



# Research Analysis on Compensation and Employee Performance in an IT Organisation

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## **Abstract:**

Employees in the workplace are generally driven to performance as a result of organizational rationality. The study examined the effect of compensation management on employee performance in an IT organization. This study examines the role of compensation in employee performance in an information technology (IT) organization. The study was carried out with the objective of determining to what extent compensation has influenced employees towards better performance in an organization. The researcher adopted a survey approach and from the findings, the researcher deduced that compensation helps to increase the productivity of workers and recommended that managers of companies and organizations do everything necessary in their power to provide incentives and benefits that boost the effort of workers towards higher performance in their work.

**Keywords: Compensation, Employee Performance, Incentives, Information Technology & Productivity.**

## **1. Introduction:**

Respectable compensation has long been found to be one of the policies that organizations can adopt to improve the performance of their workers and thereby improve their productivity. Reward refers to all remuneration given to a worker's service. Compensation plays a useful role in the employer-employee relationship. Employees have free knowledge, skills, attitudes, experience and qualifications, while employers have free wages, benefits and incentives. Performance is one standard of workers' accident compensation. Therefore, this task is intended to investigate the impact of inadequate compensation on employee performance. A closer look at the performance of employees in many organizations today reveals that many employees are not happy with the organization's current compensation system.

According to Simon (2000), the extent to which an employee accepts an organization's authority certainly depends on the nature of the incentives or bonuses the organization offers. In other words, employee performance towards achieving an organization's goals depends on the organization's incentives [13].

Nwosu (1997) stated that work satisfaction adaptation is associated with certain factors present in the work [4].

Ejiofor & Anigho (1984) recognizes the fact that retroactive dissatisfaction with workers' wages can lead to workers becoming obsessed with their efforts and resulting in poor performance [2].

Okennam (2004) clearly states that if a worker is low or not motivated, the work of the worker will definitely be inefficient and inefficient [6].

Obi (2001) emphasizes actions when workers are dissatisfied with their work. In the workplace, workers are motivated to reduce their inequality when they compare their opinions to their colleagues and recognize inequality, thinking that their factors are not fairly rewarding. He further stated that the strength of the motivation to reduce perceived inequality is directly related to the magnitude of the perceived imbalance between inputs and outcomes [5].

Pagon (1980) hypothesized that the main purpose of compensation valuation was to resolve obvious conflicts between employers and employees in the issue of compensation. With security. This conflict can only be resolved by managing a well-thought-out employee compensation plan with an acceptable program to implement the plan. Such programs should take into account the employee's basic desire to get a fair and reasonable reward for their work, their perception of a good job, and their merit-based promotion [8].

Uma (2005) explained that the compensation given to employees who show an interest and activity in the development of the organization should be appropriate compared to the benefits given to employees who do not show these qualities. He meant that people shouldn't be paid for what they weren't working on so that fairness can win and excel. Workers should receive salaries and wages in connection with what they do. This will encourage employees who want higher wages to do more and strive for greater compensation [14].

## 2. Literature Review

The role of human resource management in gaining a competitive advantage has been discussed in Western literature since the early 1980s. Schuler and MacMillan (1984) described how companies can strategically leverage their infrastructure requirements to gain a competitive advantage, especially through the practice of talent and talent management [11].

As MacMillan (1983) suggests, there are many ways companies can gain a competitive advantage, but one that is often overlooked is the practice of human resource management. HRM practices give businesses a competitive advantage in two main ways. One is to help oneself and the other is to help others. There seems to be a great advantage in expressing HRM considerations not only in the complementary stage but also in the strategy development stage.

Schuler (1992) proposed a 5p model of strategic HRM that blends various HR activities with strategic needs [12]. According to him, these five Ps (HR philosophy, policies, programs, practices, and processes) can be strategically categorized based on whether they are systematically linked to the strategic needs of the business. One of the advantages of the 5-P model is that it shows the interrelationship of activities that are often treated individually in the literature. Perhaps this separate focus needed for research purposes tends to understand the complexity of how HR activity affects individual and group behaviour. Therefore, it may be possible to gain a deeper understanding of this complex interaction by using the 5-P model.

Roy Massey (1994) investigated why strategic HRM is a serious problem facing the UK NHS Trust. He identified the risks associated with not taking a strategic approach. According to Roy, organizations that do not adopt a strategic approach are easily recognized by their fragmented ad hoc approach to the development and implementation of human resource development activities [9].

In organizations that do not adopt a strategic approach, existing approaches often act as a barrier to the implementation of the strategy, rather than as a means to support or facilitate the strategy, and risk reacting to someone's agenda. Without a strategic approach to HRM, it directly impacts the performance of the organization, but it is measured. Importantly, failure to adopt a strategic approach impacts cost, efficiency, productivity and quality.

Rozhan bin Othman (1996) investigated the relationship between strategy and HRM practice in the Irish food industry. The main focus of his research was to examine the relationship between competitive strategy and HRM practice. This study used samples from the Irish food industry. Companies with more than 25 employees were selected for a survey that provided a sample of 497 companies. A questionnaire was created to address two key areas of HRM practice and strategy, marking HR / HR managers for all of these companies. The results of this study did not support any of the transferred hypotheses [10]. This suggests that the impact of the strategy on HRM practice, if any, is less widespread than suggested in the HRM literature. Instead, evidence has shown that when managing employment size, none of the strategies associated with HRM practice can be considered separate. The presence of other variables, especially the HRM department, appears to have a greater impact on the morphology of the organization's HRM practices.

Othman, R and Ismail Z (1996) conducted an empirical study of the relationship between HRM practice and strategy in Malaysia's services and manufacturing sector. This study is based on the assumption that given the specific characteristics of the service company, it is necessary to develop more strategic HRM practices than the manufacturer. In the above survey, 545 companies were selected from four industries that represent the manufacturing industry (electronic / electrical, textile, food, plastic) [7].

### 3. Scope of The Study:

The study focuses on Compensation management of the employees working in IT Company Karnataka. It gives the information on employee compensation based on their performance and employee levels in company. The study focuses on the compensation management strategies & to evaluate the behaviour & performance of employee on their work.

### 4. Objectives of the Study:

1. To Study the impact of compensation management on performance level of IT employees.
2. To know the various types of compensations provided by the company.
3. To identify the satisfaction level of employees of their Compensation.

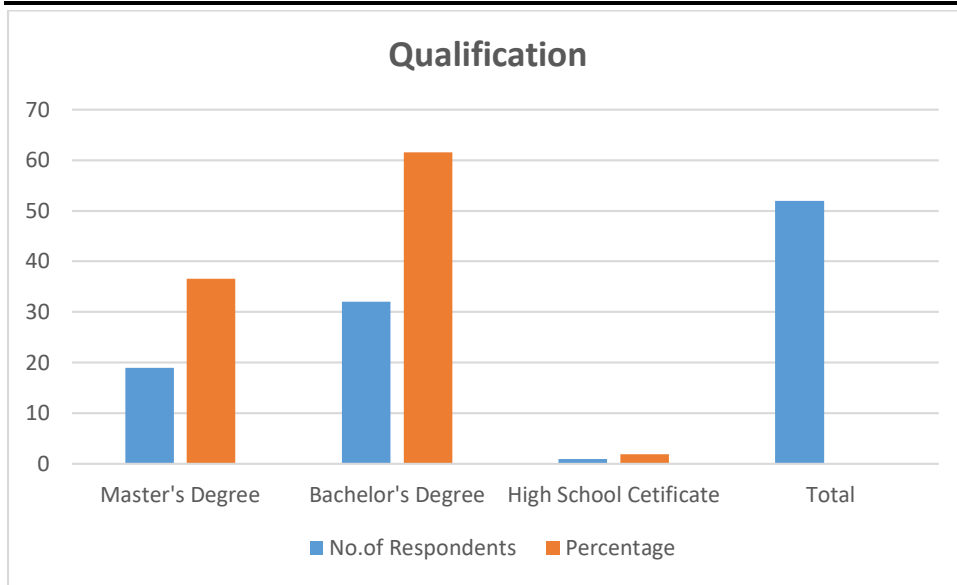
### 5. Research Methodology:

The pilot survey was collected from 52 employees working for a IT company in Karnataka using charts, graphs, and percentage analysis. Researchers have adopted a field research approach, a category of experimentation, as a type of research design. Experimental approaches include collecting data from theory generated from observations, empirical studies, and field studies. It helps analyze and interpret the data and effectively explains the underlying factors surrounding the need for this important research effort. The research approach was also used to assist researchers in collecting data using surveys, primarily involving fieldwork.

### 6. Findings & Data Analysis

The circulation of questionnaires to workforces.

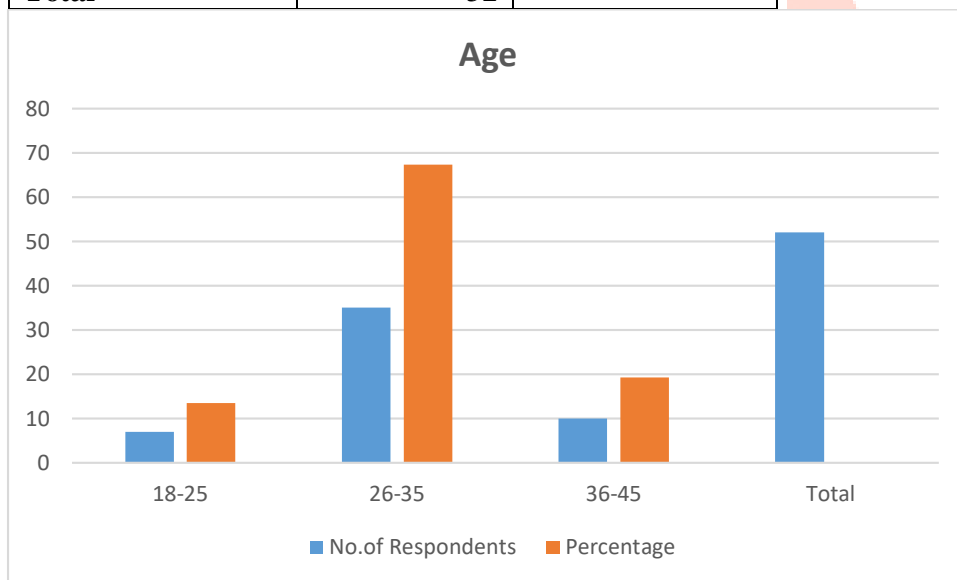
Q1 What is your qualification?		
Responses(Qualification)	No. of Respondents	Percentage
Master's Degree	19	36.5
Bachelor's Degree	32	61.5
High School Certificate	1	2
<b>Total</b>	52	



As per the above analysis, we can conclude that the respondents were largely made up of workers who had master’s degree and than those with bachelor degree and High School Certificate.

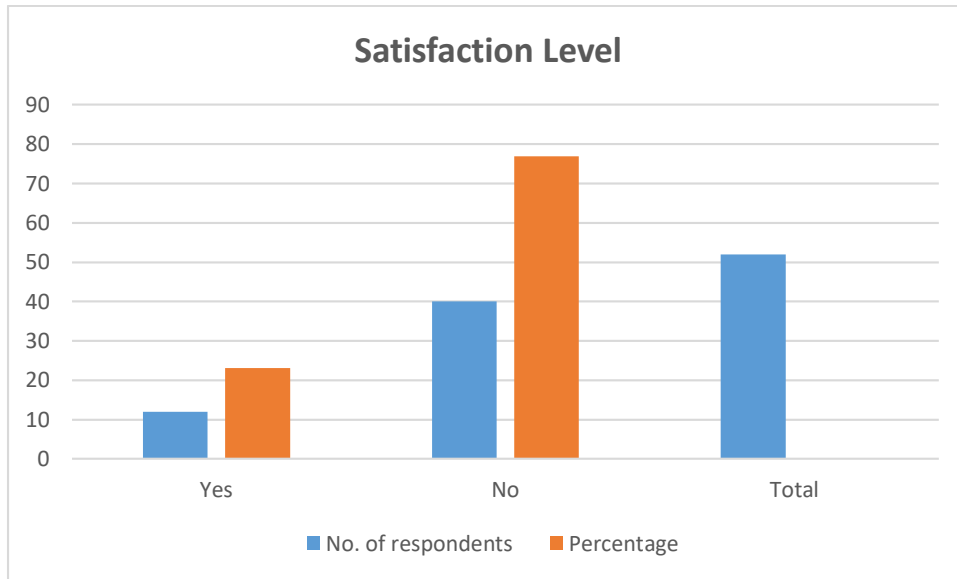
**Q2 How old are you?**

Responses	No. of Respondents	Percentage
18-25	7	13.5
26-35	35	67.3
36-45	10	19.2
<b>Total</b>	<b>52</b>	

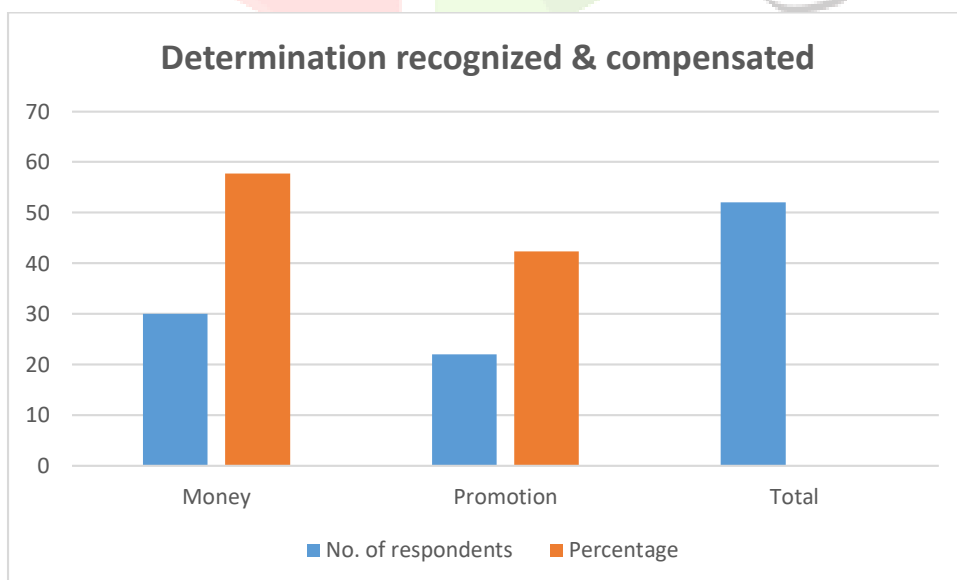


According to the analysis of the table above, we can conclude that a larger number of respondent were people who falls within the age range of 26-35 years and 36-45 years. Respondents that falls within 18-25 years were lesser.

Q3 Are you satisfy with you work?		
Responses	No. of respondents	Percentage
Yes	12	23.1
No	40	76.9
<b>Total</b>	<b>52</b>	

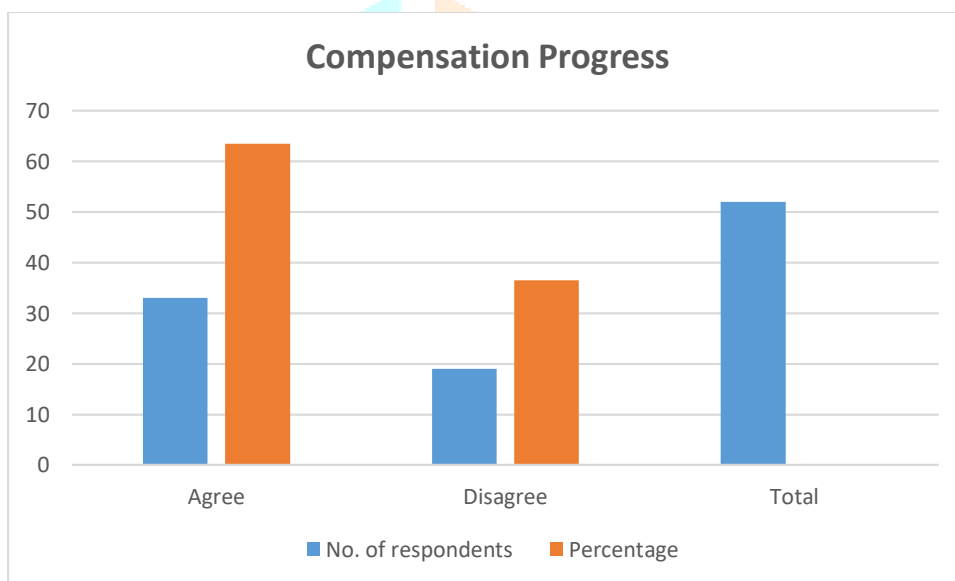


Q4 How is your determination recognized and compensated?		
Responses (Reward)	No. of respondents	Percentage
Money	30	57.7
Promotion	22	42.3
<b>Total</b>	<b>52</b>	



The analysis of the above table & graph shows that 30 respondents representing 57.7% at the said that their effort were recognized monetarily or with the aid of fringes while 22 respondents representing 42.3% agreed they were rewarded through promotion or improvement in their working environment. Hence, we can conclude that respondents were largely made of workers who were rewarded monetarily.

<b>Q5 Does compensation progress workers' efficiency?</b>		
<b>Responses (Reward)</b>	<b>No. of respondents</b>	<b>Percentage</b>
Agree	33	63.5
Disagree	19	36.5
Total	52	



We can conclude that the respondents were largely made up of people who agreed that compensation helps in workers' productivity while those who disagreed were few.

## **7. Conclusion:**

Organizations still have a workforce that has a very strong work ethic and remains motivated regardless of the compensation packages offered. On the other hand, some employees need to continuously raise their salaries, improve their benefits, and improve their work-life balance in order to achieve consistent performance. In both cases, the reward is irrelevant and personality is more important. Employee performance depends on the individual company's existing compensation and performance management programs. Most employees usually respond to increased wages and benefits with a positive and productive attitude. However, the reverse is also true. In some cases, employees may only be aware of salary increases on the day they are notified of the salary increase and on the day they receive their first salary, including the salary increase. In the long run, the effectiveness of rewards and benefits diminishes as employees begin to feel loyalty and organizational commitment. When employees begin to feel that they are an integral part of the organization, they often become dissatisfied with their rewards and interests. Finally, when employees feel that they are a good part of an organization, they usually believe that they have far more obligations than the organization has already received. At this point, compensation is simply an adhesive that holds many dissatisfied employees in place. Moreover, that does not mean that there is a positive correlation between better rewards and better performance. Finally, employee work ethic, loyalty, and good personality far outweigh the benefits of compensation and profits. Competitive compensation packages are not suitable for talented employees. Rather, talented employees enable highly competitive compensation.

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