

INSIGHTS INTO PERFORMANCE - BASED REWARDS, STAFF PERFORMANCE AND RETENTION

Ntiamoah, Evans Brako 

School of Management & Economics

University of Electronic Science and Technology of China, Chengdu, China

kwamebrako@yahoo.com

Siaw, Anthony

School of Management & Economics

University of Electronic Science and Technology of China, Chengdu, China

Anthony.siaw@yahoo.com

Agyei-Sakyi, Mark

School of Management & Economics

University of Electronic Science and Technology of China, Chengdu, China

maccc2@yahoo.com

Abrokwah, Eugene

School of Management & Economics

University of Electronic Science and Technology of China, Chengdu, China

chemicalsoil@yahoo.com

Opoku, Beatrice

School of Management & Economics

University of Electronic Science and Technology of China, Chengdu, China

ilikemorr@yahoo.com

INSIGHTS INTO PERFORMANCE - BASED REWARDS, STAFF PERFORMANCE AND RETENTION

Abstract

The study is aimed at performance-based rewards, staff performance and retention in the greater Accra Region using Mobile Telecommunication Network (MTN) as a case study. The paper went further to examine the relationship between the three variables; performance-based rewards, staff performance and retention. The study adopted both qualitative (case study) and quantitative methods respectively. MTN was selected to gather data, which was acquired from answers obtained from our administered questionnaire. The population of the survey constituted the management and non-management staff and customers of MTN in Ghana. Hypotheses of the study will be analyzed using correlation. Results of the study show that there are high positive correlation between the constructs of performance-based rewards, staff performance and retention.

Keywords: Performance-based rewards, staff performance, retention and telecommunication institution

INTRODUCTION

Retaining top talent remains a primary concern for many organizations today. Critical analysis of workforce trends points to an impending shortage of highly-skilled employees who possess the requisite knowledge and ability to perform at high levels, meaning that organizations failing to retain high performers will be left with an understaffed, less qualified workforce that ultimately hinders their ability to remain competitive (Rappaport, Bancroft, & Okum, 2003).

Retention is a critical element of an organization's more general approach to talent management, which is defined as "the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining, and utilizing people with the required skills and aptitude to meet current and future business needs" (Lockwood, 2006). The latter part of this definition is important because it suggests that talent management programs should be tailored to those who are most responsible for the organization's success.

In this study, we focus on performance-based rewards which when practiced well can influence staff performance and leads to retention.

LITERATURE REVIEW

Performance-Based Rewards

Performance based reward (PBR) primarily refers to a variable pay anchored to a measurement of performance. It is based on the principle that employees should be rewarded (e.g. paid, promoted) according to their job performance, with those performing better being offered a greater proportion of the available rewards and vice versa (Harris, 1999). By shining the spot light on employees who perform, a company not only can encourage people to do it repeatedly, they also encourage other employees to emulate the same behavior themselves. Having an element of variable pay dependent on business performance is also considered as a sensible way of managing the wage bill in a recession (Gerhart & Milkovich, 1990; Gerhart & Rynes, 2003).

Organizations in the world are recognizing the significant opportunity to improve the return on their human resources investment by aligning institution. Plans with business strategy and enhancing the value delivered to employees. This process is crucial to business success, and the ability of the institution to attract and retain top performers and critical-skill employees, in an increasingly competitive environment. (Lawler, 2003)

The notion of rewarding employees for "a job well done" has existed since the 19th century when piece-work systems were first implemented (Schiller& Zachary, 1996). Piece-work systems simply involve plans which directly associate the employee's level of pay to their output levels. From these piece-work systems evolved the traditional merit program. The traditional merit program is based on performance appraisals which employers evaluate to determine whether or not the employee is deserving of an increase in pay. This type of merit program could be seen within both the public and private sectors organizations.

Staff Performance

Staff performance can be defined as "all the behaviors employees engage in while at work" (Jex, 2002). However, this is a rather vague description. A fair amount of the employees' behavior displayed at work is not necessarily related to job-specific aspects. More commonly, staff performance refers to how well someone performs at his or her work. Definitions range from general to specific aspects and from quantitative to qualitative dimensions. Initially, researchers were optimistic about the possibility to define and measure staff performance. However, soon enough they started to realize that determining the dimensions of a job and its performance requirements was not a straightforward process.

Nowadays it is generally agreed that staff performance consists of complicated series of interacting variables pertaining to aspects of the job, the employee and the environment (Milkovich et al 1991).

Historically, there have been three approaches to define the dimensions of job performance (Milkovich et al 1991): as a function of outcomes; as a function of behavior; as a function of personal traits

Retention

Retention can be defined as "a commitment to continue to do business or exchange with a particular company on an ongoing basis" (Zineldin, 2000). A more elaborated definition is to define retention as the customers' liking, identification, commitment, trust, willingness to recommend, and repurchase intentions, with the first four being emotional-cognitive retention constructs, and the last two being behavioral intentions (Strauss *et al.*, 1999). Retaining old customers also costs less than acquiring new ones. The company knows the customers and what they want, and the initial costs of attracting the customers have already been expended (Davidow and Uttal, 1989). Old customers also pay less attention to competing brands and advertising, are less price sensitive and create favorable word-of-mouth (Desai and Mahajan, 1998). Customer retention also brings benefits such as employee retention and satisfaction, better service, lower costs (Reichheld, 1990), lower price sensitivity, positive word-of-mouth, higher market share, higher efficiency and higher productivity (Zineldin, 2000).

Potter-Brotman (1994) describes how service affects retention, and brings up the value of teaching all employees to be service providers, with the ability to enhance relationships with customers rather than endanger them. The author suggests that companies must concentrate on hearing customers' unique voices in order to find out what kind of service they consider to be exceptional. Appiah-Adu (1999) also indicates that the most critical element in retaining customers is the company's customer philosophy, implying that companies ought to strive for complete satisfaction rather than just satisfaction among its customers. Desai and Mahajan (1998) also emphasize on the concepts of acquiring, developing and retaining customers from a cognitive and affective perspective. They provided a way on how cognition and affects are used to increase retention, and use frequent-flyer programs as a way of building loyalty. The authors suggest that in order to retain customers, companies must continually develop their products and services so as to meet the evolving needs of customers. Their research also suggests that retained customers are in fact satisfied, and not retained simply because of habit, indifference or inertia.

RESEARCH METHODOLOGY

Research Design

Research is a process of steps used to gather and evaluate information in order to increase understanding on an essential topic. It consists of three steps, namely posing a question, collecting data to answer the question, and presenting an answer to the question (Creswell, 1998). The research design for the current study refers to a quantitative form. This research concentrates on the relationship among variables more than on testing activity impact, and uses correlation design. Based on the described research objective, this study will adopt a correlation design. Correlation design allows us to predict an outcome and know the relation between variables.

Study Area

The study was conducted in Koforidua, Accra and Tema of Ghana. The locations of the cities make it the commercial center and a nodal point from which roads radiate to the central business areas of the regions. The Mobile Telecommunication Network (MTN) was chosen because it has greatest market share in the industry

Population and Sampling

The population of the survey constituted the management and non-management staff and customers of the mobile telecommunication network (MTN) in Ghana. The researchers used the simple random sampling. The study used a sample size of six hundred (450) and due to adequate time the researchers devoted for the data collection, the researchers were able to get five hundred and forty-five (412) questionnaires that were administer.

For purpose of this research questions on performance based reward, staff performance and retention were asked and placed on a 5- point scale ranging from strongly agree (5), Agree (4), Undecided (3), Disagree (2), and strongly disagree (1) in form of statement. The respondents were asked to indicate their level of agreement with each statement by circling the right choice of scale.

ANALYSIS

After collecting data, we evaluated the relationship between customer service, firms' commitment and retention in Ghanaian telecommunication industry. Also, customer service and firms' commitment are predictors and retention is a criterion variable.

Based on analysis of the collected data and using description statistics for demography, it was found that most respondents were male at 57.4% and the most of the research

participants (46.9%) are aged between 25 and 40. Additionally, most people (44.4%) have some undergraduate education level and most respondents are married (56.1%).

Table 1: Correlations between performance-based rewards, staff performance, and retention

		Retention	performance-based rewards	staff performance
Retention	Pearson Correlation	1	0.874**	0.688**
	Sig. (2-tailed)		0.002	0.001
	N	412	412	412
performance-based rewards	Pearson Correlation	0.874**	1	0.678**
	Sig. (2-tailed)	0.000		0.001
	N	412	412	412
staff performance	Pearson Correlation	0.688**	0.678**	1
	Sig. (2-tailed)	0.004	0.001	
	N	412	412	412

Moreover, to achieve the research objective the relationship between performance-based rewards, staff performance and retention should be assessed, and from table 1, the Pearson correlation was utilized.

There is a strong relationship between performance based rewards and retention with a correlation coefficient of 0.874 at the 0.01 level (2-tailed), staff performance and retention with a correlation of 0.688 at the 0.01 level (2-tailed), performance based rewards and staff performance with a correlation coefficient of 0.678 at the 0.01 level (2-tailed).

CONCLUSION

The telecommunication industry is one of the fastest growing kinds of industry and its products and services are in high demand since customers use it daily. Moreover, performance-based rewards, staff performance and guarantee profitability, and they play pivotal roles for companies within this industry, consequently.

Study revealed a significant positive relationship between performance based rewards and retention, between staff performance and retention, between performance based rewards and staff performance. Further research is required to capture formulation and implementation of effective policies by the government regarding development of the telecommunication sector in Ghana.

REFERENCES

- Appiah-Adu, K. (1999). Marketing effectiveness and customer retention in the service sector. *The Service Industry Journal*, 19(3), 26-41. <http://dx.doi.org/10.1080/02642069900000028>
- Creswell, J. W. (1998). *Qualitative inquiry and research design: Choosing among five traditions*. Thousand Oaks, CA: Sage.
- Davidow W. H., and Bro Uttal, *Total Customer Service: The Ultimate Weapon* (New York: Harper & Row, 1989), p. 40.
- Desai, KalpeshKaushik and Vijay Mahajan (1998), "Strategic Role of Affect-Based Attitudes in the Acquisition, Development, and Retention of Customers," *Journal of Business Research*, July, 309-24.[1]
- Gerhart, B. & GT Milkovich. (1990). Organizational differences in managerial compensation and financial performance. *Academy of Management Journal*, Vol 33, No. 4, 663-699.
- Gerhart, BA & S. Rynes. (2003) *Compensation: Theory, evidence, and strategic implications*, Sage Publications.
- Harris, L. (1999). Performance Pay and Performing for Pay. In Leopold, J., Harris, L. and Watson, T. (eds) *Strategic Human Resourcing*. London: FT Management, 191-214.
- Jex, S. M. (2002). *Organizational psychology: A scientist-practitioner approach*. New York: John Wiley & Sons.
- Lawler, E. (2003). *Treat people right*. San Francisco: Jossey-Bass Inc.
- Lockwood, N.R. (2006). *Talent management: Driver for organizational success*. 2006 SHRM
- Milkovich, G.T.: Wigdor, A.K. (1991) *Pay for Performance: Evaluating Performance Appraisal and Merit Pay*. National Academy Press, Washington
- Potter-Brotman, (1994) "The New Role of Service in Customer Retention", *Managing Service Quality*, Vol. 4 Iss: 4, pp.53 – 56
- Rappaport, A., Bancroft, E., & Okum, L. (2003). The aging workforce raises new talent management issues for employers. *Journal of Organizational Excellence*, 23, 55-66.
- Reichheld FF, Sasser WE (1990). Zero defections: quality comes to services. *Harvard Business Review*, 68(5):105-111.
- Research Quarterly. Alexandria, VA: Society for Human Resource Management.
- Schiller, & Zachary. (1996). A model incentive. *Business Week*, 89-90.
- Strauss, B., & Friege, C. (1999). Regaining service customers: costs and benefits of regain Management. *Journal of Service Research*, 1(4), 347-361. <http://dx.doi.org/10.1177/109467059914006>
- Zineldin, M. (2000). (TRM) *Total relationship management*, Student literature, Lund.