

Perceived Team Reward Dominance and its Effect on Employee Commitment: the Mediating Role of Trust and Cooperative Team Norms

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Abstract

Organizations that focus on long term employee investment follow what is termed commitment based HR practices. Such organizations emphasize team rewards over individual rewards amongst a host of other HR practices. This study focuses on the impact of the knowledge in the hands of the employees that team rewards are more pronounced and preferred in their organizations. Knowledge of team reward dominance over individual rewards is hypothesized to affect commitment through creation of a climate of trust and cooperative team norms. Data from a group of 356 executives across various organizations in India support the hypotheses that perceived interpersonal trust and perceived cooperative team norms completely mediate the relationship between knowledge of team reward dominance over individual reward and affective commitment.

Introduction

Research on team rewards and its impact on performance and employee have been discussed in various studies. However how they impact employee attitude is an area where more research is needed. This paper studies how the awareness that employees have that team rewards dominate individual rewards affect their commitment to the organization mediated by cooperative team norms and interpersonal trust.

Pay for performance-team rewards

Pay for performance plans has received considerable attention at various levels of management and its effects on financial performance of the organization has been studied (Gerhart and Rynes, 2006). The theoretical roots for pay for performance plans can be traced from Vroom's Expectancy theory (Vroom, 1964) and has been hailed as an integral part of any organizational compensation system since it is seen as a transition from pay as an entitlement to pay contingent upon performance (Milkovich & Newman, 2008). The success and prevalence of the pay for performance programs has increased in recent years (Heneman R., et al, 2000). The focus however has moved into the implementation aspects and the audience catered to (Stajovic and

Luthans, 2001, Cadsby Bram C., Song Fei, Tapon Francis, 2007), while there seems to be a broad consensus on impact of pay for performance schemes.

Pay for performance schemes can be broadly classified as individual incentive schemes and group incentive schemes. Research on pay for performance schemes that focus on performance impact of the schemes do not generally distinguish between whether there is a difference with respect to the impact on performance with respect to these schemes, since the incidence of team/group pay for performance schemes are related more to the nature of work viz. high interdependence amongst the team members. Milkovich (2008) has argued that top performers usually do not prefer group schemes as the rewards seem more “equitable” and hence not distinguishing performance. However team rewards are a necessity in organizations today where work is highly interdependent. However team based rewards does impact more than just performance. They impact workers attitudes towards their teammates and towards their organization. Jacqueline A-M., et al, (2002) showed that profit-sharing schemes (rewards based on organizational performance viz. profit being shared to all employees) had impact on commitment and trust. Sweins and Kalamu (2008) showed empirically that knowledge of profit sharing schemes affects commitment. This research focuses on the impact team rewards has on employees’ commitment.

Dominance of team rewards over individual rewards

Organizations use team rewards when there is high interdependence among jobs rendering individual rewards meaningless. But even in those circumstances organizations typically measure individual contribution to team performance. Recently however the study on “commitment driven HR practices” (Arthur, 1992), Tsui (1997) shows the organizations use team rewards for another reason viz. create more belongingness or emotional attachment with the organization. Those organizations do not necessarily focus on individual rewards or measure individual contribution to team rewards but clearly send a message to the employees that in this organization team rewards are emphasized over individual rewards. Knowledge of this dominance of team rewards over individual rewards sends many signals to the employees. Those employees that feel that the organization does not respect individual contribution would not feel attached to the organization emotionally. But those that are aware that the organization respects team efforts would invest in more cooperation with their team members and over time this cooperation amongst team members shall elicit an emotional bond amongst the team members and thus an emotional attachment with the organization. In this study we focus on the impact of employees’ awareness of the dominance of team rewards over individual rewards. Bowen and Ostroff (2004), discuss that HR practices create conducive climate which impact employee attitudes. In this study we focus on interpersonal trust and perceived team cooperation norms as climate variables that are created due to the practice of emphasizing team reward over individual rewards.

Cooperative team norms

Group norms are defined as legitimate socially shared standards against which the appropriateness of behaviour can be evaluated (Birenbam and Sagarin, 1976). Cooperation norms in groups decide how much the group members are willing to cooperate. Wagner (1995) discussed that group cooperative norms show the emphasis people place on shared interests and objectives. Though group cooperative norms explain how groups function little research has

gone into the emergence of group cooperative norms (Chatman and Flynn, 2001). When employees are aware that the organization emphasizes team rewards over individual rewards they will invest in cooperation resulting in cooperative norms. With the knowledge that team performance gets rewards, the employees will invest in developing shared language and shared interests and norms of behaviour. Thus the knowledge of dominance of team rewards over individual rewards will affect perceived cooperative group norms.

Hypothesis 1: knowledge of the dominance of team rewards over individual rewards are positively related to team cooperative norms

Interpersonal trust

When employees are aware that team rewards dominate vis-à-vis in the organization they shall also invest in developing interpersonal trust amongst the team members. When it is known that interdependence is necessary as rewards are primarily team driven employees are “motivated” or “forced” to invest in trust. Mayer, Davis and Shoorman (1995) define trust as the “willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor irrespective of the ability to monitor or control that other party”. When employees are aware that team rewards dominate individual rewards they expect that their team members will perform any action that benefits the entire team. It may also happen that the awareness of team reward dominance over individual rewards will create a belief that the team members are capable (ability) for performing the tasks. While this may always not be the case, perceived dominance of team rewards over individual rewards shall result in increased trust within the team members.

Hypothesis 2: knowledge of the dominance of team rewards over individual rewards is positively related to perceived interpersonal trust amongst team members.

Affective commitment

Arthur (1994), Collins and Smith (2006), describe how incentives that are determined by organizational performance and team performance create a sense of belongingness amongst the employees. These incentives are amongst the bundle of HR practices called Commitment driven HR practices. These HR practices invest in the employees and the employees reciprocate by committing themselves to the organization. The higher the shared interests and goals amongst the team members the more will be the emotional attachment amongst the employees. Thus we feel that team incentives shall affect the sense of belongingness viz. affective commitment of the employees. However HR practices do not affect employee attitudes directly. They do it through creating conducive climate viz. interpersonal trust and cooperative team norms. Employees’ perception of “belongingness” usually increases the more they are attached with their team members. When cooperative team norms are evolved and felt strongly by the employees their affective commitment towards the organization is higher.

Hypothesis 3: perceptions of Cooperative Team norms are positively related to perceived affective commitment

Hypothesis 3a: Cooperative Team norms completely mediate the relationship between affective commitment and dominance of team incentives over individual rewards.

Hypothesis 4: Perceptions of interpersonal trust amongst team members are positively related to perceived affective commitment

Hypothesis 4a: Perceptions of interpersonal trust amongst team members completely mediate the relationship between affective commitment and knowledge of dominance of team rewards over individual rewards.

In summary, this research focuses on two aspects. The first is that the knowledge of the dominance of team rewards over individual rewards in the organization has impact on interpersonal trust within the team and cooperative team norms within team members. The second is that the cooperative team norms and interpersonal trust completely mediate the relationship between knowledge of dominance of team rewards and affective commitment.

Methods

Participants were students of an executive certificate in management program. The students were employees of various organizations predominantly in the services sector and the manufacturing sector, and were in their jobs while the program was conducted. Totally 453 participants filled the survey questionnaire. After accounting for missing data and removing those employees who have stayed less than a year in the organization the total sample size for the study was 355. Participants were 73 percent male. Participants ranged from age 20 to 60 with a substantial number of them between the age group of 25-35 years of age. Participants filled a Likert type survey instrument containing measures for the various variables. The independent variable “perceived dominance of team reward” was measured through a scale with two items. The statements were taken from Collins and Smith (2006) “Commitment based HR practices” scale and were stated as follows: 1. our incentive plans emphasize team reward over individual rewards and 2. Goals for incentive plans are based on team goals rather than on individual goals. The scale showed a cronbach alpha of 0.759 thus showing good reliability. Perceived interpersonal trust was measured using the Mayer and Davis scale (1999), which measured trust (or trustworthiness) in three dimensions viz. ability, benevolence and integrity. The scale had 4 items for each dimension. The scale was modified slightly to reflect the perceptions of the team members, since the original scale was used to measure trust towards management. The scale too showed good reliability with cronbach alpha of 0.939. “Cooperative team norms” was measured using the six item scale developed by Chatman and Flynn (2001). Sample item include “Employees here are willing to sacrifice their self interest for the group”. The scale showed good a cronbach alpha of 0.753. Affective commitment was measured using an 8 item measure developed by Meyer and Allen (1995). A sample item is “I would be happy to spend the rest of my career in my organization”. The affective commitment scale showed a cronbach alpha of 0.808.

Results

Before proceeding to the analysis all the measures were entered into a factor analysis and there emerged 5 factors telling us that this study does not suffer from common method variance. The table below shows us the bi-variate correlations and means and standard deviations amongst the variables.

Table 1: Bi-variate correlations, means and standard deviations of all the variables

Correlations		Knowledge of team reward dominance (over individual rewards)	Cooperative Team Norms	Interpersonal trust	Affective Commitment	Mean	Standard Deviations
Knowledge of team reward dominance (over individual rewards)	Pearson Correlation	1.00	0.46	0.47	0.17	8.78	2.72
Cooperative Team Norms	Pearson Correlation	0.46	1.00	0.78	0.45	4.87	1.05
Interpersonal trust	Pearson Correlation	0.47	0.78	1.00	0.28	5.00	1.10
Affective Commitment	Pearson Correlation	0.17	0.45	0.28	1.00	4.89	1.00
N=355							
All Correlations significant at the 0.01 level (2-tailed).							

Table 2: Regression results: Knowledge of team rewards is positively related to cooperative team rewards and interpersonal trust, and affective commitment

	Model 1	Model 2	Model 3
Regressions	Cooperative Team Norms	Interpersonal trust	Affective Commitment
Knowledge of team reward dominance (over individual rewards)	0.463**	0.470**	0.171**
R squared	0.214	0.221	0.029
Δ R squared	0.212	0.218	0.026
Δ F	96.083**	99.944**	10.616**

The above table (table 2) shows the regression results thus proving the first three hypotheses. We hypothesized that knowledge of team reward dominance over individual rewards will affect cooperative team norms as perceived by the employees. In table 2, model 1, hypothesis 1 is supported with $\beta = 0.463$ ($p < .01$). Hypotheses 2 stated that knowledge of team reward dominance over individual rewards shall affect perceived interpersonal trust. Model 2 of table 2 shows that the hypotheses is supported as the regression results show that knowledge of team reward dominance over individual rewards is significantly related with perceived interpersonal trust with $\beta = 0.470$ ($p < .01$). Hypotheses 3 and 4 are supported vide results shown in table 3. With affective commitment as the dependent variable two regression results were constructed with both of them being statistically significant. Hypotheses 3 is supported by the fact that perceived cooperative team norms affects affective commitment with $\beta = 0.446$ ($p < .01$) and hypotheses 4 is supported as perceptions of interpersonal trust affects affective commitment with $\beta = 0.276$ ($p < .01$).

Table 3: Affective commitment is positively related with cooperative team norms and interpersonal trust

	Model 1	Model 2
Regression	Cooperative Team Norms	Interpersonal trust
Affective commitment (Dependent variable)	0.446**	0.276**
R squared	0.199	0.076
Δ R squared	0.197	0.074
Δ F	87.364**	29.096**
Significant at .001 level		

Testing mediation

The mediation effect of interpersonal trust and cooperative team norms were tested using regression by the method suggested by Baron and Kenny (1986). Accordingly mediation testing is done in a three step procedure. The first step is the relationship between knowledge of dominance of team reward over individual reward and affective commitment. Table 1 shows that the relationship is statistically significant with $\beta = 0.171$ ($p < .01$). The second step is the establishment of statistically significant relationship between perceived interpersonal trust, perceived cooperative team norms and knowledge of dominance of team rewards over individual rewards which were established via hypotheses 1 and 2. In the third step we add perceived interpersonal trust as a variable to the regression equation where knowledge of dominance of team rewards is the independent variable and affective commitment is the dependent variable. Complete mediation should render the variable “knowledge of dominance of team reward over individual reward” statistically insignificant. This shall support hypotheses 3a. To support hypotheses 4a we shall repeat the same equation with the third variable being perceived interpersonal trust. The table below shows support for hypotheses 3a and 4a.

Table 4: interpersonal trust and cooperative team norms (entered in separate equations) completely mediate knowledge of team reward dominance and affective commitment

	Model 3	Model 4	Model 5
Testing mediation	Affective Commitment	Affective Commitment	Affective Commitment
Knowledge of team reward dominance (over individual rewards)	0.171**	-0.045	0.913
Cooperative team norms		0.467**	
Interpersonal trust			0.251**
R		0.448	0.28
R squared	0.029	0.2	0.078
Δ R squared	0.026	0.196	0.073

ΔF	10.616**	44.131**	14.958**
** significant at 0.01 level			

The table above shows that even though knowledge of team reward dominance over individual reward has a statistically significant relationship with affective commitment, this relationship becomes statistically insignificant when either cooperative team norms or interpersonal trust variables are entered into the equation, thus supporting the hypotheses 3a and 4a that cooperative team norms and interpersonal trust completely mediate the relationship between knowledge of dominance of team reward over individual reward and affective commitment.

Discussion

The above results support all the hypotheses thus showing a relationship between a specific HR practice among a bundle that can be described as “belongingness oriented” and its relationship with perceived belongingness viz. affective commitment. The complete mediation in our results show that HR practices affect employee attitude by creating a climate lending support to Bowen and Ostroff (2004); this climate affects the sense of emotional attachment that employees have towards the organization. Coming from a developing economy, where liberalization policies have enabled entry of a quite a large number of multinationals with their organizational designs and HR policies this research lends support that Commitment driven HR practices have a desired impact across cultures and economies. At the same time the authors admit that the study was cross-sectional and was conducted across various organizations rather than one organization. The study would be more useful to further researchers had it been longitudinal and conducted within one organization.

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