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The Influence of Reward Systems and Performance on Employee Retention: A comparative study of IT and Telecom Companies in Tashkent

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Abstract

The purpose of this research is to analyse how reward systems and performance management practices impacts on employee retention in two different types of companies operating in Tashkent: an IT company and a Telecom company. This study examines intrinsic and extrinsic reward strategies, as well as performance management tools used to enhance employee satisfaction and commitment. To obtain information, a semi-structured interview was conducted with Human Resource Managers of Telecom and IT companies. Findings suggest that both companies rely on different reward approaches and performance evolution methods, each affecting retention in different ways. The study recommends implementing two types of reward system and 360-feedback and structure performance-based rewards.

Keywords: Reward management system, Performance Management, Intrinsic reward, Extrinsic reward, 360-feedback, Performance- based reward, Employee retention.

Introduction

In today's competitive environment, employee retention has become a critical concern for organizations. Based on Zhou (2009), one of the main factors of staying in organization for employees is having a proper and adequate reward strategy. Employees experience satisfaction and inspiration when they feel values via their team and workplace. The second factor which helps to improve employees' retention is well implemented performance management. According to Ranjan's publication in Forbes (2021), to achieve organizational objectives, performance management is an essential business procedure that maintains a balance between an individual and the team's activities. When it comes to the information technology industry, the performance management system is a phenomenon not to be overlooked. Employee performance evaluations are the primary factor in determining the efficiency and production of a business. This approach has been around since World War II, when it was used as a basic form of earning fulfillment, but it is today regarded as essential to every successful business (Chandra, 2018).

Literature

The reward system is an essential motivational strategy which the organizations use to balance satisfaction level and sense of encouragement among employees.

Review





There are two categories of reward strategy, and they are Intrinsic reward (recognitions, work-life balance, development opportunities and growth) and extrinsic reward (payment, cash benefit as well as recognition) (Armstrong, 2010).

Financial incentives can create great value, motivate employees to work better and reward for given effort, however, employees that did not receive incentives might feel demotivated and less engaged to work. As Reddy says (2020), financial benefits have several advantages, such as: (a)Easy to implement; (b)Improves work atmosphere; (c)Great for rewarding high-performing employees.

Financial benefits have disadvantages as well, such as: (a)It can demotivate; (b)It can create sense of inequality; (c)It requires a considerable amount of time to make it as fair as possible (Reddy, 2020). To make it different, companies use non-financial rewards. Possible advantages of non-monetary incentives include: (a)Companies can save money;(b) Easier to implement; (c)Can create a pleasant memory that lasts longer (Aschieri, 2014). Disadvantages of non-monetary incentives might include: (a)Employees might have unrealistic expectations; (b)There is a possibility that employees do not like to be appreciated among a big group of people; (c)Employers can give wrong gifts that can demotivate employees (Aschieri, 2014).

According to Armstrong and Baron (1998), Performance management consists of approaches and strategies which deliver positive outcomes in entities via improvement of performance and capabilities of the team. Performance management includes a set of activities such as making progress review, implementing goals for each department, developing staff development programs as well as rewarding employees for each achievement (Elaine D.Pulakos, 2003).

Methods

This study used qualitative methods, focusing on semi-structured interviews with Human Resource Managers. Semi-structured interviews (30–40 minutes each) were conducted to identify the role of reward and performance management in employees' retention. Interviews were recorded, transcribed, and analysed using thematic analysis. Participants were informed that their responses would be anonymized for publication.

Results

Interview with HRM from IT company

The first interview was conducted with HR Manager of IT company and during interview it was found out that they utilize both reward strategies to keep their professionals, but the company is focusing more on the Intrinsic reward strategy because the company has its own culture and values. It company's non-financial rewards are:





Recognition through their own app, movie nights, providing access to online resources, birthday gifts like Tshirt, cup, as well as flexible working hours; Based on the interview with HR manager, IT company has a special performance management system which consists of several objectives:

- To help employees to identify knowledge and necessary skills to perform tasks;
- To identify main obstacles and tracking outcomes;
- To maintain promotion as well as career growth of employees through providing support to attain necessary knowledge.

IT company uses two types of Performance management techniques to evaluate the performance of employees, and they are:

- Performance appraisal
- Feedback culture

Interview with HRM from telecom company

The second interview was conducted with HR manager of Telecom company. During interview with HR manager, it was found that Telecom company more focused on financial rewards instead of non- financial. Comparing to other telecom companies they provide competitive salary. Salary may depend on performance and achievements. Telecom company provides cash benefits in all official holidays, additional payment for employees', special certificates for International Women's Day and twice in a year they provide extra salary.

Moreover, HR manager explained that telecom company uses KPI for performance management because it is clarifying the current business position, provides a point of reference for comparisons(past/future), it focuses on important aspects of business, provides consistent approach to achieve business goals, helps to highlight good and under performance and helps identify company inefficiency.

Discussion and Recommendation For the Telecom Company

Based on research findings author recommends starting to develop Intrinsic reward system, not only extrinsic reward in Telecom company. Patricia Odell (2019) claimed that financial reward is not only motivation to increase satisfaction of staff. There are several programs for increasing intrinsic reward and more effective is recognition program. Moreover, during research author analyzed that Telecom company does not use other performance management methods which give attention to increasing employee's performance, not only business performance. They need to implement more different types of performance methods. For example:360-degree feedback to assess each staff's performance; this method will help to collect different feedback about staff's performance. 360-feedback is the process in which managers, colleagues, bosses provide anonymous comments about staff's achievement (Waldman and





Atwater,

1998).

For the IT company

HR manager of IT company stated that the company focuses more on non-financial rewards. Considering the IT market that is developing rapidly and the offers made by other competitors, it is recommended to review the strategies implemented, focus on the “lead” policy scheme and expand monetary incentives. It is also recommended to enhance the grade system, where employees can feel the difference in salaries and find the interest to grow. Another option is to structure performance-based rewards, where IT specialists successfully completing the projects can earn more than their colleagues. It is highly recommended to investigate the market and keep developing its pay policy scheme.

Conclusion

This study used semi-structured interviews with Human Resource Managers from two different companies to explore reward system and performance management to retain employees. Findings show that both financial and non-financial rewards are essential for retaining employees. Additionally, companies should diversify their performance management tools to support employee development and satisfaction. A balanced approach combining intrinsic rewards, extrinsic rewards, and comprehensive performance evaluation methods is crucial for improving retention.

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