

**IMPACT OF PERFORMANCE REWARDS ON
EMPLOYEE TURNOVER IN SOFTWARE INDUSTRY**

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DECLARATION

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ABSTRACT

Almost all IT organizations today carry out performance reward schemes to evaluate and compensate employees based on their performance. At the same time management intends to retain talented staff within the organization for a longer period of time by keeping them motivated by means of rewards. However not all reward schemes are effective in retaining employees, thus this study attempts to reveal the most effective reward types that would help IT organizations to minimize employee turnover.

This study uses quantitative method and, the data is collected through an online survey. The population used for this study is software professionals who work in software organizations which are estimated to be around 40,000 (ICTA, 2013).

In the present study *Monetary rewards*, *Non-Monetary rewards* and *Reward Frequency* were negatively correlated with *Employee Turnover*. This means that as the monetary rewards and non-monetary rewards are less and the rewards are offered at lesser frequency, employees tend to turnover more in IT organizations. Detailed analysis revealed that long term monetary rewards are more successful in retaining employees which are offered at semi-annual intervals.

This research brings out valuable results that can be incorporated in organizational performance reward policy by the managements of the IT organizations in with a special emphasis on the turnover of their employees. Further, the present study hints on other avenues that could be explored further as future research, in the field of performance rewards at work place and its impact on individuals.

Keywords: Performance appraisal, Employee Turnover, Monetary rewards, Non-monetary rewards, Reward frequency

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LIST OF ABBREVIATIONS

IT – Information Technology

PA – Performance Appraisal

1. INTRODUCTION

1.1. Background

Information Technology (IT) industry is one of the fastest growing and rapidly changing industries in current global context. With the advancement of telecommunication, global communication boundaries has become insignificant. As a result software industry has become ever more competitive and human resources are being attracted across the world irrespective of the geographical boundaries. Recent studies have found that the retention of skilled employees has become one of the key challenges for managers as they are being attracted by organizations globally. Even though there are several factors which influence employee turnover, providing better rewards for performance can be an effective method of retaining skilled employees within the organization. Thus most of the IT organizations conduct Performance appraisals (PA) to evaluate employee performance and compensate them accordingly.

Performance appraisal is one of the most important and represents a central function of human resource management practices in organizations as it yields critical decisions to various human resource actions and outcomes (Jawahar, 2007; Murphy and Cleveland, 1995). In the past, PA had been considered as a formal process of employee monitoring by the organizations (Cardy and Dobbins, 1994; Murphy and Cleveland, 1991). However in the 19th century it has evolved as a wider-reaching and inclusive process rather than a heavily bureaucratized practice. Thus, in its recent form, PA is defined as “activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards” (Fletcher, 2001, p. 473)

Even though the main objectives of PAs are to evaluate employee performance, improve them and to make compensation by means of rewards, the effectiveness of performance rewards on employee retention is still questionable. This can be due to poor performance reward strategies or the less attractiveness of performance rewards.

This can be evident especially in software industry where employee turnover is quite high. IT employees tend to move frequently between employers seeking for better positions and rewards. As a result managers in software industry finds it difficult to retain talented staff with the organization for a longer period of time.

This research focuses on identifying the relationship between performance rewards and employee turnover in Sri Lankan private IT organizations. Even though some prior researches have been conducted on the relationship between pay and turnover intention, no research is found to have extended the relationship between performance rewards and turnover. If the direction and the significance of the relationship between performance rewards and employee turnover can be identified, this would be useful for the software industry organizations to better manage their talented employees and to take initiatives to retain them with the organization for a longer period in order to be competitive in the industry.

1.1.1. Motivation

Many IT companies have found themselves in difficult situations when some of their key employees leave the company at critical stages. This has made managers to look for possible ways to retain their key staff at whatever cost possible. This could sometimes be one of critical reasons for employees to look out for other job opportunities and ultimately deciding to leave their current employer.

However the curiosity I have is to identify whether performance rewards really have any significant impact on employee turnover especially in IT industry where the job market is quite dynamic.

1.1.2. Research Scope

This research focuses on identifying the relationship between performance reward and employee turnover in Sri Lankan private software industry. The research is carried out based on Sri Lanka Association for Software and Services Companies (SLASSCOM)

listed IT companies whose core business is IT/Software Products or IT/Software services.

Empirical data is collected from an online questionnaire on performance rewards offered by the company and the current turnover intention of the employee.

1.2. Problem Statement

The problem most managers encounter in Sri Lankan software industry on employees is the difficulty of retaining talented employees within the organization for a longer period. Even though how much compensation rewards are offered, talented employees often tend to move out of IT organizations within few years of time. But the question still remains whether this is due to lack value of rewards or due to some other factors.

In order to find out the impact on performance rewards, the perception of the reward in the perspective of both organization and employee must be analyzed. This is because the reward that has been offered by the organization may not be worth enough in the employee's perception for the employee to stay with the company. Therefore the problem statement can be defined as follows;

“What is the relationship between performance reward and employee turnover in software industry?”

1.2.1. Research Objectives

Following objectives are intended to be met during this research.

- Identify the types of performance rewards provided to employees in software industry.
- Identify the correlation between performance rewards and employee turnover
- Recommend key rewards that should be in place to minimize employee turnover in software industry.

1.2.2. Research Significance

The findings of this research provide valuable information to identify possible relationship between performance reward and employee turnover intension. If proven to be significantly related, it would help management in the software industry to identify key rewards to be in place in every company in order to minimize the potential turnovers of talented staff.

This would benefit both the organization and the employee by providing better valued rewards for the employee and enabling organization to minimize turnover by retaining their key individuals.

1.2.3. Outline

Introduction Chapter provides an overview of the research and the objectives that are expected to be met. The literature review chapter provides detailed analysis of previous studies that have been conducted on similar areas which would provide credibility to this current study. The Methodology chapter discusses the methods and approaches taken to develop a conceptual model, conduct the study, collect data and perform analysis. Subsequently the Data analysis section analyses research data using several statistical models and derive conclusions based on relationships of different variables. Finally the conclusion and recommendations section will provide ultimate answers to the research question while providing business solutions as recommendations.

2. LITERATURE REVIEW

This chapter provides detailed analysis of previous literatures which are related to the current study of work.

2.1 Performance Rewards

Most organizations in today's dynamic business environment focus on reinforcement of reward systems which goes hand-in hand with HR practices and the objectives of the organization in attracting, training and motivating employees. Effective reward systems can attract result driven individuals who will thrive and succeed in performance based environments (Ryan, 2013). Therefore these environments will be motivating factor and would contribute in enhancing the productivity of the employees. However while small organization are expecting to reap more out of employees on the other hand employees in those organizations are expecting more out of the company. In such situations performance based reward and recognition systems are key methods of motivating employees to change their working habits and key behaviors to benefit a small organization.

2.1.1. Reward Vs Recognition

Even though these two terms are being used in parallel, reward systems and recognition should be considered separately. Reward systems are used by organizations to reward employees based on their performance and motivate them where the rewards are likely to be monetary in nature or at least have a cost to the company. Although many small companies find it difficult to cope up with these expenses, still they try to engage in some kind of reward systems to appreciate their top performing employees in a competitive job market with the intention of retaining them with the company for a longer period.

On the other hand employee recognition programs are also connected with reward systems to serve a different purpose. These programs are expected to provide a psychological benefit rather than a tangible value, although some elements of recognition programs and reward systems are the same. According to Aniruddha (n.d.) recognition mostly refers to non-monetary ways of saying thank you and can take the form of thank you notes, pins, plaques, award ceremonies, company products, gift

vouchers, employee photograph in the company newsletter or on “the wall of fame” , to name just a few

2.1.2. Intrinsic Vs Extrinsic Rewards

Intrinsic rewards directly associated with "doing the job." According to Herzberg (1987a) intrinsic rewards are those that exist in the job itself. They are derived from the content of the task itself and include such factors as interesting and challenging work, self-direction and responsibility, variety, creativity, opportunities to use one's skills and abilities, and sufficient feedback regarding the effectiveness of one's effort. Some other examples were also identified as achievement, variety, challenge, autonomy, responsibility, and personal and professional growth (O’Driscoll & Randall, 1999; Raghu, Sen, & Rao, 2003). They also include status, recognition, praise from superiors and co-workers, personal satisfaction, and feelings of self-esteem (Baker, Jensen, & Murphy, 1988)

Extrinsic rewards on the other hand are external to the job itself and are provided by the organization for the purpose of facilitating or motivating task performance. They comprise such elements as pay, fringe benefits, job security, promotions, private office space, and the social climate (Herzberg, 1987b; O'Driscoll & Randall, 1999). Other examples include competitive salaries, pay raises, merit bonuses, and such indirect forms of payment as vacation and compensatory time off. These factors have been traditionally referred to as instrumental reward.

2.1.3. Monetary rewards Vs Non-Monetary rewards

Motivating employees is a challenging task for a manager in any organization. In some industries, monetary rewards alone are good enough to motivate employees and get the most out of them while in other industries non-monetary types of rewards are more effective. Even though the difference of monetary and non-monetary rewards can be distinguished easily, their impact on employee’s performance and motivation is somewhat difficult to be measured.

As the name implies a monetary reward is a money-based incentive given to an employee when he/she exceeds expectations. These rewards can include salary increments, cash bonuses, stock options, profit sharing and several other types which would increase employee's compensation. (Harunavamwe & Kanengoni, 2013). However Kohn (1993) argues that monetary incentives encourage compliance rather than risk-taking because most rewards are based only on performance. As a result, employees are discouraged from being creative in the workplace. On the other hand according to Andrew Ballentine et al. (2015), non-monetary awards tend to come with the promise of an opportunity. Opportunities can include time off from work, flexible work schedules or even positive changes in the work environment. Non-monetary motivation schemes can mean more to employee engagement as the reward on offer can be linked to key behaviours and integrated with an overall incentive theme.

Research works have found out that people in the organizations are motivated by monetary and non-monetary rewards both. For example research works of Armstrong and Murlis (1991) and Schuler and Jackson (1996) explained that total remuneration consists of financial rewards and non-monetary rewards. However, the fact remains that every employee has their individual set of motivation and incentives to expend effort. Some are motivated by money while others are motivated by recognition, career advancement or even by job security. A study conducted by the US Department of Labor found that 46% of people leave their jobs because they feel unappreciated and management fails to handle this huge turnover because of not having proper employee rewards and recognition strategies says Robert (2005). Hence following hypotheses were derived;

H1- There is a negative relationship between Monetary rewards and employee turnover

H2- There is a negative relationship between Non-Monetary rewards and employee turnover

2.1.4. Total Reward

According to Shujaat & Alam, (2013) “total reward” includes career developmental opportunities, non-financial recognition, employee development and training besides monetary incentives and rewards. Earlier, Armstrong and Murlis (1991) had also talked about the same concept of total remuneration. According to them, consists of financial rewards both fixed and variable and the non-financial rewards including verbal praise, achievement, responsibility, freedom, job satisfaction, job security and personal growth etc. likewise, Strovall (2003) argues that non-financial rewards motivate workers which lead to job satisfaction and an effective reward package could have an important impact on the employee’s performance. Dzuaranin (2012) says that companies that only focus on monetary incentives to motivate their employees must also introduce non-monetary rewards to their performance rewards systems to increase the motivation level of their employees since many people prefer the former over the latter. This study suggests that the organizations using effective reward programs better achieve their organizational objectives and also influence employee behavior

2.1.5. Types of performance rewards

A literature review has been carried out to identify the types of performance rewards offered by companies in varying business industries around the world. Following results in Figure 2.1 were taken from the literature reviews done on previous researches and journal publications. According to this analysis Salary increments, cash bonuses and promotions have found to be having a higher occurrence.

Table 2.1 – Variable sub-factor references

Variable	Sub Factor	Previous Literature Source
Monetary Rewards	Increments	D. Hall-Ellis, S. (2014); Rajiv Mehta (2000); Schlechter, A.(2015); Aguinis, H (2013); Tian-Foreman, W. (2009)
	Incentives	Rack, O. (2011); Aguinis, H. (2009); Aguinis, H (2013)
	Merit rewards	D. Hall-Ellis, S. (2014); Scott, T. W.(1999)

	Stock options	Markova, G. (2011); Rajiv Mehta (2000); Aguinis, H. (2009); O'Halloran, P. L. (2012)
	Fringe benefits	Aguinis, H. (2009); O'Halloran, P. L. (2012); Tian-Foreman, W. (2009)
	Profit sharing	Rack, O. (2011); O'Halloran, P. L. (2012)
	Cash bonuses	Markova, G. (2011); Rajiv Mehta (2000); Scott, T. W.(1999); Aguinis, H. (2009); O'Halloran, P. L. (2012) ; Tian-Foreman, W. (2009)
Non-Monetary Rewards	Training	Schlechter, A.(2015); Aguinis, H (2013); Tian-Foreman, W. (2009)
	Promotions	Rajiv Mehta (2000); Schlechter, A.(2015); Scott, T. W.(1999); Aguinis, H (2013); O'Halloran, P. L. (2012); Tian-Foreman, W. (2009)
	Awards	Markova, G. (2011); Aguinis, H (2013)
	Retirement plans	D. Hall-Ellis, S. (2014); Rajiv Mehta (2000)
	Recognition	Markova, G. (2011); D. Hall-Ellis, S. (2014); Aguinis, H (2013)
	Dinner outs	Markova, G. (2011)

Occurrence of performance rewards on literature sources

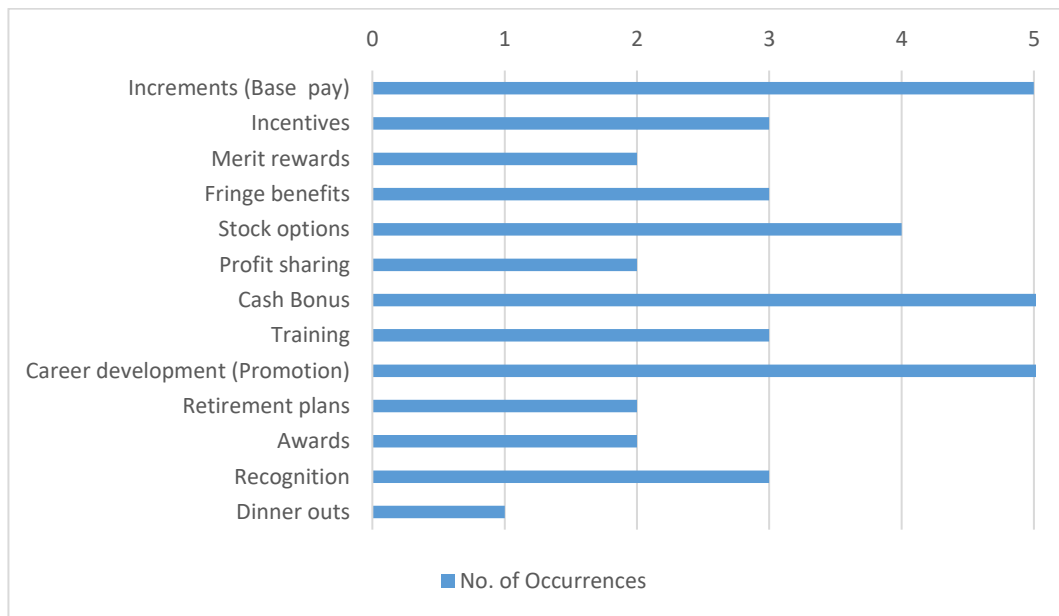


Figure 2.1- Performance reward types from literature

A detailed explanation of some of the most prominent reward types are included in the following section.

Increments (Base pay raises)

Salary increments is an increase of the basic salary of an employee defined either in real amount or as a percentage to the basic salary. Employees who receive annual increases in their pay typically receive a percentage increase. This percentage adds to the employee's existing base salary. For example, when management approves a 3 percent raise for all sales employees, each employee's salary is increased by 3 percent.

Stock Options

Employee stock options, or ESOs, represent one form of equity compensation granted by companies to their employees and executives. They give the holder the right to purchase the company stock at a specified price for a limited duration of time in quantities spelled out in the options agreement. ESOs represent the most common form of equity compensation. But these options do not have any marketable value (since they do not trade in a secondary market) and are generally non-transferable.

Promotions (Career Development)

Promotion is the reassignment of a higher level job to an internal employee with delegation of responsibilities and authority required to perform that higher job and normally with higher pay.

Recognition

Recognition is one of the most powerful methods of rewarding people (Armstrong, 2010). They need to know not only how well they have achieved their objectives or carried out their work but also that their achievements are appreciated. Recognition needs are linked to the esteem needs in Abraham Maslow's hierarchy of needs. These are defined by Maslow as the need to have a stable, firmly based, high evaluation of oneself (self-esteem) and to have the respect of others (Armstrong & Murlis, 2007).

Cash Bonus

Bonuses work as short term motivators which rewards employee's performance for the previous year. Therefore they encourage short term perspective rather than long term strategic accomplishments (Inc, n.d.). Organizations must ensure that these bonus programs are structured in a way that it would only reward above average accomplishments. If not they will run the risk of being considered as an entitlement rather than a reward for outstanding performance. Companies are now moving towards bonuses based on team performances rather than individual performance where team performances are likely to impact more on overall organizational performance.

Fringe Benefits

Employers may choose to offer fringe benefits (FB) since workers can have strong preferences for fringe benefits thus decreasing the prevalence of turnover as effectively as an equivalently valuable increase in wages (Dale-Olsen, 2006) Examples of FBs are paid annual leave, free accommodation and insurance coverage (Ahmad & Scott, 2015). Several advantages of fringe benefits are obvious. First, with implicit long-term contracts with their employees, employers can compensate them according to their needs: varying with illness, death, dependency, education, and retirement. Employees

give up a measure of control of their consumption choices in order to have compensation levels that vary with their life circumstances Malcolm (1990).

Training Programs

Companies provide training for their employees as a reward for their performance. These training can be for technical development or soft skill development. Training aims to provide employees with proficiency in the execution of given tasks (Samuelsson, 2006). The outcomes of training should be tangible, in that they should complement and support the company's financial stability. Some companies provide overseas training for selected employees which works in both ways, by improving employee skills and motivating them as form of a reward.

2.1.6. Expectancy Theory

The expectancy theory was proposed by Victor Vroom of Yale School of Management in 1964. According to Vroom (1964), this theory states that employee's motivation is an outcome of how much an individual wants a reward (Valence), the assessment that the likelihood that the effort will lead to expected performance (Expectancy) and the belief that the performance will lead to reward (Instrumentality). In short, Valence is the significance associated by an individual about the expected outcome. It is an expected and not the actual satisfaction that an employee expects to receive after achieving the goals. Figure 2.2 below illustrates Vroom's expectancy model.

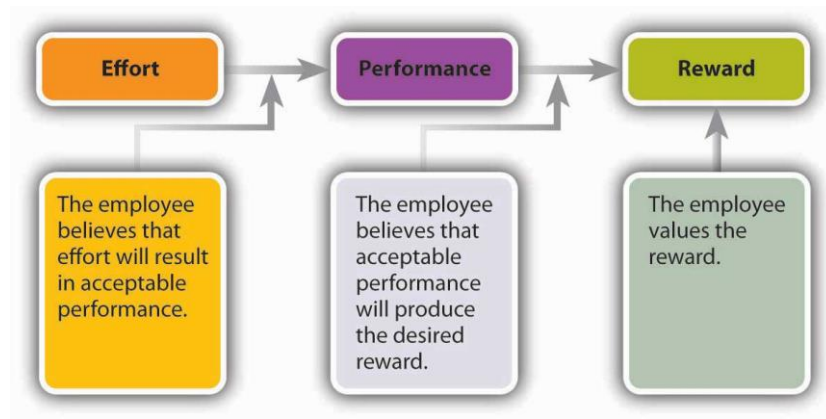


Figure 2.2- Expectancy model

Valence refers to the emotional orientations which people hold with respect to outcomes (rewards). The depth of the want of an employee for extrinsic (money, promotion, time-off, benefits) or intrinsic (satisfaction) rewards. Management must discover what employees' value. Employees have different expectations and levels of confidence about what they are capable of doing. Management must discover what resources, training, or supervision employees need. The perception of employees as to whether they will actually get what they desire even if it has been promised by a manager. Management must ensure that promises of rewards are fulfilled and that employees are aware of that. Vroom (1964) suggests that an employee's beliefs about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain

Crucially, Vroom's expectancy theory works on perceptions. So even if an employer thinks they have provided everything appropriate for motivation, and even if this works with most people in that organization, it doesn't mean that someone won't perceive that it doesn't work for them. At first glance expectancy theory would seem most applicable to a traditional-attitude work situation where how motivated the employee is depends on whether they want the reward on offer for doing a good job and whether they believe more effort will lead to that reward. This theory suggests that employees perceive certain value of a reward for the effort they put in to achieve higher performance.

2.2. Reward Frequency

Reward frequency indicates how often the company offers performance rewards to the employees. The frequency of when rewards are offered may be even more important than the reward itself. In the past, many company rewards came at the end of the year and were limited in scope, focusing only on big accomplishments but not the day-to-day wins. Rewarding the small actions that lead to the big wins requires a more frequent approach, but is well worth it when it comes to keeping your employees motivated. Plus, offering frequent opportunities for rewards keeps your program front and center throughout the year (Brown J. , 2017).

Employees vary in their views on the frequency of feedback. One survey found that baby boomers prefer less frequent feedback while millennials prefer more. Experienced workers know the job so see no value in feedback. Younger workers feel blindsided by feedback that comes but once a year (Brown M. , 2017). The argument for increasing the frequency of feedback is that it will provide more timely information that employees can use to learn and be more effective. This is particularly the case when it's tied to events in the workplace. One study (Salmoni et al, 1984) found that more frequent feedback improves employee learning and task performance. A subsequent study (Lam et al, 2011) also found that increasing the frequency of feedback had a positive effect on learning and performance but only up to a point. It gets to a point where feedback can be overwhelming for employees, where its too much to process and respond to. This can actually reduce employee learning and performance. The challenge is to find the sweet spot between too much and too little feedback (Brown M. , 2017). The American Express (n.d.) sponsored research has also found that monetary value of the reward is by far the biggest factor influencing employee morale, followed by reward frequency.

According to the previous studies above, it is confirmed that the reward frequency is of an importance of same as the reward itself. Thus it is assumed the reward frequency is having an impact on employee turnover. Hence following hypothesis is derived;

H3 – There is a negative relationship between Reward frequency and employee turnover.

2.3. Employee Turnover

Employee turnover is the rotation of workers around the labour market; between firms, jobs and occupations; and between states of employment and unemployment (Abassi et al., 2000). Similarly Woods (2006) describe it as the replacement cycle each time a position is vacated either voluntarily or involuntarily. The term “turnover” is defined by Price (1977) as the employees who have left the company during a given period divided by the average total number of employees in the organization in that period. Higher the turnover rate/ratio larger the number of employees who have left. According to Elangovan (2001) when employees start thinking and purposefully searching for another job with reference to a time at some point in the near future, it is referred to as turnover intention.

According to Abassi et al. (2000) some of the main reasons for employee turnover in organizations are hiring practices, management style, lack of recognition, lack of competitive compensation system, toxic workplace environments, etc. In addition to that lack of interesting work, lack of job security, lack of promotion and inadequate training and development opportunities can also be factors impacting employee turnover intention. Sagie et al. (2002) reported that the total cost of employee withdrawal to organizations is 17 percent of pre-tax annual income. Therefore assessing voluntary turnover intentions is not only an important sign to employees’ probability to leave the current position, but it also helps organizations to comprehend the determinants that affect their intentions due to its relevance with actual turnover as well as importance for organizations which face shortage of talented employees which is related to high costs (Siong et al., 2006)

2.3.1. Voluntary turnover Vs Involuntary turnover

A turnover can be of two forms, voluntary turnover and involuntary turnover. Voluntary turnover is the process where employee decides to terminate the employment contract whereas involuntary turnover is where employer decides to terminate employment contract (Aman 2015). Irrespective of the type, high turnover

for any organization would mean that the investment they have made on employees have not made sufficient returns. Not all employee turnovers can be controlled by the company but the rate of voluntary turnover can and should be a priority for managers. (Hom and Griffeth, 1995),

2.3.2. Factors Impacting Employee Turnover

Turnover basically arises from the unhappiness from job place for individual employee. But being unhappy in a job is not the only reason why people leave one company for another. If the skills that they possess are in demand, they may be lured away by higher pay, better benefits or better job growth potential. That's why it is important to know and recognize the difference between employees who leave the job because they are unhappy and those who leave for other reasons. There are number of factors that contribute to employee turnover. From their study Shamsuzzoha & Shumon (2007) had found several key causes that influence employees to turnover and several other causes that influence employees to stay. Among them there were several performance rewards related causes such as less increments, less salary, delay of promotions, irregular payment which influenced employees to leave. On the other hand the performance reward related causes for employees to stay were bonus, increments, training programs, timely promotions, and reward for performance.

In the same stream Cotton & Tuttle, (1986) from their meta-analysis had identified several work related correlates to turnover such as pay, job performance, satisfaction with promotional opportunities. Tian-Foreman (2009) in his study has also found similar factors which included annual pay increase, bonuses, fringe benefits, promotion opportunities, training opportunities.

Performance pay and Employee Turnover

A study by O'Halloran (2012) on the impact of Performance Related Pay (PRP) on employee turnover has been carried out to explore how various performance related pay schemes impact employee turnover in organizations. It had also tested whether profit sharing has a different impact on comparison to the other forms of PRP. By utilizing the National Longitudinal Survey for Youth (NLSY79) dataset a nationally representative longitudinal dataset in US, analysis was done with specifying the determinants of employee turnover and then progressively adding various sets of controls known to impact turnover decisions to observe how they impact on PRP coefficients.

The dataset was inclusive of information regarding responders' experience and attachment, demographic, earnings, investment education and training as well as information on job satisfaction. Data cleansing has been done prior to analysis by removing military servants as job turnover means vastly different for them than to the civilians and those who mentioned as self-employed as turnover is meaningless to them.

3. RESEARCH METHODOLOGY

This chapter presents overall research method used in the study for the achievement of desired research objectives mentioned in Chapter 1. The conceptual framework was designed with the use of referred literature where similar studies have been carried out on a given problem. This section includes identification of variables, design of conceptual framework, research instrument, determination of population and sample size, preparation and methods for data collection.

3.1. Research Method

Questionnaire survey is one of the most popular and most commonly used quantitative research instruments in research community. This method has several advantages over other quantitative data collection methods, such as observations and interviews. Firstly, questionnaires enable a researcher to gather large amount of data in relatively less time. Furthermore, questionnaire surveys are relatively more cost efficient as compared to others (Hennink, Hutter, and Bailey 2010)

This study is an empirical study, based on the primary data. A literature survey has been carried out on related publications which will be sourced as the secondary data for the study. Considering the nature of the present study, an unstructured online questionnaire was used in order to collect relevant information from a sample of 380 IT employees. The questionnaire was distributed to 400 employees from 100 IT companies listed in SLASSCOM members listing where the core business is IT software/development or IT services. The survey has been done from Associate Software Engineer or similar level to the Project Manager level.

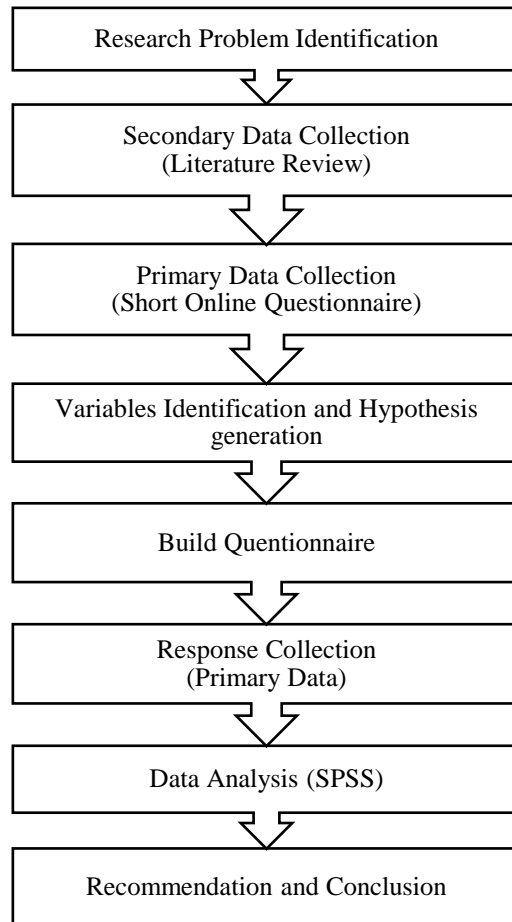


Figure 3.1- Research methodology process

Figure 3.1 above illustrates the process of this study starting from the point of identification of research problem. After reviewing adequate literatures it was decided to proceed with quantitative method in identifying a solution for the research problem. Previous researches on similar areas of study have identified various types of performance rewards globally. However not all of these reward types are directly applicable in software industry. Therefore a short questionnaire was carried out on a random sample of 31 IT employees asking which performance reward types their organization offers. This study revealed that there are six most prominent types of performance rewards offered by Sri Lankan IT companies which are used as sub-

factors of variables of this study. These sub-factors are illustrated under Section 4.1 of this study.

3.2. Conceptual Framework

The conceptual framework of the study is the key for developing the questionnaire used for data collection. In order to measure the impact of Performance rewards on employee turnover this framework utilizes three independent as indicated in Figure 3.2. These are Monetary Rewards, Non-monetary rewards and reward frequency. According to the literature survey, it was revealed that assessing future turnover intension is more reliable than assessing past turnover decisions. Therefore dependent variable Employee Turnover is measured by future ‘Turnover Intension’ of the employee.

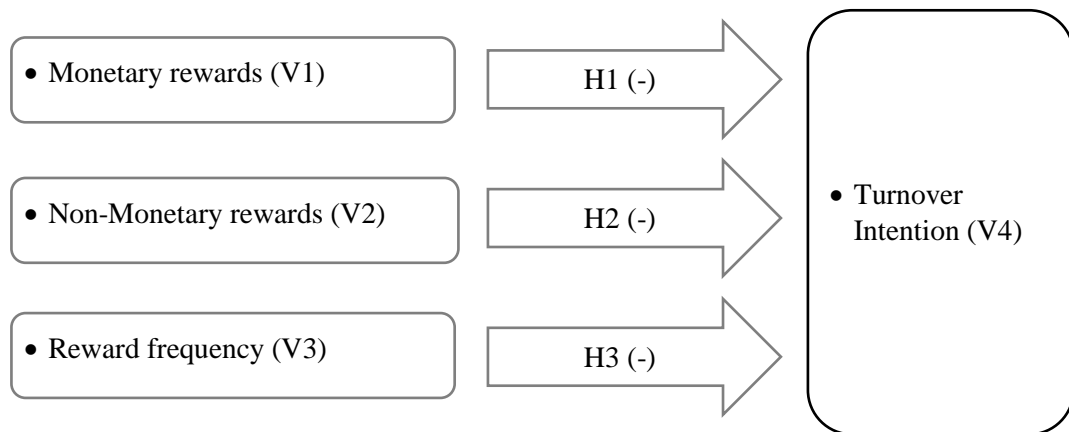


Figure 3.2- Conceptual framework

3.3. Hypotheses Development

In order to find out whether the relationships theorized in the conceptual research framework hold true, several hypotheses are drawn. By testing the hypotheses and confirming the conjectured relationships, it is expected that solutions can be found to rectify the conflicts encountered if any.

Let;

H_A : Alternate Hypothesis

H₀ : Null Hypothesis

H1_A- There is a negative relationship between Monetary rewards and employee turnover

H1₀- There is no relationship between Monetary rewards and employee turnover

H2_A- There is a negative relationship between Non-Monetary rewards and employee turnover

H2₀- There is no relationship between Non-Monetary rewards and employee turnover

H3_A- There is a negative relationship between Reward frequency and employee turnover

H3₀- There is no relationship between Reward frequency and employee turnover

3.4. Data Collection

There are two types of data in this research study. Primary data and secondary data. Primary data is the first-hand data collected by the study by recruiting participants while secondary data is based on results and findings of researches conducted by other people. Secondary data is typically collected by summarizing existing literature in the form of academic books, academic research articles, newspapers, industry reports, etc. Primary data for the survey is collected by an online questionnaire. Questionnaire was distributed to random individuals via university and company related contacts who are employed in IT companies in Sri Lanka. Social media and emails were the primary sources of distributing the questionnaire.

3.5. Research Instrument

Survey questionnaire is the research instrument of this study where it will capture empirical feedback from the respondents. In order to derive a reliable and accurate conclusion, the quality of the research instrument is critical. The questions should be properly directed, unbiased and could be easily understood by the intended respondents. It should also not create a guilt any form of moral conflict of the

respondent in answering the questions. It is also important that the respondent should also be able to answer the questionnaire with empirical data.

The questionnaire consist of two sections as demographic data (Section A) with 6 questions and ascertained data (Section B) with 18 questions. A Likert five scale questions were used covering all four variables. (Three independent, one dependent). First two independent variables are measured by three sub factors which were determined by the analysis from the pilot survey (Section 4.1). This ensures that each variable is tested with a minimum of three questions. Table 3.1 below shows the list of Likert five scale questions used for the questionnaire with their corresponding variable, sub factor and the reference of adopted literature.

Table 3.1 – Survey Questions list

Sub Factor	No	Question	Literature
<i>Monetary Rewards</i>			
Increments	1	I believe that I received an adequate amount of a pay raise for my past performance from my current job.	Marcela Lage (2016), Spector (1994)
	2	I feel satisfied with my chances for salary increases.	Marcela Lage (2016), Spector (1994)
Fringe benefits	3	Company offered significant perks as rewards for employees based on performance.	Spector (1994)
	4	There are very little fringe benefits offered by the company with compared to other firms.	Marcela Lage (2016), Spector (1994)
Cash Bonus	5	Organization provides performance bonuses to boost your motivation.	Spector (1994)
	6	The cash bonuses we receive are as good as most other organizations offer.	Irshad A (2016)
<i>Non-Monetary Rewards</i>			
Recognition	7	I have been recognized and praised by the management upon feedback given from the recent performance appraisal.	Marcela Lage (2016), Spector (1994)
Training	8	I got adequate Training opportunities as a reward for my past performance to do my current job.	Rahman (2013)
	9	Company has not invested sufficient funds on training given to employees.	AQTF (2007)

Promotions	10	I am satisfied with the chances for promotions given from performance appraisals.	Spector (1994)
	11	People here get ahead in the career ladder as fast as they do in other places.	Spector (1994)
<i>Reward Frequency</i>			
	12	I believe the frequency of having performance appraisals and rewards by the company is not sufficient.	Spector (1994)
	13	The number of times the company had given performance rewards to employees over the last 2 years are,	Marcela Lage (2016)
	14	Better performing employees have been rewarded recently by the company	Marcela Lage (2016)
<i>Employee Turnover</i>			
	15	In another 3 years' time I plan myself to be in a senior position in my current company	Tian-Foreman, W. (2009).
	16	I search for new job opportunities	Rahman (2013), Tian-Foreman, W. (2009).
	17	As soon as I find a new job I will quit from my current job.	(Begley and Czajka, 1993)
	18	What are the chances you will quit your job in the next 12 months?	(Hom and Griffeth, 1995), Tian-Foreman, W. (2009).
<i>Demographic factors</i>			
	1	What is your gender?	
	2	How old are you now?	
	3	My current marital status is,	
	4	My highest educational qualification is,	
	5	My current job designation is,	
	6	My total experience in current working domain is,	

*The full questionnaire is attached in the Appendix

3.6. Population and Sample Selection

National ICT Work Force Survey 2013 report by Information and Communication Technology Agency of Si Lanka (ICTA) estimated ICT sector employee population to be 33,918 by 2014. However this will be the total employee count in ICT industry and

the targeted population of Associate level to Manager level would be much lower than this figure.

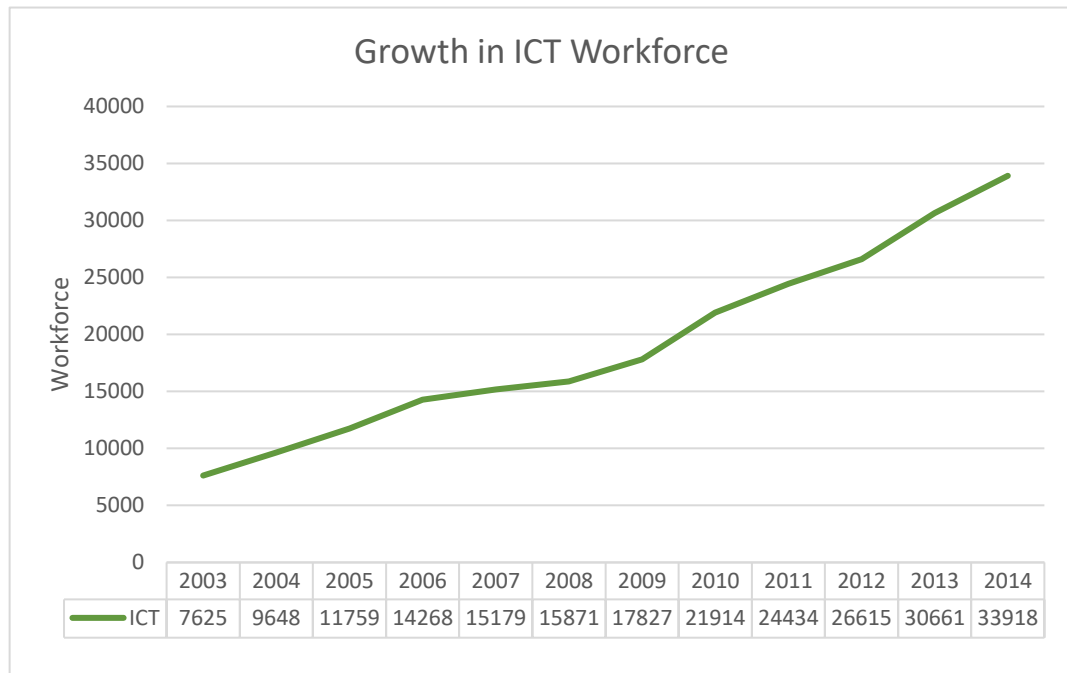


Figure 3.3- Growth in ICT workforce

In order to determine the sample size, simple random sampling method is used. In simple random sampling, every element in the population has a known and equal chance of being selected as a subject. This sampling design has the least bias and offers the most generalizability. According to the sample size calculation given by Sekaran (2016) with a confidence level of 95 and margin of error as 5 sample size for a population of around 34,000 is 380.

3.7. Process of Data Collection

The number of questionnaire distributed to the respondents is 400. The number of returned is 282 and the number of questionnaire that is useable was 275. The responses have been collected over a period of two months from 12/09/2017 to 12/11/2017. Daily response rate over the data collection period is displayed in Figure 3.4 below.

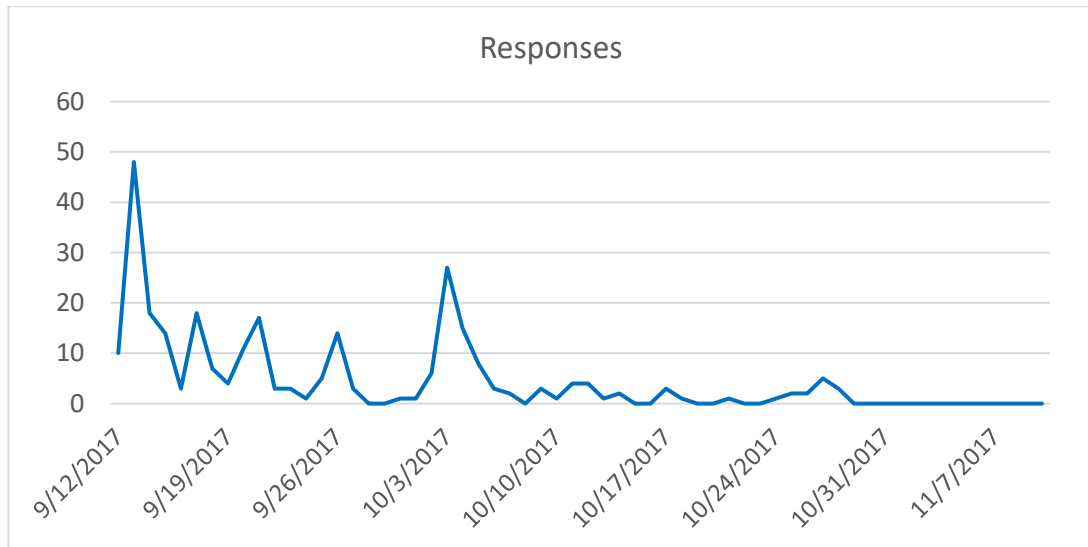


Figure 3.4 – Number of responses over time

Only the primary data were used for the analysis purpose of this study. Primary data collected through the online questionnaire, which was designed on the basis of objectives and hypotheses. It is the most inexpensive way to gather data from respondents. The questionnaire consists of four sections namely demographics profile, monetary rewards, non-monetary rewards and rewards frequency. Likert 5 Scale point is used for these purposes. Pearson correlation analysis is used for data analysis. A well-known statistical package SPSS (Statistical Package for Social Sciences) version 20.0 was used in order to analyze the data. The analysis and data presentation is categorized into several sections, where demographic data analyzed through ‘Frequency Distribution Analysis’ and ascertained data analyzed through ‘Correlation and Regression Analysis’ which will be discussed in detailed in Chapter 4.

4. DATA ANALYSIS

This chapter discusses about statistical approach of analyzing the data collected through the survey. Initially the reliability of the research instrument is tested using Cronbach's alpha, then a descriptive statistical analysis is demonstrated on the response collection, the demographic analysis will be done, frequency distribution of the responses is then analyzed, finally Pearson correlation and Linear regression analysis is used to measure relationships between the variables. All of the analysis were done with SPSS software.

4.1. Data Preparation for Analysis

A pilot survey has been carried out on Sri Lankan IT companies to refine variable sub factors which were identified in the literature survey. A sample of 31 IT companies out of 100, listed in SLASSCOM were selected for the pilot survey. One employee from each company in the sample has been given a short questionnaire to indicate the types of performance rewards offered by their company. Ten most common reward types were listed in multiple choice answers and 'Other' option were given to indicate any additional reward type. Following diagram indicates the results of the above survey.

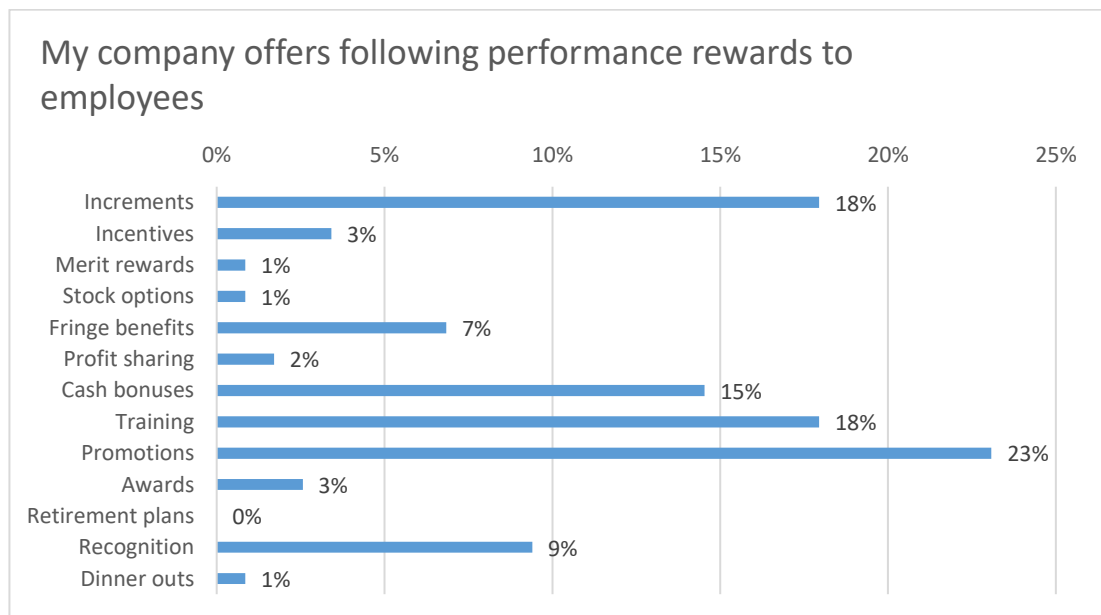


Figure 4.1- Most prominent reward types

According to the above results reward types which has an occurrence of more than 5% are considered as most prominent performance reward types in software industry. These are Promotions, Training programs, Increments, Cash bonus, Recognition and Fringe benefits. Therefore these reward types are used as sub factors of each independent variable monetary rewards and non-monetary rewards.

4.2. Reliability of the Research Instrument

A pilot study has been carried out in order to analyze the internal consistency of the research instrument. The questionnaire was sent to random 25 individuals in different IT organization in varying job roles. The reliability analysis of the pilot survey proved to have a 100% reliability on research instrument. Figure 4.2 below illustrates reliability analysis of the research instrument of the pilot survey.

Monetary Rewards

Case Processing Summary			
		N	%
Cases	Valid	25	100.0
	Excluded ^a	0	0.0
	Total	25	100.0

a. Listwise deletion based on all variables in the

Reliability Statistics	
Cronbach's Alpha	N of Items
.708	6

Non-Monetary Rewards

Case Processing Summary			
		N	%
Cases	Valid	25	100.0
	Excluded ^a	0	0.0
	Total	25	100.0

a. Listwise deletion based on all variables in the

Reliability Statistics	
Cronbach's Alpha	N of Items
.725	5

Reward Frequency

Case Processing Summary			
		N	%
Cases	Valid	25	100.0
	Excluded ^a	0	0.0
	Total	25	100.0

a. Listwise deletion based on all variables in the

Reliability Statistics	
Cronbach's Alpha	N of Items
.825	3

Turnover Intention

Case Processing Summary			
		N	%
Cases	Valid	25	100.0
	Excluded ^a	0	0.0
	Total	25	100.0

a. Listwise deletion based on all variables in the

Reliability Statistics	
Cronbach's Alpha	N of Items
.904	4

Figure 4.2 – Reliability analysis of the pilot survey

Based on the ICT employee population of 40,000 a sample size of 380 was determined from simple random sampling method. Questionnaire was distributed among 400 employees on SLASSCOM listed ICT companies where 275 valid responses were finalized for the data analysis. Following section illustrates the results of Cronbach Alpha coefficient calculated on each variable using SPSS.

Monetary Rewards

The Cronbach's alpha of Monetary rewards is $0.773 > 0.7$ and indicates an acceptable level of reliability.

Case Processing Summary

		N	%
Cases	Valid	275	100.0
	Excluded ^a	0	0.0
	Total	275	100.0

a. Listwise deletion based on all variables in the

Reliability Statistics

Cronbach's Alpha	N of Items
.773	6

Figure 4.3 – Reliability of Monetary rewards

Non-Monetary Rewards

The Cronbach's alpha of Non-monetary rewards is $0.748 > 0.7$ and indicates an acceptable level of reliability.

Case Processing Summary

		N	%
Cases	Valid	275	100.0
	Excluded ^a	0	0.0
	Total	275	100.0

a. Listwise deletion based on all variables in the

Reliability Statistics

Cronbach's Alpha	N of Items
.748	5

Figure 4.4 – Reliability of Non-Monetary rewards

Reward Frequency

The Cronbach's alpha of Reward frequency is $0.817 > 0.7$ and indicates a high level of reliability

		N	%
Cases	Valid	275	100.0
	Excluded ^a	0	0.0
	Total	275	100.0

a. Listwise deletion based on all variables in the procedure.

Cronbach's Alpha	N of Items
.817	3

Figure 4.5 – Reliability of Reward frequency

Turnover Intention

The Cronbach's alpha of Turnover intention is $0.813 > 0.7$ and indicates a high level of reliability

		N	%
Cases	Valid	275	100.0
	Excluded ^a	0	0.0
	Total	275	100.0

a. Listwise deletion based on all variables in the

Cronbach's Alpha	N of Items
.813	4

Figure 4.6 – Reliability of Turnover Intention

4.3. Demographic Analysis

4.3.1. Gender distribution in population

As demonstrated in Figure 4.7 below there is a fair distribution in gender within the software industry. However male population is slightly higher at 52.8% compared to the female population of 47.2%. This indicates that there are equal opportunities available to get employed in software industry for men and women. This is significantly high number for women with compared to the gender composition of the total employments which is around 30% (ICTA, 2013).

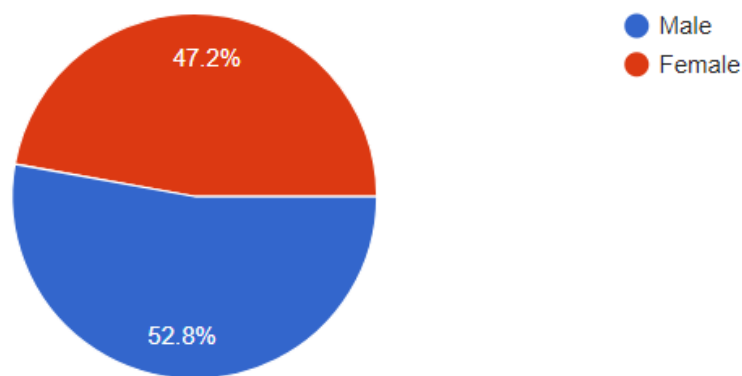


Figure 4.7 – Gender distribution of respondents

4.3.2. Age distribution

IT workforce is relatively young as indicated in Figure 4.8 below where more than 73% of the respondents are below the age of 30. This could be mainly due to the fact that most IT companies recruit undergraduates or fresh graduates from both government and private universities either as trainees or permanent employees. This could also be a result of the tech-savvy nature of the current young generation due to the advancement of the technology. This has resulted software industry becoming a drastically youth heavy industry.

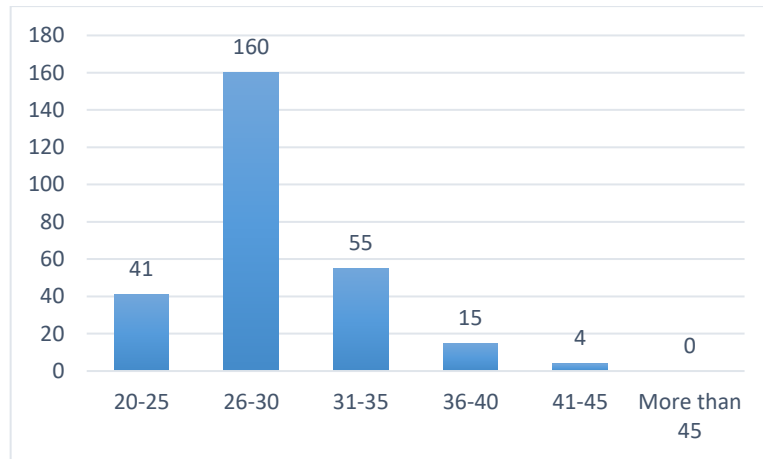


Figure 4.8 – Age distribution of respondents

4.3.3. Education qualifications

Educational qualification is one of the key requirements in getting employed in software industry. According to Figure 4.9 below around 64% of the population is minimally qualified either as graduates or under-graduates. A significant 25% of the population have qualified as post graduates which adds greater value to the industry workforce. This could also imply the quality of output in Sri Lankan software industry.

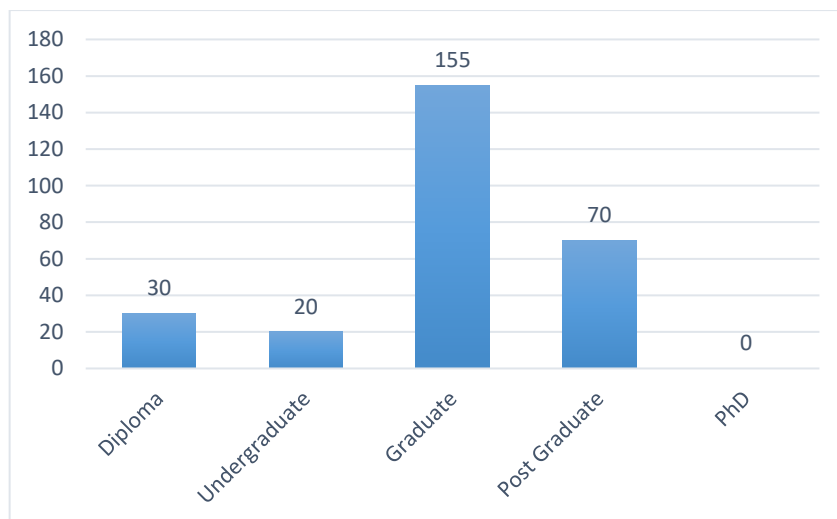


Figure 4.9 – Qualification of the respondents

4.3.4. Work Experience

Figure 4.10 below indicates that the industry domain experience of the IT workforce is relatively less. Majority (68%) of the respondents are having 5 years or less experience in software industry. This also confirms the age distribution of the population of having quite young workforce. Corresponding figures for non-IT private sector users and government organizations are 60% and 36%, respectively. This also implies that IT suppliers are carrying on with regular flow of new recruits compared with IT users.

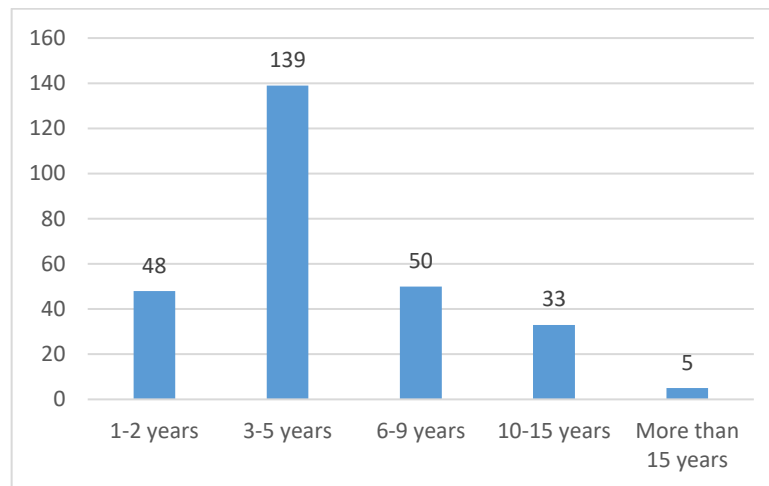


Figure 4.10 – Experience of the respondents

4.3.5. Designation

Following Figure 4.11 demonstrates the designation distribution of employees among the sample. A portion of 45% out of the IT workforce is consist of Software Engineers which includes Associate Software Engineers (ASE), Software Engineers (SE) and Senior Software Engineers (SSE) collectively. This suggests that most of the graduates who enters into the software industry seek technical/development paths rather than managerial paths. Or it could also be due to the higher demand of the technical/development roles within the industry. Only 9% of the respondents hold Managerial positions such as Project Managers (PM) and Lead or System Architects. This clearly justifies the relatively flat hierarchical structure of IT organizations.

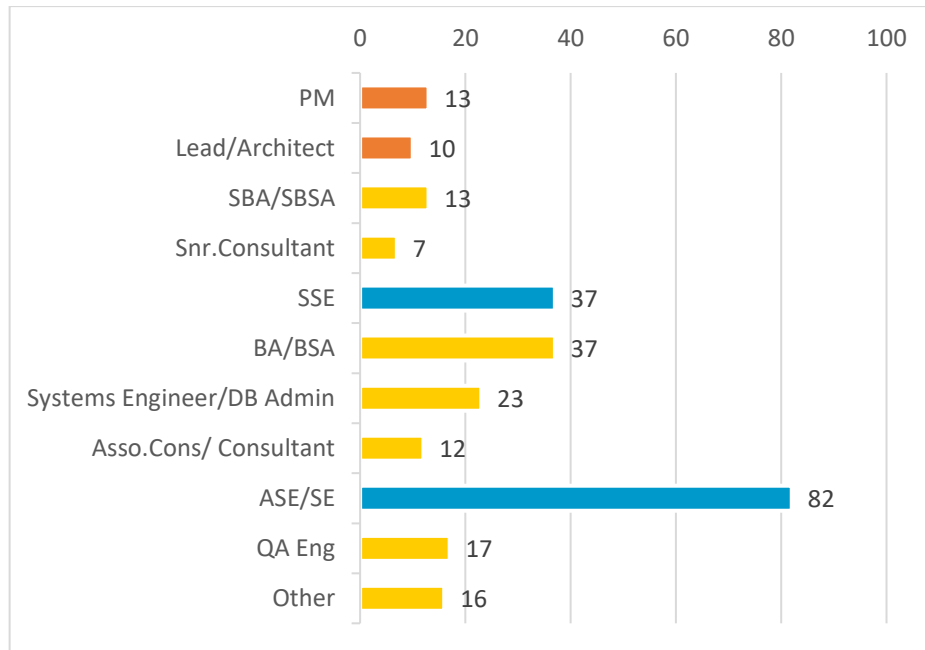


Figure 4.11 – Designation of the respondents

4.3.6. Marital Status

Figure 4.12 below indicates marital status distribution among the population. It clearly indicates that a majority of the IT workforce consists of single individual who are not married. Another sizable portion is newly married with no kids.

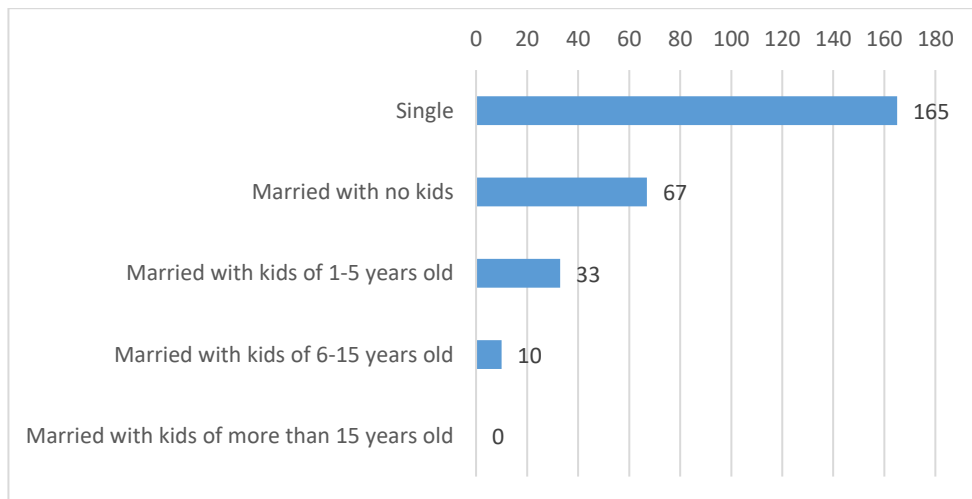


Figure 4.12 – Marital status of the respondents

4.4. Frequency Distribution of the Sample

4.4.1. Monetary Rewards

Increments

According to the frequency distribution plot below, Increments have a mean value of 2.79 and cumulative frequency of 52.4% which implies that more than half of the employees are satisfied with the increments they get and the chances of them getting increments in the future.

		Increments
N	Valid	275
	Missing	0
Mean		2.7927
Median		2.5000
Mode		2.00
Std. Deviation		.94112
Variance		.886

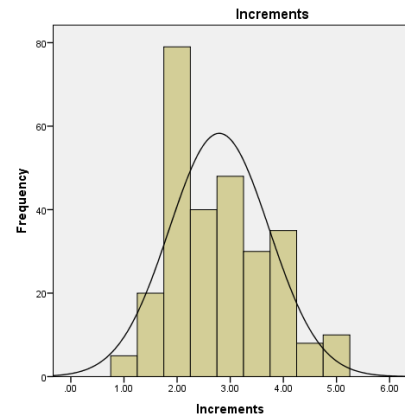


Figure 4.13 – Frequency distribution of increments factor

Perks and Fringe Benefits

Perks and fringe benefits have a mean value of 3.12. The cumulative frequency suggest that only 34.5% of the respondents are satisfied with the fringe benefits they get from the company. On the other hand only 40% of the respondents are dissatisfied of the fringe benefits they get.

		Perks
N	Valid	275
	Missing	0
Mean		3.1164
Median		3.0000
Mode		3.00
Std. Deviation		.86766
Variance		.753

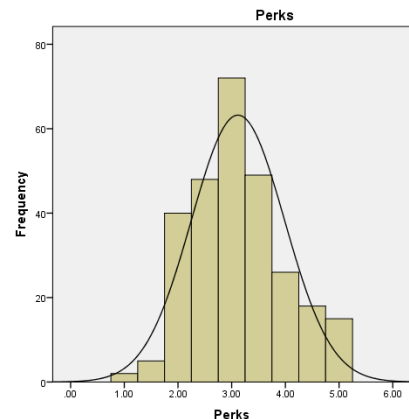


Figure 4.14 – Frequency distribution of perks and fringe benefits factor

Cash Bonuses

According to the table below cash bonuses have a mean of 2.86. Cumulative frequency implies that a 47.5% of the respondents are satisfied with cash bonuses offered by the company. On the other hand another 30% are not satisfied with the cash bonuses their company had offered.

		Bonus
N	Valid	275
	Missing	0
Mean		2.8600
Median		3.0000
Mode		2.00
Std. Deviation		.90992
Variance		.828

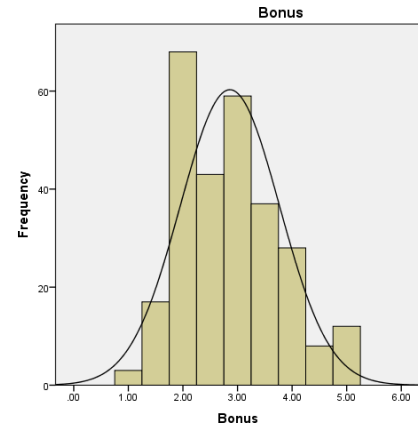


Figure 4.15 – Frequency distribution of cash bonus factor

4.4.2. Non-Monetary Rewards

Recognition

Employee recognition has a mean of 2.47 and the cumulative frequency implies that around 63% of the respondents are satisfied with the recognition get from their current employee. On the other hand only a fraction of 14% is not satisfied with the recognition they get from the company.

		Recognition
N	Valid	275
	Missing	0
Mean		2.4727
Median		2.0000
Mode		2.00
Std. Deviation		.87659
Variance		.768

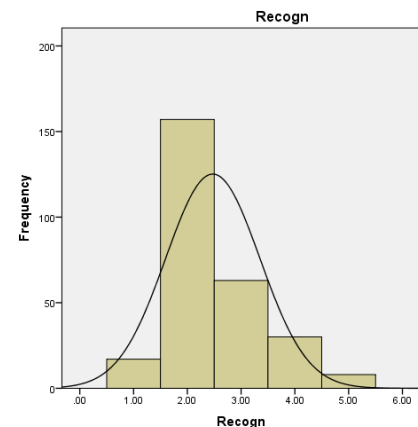


Figure 4.16 – Frequency distribution of recognition factor

Training

Training has a mean of 2.94 which is quite close to the median. Cumulative frequency implies that 44.4% of the respondents are satisfied with the training they get from the company and the investment the company has made on training programs. Further 35% of are dissatisfied with the training aspects of the company.

		Training
N	Valid	275
	Missing	0
Mean		2.9436
Median		3.0000
Mode		2.00
Std. Deviation		.91993
Variance		.846

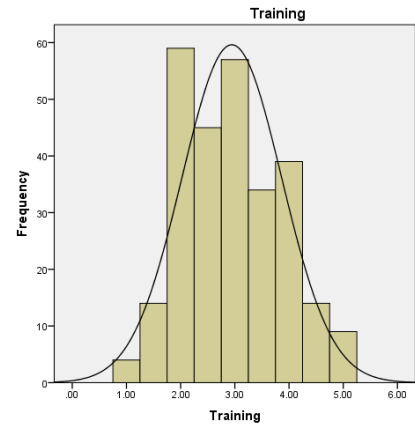


Figure 4.17 – Frequency distribution of training factor

Promotions

Promotions indicate a mean value of 2.95 again quite close to the median. Cumulative distribution suggests that a 43.7% of the respondents are satisfied with the chances of getting promoted within the company. On the other hand around 35% are not satisfied on the same matter.

		Promo
N	Valid	275
	Missing	0
Mean		2.9509
Median		3.0000
Mode		2.50
Std. Deviation		.89522
Variance		.801

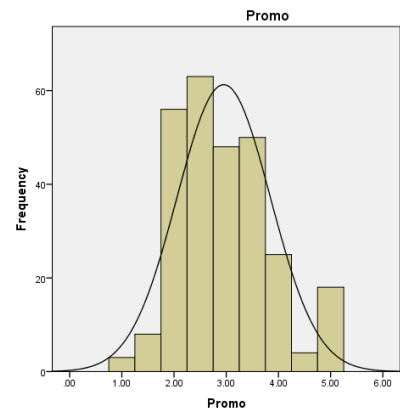


Figure 4.18 – Frequency distribution of promotions factor

4.4.3. Reward Frequency

Reward frequency satisfaction of employees has a mean of 2.83. Also a 55% of the respondents are satisfied with the frequency the company offers performance rewards. A further 29% of the respondents are not satisfied with the frequency of having rewards.

Statistics		
REWARD_FREQ		
N	Valid	275
	Missing	0
Mean		2.8373
Median		2.6700
Mode		2.33
Std. Deviation		.91686
Variance		.841

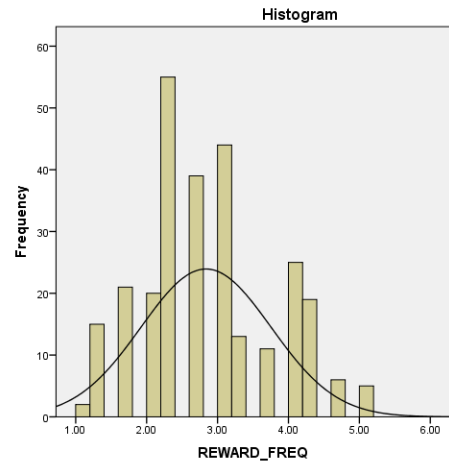


Figure 4.19 – Frequency distribution of reward frequency factor

According to the Figure 4.21 the actual reward frequency has a mean of 2.85 and a mode of 3. However the Likert scale for the question ‘number of times rewards has been given’ is adjusted to capture zero frequency (i.e. 1 denotes 4 times, 2 denotes 3 times, 3 denotes 2 times, 4 denotes 1 time, 5 denotes 0 times) hence a mode of three indicates a reward frequency of 2. This suggests that majority of the IT companies are offering performance rewards 2 times within a period of two years.

However by analyzing turnover intention means in Table 4.1 below reveals that highest turnover intention occurs at zero reward frequency and lowest turnover intention occurs at the reward frequency of 4.

Statistics		
N	Valid	275
	Missing	0
Mean		2.8545
Median		3.0000
Mode		3.00
Std. Deviation		1.18103
Variance		1.395

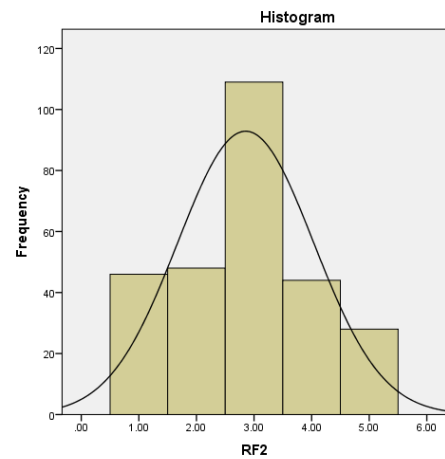


Figure 4.20 – Frequency distribution of actual reward frequency

Table 4.1 – Frequency distribution of Turnover Intention by reward frequency

Reward Frequency		4	3	2	1	0
N	Valid	46	48	109	44	28
	Missing	0	0	0	0	0
Mean		3.4185	3.3281	2.8509	2.1591	1.8125
Median		3.5000	3.2500	3.0000	2.2500	1.7500
Mode		3.75	3.25	3.00	2.25 ^a	1.50 ^a
Std. Deviation		.75655	.59733	.89113	.68005	.52097
Variance		.572	.357	.794	.462	.271

a. Multiple modes exist. The smallest value is shown

4.4.4. Employee Turnover

According to the following table employee turnover intention has a mean of 2.81. With regard to the cumulative frequency, in general 50% of the employees are intended to leave their current company in near future. Another 38% has no intention to leave the company in near future.

		Turnover Intention
N	Valid	275
	Missing	0
Mean		2.8127
Median		2.7500
Mode		3.00
Std. Deviation		.92038
Variance		.847

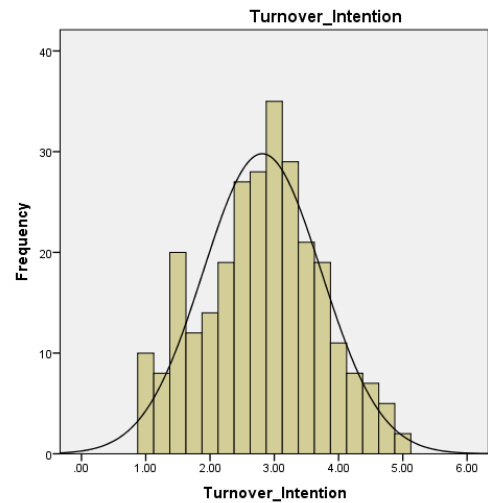


Figure 4.21 – Frequency distribution of turnover intention

4.5. Correlation Analysis

The Pearson correlation coefficient was calculated to measure the relationships between the independent and dependent variables of this study. It is accepted that when the correlation coefficient becomes positive, the relationship is considered as positive; and vice versa. Similarly, when the coefficient value is close to 1, the relationship is considered as strongly correlated and when it is close to 0, the relationship becomes weakly correlated. Table 4.2 below indicates the general scale to determine the strength of the correlation. In order to apply the correlation the sub factors need to be grouped to the main variable by using mean values. Then the correlation between the variables are calculated. Following table illustrates correlation coefficient of all three independent variables to the dependent variable.

4.5.1. Correlation of Independent Variables

Relationships between independent variables and dependent variable were analyzed using Pearson correlation coefficient as illustrated in Table 4.3 below. This provides an insight on the strength and the direction of the relationships and will be used to validate the hypotheses.

Table 4.3 – Correlation coefficient of independent variables

Correlations		TURNOVER INTENTION
MONETARY_REWARDS	Pearson Correlation	-.611**
	Sig. (2-tailed)	.000
	N	275
NON_MONETARY	Pearson Correlation	-.456**
	Sig. (2-tailed)	.000
	N	275
REWARD_FREQUENCY	Pearson Correlation	-.738**
	Sig. (2-tailed)	.000
	N	275

** . Correlation is significant at the 0.01 level (2-tailed).

Hypothesis 1

As illustrated in Table 4.2 above Monetary Rewards and Turnover Intention is having a moderate negative correlation of 0.611 and the correlation is significant at $P < 0.01$. Therefore the alternate hypothesis (**H1_A**) is substantiated and the null hypothesis (**H1₀**) is rejected.

Hypothesis 2

As illustrated in Table 4.2 above Non-Monetary Rewards and Turnover Intention is having a weaker negative correlation of 0.456 with and the correlation is significant at $P < 0.01$. Therefore the alternate hypothesis (**H2_A**) is substantiated and the null hypothesis (**H2₀**) is rejected.

Hypothesis 3

As illustrated in Table 4.2 above Reward Frequency and Turnover Intention is having a high negative correlation where the correlation coefficient is -0.738 and the correlation is significant at $P < 0.01$. Therefore the alternate hypothesis (**H3_A**) is substantiated and the null hypothesis (**H3₀**) is rejected.

A detailed analysis is performed under below section on the correlation of sub factors to demonstrate a more meaningful conclusion.

4.5.2. Monetary Rewards

Below table illustrates correlation of each three sub factors of monetary rewards to the turnover intention. All three correlations are significant at $P < 0.01$. However interestingly only Increments and Perks or Fringe benefits are having a moderate correlation with turnover intention. Bonuses are having a low correlation.

Table 4.4 – Correlation coefficient of Monetary reward sub factors

Correlations		Turnover Intention
Increments	Pearson Correlation	-.502**
	Sig. (2-tailed)	.000
	N	275
Perks/Fringe benefits	Pearson Correlation	-.544**
	Sig. (2-tailed)	.000
	N	275
Bonus	Pearson Correlation	-.447**
	Sig. (2-tailed)	.000
	N	275

** . Correlation is significant at the 0.01 level (2-tailed).

4.5.3. Non-Monetary Rewards

First two sub factors of non-monetary rewards are having a low to negligible correlation with turnover intention. However Promotions are having a close to moderate correlation of 0.470.

Table 4.5 – Correlation coefficient of Non-Monetary reward sub factors

Correlations		Turnover Intention
Recognition	Pearson Correlation	-.335**
	Sig. (2-tailed)	.000
	N	275
Training	Pearson Correlation	-.273**
	Sig. (2-tailed)	.000
	N	275
Promotions	Pearson Correlation	-.470**
	Sig. (2-tailed)	.000
	N	275

** . Correlation is significant at the 0.01 level (2-tailed).

4.5.4. Correlation by Gender

Table 4.6 below demonstrates the correlation of independent variables by gender. It is evident that females have more tendency to turnover than males if the monetary rewards are not satisfactory. However males have a high tendency to turnover if company do not provide frequent rewards.

Table 4.6 – Correlation coefficient of variables by gender

			Correlations		
GENDER			MONETARY REWARDS	NON MONETARY	REWARD FREQ
Female	TURNOVER INTENTION	Pearson Correlation	-.642**	-.507**	-.804**
		Sig. (2-tailed)	.000	.000	.000
		N	117	117	117
Male	TURNOVER INTENTION	Pearson Correlation	-.589**	-.417**	-.688**
		Sig. (2-tailed)	.000	.000	.000
		N	158	158	158

** . Correlation is significant at the 0.01 level (2-tailed).

4.5.5. Correlation by Age

Table 4.7 below demonstrates the correlation of independent variables by age category. It reveals that employees who are quite young at age below 26 have a high tendency to turnover if monetary rewards are not satisfactory. This tendency becomes lower as they mature in age. No significant correlations exists in the age categories above 35years, thus conclusive judgements cannot be made.

Table 4.7 – Correlation coefficient of variables by age

AGE			Monetary Rewards	Non-Monetary Rewards	Reward Frequency
20-25	Turnover_Intention	Pearson Correlation	-.709**	-.575**	.465**
		Sig. (2-tailed)	.000	.000	.002
		N	41	41	41
26-30	Turnover_Intention	Pearson Correlation	-.635**	-.529**	.534**
		Sig. (2-tailed)	.000	.000	.000
		N	160	160	160
31-35	Turnover_Intention	Pearson Correlation	-.424**	-.133	.419**
		Sig. (2-tailed)	.001	.331	.001
		N	55	55	55
36-40	Turnover_Intention	Pearson Correlation	-.410	-.041	.340

		Sig. (2-tailed)	.129	.885	.216
		N	15	15	15
41-45	Turnover_Intention	Pearson Correlation	-.893	-.151	.826
		Sig. (2-tailed)	.107	.849	.174
		N	4	4	4

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

4.5.6. Correlation by Industry Experience

Table 4.8 – Correlation coefficient of variables by industry experience

EXPERIENCE			Monetary Rewards	Non-Monetary Rewards	Reward Frequency
1-2 years	Turnover Intention	Pearson Correlation	-.806**	-.588**	.677**
		Sig. (2-tailed)	.000	.000	.000
		N	48	48	48
3-5 years	Turnover Intention	Pearson Correlation	-.558**	-.485**	.379**
		Sig. (2-tailed)	.000	.000	.000
		N	139	139	139
6-9 years	Turnover Intention	Pearson Correlation	-.564**	-.524**	.573**
		Sig. (2-tailed)	.000	.000	.000
		N	50	50	50
10-15 years	Turnover Intention	Pearson Correlation	-.513**	-.222	.502**
		Sig. (2-tailed)	.002	.215	.003
		N	33	33	33
More than 15 years	Turnover Intention	Pearson Correlation	-.326	.167	.934*
		Sig. (2-tailed)	.592	.789	.020
		N	5	5	5

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

4.6. Regression Analysis

4.6.1. Linear Regression Analysis

In order to determine the extent to which the dependent variable can be explained by the set of independent variables, Regression Analysis was carried out. Hypotheses 1 to 3 were to be tested here using linear regression analysis. Each analysis consists of three tables Model summary, ANOVA and Coefficients.

Monetary Rewards and Turnover Intention

Table 4.9 – Monetary rewards – Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.611 ^a	.373	.371	.73016

a. Predictors: (Constant), Monetary_Rewards

Table 4.10 – Monetary rewards – ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	86.559	1	86.559	162.358	.000 ^b
	Residual	145.547	273	.533		
	Total	232.105	274			

a. Dependent Variable: Turnover_Intention

b. Predictors: (Constant), Monetary_Rewards

Table 4.11 – Monetary rewards – Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.040	.180		27.959	.000
	Monetary_Rewards	-.762	.060	-.611	-12.742	.000

a. Dependent Variable: Turnover_Intention

Non-Monetary Rewards and Turnover Intention

Table 4.12 – Non-Monetary rewards – Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.456 ^a	.208	.205	.82058

a. Predictors: (Constant), Non_Monetary_Rewards

Table 4.13 – Non-Monetary rewards – ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.281	1	48.281	71.702	.000 ^b
	Residual	183.825	273	.673		
	Total	232.105	274			

a. Dependent Variable: Turnover_Intention

b. Predictors: (Constant), Non_Monetary_Rewards

Table 4.14 – Non-Monetary rewards – Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.480	.203		22.067	.000
	Non_Monetary_Rewards	-.584	.069	-.456	-8.468	.000

a. Dependent Variable: Turnover_Intention

Reward Frequency and Turnover Intention

Table 4.15 – Reward frequency – Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738 ^a	.544	.542	.62265

a. Predictors: (Constant), REWARD_FREQ

Table 4.16 – Reward frequency – ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	126.267	1	126.267	325.693	.000 ^b
Residual	105.839	273	.388		
Total	232.105	274			

a. Dependent Variable: TURNOVER_INTENTION

b. Predictors: (Constant), REWARD_FREQ

Table 4.17 – Reward frequency – Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.913	.122		40.172	.000
REWARD_FREQ	-.740	.041	-.738	-18.047	.000

a. Dependent Variable: TURNOVER_INTENTION

Monetary Rewards and Turnover Intention by industry Experience

Table 4.18 – Monetary Rewards and Turnover Intention by industry Experience

Model Summary

EXPERIENCE	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1-2 years	1	.806 ^a	.649	.641	.63509
10-15 years	1	.513 ^a	.263	.240	.72186
3-5 years	1	.558 ^a	.312	.307	.76133
6-9 years	1	.564 ^a	.318	.303	.72416
More than 15 years	1	.326 ^a	.106	-.191	.82771

a. Predictors: (Constant), Monetary_Rewards

5. RECOMMENDATIONS AND CONCLUSION

The aim of this study was to identify the relationship between performance rewards and employee turnover by different forms of reward types and the frequency of reward offering. After gathering all required data for the study, Pearson's Correlation and Regression Analyses were applied in analyzing and interpreting collected data, which is recorded in chapter four. This chapter utilizes information derived from chapter four to make conclusions and to provide suggestions for both academic context and to business context.

5.1. Discussion of Research Findings

Based on the reliability analysis for the final survey (section 4.2), it was revealed that the validity of the research instrument is 100% as the Cronbach's alpha value for all four variables are above the threshold value of 0.7. This implies that all of the 275 respondents have provided answers to all questions and have understood the questions thoroughly.

Demographic analysis revealed a fair gender distribution among the respondents. However the age distribution is highlighting the youth heavy nature of the software industry as around 73% of the respondents are below the age of 30. It has also revealed that the knowledge level of the IT workforce is also high as around 64% of the respondents are minimally qualified as graduates. Descriptive statistics on frequency distribution has revealed one key highlight. Most employees received performance rewards two times for the last two years. However the least turnover intentions are found when the company had offered semi-annual rewards or in other words four times for two years.

According to secondary data collected through previous research papers, there are various types of performance based rewards offered by employers. However in terms of retaining employees with the company, only few of these rewards are able to make a significant impact. Tables 5.1 to 5.2 below summarizes the correlation between the variables and their sub factors.

Table 5.1 – Correlation Coefficient summary of variables with employee turnover

Variable	Pearson Correlation	Description
Monetary Rewards	-0.611	Moderate
Non- Monetary Rewards	-0.456	Near moderate
Reward Frequency	-0.738	High

Table 5.2 – Correlation Coefficient summary of sub factors with employee turnover

Sub Factor	Pearson Correlation	Description
Increments	-0.508	Moderate
Perks and Fringe benefits	-0.557	Moderate
Cash bonus	-0.456	Near moderate
Recognition	-0.349	Weak
Training	-0.283	Negligible
Promotions	-0.481	Near moderate
Reward Frequency	-0.738	High

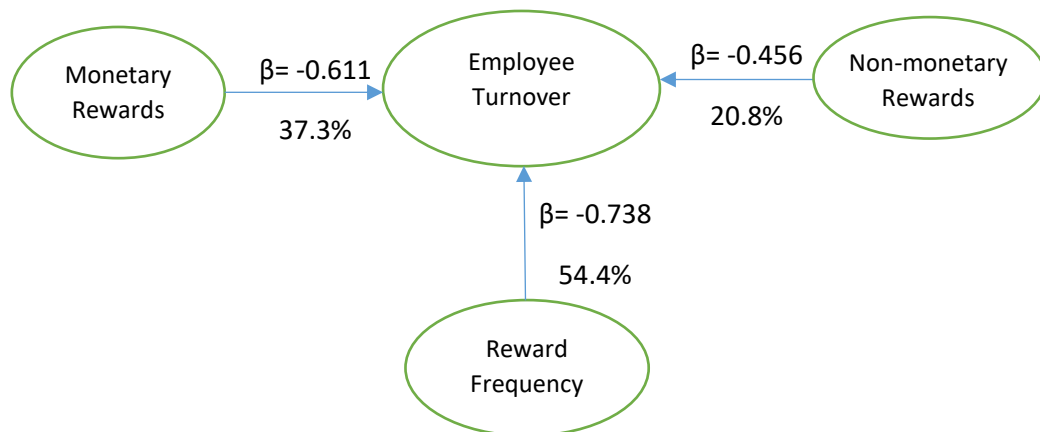


Figure 5.1 – Results summary of conceptual model

According to the Table 5.2 above Monetary rewards indicates the highest correlation coefficient of -0.611 to employee turnover compared to other two variables. This implies that monetary rewards are negatively correlated to employee turnover of an IT company. In other words if the monetary rewards offered by the company is higher, it can impact employee turnover to go down. It is also revealed by the regression analysis (section 4.7.1) that monetary rewards have an impact on 38% of employee turnovers of the company.

Non-Monetary rewards are having a near-moderate correlation coefficients of -0.456. This implies that when there are more non-monetary rewards, employee turnover would go down. However the corresponding impact on bringing down the employee turnover would be lower compared to monetary rewards as indicated in regression analysis (section 4.7.1) by a percentage of 23%. Interestingly reward frequency is having the strongest correlation with employee turnover with a coefficient of -0.738. This implies that when there are more frequent performance rewards offered, employees showing less tendency to leave the company. This could possibly be, as more frequent rewards are given to the employees they tend to feel valued and become loyal to the company. Regression analysis (section 4.7.1) has revealed that 54% of employee turnovers can be explained by the reward frequency. Frequency distribution analysis (Table 4.1) has further revealed that the employee turnover would be at its lowest when companies are offering semi-annual performance rewards. However most of the companies are currently offering annual performance rewards.

5.2. Recommendations

Data analysis has revealed several key highlights which would be useful for management decision making in IT organizations. Therefore following recommendation can be concluded from this study;

- Employees who are below the age of 30 and having lesser experience have very high tendency to turnover if they are not satisfactory with performance rewards. Therefore if any key employees are there in this category, more focus should be put on compensating them.

- Reward frequency has strong correlation with turnover, thus it is recommended to have semi-annual performance reward cycle which proven to have the least tendency of employee turnovers.
- Company should focus more on providing long term sustainable monetary rewards such as salary increments and fringe benefits as opposed to short term one-off benefits such as cash bonuses.
- Only promotions can be an effective non-monetary reward that would bring down employee turnovers.
- Company should identify employee's turnover intension before assigning for training programs as training programs may not secure employee retention.

5.3. Research Limitations

Following limitations can be identified related to this research. The study only focuses on the Sri Lankan software industry, which is still immature compared to some of the developed countries. Moreover, the study does not include all the IT companies because not all IT companies are listed under SLASSCOM. Furthermore, the study may be bit biased towards large IT companies because larger proportion of responses are being captures from those. It has also revealed during the pilot survey that performance reward types offered by Sri Lankan IT companies are somewhat different compared to global context. Therefore, the same findings may not be directly applicable to other countries and business domains which are more or less mature.

Performance rewards is one of many factors affecting employee turnovers in companies, further not all performance reward factors are considered during this study. Therefore the extent to which management decisions should be made purely based on recommendations of this study is limited.

5.4. Future Research

This study focuses only on performance rewards factor that would impact employee turnover. However during analysis it was revealed that only a limited portion of employee turnovers can be explained by performance reward factors, thus more research should be conducted on identifying the remaining key factors. Extended research can also be done on other aspects of performance rewards which are not considered in this study.

5.5. Concluding Remarks

The research problem associated with this study was:

What is the relationship between performance reward and employee turnover in software industry?

In answering this research problem, three research objectives had been initiated:

- *Identify the types of performance rewards provided to employees in software industry.*

From the descriptive statistical analysis carried out on primary data collected via the pilot survey 01, most prominent performance rewards offered to employees in software industry are Salary increments, Fringe benefits or perks, Cash bonuses, Recognition, Training and Promotions.

- *Identify the correlation between performance rewards and employee turnover*

Pearson correlation coefficient analysis on primary data revealed that Reward frequency has a high correlation with employee turnover, Monetary rewards has a moderate correlation with employee turnover and Non-monetary rewards are having only a weak correlation with employee turnover.

- *Recommend key rewards that should be focused to minimize employee turnover in software industry.*

Based on correlation and regression analyses on primary data it was revealed that long term monetary rewards such as Increments and Fringe benefits should be offered more to minimize employee turnover. Out of non-monetary rewards, only promotions can have a notable impact in minimizing employee turnover. However reward frequency is playing a major role in retaining employees thus, semi-annual reward offering is recommended to minimize employee turnover.

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APPENDIX A: QUESTIONNAIRE

No	Question	Likert Scale				
1	What is your gender?					
2	How old are you now?					
3	My current marital status is,					
4	My highest educational qualification is,					
5	My current job designation is,					
6	My total experience in current working domain is,					
1	I believe that I received an adequate amount of a pay raise for my past performance from my current job.	SA	A	NU	D	SD
2	I feel satisfied with my chances for salary increases.	SA	A	NU	D	SD
3	Company offered significant perks as rewards for employees based on performance.	SA	A	NU	D	SD
4	There are very little fringe benefits offered by the company with compared to other firms.	SA	A	NU	D	SD
5	Organization provides performance bonuses to boost your motivation.	SA	A	NU	D	SD
6	The cash bonuses we receive are as good as most other organizations offer.	SA	A	NU	D	SD
7	I have been recognized and praised by the management upon feedback given from the recent performance appraisal.	SA	A	NU	D	SD
8	I got adequate Training opportunities as a reward for my past performance to do my current job.	SA	A	NU	D	SD
9	Company has not invested sufficient amounts on training given to employees.	SA	A	NU	D	SD
10	I am satisfied with the chances for promotions given from performance appraisals.	SA	A	NU	D	SD
11	People get ahead in the career ladder as fast here as they do in other places.	SA	A	NU	D	SD
12	I believe the frequency of having performance appraisals and rewards by my company is not sufficient.	SA	A	NU	D	SD
13	The number of times the company had given performance rewards to employees over the last 2 years are	0	1	2	3	4
14	Better performing employees have been rewarded recently by the company	SA	A	NU	D	SD
15	In another 3 years' time I plan myself to be in a senior position in my current company	SA	A	NU	D	SD
16	I search for new job opportunities	F	O	S	R	N
17	As soon as I find a better job I will quit from my current job.	SA	A	NU	D	SD
18	What are the chances that you will quit your job in the next 12 months' time?	VH	H	NI	L	VL

SA - Strongly Agree
A - Agree
NU - Neutral
D - Disagree
SD - Strongly Disagree
F - Frequently
O - Often
S - Sometimes
R - Rarely
N - Never

VH - Very High
H - High
NI - No idea
L - Low
VL - Very Low