0.316$). So, we can accept the null hypothesis. The unimportance of engagement factor may be due

Table 5. Regression Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.705	.789		-8.502	.000
	Monetary Reward	.536	.200	.199	2.684	.008
	Career Progress	.052	.248	.108	.435	.664
	Performance Appraisal	.899	.258	.525	3.487	.001
	Appreciation	1.593	.289	.597	5.508	.000
	Engagement	-.203	.202	-.175	-1.009	.316

a. Dependent Variable: Employee Contribution

**Figure 1.** Null hypotheses to be tested

to fact that management is very much friendly and cooperative with all the employees. However, we can expect to get stronger association if the conflict arises from the members.

The Results of Hypothesis 2

Several studies have highlighted significant consequences of appreciation. A study of recognition among professionals found that members were most likely to perceive recognition and that is one of the causes of appreciation. As expected, the results of this study shows that the relationship between employee contribution and appreciation is significant with $\beta=0.597$ ($p=0.001$). So, we reject the null hypothesis. The result further indicates that the direction of the associations is positive in which it implies that the more the more appreciation is given to the employees, the possibility of them to perceive of recognition will be higher.

Beta value of 0.597 indicates that appreciation contributes 59.7% of total employees' perception of contribution in relation to the job outcomes (independent variables).

The Results of Hypothesis 3

Several studies have highlighted significant consequences of performance appraisal. A study of recognition among professionals found that members were most likely to perceive recognition and that is one of the causes of performance appraisal. As expected, the results of this study shows that the relationship between employee contribution and performance appraisal is significant with $\beta=0.525$ ($p=0.001$). So, we reject the null hypothesis. The result further indicates that the direction of the associations is positive in which it implies that the more performance appraisal is applied, the higher the possibility of recognition perception and thus they will contribute more to the organization.

The Results of Hypothesis 4

Surprisingly again, the results of this study shows that the association of Career Progress and employee contribution is not significant with ($p>=0.05$). So, we accept null hypothesis.

The Results of Hypothesis 5

The results of this study shows that the association of Monetary Reward and employee contribution is significant with ($p=0.008$) that is also consistent with previous research works. So, we accept null hypothesis.

The independent variables (factors of employee recognition perception) explain 73.7% of the variance in employee contribution. Beta value indicates that appreciation and performance appraisal contributes major portion of the of total employee contribution.

After analysing the data we can identify 2 factors- appreciation and performance appraisal that have most significant effect on employee contribution in the service sector. In future research we can identify some other factors.

CONCLUSION

To overcome the obstacles in service industry it is important to focus on the critical recognition factors that have impact on employee contribution. We have already known that in service industry employee contribution is much more important than any other sectors. From the investigation we can recommend the management to articulate an employee recognition system that focus on employee perception. At the same time they should have a performance appraisal system that the employees understand and accept. And this system should be fair, understandable to all the employees.

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