

**An Analysis on the Effectiveness of Financial Incentives for Retaining Employees- A Case**

**Study of Tesco, UK**

[Your official name]

## **CHAPTER ONE: INTRODUCTION**

### ***1.1 Introduction***

This introductory chapter includes introduction to the research topic and background of the research. Introduction consist of 8 major parts which are background of the research, the aims and objectives designed to achieve at the end of the study, research questions are to be answered once the findings and analysis are done, significance and rationale to understand the importance of conducting this research and the reason behind selecting this research topic. The end of the chapter presents definitions of the main key terms of the research topic and finally, it is connected with structure of the study.

### ***1.2 Background***

Traditionally, the trend of satisfying and motivating employees was not very common however, now when employees feel that their contributions are not acknowledged, within an organization, they tend to move towards finding better opportunities. In order to avoid such situations, organizations find motivational ways like attractive pay packages and salaries since money is the first priority of every individual working. Financial incentives are considered to be of high importance since money fulfils all necessities and needs of individuals; also it is considered as a sign of accomplishment for the employees as they feel that their hard work is paid off well. The training and development programs provide an opportunity to enhance their skills and not taking any charges for it further motivates the employees.

Apart from financial incentives is the transport facility for employees pick and drop or the fuel charges. According to Gupta and Shaw (2014), work environments where employees are fully satisfied often end up with high level of productivity. Also, with satisfied employees, issues such as absenteeism are not faced since they love doing their work and are committed too. Employee retention through the concept of financial incentives is a win-win situation for the management as it helps to protect the organization from employee turnover (Robbin, et.al, 2013). There are numerous consequences associated with employee turnover such as the human resource invest a lot of their time in hiring and recruiting the employees, the cost of training employees, loss or delays in productivity, mismanagement of teamwork etc. (Latham, 2011). Thus, organizations try to use financial incentives as one way to retain their skilled and valuable employees (Brigham and Ehrhardt, 2013).

According to Bode, Singh and Rogan (2015), the actual role of Human Resource Management is about implementation of various practices which would help to boost employee satisfaction and thereby motivate employees. Employees render many kinds of services to their organization so in return they expect to get financial or non-financial incentives from the management (Hancock, et.al, 2013). However employees get demotivated because of several reasons such as lack of training and development, equal opportunities of growth for all employees, attractive pay scale etc. such activities result in creating negativity in the organization along with more chances of turnover and loss of skilled employees.

In order to cater such issues within the organization, management tries to retain employees by providing them with financial benefits which are also termed as extrinsic benefits. There are many types of financial incentives such as insurance facility, bonuses, commissions, pay allowance and promotional incentives (Terera and Ngirande, 2014). Some organizations also provide fringe benefits to increase their sales performance, productivity, profitability and overall commitment towards the firm. The reason behind giving financial benefits to employees is that it is a fact that all employees work for money, to fulfil their needs and desires thus; extrinsic benefits would motivate and satisfy them the most as mentioned in the Maslow's theory of hierarchy and motivational theory of Taylor (Gupta and Shaw, 2014).

### *1.2.1 Company Background*

Financial incentives and employee retention are two problems which are equally treated by human resource. Organizations such as Tesco, UK have to consider the fact that employees can be retained only when they are provided with such facilities or extrinsic incentives in which they do not feel like leaving the organization. The huge organizations have to pay a heavy price for losing their valuable employees hence, they try to implement ways and methods in which the employees feel happy, satisfied and become devoted to the organization.

The various theories that are related to human behaviour and how they react to different situations have suggested that human beings get attracted towards awards and especially monetary awards. The reason behind it being, that these awards are the drivers which helps the individuals to achieve their objectives and goals of life. Financial incentives help employees in achieving their job targets and hence, they strive for achieving better. It is one of the major

motivational factors which is now widely adopted by organizations to retain employees (Achie and Kurah, 2016).

### ***1.3 Aims and Objectives***

The aims and objectives of this research study are listed below to understand what the research aims to analyse and find what the objectives of the research to achieve are. The aim of this study is to understand the effectiveness of financial incentives in order to retain employees with reference to the case of Tesco, UK. To achieve this, below are the objectives which have to be followed:

- To analyse the financial incentives of Tesco.
- To analyse employee retention of Tesco
- To analyse the effectiveness of financial incentives in retaining employees of Tesco UK.
- To provide recommendations to Tesco UK based on the findings of the research.

### ***1.4 Research Questions***

Designed on the basis of considering the research objectives are below research questions which would be helpful to carry out the research:

- What are the financial incentives provided by Tesco to its employees?
- What is the relationship between financial incentives and employee retention?
- What is the effectiveness of financial incentives in Tesco UK in relation employee retention?

According to the above mentioned research questions, the researcher has narrow down all points and focus is laid up on importance of employee retention in an organization and how financial incentives help in boosting the productivity and performance of employees.

The next research question lays emphasis on the relationship between financial incentives and employee retention in which the researcher will find out how financial incentives help to retain employees and satisfy and motivate them towards work and job.

The last research question is related to how effective has been financial incentives and its usage in Tesco UK in terms of retaining valuable employees. The research questions will help to understand the significance and importance of financial incentives in retaining employees especially those employees which are highly skilled and valuable for the overall productivity of the organization (Tigare and Nigrade, 2014).

The researcher has linked the aims, objectives and research questions to develop a relation in the next chapters related to financial incentives and retention of employees. The role of financial incentives is strong in an organization as long as the employees are retained and productivity is high.

### ***1.5 Significance of Research***

This study is related to employee retention by providing them with financial incentives. Financial incentives also help in boosting the productivity level of organization. This study is of high importance because it would provide insights about the factors which affect the retention of employees and will serve the researcher with great help. It will also help to widen the scope of researcher's information and knowledge in this matter. The study will shed light on the concept of financial incentive as a factor to motivate employees, retain them and increase their productivity (Achie and Jurah, 2016).

Furthermore, the following study also proves to be relevant to find out why organizations fail to retain employees and what can be done to improve the situation. This research is also significant as it helps to explore many factors related to motivating and retaining employees. This study would be useful for human resource management too since they would be understand what motivates or demotivates them employees from job and also why financial incentives are most important factor to attract them. Financial incentives and rewards impact any organization positively and there are very few cases in which this has been observed that the financial incentives have impacted negatively in the employees or the organization itself.

Connecting this topic with Tesco and the retail sector of UK it is important for Tesco to adopt various incentive methods in their organization because in retail business, turnover is high and most of the employees switch to other options so Tesco should retain them through satisfying their needs and wants by offering them greater financial incentives. Tesco UK is considered as one of the biggest retail stores of UK with a vast business in many other diversified fields so the company should ensure to satisfy their employees since they are the reason behind the name of the company and loyal customers.

### ***1.6 Rationale of the Research***

Rationale of research basically addresses why this research has been conducted or what is the main purpose or motive behind conducting this research. The main motive behind conducting this research is to understand the effectiveness of financial incentives on employee retention particularly with reference to Tesco, UK. With this research, it would be analysed and understood how organizations retain their employees by providing them various kind of incentives. Most of the research study does not include the factors which affect employee retention hence; this study is conducted in order to mention all those factors which force an employee to leave an organization.

The research problem related to Tesco, UK is that the organization is not adopting various methods of retaining their employee's especially financial incentives which can control employee turnover. Thus the reason behind conducting this research is to find out how financial incentives can be beneficial for retail sector and how Tesco can retain their valuable and skilled employees in UK. UK has many opportunities for individuals to switch in retail sector so the company should become competitive and implement various financial incentives.

Also, this study is conducted to examine the various financial incentives such as bonuses, increments, cost of fuel, mobile allowance, advance salary etc. all these factors motivate employees and turnover is automatically controlled through it (Brigham and Ehrdart, 2013). Employees get attracted to financial incentives because they believe that their hard work would be paid off only when they receive monetary value out of it since every individual strives for money in order to fulfil their desires and needs. This research study is also conducted with reference to one of the biggest retail chains of UK which is Tesco. It would prove very beneficial for the organization since they can understand they psyche of their employees, how can they be motivated and encouraged towards their work and retained at the same time (Yousuf, et.al, 2014).

Tesco is a huge organization where many employees are working and it's difficult to retain and satisfy them at the same time so, organization take financial incentives as a tool to retain their employees and make them feel that the organization cares for them. Financial incentives can be used to satisfy employee, increase productivity level and make them fully involved and engaged with the organization.

### ***1.7 Definitions of Key Terms***

### *1.7.1 Financial Incentives*

Many researchers have defined financial incentives by different means. Financial incentives can also be termed as extrinsic rewards. According to Achie and Kurah (2016), financial incentives are the monetary form of rewards given to employees in an organization. They help in building good relations with the management, reduce turnover rate and create a good environment in the organization where all employees are highly satisfied and motivated. They are many types of extrinsic rewards, it depends on the organization which type they prefer to give to their employees. Bonuses, gifts, promotions, allowances, medical, increments are some of the common practices adopted by organizations (Ghansah, 2011).

Conrad (2006) has mentioned that the purpose of financial incentives is to change the thinking criteria of employees in which they do not feel about leaving the organization. The type of incentive given to employee reduces their turnover chances, an employee which is given a large amount of medical facility would surely not feel to leave the organization as compared to the one which is given less. This is why it is important to maintain equilibrium between the financial incentives given and employees. An organization where equilibrium is maintained will lose less of their valuable employees.

### *1.7.2 Employee Retention*

Employee retention is a concept which is widely researched upon and many studies have been conducted in this regard. Employee retention can be defined as a measure to encourage employees and make them stay in the organization for a longer period of time (Jenkins, et.al, 1998). Organizations as whole and especially the human resource department are facing several issues about how to retain employees and satisfy them. Hiring and recruiting talented and skilled individuals is of great importance but more than that it is important to retain such valuable individuals (Ghanshah, 2011).

The concept behind retaining employees is the reason that due to increased amount of competition in the market, talented and skilled employees have various opportunities in the market and they easily switch from one place to another so it is the responsibility of the organization to retain such employees and make them feel so motivated and satisfied that they do not think about switching or leaving.

## ***1.8 Structure of the Study***

Below is the formal structure of the research which would be followed in the coming chapters of this research.

Chapter one is the introductory chapter which introduces the reader which the topic of the research, what are the main objectives and reasons behind conducting this research, the importance of research study and what is the main problem which is being addressed in the study. The chapter also provides a quick background of research which includes the contextual background too. This research has catered the rational and significance of effectiveness of financial incentives on employee retention.

Chapter two is the literature review which is one of the most important chapters of any research study conducted. The literature review provides the details about concepts of research topic in the light of other researchers and scholars which have already conducted study on it. The literature review contains the theoretical and conceptual framework which shows the relationship between both the independent and dependent variables. It basically includes the knowledge of previous researches and studies along with their references.

Chapter three is the methodology which is one of the important chapters because the research method of study, how will the data be collected, how will the sampling be done, which technique would be used and which method would be adopted to conduct the study. Chapter three also includes the research limitations which are the barriers and ethical considerations taken into account by the researcher.

Chapter four is the findings and analysis of data. The data which is found in previous chapter is further analysed in this chapter through statistical technique such as SPSS or thematic analysis if it is a qualitative data. In this chapter, the researcher takes care of authenticity and validity of data.

Chapter five is the conclusions and recommendations part in which the research concludes the entire research conducted checks whether all objectives are met and research questions addressed. The recommendations are given on the basis of what the researcher has aimed to find from the research and what he has actually found out after conducting the research. The researcher ensures that he or she provides with future steps or measures which readers should take so that they do not face problems.