BRITISH ACADEMY OF MANAGEMENT

BAM CONFERENCE

3RD-5TH SEPTEMBER
ASTON UNIVERSITY BIRMINGHAM UNITED KINGDOM

This paper is from the BAM2019 Conference Proceedings

Team-based Rewards: The Effect of HR Strength and Commitment on the Relationship between Reward Fairness and Team Performance

Research Summary

Despite the increasing use of work teams across industries, there appears no agreement on how to reward teams. The current studies emphasise the impact of fair distribution of team rewards on the team performance. Nevertheless, they did not identify what factors can influence the fair distribution perceptions. This study, alongside offering a suggestion on the driving forces of such fairness perceptions, investigates the impact of team rewards on affective commitment and team performance. Drawn on two offsets of participants including 170 employees working in teams and 21 relative team supervisors, our findings show direct links between team reward fairness and affective commitment and performance. HR system strengths and affective commitment take part in the reward-performance relationship as driving forces. Specifically, such relationship is stronger at the high level of HR strength. The low and average levels of HR strength do not affect such relationship. The presence of affective commitment generates the effect of team reward fairness on team performance.

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Word Count: 1987 Words

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Introduction

One of the key questions in organisational research since teamwork has been widely deployed across industries is exploring the ways to encourage employees working in teams to constantly deliver high performance. Team reward has been introduced as an effective method of team motivation (Bonner and Sprinkle, 2002). The questions of how to reward teams and who should be rewarded in the team seem to be the important issues. Current studies have highlighted the role that fair distribution of team-extrinsic rewards may play in maximising team productivity and performance (Conroy and Gupta, 2016; Garbers and Konradt, 2013). Although these findings are encouraging, they did not sketch out *what is perceived as fair distribution*. Whilst psychologists suggest that other contextual factors may influence the team reward-team performance link (DeMatteo et al., 1998), it is not clear how this relationship arises and whether employees' attitudes matter in this respect.

In response to this gap in the literature, this research, drawing on the perspective that considers fairness as supplement of 'the descriptive approach of social scientists' (Greenberg and Colquitt, 2005, p. 29), set out to understand the driving forces of fairness perceptions of team-reward distribution - herein is referred as 'team reward fairness', and the condition under which such perceptions can work to the course of improving team performance. Quantitative data was collected from two offsets of participants from wider levels of the organisational hierarchy, including 170 team members and 21 team supervisors from hospitality organisations located in South Vietnam. Our starting point is that team reward fairness (including both financial and non-financial elements) exerts positive influences on team outcomes such as commitment and performance. Since DeMatteo et al. (1998) raised the importance to understand the conditional factors which may either influence the effectiveness of team rewards, we address this gap by taking into account the effects of HR system strength and affective commitment on the reward fairness-performance relationship. We proposed that such relationship is stronger when team members perceive high HR strength, and then recommended that the presence of a high level of affective commitment generates the effect of team reward fairness on team performance.

Contribution

This research contributes to both literature on team performance management and organisations where work teams are used in several ways. First, non-financial rewards, which are equipped with intrinsic motivation, can foster self-esteem and increase intangible performance outcomes such as knowledge acquisition and innovation (Mak and Akhtar, 2003; Deci and Ryan, 2000; see Chiang and Birtch, 2012). Whilst scholars suggest that both financial and non-financial rewards can support organisations to convey their business strategy into specific performance required for its employees (Danneels, 2002; Hull and Rothenbergg, 2008), current studies on team reward solely emphasise financial rewards. This study, by taking into consideration the impact of both intrinsic and extrinsic elements, provides legitimate understanding of the role which team rewards play in encouraging employees working in teams to engage with their team goals, and commit to achieve them. This would further help organisations achieve their performance priorities and desires (Chiang and Birtch, 2012).

Second, despite the increasing use of work teams across industries, there appears no agreement on how to reward teams (Garbers and Konradt, 2013). Deriving from the concept of equity, the current studies emphasise the impact of fair distribution of team reward on the team performance. Nevertheless, they did not identify what factors can influence team reward

fairness. This study is one of only a few drawing upon principles of social exchange to measure team-based issues. It sheds light on the impact of team reward fairness on team outcomes and the driving forces of such practice. In particular, the ways in which team members perceive team reward fairness link with affective commitment that can be violated if there is inequity in the workplace (Organ, 1990). Levels of commitment are contingent upon the degree to which team members perceive the rewards distributed for their team achievements as fair delivered.

Apart from the direct effect on affective commitment, team reward fairness, in conjunction with other organisational factors across multiple levels, works towards achieving high-quality team performance. The perspectives of the HR strength system are employed to explain how team reward fairness exerts an influence when it is put in place together with other HR practices. As such, this research offers a suggestion that team reward fairness is fostered from the trust in, and commitment of the entire HR system which is consensually, consistently and fair delivered. Such a HR system creates a positive environment wherein every team member is willing to set aside their individual differences, and recognises and appreciates the efforts their colleagues put into team achievement. This elicits acceptance of team rewards and high levels of commitment in achieving team goals, leading to the desirable team performance.

Third, empirical work on performance detailed how commitment plays a role in producing better work performance by enhancing employee motivation, behaviours and cognition (Mullen and Copper,1994). Nevertheless, only a few studies have examined the actual impact of commitment on team performance (Boselie, Paauwe and Jansen, 2001; Chowhan, 2016). This study, by emphasising affective commitment, provides understanding of the mediating roles that affective commitment play in the link between team reward fairness and team performance.

Lastly, orientated by a desire for effective reward systems which can work to their full potential in a team context, this study benefit organisations where work teams are used by indicating the ways HPWSs feature outcomes of team reward application. This leads to an awareness that HR systems, which are perceived as intended by management (Bowen and Ostroff, 2004; Shipton et al., 2017), would facilitate implementation of team reward fairness and maximise its influence on commitment and team performance.

Theoretical Background and Hypotheses

Social exchange theory (SET) explains the fairness effects grounded in a perspective that people consider fairness as a benefit worthy of exchange. For that reason, a sense of fair treatment leads to their commitment to reciprocate, with an assumption that such relationship will result in a positive interchange between parties (Blau, 1964). This is the key of a social exchange relationship where co-operation and commitment are considered elements of the relationship that need to be maintained and strengthened (Cropanzano and Mitchell, 2005). In a work context, social exchange can rationalise organisational phenomena such as turnover, tardiness and absenteeism (Rhoades and Eisenberger, 2002) to identify distinctive methods of employee motivation. This keeps employees engaged with the organisation and enhances their willingness to dedicate time and effort over and above the expected norm too increase performance (Van Dyne, Graham and Dienesch, 1994). As such, this study embodies consideration social exchange theory as its backbone to facilitate understanding of dimensionality of fairness perceptions; and to examine influences of fairness perceptions on the effectiveness of team-based rewards deployed in the hospitality industry.

Team-based Reward Fairness and Team Outcomes

In the work context, reward fairness is highly focused when it is applied as a predictor of turnover intention and employee satisfaction (Cohen-Chrach and Spector, 2001). Whilst there is not yet agreement on which element can feature reward fairness in the team context, Garbers and Konradt (2013) believe that such motivation process cannot be simply distinguished from equality or equity. Although this idea gives unclear results of how team-based reward should be constructed, it is believed that perceptions of team-based reward fairness are important determinants of the efficacy of reward that can powerfully influence work attitudes (e.g., team commitment) and behaviours (e.g., team performance) (Kozlowski and Bell, 2001). In this respect, preliminary hypotheses constructed from the roles of perceptions of team reward fairness are shown below:

Hypothesis 1a: Team reward fairness is positively associated with team commitment, such that the more rewards are perceived as fairly delivered, the higher commitment team members will show.

Hypothesis 1b: Team reward fairness is positively associated with team performance, such that the more rewards are perceived as fairly delivered, the better performance the teams will achieve.

The Relationship between HR System Strength, Team Reward Fairness and Team Performance

Increasing studies have added to the knowledge on HPWSs which have been employed to achieve desired work performance. At the heart of this, the theory of HR strength systems draws attention to organisational climate which reflects how employees encounter organisational policies and practices, and perceptions shared amongst them. Organisational climate is strong in as much as it leads employees to behave in the same way, motivate them to share beliefs, attitudes, ideas, and objectives that strengthen their effectiveness and align them with organisational objectives ((Dorenbosch, Reuver and Sanders, 2006; Whitman, Van Rooy and Viswesvaran, 2010). According to Frenkel and Sanders (2007), strong climate manifests itself in the team context wherein members will make effort to keep the team intact by complying with its rules and placing the team interests above their own.

Strong organisational climate derives from HR strength systems that reflect in legitimate designs of practices and effective implementation process (Bowen and Ostroff, 2004). More specifically, HR systems which are visible, understandable and relevant help employees understand what organisation expect from their performance, therefore engage with the sets of behaviours which management desire and support (Sanders et al., 2018). In the team context, such HR systems can drive team member cognition, which consequently results in their acceptance of deployed HRM practices, sanctioned behaviours and better performance (Cunha and Cunha, 2009). Adopting this viewpoint, HR system strength is considered as the driver in the relationship between team reward fairness and team performance in this research.

We propose that the existence of HR strength systems creates a share perception, helping team members set aside their interests to prioritise the team interests, fostering acceptance and satisfaction of the rewards provided for team achievement as the whole. Engaged with the team and committed to its achievement reinforce team members to perform better. The second hypothesis is thus proposed as follows:

Hypothesis 2: HR system strength will moderate the relationship between team-based reward fairness and team performance, such that the stronger the HRM system the more positive this relationship.

The Relationship between Team Commitment, Team Reward Fairness and Team Performance

SET theory presents a practical framework for the link between HPWSs, work attitudes and performance outcomes (Takeuchi et al., 2007). In particular, employee commitment derives from work satisfaction which is an outcome of the relationship between organisational fairness and organisational citizenship behaviours (OCBs). An OCB is considered an input factor reflecting an equity ratio in which a low OCB level could be a response to inequity, increasing the withdrawal intention amongst the workforce, and violating level of employee commitment (Organ, 1990, see Takeuchi et al., 2007). Accordingly, managers take care of employees through the ongoing implementation of reward programmes that are considered as engagement mechanisms supporting organisational strategies and encouraging their citizenship (Bratton and Gold, 2012). It is likely that individuals receiving benefits from the organisation are more obligated to make repayments to the organisation through better performance (Gardner, 2011; see Paauwe, Guest and Wright, 2013; Karatepe, 2011; Kehoe and Wright, 2010). This leads to the assumption that implications of high-performance work practices such as team reward fairness would reinforce to employees that they matter and will be treated fairly in the workplace. This reassurance in turn enhances their levels of commitment to produce higher quality performance (Sander and Yang, 2016).

In the same manner, we propose that team commitment, which accounts for the average of team members' affective commitment, interferes in the reward fairness-performance relationship. More specifically, the effect of the perceptions of team reward fairness may diminish in higher levels of team commitment. This informs the third hypothesis:

Hypothesis 3: Team commitment will mediate the relationship between team-based reward fairness and team performance.

Findings

Findings indicate that there are significant correlations between team-based reward fairness and HR system strength. Specifically, figure 1 shows the moderating role of HR system strength in the relationship between team-based reward fairness and team performance. In fact, contribution of HRM to organisational performance has been vigorously discussed in empirical research. The latest work on this subject has signposted a moderating role of HR system strength on the relationship between performance-based rewards and innovative behaviours (Sander et al., 2018). Nevertheless, this work has not yet explored the effect of HR strength on team performance. Therefore, by considering the moderating role of HR system strength in the relationship between reward fairness and performance, this novel finding brings to light the contextual condition whereby team rewards can exert their full effect on team performance.

In addition, the results from the quantitative analyses show the interactions between team rewards and affective commitment. Specifically, team reward fairness predict team commitment, which in turn influences team performance. Although prior research has indicated the mediating role of commitment, the findings of this study add value to the literature of commitment by highlighting the association between reward fairness, affective commitment and performance at a team level.
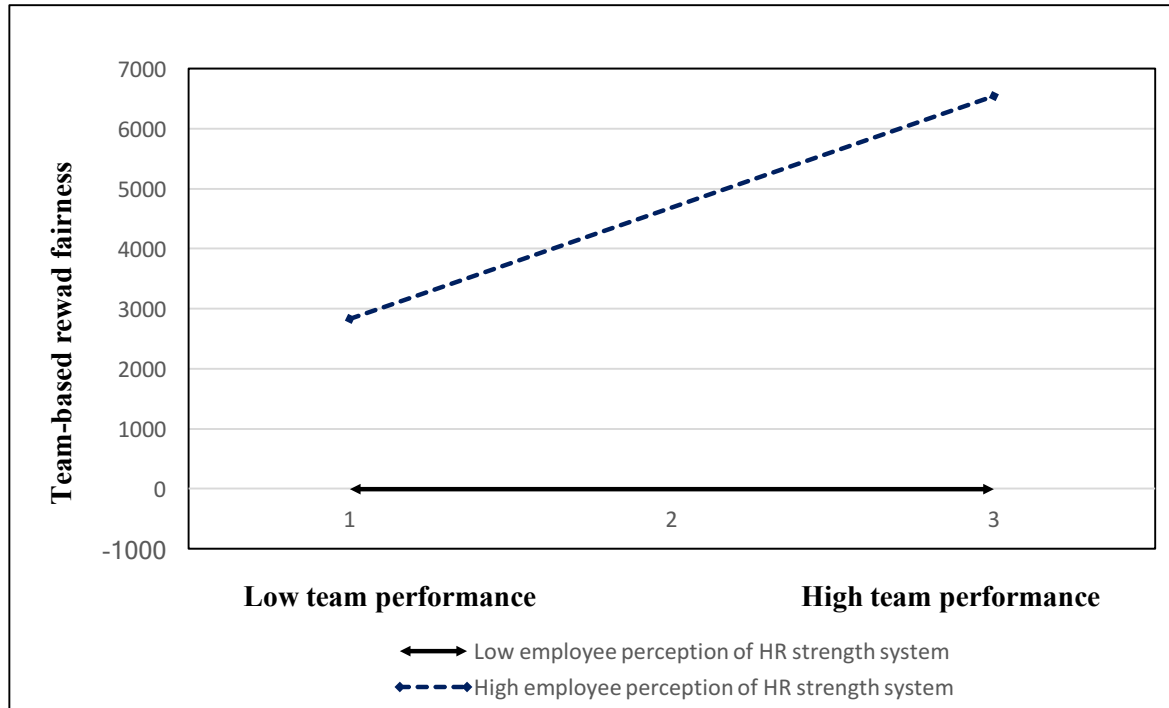
Figure 1: Moderation effect of the perceptions of HR system strength on the relationship between perceptions of team-based reward fairness and team performance

Future Research

Regional culture, defined as 'the collective programming of the mind which distinguishes that members of one human group from another' (Hofstede, 1980, p. 25; see Sander et al. 2018). The study of Sander et al. (2018) suggests that uncertainty avoidance can be considered as condition that leads to certain behaviours such as innovative behaviours. Adopted this view, we endeavour to extend our research on the effect of uncertainty avoidance on the reward fairness-performance relationship. Data collection on other groups of hospitality employees located in North Vietnam will be undertaken in due course.

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Apendix

Items of the Team-based Reward Fairness, Team Commitment, Fairness in HR System and Team Performance Used in this Study

Team-based Reward Fairness (Team members)

1. I received team-based rewards which reflected the effort I had put into my teamwork.
2. The team-based rewards I received were appropriate for the work I had completed.
3. I received team-based rewards reflected what I had contributed to the team.
4. The team-based rewards I received were justified, given my contribution to the team performance.

(Colquitt, 2001)

Team commitment (Team members)

1. I do not feel emotionally attached to my organisation.
2. This organisation has a special meaning for me.
3. I do not feel that I am part of the organisation.
4. I strongly feel that problems of this organisation are my own.
5. This organisation does not have a special meaning for me.
6. I would be very pleased to work with this organisation for the rest of my life.

(Meyer, Allent and Smith, 1993)

Fairness in Strength HR System (Team members)

1. When deciding upon matters that concern my team, my supervisors seek our opinion.
2. My supervisors deal with me in an honest and ethical way.
3. In my team, the members rewarded are those who deserve to be.
4. My organisation has allowed me to choose my career direction.

<div align="right">(Coelho et al., 2015)</div>

Team Performance (Team supervisors)

How do you rate your team on each of the following?

1. The efficiency of team operation.
2. Quality of technical innovation your team produces.
3. The degree to which your team adheres to schedule.
4. The degree to which your team adheres to budgets.
5. Your team's ability to resolve conflicts.
6. Overall performance of your team.

<div align="right">(Janz et al., 1997)</div>