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The meaning of group-based results oriented pay – a qualitative study
Hakonen, A., Maaniemi, J. & Virtaharju, J.

During the recent decade there has been an increasing trend for organizations to implement new pay systems such as systems based on job and performance evaluation. In addition, results oriented pay systems have been actively developed. It seems that these elements of pay continue to prevail in the future (Hakonen et al., 2005). According to the Confederation of Finnish Industries, 52% of the employees in private sector had a results oriented pay scheme in 2004. Results oriented pay is a supplementary bonus system, which is mainly used independently of collective labor agreements. The system has predetermined goals or measures in individual, group or organizational level. The amount of reward is usually quite small: typical maximum is one month’s salary (Hulkko et al., 2005).

Despite the growing importance of pay systems in working life, very little research has been done to study the importance and meaning of pay systems to individuals. As Heneman (2000) stated, there is a need for new theoretical knowledge regarding pay systems. The reflection theory of pay (Thierry 1998, 2001) was designed to explain which meanings pay may have to individuals and how pay affects individuals' behavior at work. This study tests the theoretical assumptions of reflection theory of pay in context of group-based results oriented pay in Finnish organizations.

Reflection theory of pay
The reflection theory of pay (Thierry 1998, 2001) is grounded on the proposition that pay is meaningful to individuals because it reflects information about domains that are relevant to the individual. The reflection theory proposes that pay system affects the performance and pay satisfaction of employees through its meaning. Thierry suggests that pay can be meaningful for individuals in four different ways.

1. Motivational properties. Pay can be meaningful if a person considers it as a means for achieving important goals. In other words, motivational properties refer to the instrumentality of pay. This category of pay meaning is based on propositions of expectancy theory (Vroom 1964) and Lawler’s (1971) ideas on importance of pay.
2. Relative position stresses two characteristics of feedback. An individual can perceive a pay systems as meaningful if it gives her feedback on how successful she has been in relation to her co-workers or in relation to her goals. Several theories are related to this category. Equity theory (Adams 1965) asserts the idea of getting feedback of persons’ effectiveness in relation to others in workplace. Goal-setting theory (Locke & Latham 1990) stresses the role of feedback in performance.
3. Control dimension refers to power. Pay can be meaningful if it reflects the person’s position in the organizational hierarchy. Control stresses the degree to
which an individual has influenced other employees’ performance. A pay system can be perceived as meaningful if it signals the importance of a person to the organization. One key theory behind this dimension is the theory of cognitive evaluation (Deci & Ryan 1985). It suggests that pay can be meaningful if it supports individual’s feeling of competence and self-determination.

4. Spending. Pay denotes the goods and services purchased. In this sense pay can be meaningful if it affects persons capability to acquire goods and services. This is especially important if there are no other means available for the person to acquire these goods. This spending is partly based on expectancy theory (Vroom 1964).

Reflection theory states that a non-meaningful pay has no effects on performance. On the other hand, the more meaningful the pay system is the more effects on performance it has. Thierry (1998) presents a model of the factors that may affect the pay meaning, performance and satisfaction of the employees. The model has been empirically tested only in few studies and they have mainly focused on pay satisfaction as an outcome (Miedema 1994, Salimäki et al. 2005). In addition, Thierry’s original theory is grounded on theories of individual motivation. Thus, it remains to be studied how the theory lends itself to group-based pay, which might require a scrutiny of more social-oriented motivational factors. In this study we have adopted a qualitative approach to improve understanding on what meanings pay may have. The focus of this study is in group-based bonus systems.

The research questions of this study are:

1) What meanings group-based results oriented pay has for individuals?
2) Is the reflection theory of pay applicable in the context of group-based results oriented pay?

Methods
This study has two empirical steps. The aim of the first step was to increase understanding of the meaning of group-based results oriented pay for employees. Semi-structured group interviews (n=12, altogether 35 employees) were conducted in three organizations in Finland. The analysis was carried out according to principles of theory-driven content analysis. The idea was to clarify what kind of content the pay meaning dimensions proposed in the reflection theory have.

The aim of the second step was to deepen understanding of the step 1 findings. Group interviews (n=22) in five public sector organizations in Finland were conducted during this step. Based on the analysis of the first step, statements of meaning of pay were formulated and presented in the interviews. The interviewees were able to agree or disagree with the statements but the emphasis was on the analysis of the given reasoning. The focus of in this paper was particularly on the statement of proposed new category of pay meaning: “The pay system communicates that me and my efforts are valued”.

Results
First step: In the first phase expressions of meaning of pay were coded to four categories proposed by the reflection theory of pay. Motivational properties, spending dimension
and relative position were mentioned by the interviewees. The control dimension was not mentioned by the interviewees. After coding the expressions to the four categories, the remaining arguments were coded as respect related meaning of pay.

**Table 1. Examples of expressions of meanings of pay in the interviews.**

<table>
<thead>
<tr>
<th>Motivational properties</th>
<th>&quot;Then I could maybe purchase a washing machine or something. I mean that the money is kind of invested to something I need before I get it&quot;</th>
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</thead>
</table>
| Relative position       | "Basically, there is not much feedback from upper management. So when you get some it is very concrete feedback."
|                         | "To me it is a sign that we have done our job well." |
| Control                 | -                                                                                                                                  |
| Spending                | "Everyone can then buy something nice for oneself. Kind of an extra in a way."                                                      |
|                         | "Yes, the meaning. It's a bit of extra (money) for me."                                                                               |
| Respect related meaning | "Then, kind of, sign of an appreciation also from the highest level of management."                                                    |
| (new dimension)         | "It feels like we are appreciated."                                                                                                  |

Second step: The results indicate that when the pay system was perceived as a sign of respect from the organization, the interviewees emphasized that the whole group is valued and it builds togetherness ("we-spirit"). Those who disagreed with the statement that pay system communicates appreciation perceived the pay system as a top management’s control tool.

**Table 2. Examples of reasoning of agree and disagree answers: “The pay system communicates that me and my efforts are valued”.

<table>
<thead>
<tr>
<th>Agree</th>
<th>Disagree</th>
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<td>&quot;Our efforts are valued.&quot;</td>
<td>&quot;Our working days are so busy that new projects are felt as an extra burden. That's kind of pushing us to the limits … Especially the fact that it is initiated and ordered from the top, it erodes the joy of work&quot;</td>
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<tr>
<td>&quot;Absolutely it is, in my opinion, just the appreciation of our whole department and our team. That builds the we-spirit … it is important for job satisfaction.&quot;</td>
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**Conclusions**

In general, the results provide support for the reflection theory of pay. However, Thierry’s original theory highlights especially individual motivational factors. The interviewees of this study emphasized also respect from the management that the pay system communicates. This new respect-related meaning might be theoretically linked to organizational justice – mainly to interactional justice (e.g. Bies & Moag, 1986) or to those theoretical developments which underline that perceived justice is a source of respect (e.g. Tyler & Blader, 2000).

Moreover, the statements of respondents stressed the meaning of pay for their group memberships ("we-spirit, us"), and further enhance the social aspect. This, in turn,
suggest that social identity approach (e.g. Haslam, 2001) that underlines the social aspects of motivation might be fruitful in the further theorizing of the meaning of pay.

References


