

Motivation Through Reward Systems

A Study of reward systems in Transcom AB

Paper within Organizational Management

Author: Indira Rossing Hurtic – 801017-6009

André Crafoord (f.d. Waldén) – 821102-6219

Tutor: Torbjörn Stjernberg

Göteborg April 2013

Abstract

All organizations have goals and visions. To reach them, they have to get their employees to work towards the same goals and visions. As individuals, employees have different drivers and motivations, and it can be very difficult to know how to get the employees to perform at their best on the basis of the organization's objectives.

This paper focuses on how the company Transcom, a leader in Customer Relationship Management, use reward systems to motivate its employees to reach the organization's goals. We look at the need for a reward system in a company whose main assets are its employees, but at the same time struggles to find cost-effective solutions that will keep their customers satisfied. The market Transcom is working in is defined by short periods of employment and major problems to retain employees over the long term. Transcom's goal is to use a reward system that improves employee productivity, efficiency while maintaining a high quality of their work.

With Transcom goals in mind the purpose of this paper became to see if and how a reward system can be used to motivate Transcom employees. Should this system be adapted on an individual basis and take into consideration individual employee characteristics and preferences? Given the central role a reward system can have in motivating employees, we were also interested in highlighting the potential negative effects of a reward system. With Transcom's long struggled to retain employees in mind, we also want to find out if their reward system may have an effect on how they attract new employees, retain employees and increase performance in their daily work.

To reach the purpose of the thesis we look into the current theories discussed in the literature and the field of motivational theory. We have chosen a qualitative research approach and have performed a number of interviews, both with employees regarding their motivation and the views on the reward system as well as with a union representative and the HR department.

In our study it became obvious that Transcom did not have a clear strategy how to reach their goals when building the reward system. Transcom failed in building a communication with their employees regarding motivation and they were not aware of what effect the system had, neither positive nor negative. The result amongst the employees not reaching the goals became a negative attitude towards the reward system and a struggle to find other motivations to work hard and perform well.

We propose that Transcom should have a clear strategy when building the reward system so that all employees are taken into account. And when revising the system Transcom should open up a better dialogue with their employees regarding sources to motivation. Transcom should also separate quality and quantity in the reward system so that they reward performance in a wider area.

Table of Contents

Abstract	1
1 Introduction	4
1.1 Background	4
1.2 Problem Discussion.....	5
1.3 Purpose	6
1.4 Research Questions.....	6
2 Method	7
2.1 Research method.....	7
2.2 Data collection.....	7
2.2.1 Conducting the interviews	8
2.3 Upholding the reliability and validity	9
2.4 Data analysis.....	10
3 Theoretical framework.....	11
3.1 Why do people work.....	11
3.1.1 Competitive theory	11
3.1.2 Institutional theory	11
3.2 Knowledge.....	12
3.3 Performance management.....	13
3.4 Motivation	13
3.4.1 Expectancy theory.....	13
3.4.2 Goalsetting theory	14
3.5 Reward Systems	15
3.5.1 Individual Based Reward Systems – Contingent pay	16
3.5.1.1 Performance-related Pay	17
3.5.1.2 Skill-based Pay and Competency-based Pay.....	17
3.5.2 Group Based Reward Systems.....	19
3.6 HRM 20	
3.7 Theoretical summary.....	20
4 Empirical data.....	22
4.1 Transcom’s Reward systems	22
4.2 HR-administrator Anna Holmén	23
4.3 Frida	23
4.4 Iris	24
4.5 Victor	25
4.6 Andreas	26
4.7 Union representative – Anders Karlsson	27
5 Analysis	28
6 Conclusion.....	33
6.1 Discussion and future research.....	34
References.....	35
Appendix A	37
Appendix A-1	40
Appendix B	44

Tables

Table 2-1 – List of interviewees.....9

Figures

Figure 3-1 – Expectancy Theory Model.....14
Figure 3-2 – Line of Sight Model.....17
Figure 5-1 – Expectancy Theory Model.....28

1 Introduction

This section of the thesis will give a general introduction to the background of the chosen topic and give a clarification of why this is an important issue to research.

1.1 Background

Every organization has a vision and most organizations realize the importance of its human resources when following this vision. The employees need to be motivated to perform well and rewarded when doing so. In order to reach the organizational goals in the most effective way management must push and motivate the employees so that they perform at their peak. The goal with motivational practices is to improve productivity, make the employees committed and create smoother running processes.

Financial Reward or money is a motivator mainly because it fulfills employee's basic needs, but even the need for self-esteem and status (Armstrong, 2002).

By using financial rewards as control factors managers can influence behavior, attract high-quality employees and deliver a message about the importance of performance (Armstrong, M. 2007). Prior to the 1980s incentive payment systems were primarily used as part of the payment package for manual workers and sales staff. Later on incentive payment were incorporated in all levels of the organization (Torrington, D. Hall, L. 1998). As more systems were developed, more business sectors started to incorporate these systems. Today most organizations use some kind of reward system.

The last decade outsourcing services has grown more popular and companies offering services such as call center support has appeared in great scale. Transcom is a leading Customer Relationship Management (CRM) provider that strives to deliver cost effective solutions while optimizing efficiency and quality for their customers. Transcom operate in a big number of countries in Europe under the Kinnevik group. Their vision is to be committed in becoming the best and most recognized outsourcing service provider in their market and to have *"...clear, fair and consistent employee recognition policies at every level in the organization"*. To be able to do this Transcom must have a competitive workforce that can meet the customers' expectations and demands. On Transcom's website they describe their services by saying, *"Our scale, structure, technology and versatile staff means that our services can be re-configured rapidly. We adapt with ease to the peaks in demand created by marketing campaigns, delivering consistent quality and reduced costs at all times"* (www.transcom.se). To do this they need to put a lot of emphasis on motivating their employees which are the organization's core competence.

Transcom use a reward system to motivate its employees. The reward system has recently been changed. Both the old and the new reward system are based primarily on employees' productivity and efficiency. But to receive the reward the employees need to fulfill other requirements regarding quality of incoming calls and good test results regarding tacit and implicit knowledge.

Productivity is based on how many calls employees take during the day while efficiency measures on how fast employees solve the customer's problem. Employees have approximately 200 seconds per call. Quality is measured by listening to the incoming calls and making sure that the problems customers have are solved. The incoming calls are listened and evaluated by the team leader. Once a month the employees are supposed to do a test regarding their explicit knowledge, and they need to have 90% correct answers on the test, to be able to receive the reward.

The main difference between the old and new system is that the old reward system was monthly paid while the new system is based on a six month basis. Employees get reward payment in August and February and need to be employed the whole six month period to be able to receive the reward. The reward system also takes notice of sick leave. If the employees have more than three sick leave occasions, reward is redrawn even if the other goals are attained. It is also important to mention that even if the payment is on six month basis the results are registered monthly.

1.2 Problem Discussion

One way for organizations to gain competitive advantage is to increase productivity. In what way can organizations increase productivity? What motivational- and reward systems can be used to reach this goal?

There is no exact science showing that one reward system is more effective than any other. Therefore it is very important to look at the organization and realize that the context is the key when selecting a reward system (Armstrong, M. 2007).

A problem today is that not many organizations care to assess the effectiveness of their pay systems (White, M. Ghobadian, A. 2007). The use of a reward system that is not suited for the specific organization can result in a loss of money and a decrease in productivity. By researching one specific organization and its pay system we want to reach a conclusion regarding what reward system suits the organization best in creating a sustaining work incentive, or if the existing pay system can be restructured to do so. Because the organizational environment in today's business world is less certain and more dynamic, the old pay systems might create problems (Heery, E. 1996).

Pfeffer, J (1998) argues in the Harvard Business Review that the argument that individual incentives pay increases performance is a myth and in reality it undermines the performance of the individual and the organization because it is an obstacle for teamwork and encourages a short-term focus. Is this true? Could this be applicable in only some organizations? If this is true why are so many organizations using this type of reward system? We want to find out if it is possible to draw a conclusion about reward systems in the area of Customer Relationship Management organizations. Reward management is about rewarding people according to the value they create, to create an incentive in the employment process and clarify the objective of the organization (Armstrong, M. 2007). How can an organization reach this goal in an effective way and at the same time add value to the organization?

Many Organizations are beginning to acknowledge the importance of employees and the effect the employee's motivation has on organizations effectiveness and growth, especially in service and knowledge based organizations. Human Resource Management main purpose in modern organizations is to ensure that employees have the knowledge, will and motivation to help organization grow and be competitive (Bruzelius L, Skärvad P-H. 2000).

Companies around the world find it difficult to attract and keep skilled and competent employees. In spite of that HR policies are still unchanged and employee's satisfaction on HR investment is seldom measured. Many projects fail because organizations don't support effective managers and their teams. (Crawford J.K, Cabanis-Brewin J., 2005).

Team leaders and/or project managers have also taken over much of the staff liability because of their close relationship with the employees. Instead of giving team leaders

knowledge and possibility to motivate and lead their group to long-term success, they are focused on fulfilling short term goals. According Söderlund J. & Bredin K. (2005) team leaders must be given an opportunity to focus more on HRM to be able to provide positive long-term results.

1.3 Purpose

The purpose of this thesis is to research if and how reward systems can be used to motivate professional workers at Transcom.

1.4 Research Questions

The following questions will help reaching the purpose of the thesis

- To what degree is it beneficial to the organization to adjust to differences in individual roles, abilities and preferences?
- What negative effect does the reward system have?
- Does the reward system have an effect on how the organization attracts employees, retains them or increases the performance in everyday work?

2 Method

This section of the thesis will describe the methods used in collecting and analyzing the data used to reach the purpose of this thesis. It will show the selection of interviewees and interview methods.

2.1 Research method

When choosing a research method we asked ourselves the question ‘what perspective of the purpose are we trying to achieve through this study?’ The answer to this question made us choose between a qualitative research method or a quantitative research method or a mix of the two (Bryman, 1997).

By using a qualitative approach to the problem we get a deeper understanding of the problem at hand. This approach is characterized by flexibility and a low level of generalizability (Hartman, 1998). The qualitative research method usually tries to create closeness to the respondent which in turn gives the data we gathered high internal validity but might create problems with the external validity (Jacobsen, 2002).

When using a quantitative approach to the problem the researcher collects data that can be analyzed using numerical values to draw structured conclusions (Mark, 1996). In comparison to a qualitative approach which is characterized by flexibility, the quantitative approach focuses on formal, highly structured data with standardized research questions that can be statistically measured (Wigblad, 1997).

Because our study is trying to build a deep understanding about the thoughts and feelings of the employees when researching the motivational effects of Transcom’s reward system the most effective research method will be the qualitative approach and through thorough interviews clarify the problem at hand. This approach will create a greater awareness about our subject than a quantitative study would have. We plan to approach the purpose by building an idea about the feelings and preferences of Transcom’s employees regarding the reward system and the motives of the HR department and the Union in the development of this system. Therefore we believe this would most effectively be done using a qualitative approach. Using the quantitative approach and try to quantify the collected data would be difficult because it is difficult to put numerical values on information such as employee background and future visions that are important aspects when studying motivation. Therefore a quantitative approach would not help us to reach the purpose of the study.

2.2 Data collection

Our research project is a study on Transcom’s reward systems and to be able to reach a conclusion we need to collect relevant data which will help us in fulfilling our purpose. When collecting data there are many methods and sources that can be used and when performing a case study one can choose to collect data that has been created with the specific purpose of answering the research questions of the study at hand. One can also use data that have been collected for other purposes in order to build a better understanding of the subject that is analyzed. These different types of data are called ‘Primary data’ and ‘Secondary data’ (Saunders et al. 2003).

Because the purpose of this thesis is connected to getting a clear understanding about the motivational aspects among employees of the reward system at Transcom we decided that

the best way to collect the primary data would be to do semi-structured interviews with four employees that work under the reward system in question. We chose to interview two men and two women in order not to get any bias through gender inequalities. Another criterion was that they were supposed to have worked at the company one, two, three respectively four years. By using this spread we wanted to make sure we only took into account those employees who recently started working at the company or only the employees that have been working there for a long period of time. In order to keep the interviewed employees opinions confidential we made sure that no one else in the organization knew who we interviewed. This was possible because one of the authors of the thesis worked in the organization and therefore could select employees without revealing their identities to anyone else in the organization. The names of the interviewed employees have also been changed. This helped us to gain the confidence of the employees so that they could express their honest opinions about the reward system. Because the customer service department is a big unit with many employees we were quite certain that we could write down the interviewees' background and age without revealing their identities. We also asked the interviewees if they agreed to us writing down this information and they all answered 'yes'. The department manager also approved that we could interview the employees.

The second part of our primary data was the interview with the HR-representative. This interview was intended to give us information about the motives and objective with the current and previous reward system. We also wanted to know how the organization worked when developing the system and therefore we interviewed the Union representative so that we could see how well the organization included the opinions of the employees when developing the system.

The secondary data we used in this study was Transcom's documents explaining their reward system (see appendix A) and background information about the company on their website. By using Transcom's own documents regarding the reward system we knew that the data was accurate and not biased. Because we had the original reward system we did not have to put much emphasis on asking questions to clarify its content but instead focusing on the development and motives of the system. Being able to keep this focus in our interviews helped us in reaching a more accurate conclusion.

2.2.1 Conducting the interviews

We decided to use a semi-structured interview strategy. Semi-structured interviews are based on having fix questions that can be excluded or changed in order so that the interview is adjusting as it proceeds. Additional questions can be added if more specific answer is requested or wanted to get a more accurate answer (Saunders et al. 2003). When we performed our interviews we started out with a set of questions that were used as guidelines to steer the interview where we wanted it in order to cover thoughts and feelings about different topics. As the interview moved on we asked follow-up questions to get a more complete view of the subject. This also helped us to get definite answers and guaranteed that the interviewee did not misunderstand the questions or us misunderstanding the answers.

We tried to make the respondents feel safe answering our questions honestly and openly by explaining the goal of the research and how their participation will help shedding light on the company's reward system and assure the respondent that confidentiality will be respected. This was done by using fictional names.

NAME	DATE	TIME	CATEGORY	TITLE
Anna Holmén	2008-03-05	23 min	E-mail, Telephone	HR-administrator
Frida*	2008-03-13	23 min	Telephone	Support staff
Iris*	2008-03-14	18 min	Telephone	Support staff
Victor*	2008-03-14	19 min	Telephone	Support staff
Andreas*	2008-03-13	27 min	Telephone	Support staff
Anders Johansson	2008-04-11	20 min	Telephone	Union-representative

Table 2-1 - List of interviewees

*Names have been changed in order to assure confidentiality.

We understood that, if not performed properly, telephone interviews could limit the information received and make us misinterpret the answers on our questions. To tackle this problem we tried to structure our interview questions in a way that was very clear and also use follow-up questions to make sure the question and the answer was correctly understood.

2.3 Upholding the reliability and validity

Reliability and validity are concepts used to show that the data collection and interview questions will generate information about the research question that will be useful and accurate (Dyer, 1995).

Reliability is fulfilled if the study generates the same results if it is repeated. That is, the study should not be affected by parameters such as fatigue, lack of motivation, time etc (Dyer, 1995). We do not have the possibility to assure reliability by using the Test-retest method, which is done by re-interviewing the sample members. Instead we used similar questions in the research to be able to detect any inconsistencies and by using follow up questions we validated the answers we received. We believe that by being thorough in our interview technique and to have a relevant sample group to interview we assure reliability of the study.

In order to assure the validity of the study we made an effort to interview the people that had accurate information about our subject. To create an understanding about the information used as a basis when deciding about the organization's reward system we interviewed the head of the HR-department which had solid knowledge about the subject. By doing so we knew that the information we received could be used as a basis in our study. The head of the HR-department could help us understand the background to the system and the motives to the different parts of the system. By understanding the motives we could increase the validity and be more focused in the other interviews.

In order to assure validity and reliability of the information received from the employees during the interviews we double-checked the information we received by using follow up questions to make certain the questions or the answers were not misunderstood.

2.4 Data analysis

For information not to be misunderstood, we recorded the interviews. Afterwards, we wrote down word for word to later summarize the responses in more understandable pieces. So that the meaning of our empirical data would not be distorted by the summary, we compared the summary with the original recording and changed any misinterpretation. By doing this, we assured us that there would be no bias through the influences of our own views on the subject in question.

We made an effort to be as concrete as possible in our questions and asked many follow-up questions to get as accurate answers as possible. In order to not influence their answers with our own interpretations when conducting the interviews, we went back to the issues where we noticed that the interviewees were communicating through hints but did not say straight out what they meant, and asked follow up questions. By doing so we avoided misinterpretation.

After these interviews, we reviewed the responses and analyzed them with the theoretical framework we had decided to use in this study. We linked the all interviewed response to the various theoretical concepts so that we later in our analysis could draw conclusions from the interview responses.

We also analyzed the documents containing the reward system given to us by Transcom to draw conclusions about its structure and compare this with how Transcom described their motives and goals with the reward system. This allowed us to use the study's theoretical background to suggest changes in both the strategy and structure of the reward system so that it could increase the motivation level of the employees and thus improve the performance of the company.

3 Theoretical framework

To understand why people work we are going to use from two theories, competitive and institutional theory. In the following section we are going to explain these theories and their main objectives on the subject.

3.1 Why do people work

To be able to reach a conclusion about what rewards that should be used to motivate employees a basic question should therefore be 'why do people work?'. According to Price (2004) there are mainly two theories describing the answer to this question. These approaches or theories are called Competitive theory and Institutional theory.

These two theories try to explain the labor market and how the employee relationship within the organization is affected by it. Labor market is defined by some as a place where individuals can compete and by others as a formed and controlled market by institutions, pressures and tradition (Beardwell & Holden, 1997).

3.1.1 Competitive theory

Competitive theory sees people as rational individuals who try to maximize utility. People choose the work that gives them maximum benefits, and benefits could be all from payment to vacation or free time (Price, 2004). Different individual have different preferences regarding leisure and payment (Beardwell & Holden, 1997).

Some organizations have pay systems which are based upon employee's skills and acquirements in the employment market. When demand for the employees rises, so does the wage, according to competitive theory. Employees are perceived as any product on the market that is for sale and thereby they also offer their services and qualities to the organization that gives them highest wage (Price, 2004). But in reality job seekers can seldom match their skills and abilities perfectly with available jobs on the market. Often unemployed accept job offers that are quickly acquired and have a wage that are acceptable for them (Price, 2004).

According to competitive theory the organization should focus on minimizing costs when competition on the market intensifies. One way of minimizing cost in organizations is to use performance related pay to reduce instability in pay systems and to increase control over the reward terms. Competitive theory argues that using such a reward system will get rid of excess costs where underachieving employees receive a pay that is not matched to their performance. To assure quality in the organization, supervisors are replaced by the team leaders that encourage workers to share their knowledge that will improve productivity (Beardwell & Holden, 1997).

3.1.2 Institutional theory

Institutional theory argues that employee wages are not dependent of competitors nor external factors (like mentioned in the competitive theory), but instead are set according to other factors like profitability or organizations tradition. Institutional theory is more concerned about employee commitment and loyalty. Employees are encouraged to stay within the company, because of the many cost that follow with recruitment and training new em-

ployees. (Price, 2004). HRM department in the organization is supposed to enhance labour flexibility, productivity and quality (Beardwell & Holden, 1997).

Individuals are complex and so are their motives for working. It is not only the payment that inspire employees but also other needs that vary from individual to individual. These could be: social needs, companionship, sense of belonging, need for a job (Price, 2004).

3.2 Knowledge

Knowledge is an important aspect of every job. To be able to perform well and do what is expected of them, employees need to have good knowledge of the working tasks. According to competitive theory the organization should focus on knowledge when hiring employees to gain competitive advantage and increase productivity and quality. In the following chapter we are going to describe differences between implicit and explicit knowledge and their role in the organization.

For organizations to be effective the employees need to have knowledge of quality, flexibility and adaptability and how to adapt those in new way of thinking in the organization. To reach for quality, products, processes and services in organizations need to constantly be improved. It is important that employees are included in this process if learning is to be possible. Organizations need to be flexible through the employees. In the environment that is constantly changing, the employees need to be multi-skilled (have many skills) and manage to deal with the changes in an effective way. (Beardwell & Holden, 1997).

According to Michael Polanyi and Ikijuro Nonaka (ref in Price, 2004) knowledge can be divided into explicit and tacit. Explicit knowledge is the knowledge that can be found in reachable sources, like documentation, manuals and so on. Tacit (implicit) knowledge is the employee knowledge that has been gathered by experience. According to Price (2004) tacit knowledge is much harder to access which leads to that it is often unseen and thereby ignored in the organization by the managers.

Grant (ref in Price, 2004) argues how important it is for organizations to see the differences between tacit and explicit knowledge. Tacit knowledge could thereby be a part of structural capital and used by others in the organization. According to Grant (ref in Price, 2004) knowledge in the organizations could be used to gain competitive advantage if used correctly. But tacit knowledge has to be practiced correctly in the organizations for it to be used as a competitive advantage. Organizations are also very often unaware that the knowledge can be out of date, out of reach, replaced, updated and so on (Price, 2004).

Implicit knowledge is important, especially at high positions, and reward systems can be a tool to keep that knowledge inside the organization. The higher the payment and reward the smaller is possibility that the implicit knowledge will leave the organization, but can a reward system increase learning abilities and employees acceptance of learning more in the organization? According to Wills (ref in Beardwell & Holden, 1997) the HRM department will only be successful and effective if it is conducted in a learning organization.

The outcomes of learning are according to Beardwell & Holden (1997):

- Skill
- Competence
- Tacit knowledge and know-how

- Hierarchies of cognitive and other skills. There are different levels and stages of skills that need to be recognized and sorted into hierarchies.

3.3 Performance management

The only way to know what reward system works in a specific organization is if the managers can measure the performance of the employees. By doing so management can decide what parameters that motivates the employees and what parameters that have no effect on performance. If the organization is using a Skill-based or Competency-based reward system the organization needs to match the expected performance of an employee if s/he acquires a specific skill or competence. On the other hand if the organization is using a Performance-related Pay system it should focus on the effect of the combination of outcome and behavior. The details of these pay systems will be dealt with further on (Price, 2004).

Performance measurement in organizations has three purposes (Price, 2004):

- Identifying and increasing effective work behavior
- Reward the effective work
- Building and developing human resources within the organization.

To be able to estimate human performance Armstrong & Baron (ref in Price, 2004) argue that individuals or teams;

- Need to understand and be a part of decision making of what is expected of them to be able to perform well.
- Have the knowledge, resources and support from the management to meet the expected performance.

3.4 Motivation

There are different theories regarding motivation of employees in organizations. We have chosen to use expectancy- and goal setting theory, because they are most suitable in our purpose of explaining how financial incentives can motivate employees.

3.4.1 Expectancy theory

The expectancy theory, which is a cognitive theory and was first introduced by Vroom in 1960, argues that employees tend to prefer certain goals over others. The word cognitive refers to the way people perceive their working environment and how they interpret and understand it. People build different conceptions of the probability that the choice they make will actually lead to the desired outcome which shows that the expectancy theory links outcome to actions (Armstrong, M. 2007). Therefore there is a clear connection between the employees choice to make an effort, the performance and the expected benefits from this action. Thus the employee anticipates feelings of satisfaction if the preferred outcome is achieved. (Miner, John. B, 2005).

Vroom argues that human behavior is goal-directed and that work will be more motivating when it provides the opportunity for goal attainment and needs satisfaction (Pinnington, A. Edwards, T. 2000) There are three variables in which motivation can be measured:

- Instrumentality – The degree of how much an employee believes in his ability to achieve a goal.
- Expectancy – The degree of the employee’s belief that reaching the goal will lead to a secondary action, the reward.
- Valency – The value the employee puts on the reward.

The product of these three variables is the motivation the employee feels (Stredwick, J. 2000). The level of expectation the employee has can be based on past experiences, but if he faces a new situation where these past experiences are an inadequate guide to the implications of change, then motivation could be reduced. Motivation could also be reduced if the employee does not believe that the organization will live up to its word regarding paying rewards or that the set goal or target is considered unattainable. Therefore the purpose of the reward fails and the result is negative. For an employee to feel motivated there needs to be a clearly perceived and usable relationship between performance and outcome which should be seen as a means of satisfying the needs (Armstrong, M. 2007).

Porter and Lawler applied Vroom’s ideas from the expectancy theory which shows that there are two factors determining the effort people put in their work, but they argued that additional to what value the reward has and the perceived probability that receiving a reward depends on effort, there are two more factors to consider:

- The ability of the employee – Individual characteristics such as intelligence, manual skills and know how.
- Role expectations – What the employee wants to do and believes he is required to do. (Armstrong, M. 2007)

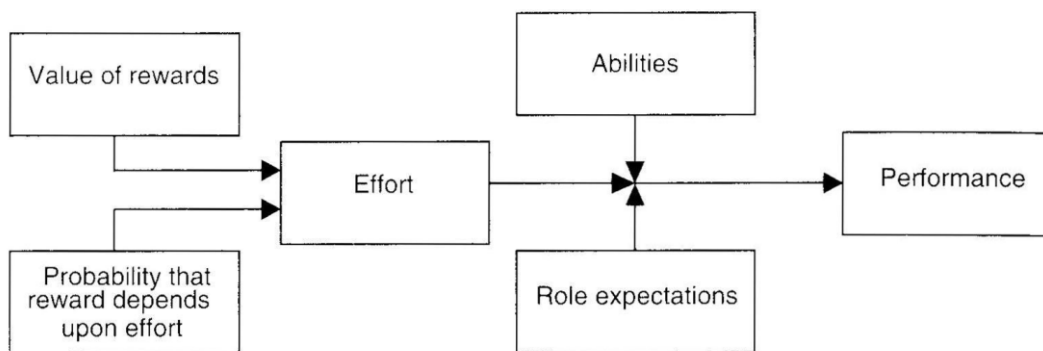


Figure 3-1 - Expectancy Theory Model

3.4.2 Goalsetting theory

The reason why human resource management (HRM) exists is to make sure that organizational goals are achieved. HRM is the link between the employee performance and the organizational goals (Price, 2004).

According to Smither (1998) clear and difficult (but attainable) goals stimulate higher performance from the employees. But it is important that employees are committed and accepting to the given goal. Lock & Latham (ref in Smither, 1998) claim that the motivator is the wish to have a positive self image at work, not the goal itself.

Furnham (1997) also mentions that employees need to be confident in their own ability to attain organizational goals, if goals are expected to lead to higher performance. Feedback is a way for employees to acquire knowledge of their current performance level as well as a way to increase it. According to Lock & Latham (ref in Jex, 2004) feedback helps employees to attain the organizational goals.

However difficult goals can lead to not only decreased performance but also unethical conduct. Employees behave unethically when they feel pressured to attain goals, which according to them are too difficult (Aamodt, 2006).

There are several criteria that goals must fulfill. These are:

- Goals must be specific. If not, they can create confusion and have a negative impact.
- Goals must have a time limit to insure that goals will be attained in given time and to alleviate follow up goal actions.
- Goals must be challenging but at the same time achievable so that the employee does not get overwhelmed by the task. (Smither, 1998)

3.5 Reward Systems

*“The challenge is to develop pay programmes that support and reinforce the business objectives of the organisation and the kind of culture, climate and behaviour that are needed for the organisation to be effective.”
Laver (1990) reference in (Armstrong, 2002)*

A reward system is based on the estimated importance of employee's skill, contribution, competence and market value in the organization they work for. Employees can be rewarded financially (fixed or variable pay), non-financially (ex. Recognition, personal growth, achievement) and with employee benefits. A reward system is complete if all three mentioned reward methods are used in an organization. (Armstrong, 2002)

Organizations main purpose with reward system is:

- To attract, retain and motivate skilled, competent and committed employees.
- Motivate the required behavior in the organization that will lead to realization of strategic and short term objectives and key values, such as quality, customer care, innovation, teamwork.
- Give surety that reward will lead to added value.

According to Kerr (2009) prior to implementing reward system organizations need to define performance in actionable terms. All values, missions, strategies should be converted into tangible goals and goals should be converted into actions. When defining what organizations expect employees to accomplish in measurable terms, organizations have then a possibility to reward actions that lead to employee's achievement.

On the other hand the employees should have knowledge of the organizations reward system and its policies. Reward system need to verify for the employee's its equality, fairness and consistency and the employees should have possibility to affect the development of the reward policies. (Armstrong, 2002)

3.5.1 Individual Based Reward Systems – Contingent pay

A term used to describe rewards related to individual performance, competency, contribution or skill is 'Individual Contingent Pay' (Armstrong, M. 2007). Contingent pay can be awarded through increases to the base rates or by cash bonuses or a mix of the two. The individual contingent pay schemes relate pay to performance, competence, contribution or skill. Contingent pay is only one way of motivating people, and in order to create long-term motivation the organization has to realize the importance of intrinsic rewards as well as the extrinsic motivators.

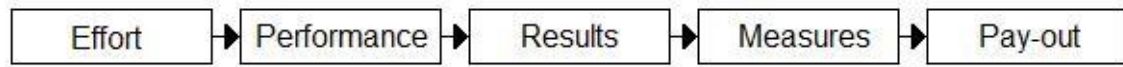
When motivating employees using contingent pay it needs to be realized that there is a clear distinction between financial incentives and financial rewards. Financial incentives are used as direct motivational tools. They show how much money the employee will receive in the future if they perform well right now. Financial rewards on the other hand are used as indirect motivational tools. There is a clear connection to the Expectancy theory which shows that as long as people expect that what they do in the future will produce something worthwhile then their achievements will be recognized. The rewards can be retrospective in the way that the employee is rewarded for past actions but they can also be prospective in the way that the organization rewards the employee if he or she is believed to perform well in the future (Armstrong, M. 2007).

To claim that contingent pay is flawless would be foolish; there are many arguments both for and against it. One strong argument for contingent pay is that those who contribute more should therefore get paid more instead of simply paying people to show up at work. Recent studies such as the *2004 e-reward Survey of Contingent Pay* agrees with previous mentioned argument when it compiled a list of the main reasons for using contingent pay:

1. To recognize and reward better performance
2. To attract and retain high-quality people
3. To improve organizational performance
4. To focus attention on key results and values
5. To deliver a message about the importance of performance
6. To motivate people
7. To influence behavior
8. To support cultural change

Among the strongest arguments against contingent pay you can find that many believe that the extent to which contingent pay motivates is questionable because the amounts are usually so small that they cannot be seen as incentives. As pointed out earlier, using only financial rewards makes it difficult to create sustained motivation. Neither is there any proof that everyone will react in the same way to financial rewards and therefore a successful contingent pay scheme in one organization might fail in others. Also contingent pay might demoralize the workplace when the people receiving the financial rewards become motivated but the ones who don't receive it become unmotivated and dissatisfied. In many situations the reason for failure is because of implementation problems. When the managers implement contingent pay schemes they have to believe in it as something that will help them as well as the organization (Armstrong, M. 2007).

For a contingent pay scheme to be successful the involved needs to have a clear understanding, or line of sight, of what they should do and what they will receive for doing it. Lawler (1990) has developed a Line-of-sight model (See figure 3-2) that shows that motivation is only reached if people expect that their effort and contribution will be rewarded, as expressed by the expectancy theory. The targets should be well defined and the employee should be able to track his or her performance against them (Armstrong, M. 2007).



Figur 3-2 - Line of Sight Model

There are many pay systems used in organizations today and we have selected a few relevant to the company we are using in our research.

3.5.1.1 Performance-related Pay

Performance related pay (PRP) can be defined as ‘...a system in which an individual’s increase in salary is solely or mainly dependent on his/her appraisal or merit rating’ (Pinnington, A. Edwards, T. 2000). Instead of only dealing with individual output, as was the case of earlier individual reward systems, they assess both the output of work and employee behavior. Indicators of employee behavior can be quality, flexibility, contribution to team work or the ability to reach goals (Pinnington, A. Edwards, T. 2000).

The advantage of PRP is that effective, individual performance can be rewarded and high performers are paid more than low performers. But there are also downsides to these results. When the employees are given this incentive they concentrate on how to perform better in the areas that are rewarded rather to perform well in the whole job. The managers can also be biased and reward employees that they favor instead of objective judgment of performance. Even though the result could be higher performing employees there is a risk of low morale and poorer relationships between managers and employees due to resentment. For a PRP system to work a good working relationship must be upheld (Pinnington, A. Edwards, T. 2000).

3.5.1.2 Skill-based Pay and Competency-based Pay

Skill-based pay systems are structured around the notion that when the employee acquires a set of specific skills he or she will receive a higher rate of pay. Skill-based pay has grown popular within manufacturing organizations because it encourages production employees to learn a variety of jobs on their team or to learn maintenance skills. The result of acquiring these skills is improvement in productivity and quality (Stredwick, J. 2000). For organizations to keep good employees, the jobs must give them room for growth and motivate in other ways than by job titles. Because skill-based pay systems pay employees for the knowledge they possess, the number of business-related skills mastered, the level of those skills or knowledge, these systems work well to motivate employees (Byars, L. Rue, L. 2003).

A company using a skill-based pay system normally hires employees at below-market rates and when they acquire knowledge and skills their pay rate increases. Contrary to a conventional pay system, where the employees must wait for job openings before they can be promoted, the employees under a skill-based pay system can receive a pay raise as soon as they learned a new skill and demonstrated that they can progress another step (Byars, L. Rue, L. 2003).

Some potential benefits of a skill-based pay system are listed below:

- Fits work force values
- Increases staffing flexibility
- Broadens incentives to increase knowledge and skills
- Deepens commitment when promotions are unavailable
- Decreases overall labor costs
- Improves understanding of operation
- Favorable quality outcomes

(Byars, L. Rue, L. 2003).

The negative side of skill-based pay is that it could increase labor costs, result in topped-out employees or give the employees false expectations. Even though labor costs often rise they are usually offset by a reduced labor force which instead results in lower total labor costs. Topped-out employees are not only a concern under a skill-based pay system but are a problem in most organizations regardless of the pay system used. The solution could be to give the topped-out employees broader jobs in other departments. If the employees have the false expectation that there will be vacancies in the area where they newly been trained the key is to give a realistic view of the needs of the organization (Byars, L. Rue, L. 2003).

A study done in the mid-1990s showed that three-quarter or more of the studied organizations had experienced increased employee productivity, motivation, flexibility to adapt to changing production needs, and work team effectiveness. It was also shown that the system resulted in enhanced recruitment and retention while reducing labor costs (Byars, L. Rue, L. 2003).

Competency-related pay is very similar to Skill-based pay. It is a development of the older Skill-based pay systems but instead focuses on managers and professionals instead of manufacturing employees. Under Competency-based pay systems the employee is encouraged to develop a set of competences which, when obtained leads to the opportunity of higher pay (Stredwick, J. 2000). The terms competence and skill have often been confused and used to describe the same thing but when looking at the context of job performance Armstrong (2007) describes skills as inputs and competences as 'behavior' and 'achievement'. Skill is what the employee is able to know and do. Behavior and achievement is how the employee is expected to behave and what the employee is expected to achieve (Pinnington, A. Edwards, T. 2000).

The competency-based pay system focuses on defining required standards of employee behavior and performance (Pinnington, A. Edwards, T. 2000).

What is concluded in both Skill-based and Competency-based pay systems is that the employee must continuously improve and develop themselves. The result of doing so will increase the competitive advantage of the organization and the employees own employability (Pinnington, A. Edwards, T. 2000).

3.5.2 Group Based Reward Systems

Although the notion of team pay is well known it is not used to the same extent as individual pay systems (Armstrong, 2007). Team pay is in theory a good idea but it is difficult to put into practice. Many organizations find it hard to meet the exact conditions needed to use the scheme and make it effective. Instead of linking rewards to the results of individual performance as done with individual based reward systems, team pay is linking the payments to members of a formally established team to the performance of that team. Katzenbach and Smith (2003) defines a team as *“A small number of people with complementary skills who are committed to a common purpose, performance, goals and approach for which they hold themselves mutually accountable”*.

Armstrong (2007) divides teams into four different categories; Organizational teams, Work teams, Project teams and Ad hoc teams.

- Organizational teams consist of individuals who are linked together organizationally as members of for example the management teams, department heads, section heads or team leaders in a department. As long as the team members are contributing to reaching the objectives of the department or section the team is an organizational team. Team reward schemes for organizational teams will only work effectively if the team members are united by a common purpose and are clearly interdependent.
- Work teams are permanent teams where the members work closely together to produce some kind of output, development of product or process, or the delivery of services. The team members are strongly interdependent and they are focused on a common purpose. The results of a work team are a product of how well the team members can work together. This is the type of team that is usually connected to team pay but for team pay schemes to work the team targets must be established and the team performance must be measured accurately and fairly.
- Project teams are teams where the team members are brought from their normal job function to complete a task lasting for a longer period of time. These teams can be rewarded with bonuses when the project is finished and the result is satisfactory. Another way to reward project teams is to set up milestones and measure the performance at these times.
- Ad hoc teams are set up to deal with an immediate problem. They are usually some sort of functional or cross-functional crisis team and are most of the time very short-lived. These teams are usually only rewarded when they deliver exceptional results.

Whatever kind of team that is rewarded, the aim with reward schemes is to encourage and reinforce the actions and behavior that leads to exceptional and sustainable performance. This is done by providing incentives and other means of recognizing team achievements. It is also important to clarify what is expected of the team by connecting rewards to the targets that the team is expected to reach. One reason why organizations use team pay instead of individual reward schemes is that it is a good way to convey the importance of focusing on the performance of the team instead of focusing on individual interests.

3.6 HRM

“HR can help organizations get the maximum value from their people and their organization while ensuring they treat them as individuals with unique needs, aspirations, and dreams. What a privilege to be able to be HR professionals who can achieve goals that improve both the world business and the world of people.” Ulrich., Allen, Brockbank, Younger & Nyman (page 162, 2009).

A HRM (Human Resource Manager) can be defined as a chief of staff, management philosopher, but even as a connection between employees and the organization. But in reality a successful HRM needs to be (Söderlund & Bredin (2005):

- A strategist. Being active in organizational strategic development and making sure that strategies are implemented and converted into actions by the employees.
- A transformation agent. Making sure that change is an instrument to improve effectiveness and is perceived as positive.
- A connection between employees and the organization. Find skilled, competent employees and motivate them so that the job is done according to organizational goals and values. Manage the employees and their needs to ensure a development and increase in performance.
- An administrative authority. Creating effective system for managing recruitment and development.

According to Luthans, Youssef and Avolio (2006) the organizations can gain competitive advantage by investing and developing in psychological capital known as human resources. By using psychological ownership, the employees will manage their own competence, skill and make strategic decisions according to organizational needs. In this way organizations offer their employees potential to learning, growth and development and gain motivated employees and competitive advantage. Problem with today's human resources management is their disbelief and ignorance in their human resources.

Söderlund and Bredin (2005) also mention importance of an increased employee's responsibility for their own development and growth. This can be seen in organizations focus on employee's abilities and competences.

Nonetheless according to Söderlund and Bredin (2005) the main problem is distribution of work especially managing human resources. Often team leaders and project managers are concentrated on short time goals and don't have time, nor possibility to manage employees. Even if team leaders often take the HRM role it is often limited.

Organizations need to incorporate business development and change in HRM to be able to create flexibility and an easy change process. They also need to give employees opportunity to influence their own work without losing organizational requirements on employees and organizational goals. To succeed, team leaders need to be given possibility to act more as a HRM and focus on long-term goals. (Söderlund,J. Bredin, K. 2005)

3.7 Theoretical summary

There are many ways to motivate employees and the motivation can have many different outcomes. In our theoretical framework we began by describing theories about why people work, which we saw as crucial to our topic because it is the foundation in finding motiva-

tional tools to enhance the performance of the employees. We use these theories to analyze the choices and preferences of our interviewees regarding why they work. By doing so we hope to elevate what Transcom needs to consider in their reward systems.

Because Transcom work with customer service it is crucial for their employees to have knowledge about the service in order to perform well. Because productivity and efficiency, which are the cornerstones of Transcom's reward system, has a direct correlation with knowledge we saw it necessary to include theories concerning how to use reward systems to keep implicit knowledge in the organization.

For Transcom to know what reward system that works best in their organization and to be able to measure the effect of the chosen system they have to know how to manage performance. Therefore we have included theories regarding performance management and performance measurement in order to give a clear picture of what Transcom needs to consider when implementing a reward system. We hope this will help us to analyze the changes in Transcom's old and new reward system.

Because the purpose of this thesis is studying the motivational effects of Transcom's reward system we include motivational theories such as Expectancy theory and Goal theory. We will use these theories to analyze what aspects of Transcom's reward system that motivates its employees and also see if how an organization can use rewards in general to increase motivation and performance.

The theoretical section describing known types reward system will be used to categorize the existing reward system at Transcom and by doing so analyze if there are any weak points that need change or improvement.

4 Empirical data

4.1 Transcom's Reward systems

Transcom is using a reward system to motivate its employees. The reward system has recently been changed. Both the old and the new reward system are based primarily on employees' productivity and efficiency. But to receive the reward the employees need to fulfill other requirements regarding quality of incoming calls and good test results regarding tacit and implicit knowledge.

Productivity measures the number of incoming calls that the employee answers during a working day and efficiency measures duration of the incoming calls. To be able to receive the reward employees must solve customers' problem fast and reach required quality goals. There are two quality goals to be reached. One of them is based on evaluation (evaluated by the team leader) of the randomly recorded calls that the employee has answered and the other one is measurement of the employee's explicit knowledge.

Information about the productivity and efficiency goals can be found in appendix 1.

The main differences between the old and new system:

Payment: The old reward system was paid monthly while the new system is calculated on six month basis. Employees get reward payments in August and February and need to be employed the whole six months period to be able to receive the reward. It is also important to mention that even if the payment is six month based the results are registered monthly.

Maximum reward: With the old reward system employees could make up to 4400 Swedish Kronas extra per month. With the new system the sum is 3500 Swedish Kronas. All other requirements for receiving the reward regarding productivity, efficiency and quality are alike.

Sick leave: The reward system also takes notice of sick leave. With the old reward system the possibility of receiving reward decreases with every sick leave occasion. With other words employees need to compensate for the sick days' productivity and efficiency requirements to be able to receive the reward.

With the new reward system if the employees have more than three sick leave occasions, the reward is redrawn even if the other goals are attained.

Main similarities and differences between the old and new reward system.

	New reward system	Old reward system
Payment	Every 6 month	Every month
Productivity	80-85%	80-85%
Efficiency	50-96%	50-96%
Maximum reward	3500 Swedish kr. /month	4400/ Swedish kr./month
If sick	No reward is paid if the employee has more than 3 sick leaves.	The reward amount decreases gradually with every sick leave.

4.2 HR-administrator Anna Holmén

Interviewed Mars 5th 2008.

According to Anna Holmén who is the HR-administrator at the company, they have an incentive reward system which is based on productivity, efficiency and quality. Meaning that all three above mentioned requirements need to be fulfilled for employees to receive reward. The reason why the company changed the reward system was mainly to be able to use the reward system in all different parts of the organization. For example the reward system should be applicable in the customer service for cell phones as well as travel companies. Therefore she admits that it might not have a perfect fit for every part of the organization but hopes that it generally will help to raise the motivation amongst the employees in the company.

When building the reward system they did not use other reward systems as inspiration but built their own from scratch. This made it difficult for her to know what the effects would be when it was implemented.

Because the new reward system have been recently introduced and used in the company the results by changing the reward system have not been measured. According to Anna it is far too soon to give any information on the changes in results or even side effects of the new reward system after implementing it.

According to Anna the reward system was not meant to attract the employees that would work a longer period at the company to be able to receive the reward after 6 months and repel the employees that would only see their job at the company as temporary. The reward system is constructed by the company and then discussed with the union representatives and is supposed to fit the majority of the employees. That is at least the companies hope. The only way for employees to affect the reward system is by talking to their union representative, which will hopefully take the opinions to the company's leaders.

4.3 Frida

Interviewed Mars 13th 2008.

Frida is 23 years old and has been working at Transcom for one year. She was introduced to the company when she worked as a summer substitute and later decided to stay at the company because she wanted to increase her experience within the specific field. At that moment she was also in need of money which was a great motivator to stay at the job. At the moment she feels that she has learned what she can from this job and is ready to move on to something else.

The first three months Frida worked through a consultancy company who offered her compensation for her commuting costs. Because she lives 70 km from the office this had great importance in her working situation. When she after this introduction period was hired directly by Transcom she lost this benefit. Therefore the incentives that were there when she applied for the job have disappeared under the current reward system.

Frida has always wanted to work in a position where she can grow as an individual and at the moment she feels that she has stagnated. Therefore when asked if the reward system is of great importance when deciding whether to stay at Transcom or leave she tells us that if the compensation was lower she would probably decide to leave. She believes that if she

would find something more personally rewarding with the same or even less pay she would leave Transcom.

After the change to the new reward system at Transcom Frida is not very much affected because she feels that the chances for her to reach the goals are very small. Even though the same effort results in the same bonus under the current reward system, Frida feels that because it is complicated to understand the new reward system the motivational result is very small. Also the fact that Frida at the moment is looking for a new job and the current reward system only comes into effect if she stays more than six months, effects her motivation in performing well. She tells us that she does not feel highly motivated by the six month policy in the current reward system, and says that the effect from the previous reward system was more obvious.

On the question how she is motivated in her work she answers that in her current position the biggest motivator at the moment is the financial reward she receives. This is what makes her go to work every day. Although when working another big motivator is to make the customers happy by upholding a good service level and helping them with their problems. Therefore she focuses more on this then the productivity goals at the moment. In earlier jobs, as mentioned above, normally the most important motivator is to have a position that develops her as a person. In order to keep being motivated at Transcom Frida explains that, due to the fact that the financial reward is not a great motivator at the moment, she tries to keep her other life goals in her mind which hopefully will inspire her to perform well at the present position at Transcom. This in turn will lead to the possibility to have Transcom as a reference when looking for new jobs.

Concerning Fridas ability to affect the reward system she says that Transcom decides on content together with the union and that if the employees want to be involved in the development of the reward system they have to communicate directly with the union instead of Transcom. This is due to the fact that Transcom very seldom listens to the ideas of the employees regarding the reward system.

When comparing individual reward systems to group based reward system Frida says that she prefers individual systems because everyone in the workforce might not have the same goals and ambitions which might lead to a decrease in performance if implementing a group based system. The argument she puts forward is that she does not want to put in a lot of effort and let someone else, who does not have the same motivation to perform well, reap the benefits. Therefore she believes that individual reward systems are fairer in the context of the Transcom organization.

Frida believes that goals are very important due to the fact that they show what is expected of the employee. She also says that in her situation it is easier to keep the motivation if she knows which goal she is working towards.

4.4 Iris

Interviewed Mars 14th 2008.

Iris is 26 years old and has been working at Transcom for two years. Before she started working at Transcom she had a physically demanding job and she changed to her present position to reduce physical strain. At the moment she is applying to a management position in the organization and she can see herself growing in the organization.

When applying to the position at Transcom she had the motive to at least match the salary she had at her former work place, which was relatively high. Therefore she was very interested in working in an organization with a lucrative reward system, which in her opinion was found in Transcom. Right now she is highly motivated by her job which in her opinion takes the focus off the financial rewards. She explains this by saying, *“If you like what you are doing then the salary doesn’t play a big role”*.

She is quite satisfied with the present reward system and in her opinion the HR department has managed to take most aspects into account when developing the system. She believes that even the lower paid employees are fairly rewarded and that the system is working well. Because she is planning to evolve inside the organization and stay for a longer time this reward system works better for her, compared to other employees without long term plans within the organization, than the old one who did not inspire the employees in the same degree to stay in the company. She is not worried about losing her reward because she has no plans to quit which results in that she has the goal of receiving her bonus every six months clear in her mind. This is according to her a great motivator.

Iris believes that the best way to motivate employees is to give them feedback and encouragement. Furthermore, she is highly motivated by performing well, both by reaching her productivity goals and making her customers happy and satisfied. Doing this makes her see the result of her efforts.

The communication with the HR department concerning the reward system is not working as well as it could be. They do not have any ongoing dialogue to improve the system but instead all the development is done together with the union. In Iris opinion this collaboration is fruitless and is not resulting in any improvements because the employees are not involved. In this way the union is an unnecessary middle-man. She thinks that if the evaluation process of the reward system was done with a straight-forward communication between the employees and HR department, the result would be better.

Iris thinks that the structure of the workplace in Transcom works better with an individual reward system because not much work is done in groups. Therefore it is difficult to create an incentive to work towards the same goal. And in her opinion it is important to have goals so that you know what direction the task is heading.

4.5 Victor

Interviewed Mars 14th 2008.

Victor is 25 years old and has been working at Transcom for three years. Before Victor started at Transcom he was in the same situation as Iris where he had a very physically demanding work that in the end made him hurt his back. Due to this he tried to find work that was not as physically demanding and he found a suiting position at Transcom.

When he applied to Transcom the salary and reward system was of great importance when deciding to take the job or not. Victor explains, *“When applying to a job 80% of the decision is based on the payment and 20% is based on how much you enjoy the work”*. Victor believes that it is enough to reach a level of income where you are able to support yourself and your family. It is first after this you can start making decisions regarding your job situation based on internal motivational factors. This means that if Victor was offered a better paid position in another organization he would most definitely take it due to the fact that how much he appreciates his working environment and job tasks are secondary decision factors.

Victor is affected by the reward system in the sense that he does not reach the results that lead to attaining a higher level of pay. Due to the fact that he does not see himself working at Transcom for a longer period of time, he preferred the old reward system to the new one. This system made it possible for him to reach goals monthly instead of working on a half year basis. Therefore the motivation is lower with the present system because Victor's future within the organization.

Because he doesn't reach the goals concerning productivity and effectiveness to set up in the reward system he needs motivation from other sources in order to perform well. Victor believes that the greatest source of motivation for him is his manager who encourages him and sets out smaller short time goals. Victor believes that other sources of motivation are important too such as working well in the team and pushing oneself to make a better job. This makes him think that even though the organization should work with an individual reward system, a group based reward system could be a good complement in order to increase the teamwork. Victor has the opinion that his own performance will increase with a well working team that helps him and complements his abilities. Because he spends most of his time talking to customers he has found that he enjoys his job a lot more when his customers are happy so he tries to uphold great quality in every customer contact.

Victor thinks that the present communication between the HR department and the employees regarding the reward system is non-existent. If the employees would want to influence the evaluation process of the system they would have to deal with the union which in turn has a dialogue with Transcom's HR department. The communication between the employees and the union is today very complicated which has a negative effect on the employees' ability to influence the reward system.

When setting up goals Victor believes that it important to set up goals that are attainable. If the goals feel too far out of reach they can have a negative effect on ones performance.

4.6 Andreas

Interviewed Mars 13th 2008.

Andreas is 29 years old and has been working at Transcom for four years. He was introduced to the company by a consultancy firm and was originally supposed to stay only as a summer substitute. He did not have high expectations on the job or salary because he only saw the job as temporary. Today however the salary and reward system has become an important aspect of the job because Andreas believes that working tasks have become more difficult and stressing for every year. According to Andreas "*Salary should correspond to the demands of the work tasks*". And today he feels that they do not.

Andreas is not only dissatisfied with the salary and reward system at the company but also the absence of positive feedback and encouragement from the managers. According to him the salary would not play such a big role if the other aspects of the job were fulfilled, such as positive feedback. He believes that the managers only approach and communicate with workers when there is something to be improved, and there is always something.

Andreas believes that the old reward system was better because it was more attainable and present. By present he means that the effects of the efforts could be seen as soon as in the next month's pay check He is not affected by the new reward system because he thinks he would not manage to achieve the goals that are required to receive the bonus. He mentions

that to be able to reach a goal it not only has to be clearly stated but also feel attainable. However, some of the goals in the organization do not strike him as attainable.

Reward systems are supposed to be individual and not group based because it is the only way to keep it fair. Otherwise there is a risk that employees that are hard working lose the reward because of the employees that do not feel highly motivated to perform well.

Motivation for Andreas comes from doing a good job and by not losing the quality. He thinks that the organization is concentrating more and more on rewarding quantity but not quality as much as they should. Andreas is therefore looking for another job because he feels that his only motivation source is the thought of getting a new job were his effort is appreciated and rewarded.

Andreas has never had any influence on the salary and reward system in the organization. But he wishes that he and other employees had more to say about this question. There is no dialogue, and has never been (as long as he has worked there) between the HR department and employees about salary and reward system. Andreas believes that the HR department cannot create a reward system that is suitable in the organization if they do not consult the employees.

4.7 Union representative – Anders Karlsson

Interviewed April 11th 2008.

According to Anders Karlsson the reward system used in Transcom is developed by the organization. The federation of labor unions has the opportunity to give suggestions on what kind of reward system would be suitable for customer service organization. However Transcom's main purpose is to create a reward system that would be suitable the organizational goals and strategies.

Transcom changed the reward payment schemes in hope of increasing motivation by focusing the reward on long-term goals. Transcom wanted reward to function more as a motivational tool not a typical reward system.

Anders also mentions that another reason why reward payment changed was also because of the high employee turnover and that it was easier for Transcom to make the payment twice a year than every month. However the most important criticism the employees had about the new reward system were the payment schemes.

The union's goal is to accommodate the employees' requirements and be sure that the employees are not disfavored in any way. The reward system should have goals that are attainable by the employees. The Unions is trying to be a bridge between organizational goals and employees work conditions.

In the development phase the reward system is not disputed as much as the follow-up phase. Anders believes that the management in Transcom needs to listen to the employee complaints and opinions and modify the reward system accordingly. He believes that the company could have had a better dialogue both the union and the employees when developing the system so that it could reach the goal to motivate the employees. Not many changes were made after the feedback from the union.

5 Analysis

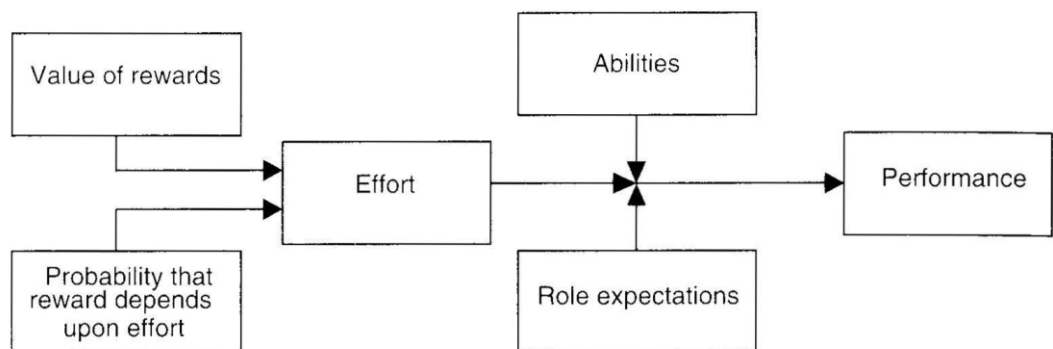
In this section we answer our research questions using the analysis of our empirical data and come to a conclusion regarding the purpose of our thesis.

A short resume of the answers based on goal theory, motivational factors at work and leadership:

	Frida	Iris	Victor	Andreas
Goal theory				
Instrumenatilty	Small	Great	Small	Small
Expectancy	Great	Great	Great	Great
Valency	Small	Great	Small	Great
Specific goals	Important	Important	-	Important
Attainable goals at Transcom	No	Yes	No	No
Motivational factors at work				
	Development	Performance	Money	Encouragement
Reward				
Reward payment twice per year	Negative	Positive	Negative	Negative
Reward payment every month	Positive	Positive	Positive	Positive
Individual vs. Group based Reward	Individual	Individual	Individual	Individual
Ability to affect reward system	None	None	None	None
Good leadership/positive feedback				
	Important	Important	Important	Important

- To what degree is it beneficial to the organization to adjust the reward system to differences in individual roles, abilities and preferences?

Within motivational theory there are two major concepts trying to explain to increase performance through motivation, these are Expectancy theory and Goal theory. Expectancy theory deals with employee motivation and performance by arguing that there is a link between outcome and action and that the choices the employees make will lead to the desired reward (Armstrong, M. 2007). If the reward is considered unattainable the reward system can have a negative result and motivation is reduced. The effect motivation has on performance can be measured through Porter and Lawler's model (see figure 5-1) that show what factors influence performance.



Figur 5-1 - Expectancy Theory Model

Goal theory on the other hand argues that it is the goal that will stimulate higher performance. The important thing within Goal theory is to have clear, attainable goals that the employee is committed to and accepts (Smither, 1998).

Transcom's motives with the reward system are to increase productivity through motivating the employees and rewarding them when they perform well. In our interviews with the employees we noticed that they all appreciate having goals to work towards. But as the goal theory explains, when the goal does not feel attainable, the result can be negative. This can be noticed in the interview with Victor who has difficulty reaching his goals. Therefore he feels no motivation at all from the set goals. We believe that this can be explained by the employees self confidence. The fact that some employees are able to reach the goals is an argument that the problem is not in the attainability of the goals but the employees' confidence in their ability to attain it. This can be helped through feedback and good leadership which many of the interviewees mention. A good dialogue with the managers about the employees strengths and finding a way to focus on them would help the employees feel more confident and also help them see that other quantity goals are attainable too.

Even if the interviewed employees knew that they effort will lead to reward and even if reward was valued as important 75% of them still did not feel motivated. We can see that the same 75% of the employees who did not feel motivated also felt that goals, to receive the reward, were not attainable.

When comparing the expectancy theory with the situation at Transcom one notices that most parts of Transcom's motivational system works according to the model. When looking at instrumentality, expectancy and valency you see that most employees do not believe in their ability to reach the goal, they do know that when they reach this goal they will be rewarded because the organization has the clear system showing this and the reward also has a great value for the employees. But we believe that these are not the only criteria that have to be met. As we saw in the interviews most employees complain that they do not feel motivated due to the fact that the reward comes six months after the effort is made. So even though instrumentality, expectancy and valency are fulfilled the organization has to consider the factor of time when motivating through their reward system. Their strategy to have a system with the intent to motivate their employees to stay in the organization longer has a negative effect on the motivation amongst a big part of the employees who see themselves in a new company within the next six months. This negative effect on the motivation has a huge impact on the performance of a big part of the employees.

When searching for a job and having thoughts of finding another job, all of the interviewees have different priorities based on their background and current demands. If the organization is to be successful they need to pay attention to every employee's abilities and preferences when designing the reward system. But as the union representative explained it is difficult in an organization like Transcom, which has approximately 200 unique employees that they have to take into account, to look at every individual's preferences when designing a reward system. They also state that they find it difficult to take everyone's needs into account because of the size of the company and the amount of employees. Therefore they try to work with a general system that has the right motivational effect on most of the employees. Our work found that this general reward system did not have a positive effect on most employees as intended, and that the dialogue between the company, the union representative and the employees was not very good.

Because of the high employee turnover Transcom's the new reward system is an attempt to keep the employees inside the organization, because of finding and recruiting new employ-

ees is expensive and time demanding. But Transcom has failed to take into account importance of every employee's implicit knowledge and its effect on the productivity and quality in the organization. As the documents describing the reward system shows, the current reward system is designed to only take into account quality and quantity of the result, not the implicit knowledge of the employees. We can see that the new reward system in Transcom has a different impact on employees depending on their individual roles, abilities and preferences. Some of the interviewees saw the reward system as positive and had a wish to grow inside the organization, while some of the interviewees found the reward system unsatisfying because it lacked the ability to take their implicit knowledge into account.

The main purpose of having a six-month based reward system was to keep the employees in the organization. However its purpose was not fulfilled, it even had an opposite effect on three of our interviewees. This led us to the conclusion that Transcom's reward system does not motivate all Transcom employees, and even has negative effect on some of them. Which means that optimal reward system should take individual roles, abilities and preferences in to account, but at the same time such reward systems are not only expensive to develop but also time consuming because of the constant change in organizations and employees.

According to institutional theory the employees' wages are not dependent on external factor rather the organizational tradition and profitability. The institutional theory believes in creating an employee commitment and loyalty, so that employees feel motivated to stay within the company. One way of achieving this is to enhance the labor flexibility, productivity and quality. We can see in the answers of our interviews that 75% felt that they were not motivated by external factors like money or free time. Instead they were motivated by encouragement, self-development and job performance (*focus on quality*). This leads us to a conclusion that Transcom should put more focus on labor flexibility, productivity and quality and in creating an organizational culture where commitment and loyalty are appreciated and rewarded. This could result in keeping the employees in the organization. This conclusion is supported by Anders, Union representative, who believes that Transcom's management should listen more to the employee's opinion and complaints regarding the development of the reward system. According to Anders the reward system would be more motivating if the management were more receptive to the employee's opinion.

- What negative effect does the reward system have?

When designing the reward system Transcom had the intention to motivate their employees to greater performance and to change from a short term motivational system to a long term in order to retain workers. The result of this has led to the problem that the direct level of motivation among the employees has decreased. Although when comparing Transcom's system with Porter and Lawler's motivational model the inputs are correct but the result is still negative. This is the effect of waiting to pay out the reward. By delaying the payment the reward does not feel as present as it did with the older system. Therefore Transcom needs to weigh the benefits of retaining employees against the costs of lowered motivation. The effect of thinking long term and retaining employees will result in higher motivation among the employees that decide to stay in the organization. Therefore, the result is better if Transcom focuses on motivating a specific section of the employees or find a reward system that motivates all employees.

One negative aspect of the feedback procedures of the current reward system is that the employees' view of the reward system is heard first after the implementation of the new system. The organization does not gradually evaluate and redevelop the reward system and

therefore the views of the employees are not incorporated in the reward system after it has been implemented.

One of the interviewees' answers seems to support Pfeffer J (1998) claims that the individual based reward system undermines the performance of individuals by discouraging team work and encouraging short term focus. One problem might be that Transcom seems to create an organizational culture where team work is discouraged and where the struggle to reach the individual goals are in direct conflict with every other activity such as for instance "unrewarded" co-operative actions.

- What effect does the reward system have on how the organization attracts employees, retains them or increases the performance in everyday work?

Competitive theory is used to describe what factors that influences people when they choose a job. Beardwell & Holden (1997) explains that people have different preferences regarding payment and leisure when they make this choice. Although, they might not always be in full control when they are looking for work due to other factors such as the need of an income (Price, 2004).

As the competitive theory implies, the interviewees did not have full control over their choice. Frida and Andreas saw the opportunity to get an income when they took the job as summer substitutes. They did not have the chance to compare many different positions in other companies but instead had to make the choice of having an income or not. This is very often the choice people have to make when they do not have any specific ability that is in high demand. Therefore the employer has the control in the hiring process. Victor and Iris on the other hand already had a job when they applied to Transcom. Due to this they had more control in the choice because they did not have to take into account the decision to be without an income. When being in this situation they were more influenced by the reward system in their choice and they saw it as a well functioning system at the moment they joined the organization.

Institutional theory focuses more on internal factors than the above mentioned Competitive theory. The theory argues that the organization uses internal factors such as employee commitment and loyalty to retain employees and by doing so reduce costs of hiring new people (Price, 2004). Institutional theory argues that organizations should focus on intrinsic motivators such as companionship, sense of belonging and the social situation, instead of only extrinsic motivators (Price, 2004).

Transcom has had problems with employee turnover and therefore needs to have methods for retaining people. They have done this by changing their reward system to focus more on long term goals and thereby create an incentive to stay at the company for a longer period of time. This has had the effect that the employees that can see themselves grow inside the organization has received an incentive to do so. This can be noticed in the interview with Iris who is ready to take on a management position. On the other hand this change in the reward system has also had the effect that the employees that see the job as temporary have lost their short time incentive to perform well and therefore are looking for another job. This has led to both a higher retention rate and an increase in employee turnover.

Institutional theory argues that the HR department should cooperate with the employees in order to increase productivity, quality and enhance flexibility. Due to the fact that the development and evaluation of the reward system is done with the union and the employees do not feel included in the process, the organization has failed to motivate through involvement of the employees. This has left the employees to feel powerless to influence

their reward situation and Transcom lost the opportunity to improve the system while taking what motivates the employees into account.

One reward system cannot possibly satisfy all employees. There are often other aspects that can affect why a person would choose one job over the other. The interviewees mentioned that they were in need of a job and income but did not choose their job with respect to the reward system that was implemented and used in organization. So when searching for jobs not many of the interviewees took the reward system into account. However the reward system had an effect on some of the employees and created an incentive to stay in the organization. At the same time it had the opposite effect on other employees as mentioned before. Because of the differences in employees' abilities, performance and demands one reward system cannot retain all employees in the organization.

6 Conclusion

The purpose of this study was to see if a reward system could be used in Transcom to motivate its employees and increase their performance. We also wanted to know if the system used in Transcom today worked or if it could be adjusted to reach a better result.

Transcom's goal with their reward system was to use it to increase the motivation amongst their employees and by doing so increasing the level of productivity. To reach a conclusion about whether or not this goal was met we need to separate the goal into two parts. Increase in motivation and increase in productivity. While interviewing the employees at Transcom's about the reward system we saw that motivation is a product of productivity and not the other way around. We saw that all employees who did not reach the goals regarding productivity had to find other ways to feel motivated at work. Because of this we reach the conclusion that Transcom has failed to reach their goal because the employees not reaching their productivity goals does not feel motivated to try harder, but instead focuses on finding other ways to feel motivated, while the employees reaching the goals felt motivated because of the satisfaction of receiving the reward. The result amongst the employees not reaching the goals became a negative attitude towards the reward system and a struggle to find other motivations to work hard and perform well.

In our study it became obvious that Transcom did not have a clear strategy when building the reward system. Transcom failed in building a communication with their employees regarding motivation and they were not aware of what effect the system had, positive nor negative.

The reward system is built to take both quality and quantity into account. Our research showed that even though most employees were motivated by doing a good job and upholding high quality, this part of the reward system became secondary. The employees work needed to uphold quality but only to a certain degree and this degree of quality was evaluated by their managers who also were rewarded depending on the productivity of the employees. Our conclusion regarding the structure of the system is that quality and quantity should be separated so that the employees motivated by upholding a high quality would be rewarded in regards to the degree of quality in their work. The result of this change would be more focus on quality and also an increase in motivation amongst the employees who perform well regarding quality.

Our first research question asked to what degree it would be beneficial to the organization to adjust to differences in individual roles, abilities and preferences. Our research concludes that Transcom would avoid a negative attitude amongst the employees against the reward system if they had a system that rewarded all performances, not only the highest performing employees regarding quantity.

Transcom's goal was focused on increasing productivity. We believe that the company has much to gain in terms of both motivation and productivity if they would change the purpose of the reward system and put more focus on quality. The aim was to increase motivation, which in turn would result in higher productivity. If they were to increase the motivation of the employees currently performing well in quality, this increase in motivation would lead to higher productivity amongst all employees.

Those who reached the goals thrived at their jobs as they saw themselves as valuable employees and got rewarded. The others did not see the reward as a motivation at all when they found they were not able to reach the quantity targets. By adding a broader basis in the reward system and putting more focus on quality Transcom can create an even higher

motivation among employees who do not meet the quantitative targets but are motivated by upholding a high quality. The result would be that more employees in the organization worked with goals that they found to be attainable and became committed to these goals. This is in line with the goal theory that emphasizes that the objective must be attainable in order for the employees to commit to them.

The final changes we propose are:

- Have a thought through strategy for creating a reward system that motivates all employees in order to avoid negative effects of the system.
- Revise the system to reward good performance in a wider area which brings out different abilities among the employees. Separate quality and quantity of the reward system and reward them equally.
- Create a better dialogue with the employees to get feedback about where they find their motivation to perform well.

6.1 Discussion and future research

We do not think Transcom is the only company to use a reward system that they do not fully understand the effects of. This problem reoccurs in a number of industries, and the question is raised frequently in the media where different reward systems are criticized.

A new reward system in Transcom would require that they reevaluated their motives with the reward system. Our recommendation, that they should use a reward system that increases employee motivation and thus increase both quality and quantity of their work, require that Transcom take all abilities and skills of the employees into account. This raises new questions about how to put a monetary value on factors such as quality.

If a company chooses to focus solely on quantitative, easily measurable factors, they also need to take into account that a large number of employees that add much value regarding the qualitative factors feel neglected and lose their motivation.

Future studies should focus on how to put a monetary value on qualitative factors. We also believe that there should be research done to see if there are differences in profit levels and motivation levels between companies that use reward systems and companies that have fixed pay levels and focus on motivating their employees through other ways than with reward systems.

Another future study could be about the organizations culture effect on reward and motivation of employees. Institutional theory mentions importance of the organizational tradition and the employee's commitment and loyalty. In the article Leadership as a Social Integrative Action, Mats Alvesson writes about the importance of employee's wellbeing and its effect on the quality of the work. He argues that one way of creating an organization where employee's wellbeing is priorities is by involving the employees in the everyday happening in the organization. Another important aspect is creating an organizational culture where employees, which consist of rather homogenous group of people, have strong and frequent contact to their managers. The managers main purpose is to give intellectual, moral and social support to the employee. Give a sense of pride in working within the company. And be positive and socially active. It would be interesting to see if the reward is even necessary in a company which is described by Mats Alvesson.

References

Literature

- Aamodt, M. G. (2006): *Industrial/Organizational Psychology. An applied approach*. New York: Thomson Learning.
- Armstrong, M. (2007): *A handbook of employee reward management and practice*. (2nd ed.) London and Philadelphia: Kogan Page Ltd.
- Armstrong, M. (2002): *Employee Reward* (Third edition). London: CIPD
- Beardwell, I. & Holden, L. (1997): *Human Resource Management: a contemporary perspective*. London: Pitman
- Bruzelius L. & Skärvad P-H. (2000): *Integrerad organisationslära*. Studentlitteratur, Lund
- Bryman, A. (1997): *Kvantitet och kvalitet i samhällsvetenskaplig forskning*. Studentlitteratur, Lund.
- Byars, L. Rue, L. (2003): *Human Resource Management – International Edition*. (7th ed.) New York: McGraw – Hill.
- Crawford, K.J. & Cabanis-Brewin J. (2009): *Optimizing Human Capital with a Strategic Project Office*. Taylor & Francis Group, Boca Raton.
- Dyer, C. (1995): *Beginning Research in Psychology - A Practical Guide to Research Methods and Statistics*. Oxford: Blackwell Publishers.
- Furnham, A. (1997): *The psychology of behaviour at work. The individual in the organisation*. Hove: Psychology press.
- Hartman, J. (1998): *Vetenskapligt tänkande*. Studentlitteratur, Lund.
- Heery, E. (1996): Risk, representation and the new pay. *Personnel Review*, Vol 25. No 6. University Press. Cardiff University, Cardiff, UK.
- Jacobsen, D I. (2002): *Vad, hur och varför?*. Studentlitteratur, Lund.
- Jex S. M. (2002): *A Scientist - Practitioner approach. Organizational Psychology*. New York: John Wiley & Sons.
- Katzenbach, JR. Smith, DK (2003) *Wisdom of Teams: Creating High Performance Organizations*. HarperBusiness Essentials
- Kerr S. (2009): *Reward Systems – Does yours measure up?* Boston: Harvard Business School Publishing
- Lawler, EE. (1990): *Strategic Pay*. Jossey-Bass Publishers: San Francisco
- Mark, R. (1996): *Research made simple – A handbook for social workers*. Thousand Oaks. SAGE Publications.
- Pfeffer, J. (1998): Six Dangerous Myths About Pay. *Harvard Business Review*. Boston: Harvard Business School Press.

- Pinnington, A. Edwards, T. (2000): *Introduction to Human Resource Management*. Oxford: Oxford university press.
- Price, A. (2004): *Human Resource Management in a business context*. London: Thomson
- Saunders, M. Lewis, P. Thornhill, A. (2003): *Research methods for business students* (3rd Ed). Harlow: Prentice hall.
- Smither, R. D. (1998): *The psychology of work and human performance*. New York: Longman.
- Stredwick, J. (2000): *An Introduction to Human Resource Management*. London: Bath Press Ltd.
- Söderlund, J. & Bredin, K (2005): *Perspektiv på HRM – nya organisationsformer, nya utmaningar*. Malmö: Liber Ekonomi.
- Torrington, D. Hall, L. (1998): *Human Resource Management*. (4th ed.) Hemel Hempstead: Prentice Hall Europe.
- Transcom AB. Retrieved: 2008-05-10, Last updated 2006-11-02. <http://www.transcom.se/>
- Wigblad, R. (1997): *Karta över vetenskapliga samband: Orientering i den vetenskapliga metodjungeln* (2nd ed.) Studentlitteratur, Lund.
- White, M. Ghobadian, A (1985): *The Responsiveness of an Interactive Payment Scheme*. Policy Studies Institute Publications. London.

Appendix A

Transcom AB - Bonus System

Who are included?

Every employee at Transcom.

Exceptions: hourly employees.

The bonus system is active first after three months of employment at Transcom. Temporary agency work prior to the employment will be considered.

Any employee, or team, which could receive commission, which is not a part of cross -and sales commission is not entitled to participate in the bonus system.

Anyone who has not accepted the terms of the agreement of Random Recordings is disqualified to participate in the bonus system.

Monthly Bonus –The old Bonus System

Productivity target:

According to Appendix A-1

Target Value Efficiency:

In accordance with Appendix A-1

Earnings:

Monthly

Payment:

Monthly.

Bonus is paid the month after the earning month.

Only whole months are accounted for, i.e. if you end your employment in the middle of a month, it is excluded.

Qualifying Parameters

Quality

Co-listening achieved in accordance with Appendix A-1

Product test achieved in accordance with Appendix A-1

Sick leave

The payments are done according to corresponding deposited time. All absence is subtracted except for: time off in lieu, union time, and lengthy education.

Levels:

< Target Value-	0 kr
= Target Value-	500 kr
> Target Value-	500 kr

The goal levels are indexed where reaching the target level in the employees category is index 100.

Goal	Bonus SEK
100	500 kr
101	717 kr
102	933 kr
103	1150 kr
104	1367 kr
105	1583 kr
106	1800 kr
107	2017 kr
108	2233 kr
109	2450 kr
110	2667 kr
111	2883 kr
112	3100 kr
113	3317 kr
114	3533 kr
115	3750 kr
116	3967 kr
117	4183 kr
118	4400 kr

Half a year Bonus – The New Bonus System

(Valid from 1st of February 2008-02-01)

Productivity target:

According to Appendix A-1

Target Value Efficiency:

In accordance with Appendix A-1

Earnings:

Monthly

Payment:

Every six month.

The payments are done according to corresponding deposited time. All absence is subtracted.

No reduction because of time off in lieu.

You have to be employed the whole time span to receive the six month bonus. The payments are done in August and February. The taxation of this potential payment will be in the same level as the regular salary.

Qualifying Parameters:

Quality

Co-listening achieved in accordance with Appendix A-1

Product test achieved in accordance with Appendix A-1

Sick leave

More than three instances of sick leave per half a year period eliminates the half a year bonus regardless of earnings.

Levels:

< Target Value-	0 kr
= Target Value-	184 kr

The goal levels are indexed where reaching the target level in the employees category is index 100.

Goal	Bonus SEK
100	184 kr
101	368 kr
102	553 kr
103	737 kr
104	921 kr
105	1105 kr
106	1289 kr
107	1474 kr
108	1658 kr
109	1842 kr
110	2026 kr
111	2211 kr
112	2395 kr
113	2579 kr
114	2763 kr
115	2947 kr
116	3132 kr
117	3316 kr
118	3500 kr

Appendix A-1

Active KPI (Key Performance Indicators) numbers for CSR and payment of bonus

The payments of CSR bonus as of the 1st of February 2008 are based on the following numbers. Main skill that CSR is working with, define which category CSR belongs to.

When there is a need for change of target values for a category this has to be addressed by the responsible BM, after which a decision is taken by the Management Team.

Productivity – Number of incoming calls

Category (Dept. where the employees works)	Target Value (100% = 161 calls)
ALL	85%
Multiskill Sterling - Tele 2 Mobil PRV	80%

Efficiency – Duration of incoming calls

Category (Dept. where the employees works)	Target Value (100% = 4min)
---	-----------------------------------

Category 1

Internet Kuse/Supp 2nd Line	85%
Internet Kuse	71%
Team 1-3	70%

Category 2

OT T2 WB	96%
Optimal 1	72%
Optimal Second Line	85%
Tele 2 TV Second Line	85%
Tele2 Vision 1	73%

Category 3

T2 Kga 2 nd Line	85%
T2 Kga Faktura/Internet	70%
T2 Kga Fast Int Övr	75%
T2 Kga Mobil Övr	75%
WB Poolteam	70%

Category 4

BO Fullfillment	80%
Datametrix	75%
Flytt/Nytt	90%
Mobil Ftg 7 ADMI	80%
Natten	75%
Secondline	90%
TM Canvas	80%
ÅF-grupperna	75%

Category 5

T2 Kga TV	80%
-----------	-----

Viasat FLS	71%
Viasat SLS	77%
Viasat Sales	75%
Viasat ÅF	78%

Category 6

B2 1½ grupp	80%
B2 AC/Fakt/Ö-o	70%
B2 Ac Tim Ö-o	75%
B2 Ktj/ITS/Supp	70%
B2 Ktj BO	85%

Category 7

Ving NRK	70%
----------	-----

Category 8

NRK	70%
-----	-----

Category 9

Viasat NRK	71%
------------	-----

Category 10

Second Line	80%
Comviq gr 10 TT	50%
Comviq	75%

Category 11

T2 Fast Second Line	75%
Tele2 gr 1, 2, 3, 4, 7	75%
Tele2 gr 5	65%

Category 12

Tele2 Fast	71%
Tele2 Mobil	71%

Quality values

Category(Dept. where the employees works)

	Qualifying values	
Viasat	Co-listening	77%
	Prod.test	90%
Bredbandsbolaget CSR	Co-listening	74%
	Prod.test	90%
Tele2 CSR	Co-listening	77%
	Prod.test	90%
OT CSR	Co-listening	83%
	Prod.test	90%

Co-listening

The managers listens in on five calls per month and the employee is graded on a scale of 1-10 in the following areas:

- Customer service
- Problem solving
- Additional sales
- Knowledge level
- Friendliness

Product test

The test has 10 questions within the following areas:

- Problem solving
- Product knowledge
- Technical knowledge
- Product updates

Bonus model – Teamleader

Active from 1 January 2008

Who is included?

Every team leader who is not included within another bonus system

Bonus criteria and terms

Qualifying criteria

Criteria	Terms	Measured on
Productivity	Average team value according to KPI	Team
Co-listening	At least pass as average	Team
Product tests	At least pass as median	Team

Earning period

Monthly, January-June and July-August. The monthly bonus is added to the total every month where the qualifying parameters are met.

Every criteria except efficiency is measured on team level; efficiency is measured on BA-level.

Payments

Per six month, August and February.

No bonus is paid, if the employee quits during the period.

Levels and compensation – Average level of the employees in the group

Goal	Bonus
100	1000 kr
101	1150 kr
102	1300 kr
103	1450 kr
104	1600 kr
105	1750 kr
106	1900 kr
107	2050 kr
108	2200 kr
109	2350 kr
110	2500 kr

Appendix B

Interview with Human Resources (HR) Anna Holmén

1. Please describe Transcom's Reward System?
2. What was the main purpose of implementing Reward System at Transcom?
3. The Reward System was changed recently? Why did you change it and what did you hope to achieve with the changes?
4. What is outcome of the change?
5. What are the biggest differences between the old and the new Reward System?
6. Did implementation of the system result in higher performance?
7. Do you feel that your Reward System affect your recruitment process and your employees wish to stay at Transcom?
8. How does the development process of Reward System look like?
9. How can your employees influence your Reward System? Are you trying to encourage a dialog with the employees involved, so that you can improve the Reward system?
10. Did you notice any negative effects of the new Reward System? (ex. Decrease in the employee's motivation because of the bonus pay-out delay)
11. Did your employee turnover decrease after the implementation of the new Reward System?

Employees

1. How important was your salary when you applied for the job? How important is your salary now in your everyday work? At what degree would you say that the size of salary affects your wish to stay at the company?
2. How are you affected by the present Reward System?
3. What is your motivation to work?
4. How can you keep this motivation?
5. Do you have a possibility to affect the Reward System? Are there any discussions with HR regarding this question?
6. What is your opinion on the HR work with the Reward system?
7. What sort of reward system do you prefer? Individual or group based?
8. Is it important to have set goals?

Trade Union

1. Can you describe the process of developing the reward system of Transcom? Where do the ideas come from and who ultimately decides how the final product will look like?

2. What is the main purpose of having a reward system at Transcom?
3. Is Transcom's reward system based on another more known reward system?
4. What is your role in developing the reward system?
5. Do the employees have any possibility to effect the reward system? How can the employees affect the reward system? Do you have a specific system for their opinions to be expressed?
6. Transcom has recently changed its reward system. Was the change necessary and how did the change process go?
7. Did the new reward system receive any criticism by the employees? If so, what would you say was the focus of the criticism?
8. Do you think it would be better to replace the reward system with higher salary?
9. What is your opinion on individual salary development? How do you think it would work compared to today's reward system?