
A Study Of Compensation Practices In Leading Corporate Retail Stores

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Abstract

Compensation means the remuneration received by an employee for his services to the organization. Effective compensation management attracts and retains talented employees in the organization. In the present competitive labor market, organizations need to leverage their human capital to keep up a competitive position. The reward system is primarily based on the employees' performance and contributions to the company. In general, monetary or non-monetary compensation benefits are definitive in the organization and it matters a lot to the individual employees. Thus, the retail in particular is a service sector and growing rapidly in India. The massive growth creates competition among the retail organizations. Therefore, a lot of demand is generated for skilled employees in this

industry. To meet this demand, organizations have to offer good pay packages to their employees. With this important aspect, the current study has been taken up to investigate and suggest the corporate retail stores for implementing good compensation practices. The current study reveals the employees' satisfaction levels on compensation practices followed by the leading corporate retail stores.

Keywords: Compensation, Reward, Motivation.

1. Introduction:

The enormous growth in the retail sector in India and its consistent point in demand for talents have under counted the needs for effective human resource systems. The role of HR has a vital significance in retail as the personnel function in an

exclusive environment. In the retail organisation, people who deal with the consumers/customers at a one-to-one level are considered to be the face of the organisation. Employees are often motivated by money. The salary an employee is paid by his/her employer can have an abundant effect on his/her performance in the organization. An employee doesn't simply view his/her salary as an amount, he/she sees it as the value his/her employer places on him/her as a worker. The level of appreciation the employees feel can have a direct influence on their complete performance. Employees are more likely to perform to their potential if they are happy with the salary they are receiving. The highly motivated employees can do their job perfect. According Maslows hierarchical theory the first need of human beings are basic needs, the needs of employees of different age groups will differ from each other, the compensation paid by the organizations should meet their needs. For this organization should follow good compensation practices based on the respondents' needs and wants. Employees feel happy when their present needs are fulfilled with the support of the organization.

A system of monetary rewards such as bonuses, incentives, etc., never be treated as part of regular pay. Equate financial rewards with comprehensive accomplishments. The reward system can apply to individual employee or groups. For example, for meeting their annual profit goal, they could offer profit sharing to the employee who contributed the most to their success or to an entire team. Employee rewards can be intrinsic or extrinsic. Intrinsic rewards are those that provide employees with a sense of accomplishment; they include giving their employees autonomy or providing opportunities for growth. Extrinsic rewards are tangible, such as offering stock options or demonstrating employee recognition by presenting plaques or certificates before an audience of their peers.

Dr. Jyoti Joshi & Kalpana Bhagwat (2013) stated that organizations advertise some posts and declares a compensation scheme or salary package in order to attract people. In this case the compensation package can be treated as a stimulus. People would respond differently to this package according to their attitudes, perception, requirements, priorities and future

expectations. The people whose priority is mere financial income will apply. Suppose in addition to the compensation package, the firm adds career path or promotion package or attractive incentives, some more people are likely to pay attention and apply.

The effective Compensation Practices are very much vital for any organization to reach its goals. In order to motivate the employees within and beyond their expectation, the management should have an ability to implement effective compensation packages in the organization. Compensation practices always plays an important role as its brings loyalty, dedication among the employees and it builds a relations between employees and employers. The reason behind employees typically depend on salaries or wages and the compansation must be equivalent to the work done. However, to the management, the decisions related to compensation directly influence the cost of doing business and thus, their ability to sell at a competitive price in the product market. Compensation can be direct or indirect. The direct compensation includes salary, house rent allowance, leave travel allowance, conveyance, medical reimbursements,

special allowances, gratuity, bonus, etc., and indirect compensation includes the benefits like perks, time off, etc.,

2. Objectives of the study:

The main objectives of the study are as follows:

1. To examine Compensation Practices of leading Corporate Retail Stores.
2. To evaluate the Compensation Practices based on sample characteristics of select employees.
3. To examine the deficiencies and suggest effective measures for implementing best compensation practices in the leading corporate retail stores.

3. Research Questions

The current study is carried out in search of empirical answers to the following research questions that are raised based on the gaps identified in literature related to the retail industry.

1. Are the employees happy with the compensation practices followed by corporate retail stores?
2. Are the retail employees getting salaries comparable to their counterparts in the organized sector?

3. What are the living standards of employees working in corporate retail stores.

4. Research Hypotheses

H₀₁: There is no significant difference in the perception of select employees on Compensation Practices.

H₀₂: There is no significant difference in the Compensation Practices based on sample characteristics of select employees.

5. Research Methodology and Sampling

A questionnaire has been prepared based on the objectives of the current study. The questionnaire has been prepared for employees to examine the compensation practices followed in the leading corporate retail stores in the State of Andhra Pradesh, India. For the purpose of administering the questionnaire, a sample of 300 respondents has been selected on the basis of random sampling method. The sample consists of Customer Sales Associates, Supervisors, Assistant Managers and Managers of corporate retail organizations. The method, therefore, consists of identifying some specific variables, for developing

hypotheses, collecting data via a survey through a predetermined questionnaire which can be statistically tested in support of the hypotheses or otherwise. The period of study spans ten years from 2008 to 2017. The data have been analyzed with the help of appropriate statistical techniques by using SPSS-17.0. The researcher had put an attempt to analyze the relationship between the independent variables (gender, age, education, social status) and dependent variables (Compensation Practices). Appropriate hypotheses have been framed for the purpose of testing.

6. Literature Review

Compensation management as the name suggests, implies having a compensation structure in which the employees who perform better are paid more than the average performing employees (Hewitt, A. 2009). The reward is the centre piece of the employment contract; after all it is the main reason why people work (Danish, R.Q. and Usman, A. 2010). Compensation as the total of all rewards provided to employees in return for their service, the complete purposes of which are to attract, motivate and retain the employees.

The regular and periodic salary increments, fringe benefits, allowance and other compensations will motivate the employees also to keep their morale high. Compensation plays an important role in the recruitment and retention of librarians (Odunlade, R.O. 2012). Compensation has positive impact on employee performance in the banking sector (Abdul Hameed, 2014). Fair compensation and work hours will improve employee job attitudes; fairness can also motivate employees to be hard working and satisfied employees offer good services for the organization. It can finally increase the organizational performance (Manisha Gupta, 2014). Compensation systems could be powerful tools in motivating a multitude of desired behaviors. It was found from the study that compensation and incentive systems can be enumerated compensation and incentive systems are among the most under-researched areas in HR (Nina Gupta, A. and Jason, D.Shaw. 2014). Organization success or growth depends on employees' performance, therefore compensation

management, which is the reward received by employees for the services rendered (Osibanjo et al. 2014). Compensation management system has impacts on employees performance and also there are other factors apart from monetary factor that influence the performance of employees either positively or negatively (Ponduri, S.B. & Aravind Soudikar, 2016). If higher education institutions aims to attract and retain their academic staff, a novel proper compensation needs to be developed. A remuneration package is one of the most important factors that influence people to take up employment and stay with organizations (Calvin & Mabaso, 2017).

There are plenty of studies on compensation policies in manufacturing and banking sector whereas in retailing a very few. After identifying this gap, the present study is taken up to investigate compensation practices in leading corporate retail stores. The list of Dependent Variables (DV) are mentioned in the following Table.1.

Table 1 : Details of Dependable Variables.

Variables	Questions / Statements
DV-01.	<i>Salary commensurate with job responsibility</i>
DV-02.	<i>In respect of remuneration, the organization goals and employee goals are</i>

	<i>rightly matched.</i>
DV-03.	<i>How do you rate your Salary ?</i>
DV-04.	<i>Are you satisfied with the reward system in your organization?</i>
DV-05.	<i>Wages compare favorably with other industries</i>
DV-06.	<i>Wages commensurate with qualifications</i>
DV-07.	<i>Wages reflect the cost of living very much.</i>
DV-08.	<i>Wage hikes are effected at regular intervals</i>
DV-09.	<i>Allowances are quite good .</i>
DV-10.	<i>Wages are paid promptly</i>

(DV-01) : To attract talent and attain the goals, organizations use good pay policies. A proportionate salary will improve employee motivation, increases efficiency and reduces employee turnover. An appropriate pay strategy includes regular salary increments that motivate employees to perform at their highest level. Organization should assure the personnel for their better career in the organization. Organization can reach its goal only through dedicated and sincere manpower. It will be real, when an employee feels that organization's goal is his/her goal.

(DV-02) : A goal is a statement that shows the future destination of an organization. It enlightens what the organization is trying to achieve. "Goals serve as an internal source of motivation and commitment and provide a guide to action as well as a means of measuring performance (Barton R.B. 2000)". Setting a goal is an important tool used by organization to direct its employees

for better performance. Successful organization frequently set short and long goals for improving quality and also to become more customer focused and build better internal and public relations.

(DV-03) : Compensation of employees for their services is a significant obligation of an organization. Every organization should offer fair remuneration and other fringe benefits to attract and retain talented workers with the organization. If at any time, the remuneration offered by an organization is not modest as compared to other establishments, the efficient workers may leave the organization, it leads to decline the efficiency of the organization. Therefore, employees must be compensated adequately for their services.

(DV-04) : An incentive system is a policy to inspire individual/group performance. An incentive programme is most frequently built on monetary rewards, but may also include a variety of non-monetary rewards.

“Organizations generally use pay, promotion, bonus and other kinds of rewards to create staff to upsurge efficiency. These are administration tools which once used suitably, contribute to an organization’s effectiveness by influencing individual or group behavior (Cameron et al. 1994)”. Some innovative reward schemes enrich the employee to have a commitment and dedication in delivering the jobs and to reach the goals of the organization.

(DV-05) : Salaries or Wages in the organization should be in line with salaries or wages for comparable jobs in other organizations. If not, organization may not be able to attract and retain skilled employees. Managements have to formulate and administer the salary policies on sound lines as most of the employees’ satisfaction and work performance are based on pay. Salary differentials among workers working in the same unit, among different units, occupations, regions and the like are common features of labour markets in various countries. Inter-personal wage differentials are mainly due to variations in personal characteristics like sex, age, skill, knowledge, etc., of employees who work in the same unit and are in the same or similar occupations.

(DV-06) : It is fact that competitive pay can attract qualified and talented people; it also works as an important tool for improving employee satisfaction and morale. Competitive pay policies include regular salary increments that motivate employees to perform at optimal potential.

(DV-07) : The minimum wage must provide not only for the basic sustenance of life, but for the fortification of health, efficiency and well-being of the employee by providing certain measure of education, medical facilities and other amenities. Minimum wage has to be paid to all employees regardless of the capacity of an industry.

(DV-08) : Organizations must to bridge the gap between the industry standards and their salary or wage packages. In general, organizations never offer compensation packages that are either less than the industry standards or higher than the market rates. A reasonable pay is somewhat more than the minimum wage providing the bare necessities of life. “The changes in pay levels or the way pay is determined actually have on people’s decision to join and leave organization” (Sara et al. 2004).

(DV9) : Allowances are in different forms, which are offered to the personnel to meet various needs like house rent, travel

expenses, medical expenses, meal allowance, washing allowance, etc., These allowances will vary from organization to organization based on the kind and nature of operations.

(DV10) : In order to increase employee loyalty and minimize the employee turnover, organization should have a sound wage and salary administration. The prompt paid policy also helps the organization to attract qualified and hard-working personnel.

7. Results of the Study:

In this current study, the relationship between Independent Variables (Gender, Age, Education, Social Status) and dependent variables (DV1-DV10) of compensation practices has been analyzed. The results of relationship between these two variables have been mentioned in the Table 2.

Table 2: The Results of Relationship between the Variables

Variables		DV-01	DV-02	DV-03	DV-04	DV-05	DV-06	DV-07	DV-08	DV-09	DV-10
Gender (IV-01)	χ^2	4.58*	8.43*	3.63*	1.37*	1.16*	2.98*	2.48*	2.55*	2.35*	2.33*
	H ₀	A	A	A	A	A	A	A	A	A	A
Age (IV-02)	χ^2	23.52**	42.86**	43.59**	20.01**	51.44**	34.11**	50.54**	51.90**	43.30**	33.81**
	H ₀	R	R	R	A	R	R	R	R	R	R
Education (IV-03)	χ^2	37.46**	48.24**	49.99**	46.89**	54.98**	45.09**	7.67**	42.27**	38.72**	43.29**
	H ₀	R	R	R	R	R	R	A	R	R	R
Social Status (IV-04)	χ^2	9.03*	13.12*	9.65*	4.36*	11.70*	6.42*	5.29*	5.29*	6.85*	11.14*
	H ₀	A	A	A	A	A	A	A	A	A	A

in headings are: (1) χ^2 =Chi Square; (2) H₀=Null Hypothesis Accepted (A) or Reject (R); (3) Rejected (R) the leading corporate retail stores. (4) the leading corporate retail stores. (5) Significant at 5% level; ** (5) Significant at 1% level. (6) Dependent Variable (DV) (7) Independent Variable (IV)

There is no significance difference in opinion between male and female employees on the Variables (DV1 to DV10), it is also same in the case of social status of the employees. There is a mixed opinion between employees of different age groups and educational qualifications. The results undoubtedly state that there are different views of employees on compensation

Compensation Practices are effectively implemented to achieve the goals of the organizations. In the organized retail sector, Human Resource Department plays a vital role in maintaining well compensation practices to motivate, encourage, stimulate the employees to maximize the profits. The motivated workforce always perform good in any

organization, it can be possible only through the well planned compensation practices.

8. Cross-sectional Analysis of Compensation Practices:

Cross-sectional analysis is a research method often used in developmental psychology, but also utilized in many other areas including social science and education. This type of study utilizes different groups of people who differ in the variable of interest, but share other characteristics such as socioeconomic status, educational background, and ethnicity. Sample employees are classified according to “Gender, Age, Educational Qualifications, and Social Status” to know their perception

about Compensation Practices. The total number of employees selected was 300. Of which 110 employees are from *more*, 63 employees are from *Spencer’s* and 127 employees are from *Central* drawn for the study. The cross-sectional results analysis is presented as follows:

(IV-1 : Gender) - The Perception of male and female employees do not perceive differently the Compensation Practices:

The perception of women and men may differ significantly in general. In order to compare compensation practices among the employees of male and female, F-test has been carried out in this study, the results have been mentioned in the table 3.

Table 3: ANOVA Results of IV-1

	Sum of Squares	Degrees of Freedom	Mean Square	F-Value	P-Value
Between Groups	82.976	1	82.976	4.154	0.042
Within Groups	5952.810	298	19.976		
Total	6035.787	299			

The results are significant as the probability value is less than the alpha value, hence the *null hypothesis is rejected*. It means that the perception of male and female respondentst is same.

(IV-2 : Age) - Employees of different age groups do not perceive inversely the Compensation Practices:

The perceptions of different age groups of respondents help the organization to understand the difference of opinion among the employees. The main intention on distribution this distribution to

get the opinion of all the employees on compensation practices in the leading

corporate retail stores. The results have been mentioned in the table 4.

Table 4: ANOVA Results of IV-2

	Sum of Squares	Degrees of Freedom	Mean Square	F-Value	P-Value
Between Groups	581.452	2	290.726	15.831	0.000
Within Groups	5454.334	297	18.365		
Total	6035.787	299			

It was observed from the Table- 4 that the probability value is less than 0.05 at 5 percent level of significance with two degrees of freedom. The *null hypothesis may be rejected*. The results of this observation shows that there is a significant difference of opinion among the different age groups of employees on the compensation practices.

Compensation Practices: Employees with different education levels may have different types of perceptions on compensation practices following in the corporate retail stores. These perceptions, help the organization to examine and analyze the responses of the employees on the compensation practices followed. The results have been mentioned in the table 5.

(IV-3: Educational Qualifications) -
Employees with different educational background do not perceive inversely

Table 5: ANOVA Results of IV-3.

	Sum of Squares	Degrees of Freedom	Mean Square	F-Value	P-Value
Between Groups	256.968	3	85.656	4.387	0.005
Within Groups	5778.819	296	19.523		
Total	6035.787	299			

The probability value (0.005) is less than (0.05) at 5% level of significance,

hence *the null hypothesis is rejected*. It is concluded that the perception of employees

on the degree of practicing this Compensation Practice is significantly differ in the leading corporate retail stores.

(IV-4: Social Status) - *Employees of different social groups do not perceive*

differently the Compensation Practices: In order to assess the compensation practices of leading corporate retail stores based on the social status of employees; F-test has been carried out in the current study. The results have been mentioned in the table 6.

Table 6: ANOVA Results of IV-4.

	Sum of Squares	Degrees of Freedom	Mean Square	F-Value	P-Value
Between Groups	67.300	3	22.433	1.113	0.344
Within Groups	5968.486	296	20.164		
Total	6035.787	299			

The probability value (0.344) is more than (0.05) at 5 percent level of significance with *three* degrees of freedom. *The null hypothesis is accepted.* Hence, it is determined that there is no *significant difference* in the level of employees' satisfaction on compensation practices.

9. Conclusion:

Compensation Practices play an important role in the recruitment and retention of employees. Retail is fast growing industry in India and it needs dynamic leaders. To attract the talented and skilled employees, there is a need to formulate and implement best compensation practices in corporate retail stores. The

major findings of the study reveal that the employees of leading corporate retail stores are not satisfied with the current compensation practices, especially they have not satisfied with the current salary. But somewhat the employees have satisfied with the reward system that is offering as incentives on the sales turnover. The respondents also claiming that their salary is not equal to the other industries and also it is not fixed based on the cost of living. Another important finding in the study is that there is no regular salary hike and allowances. It can be concluded that corporate retail organizations are neglecting in implementing the best compensation practices.

10. Research Gap:

The reasons for neglecting the implementation of best compensation practices are not examined in the current study due to constraints of time and cost. The present study that can help the researchers, academicians, industrialists to carryout the investigations on reasons for not implementing best compensation practices in the corporate retail organizations. There is a wide scope to examine and suggest appropriate measures to be taken to implement best compensation practices to attract, retain and maximize the profits of the organization.

11. Managerial Implications:

This study is useful for retail sector to implement best compensation practices to attract and retain the skilled and talented employees. Also, the retail organizations specifically can come to know need and importance of implementing best compensation practices in corporate retail stores.

12. Scope for further Research:

For the future researchers, this study can be a base for knowing the reasons for

not implementing best compensation practices in the corporate retail stores.

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