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The critical success factors in a total reward strategy to motivate innovation in the workplace

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ABSTRACT

Organisations accept the fact that innovation is a crucial element in achieving long-term competitive advantage. The key business challenge, however, lies in acquiring the expertise and methodologies needed to effectively motivate, support and nurture innovation. South African companies in particular are performing poorly in developing effective reward strategies to encourage and motivate innovation. This research therefore investigates the critical success factors for rewarding and motivating innovation in the workplace. The results of this study should assist executive managers to formulate reward strategies to stimulate innovation.

In line with qualitative research methodological principles, this study followed an exploratory approach to investigating the important factors in rewarding innovation. A total of 15 in-depth interviews were held with executive managers within the Financial Services sector. The sample represented a diverse group of highly successful business leaders, including General Managers (such as CEOs), Human Resource practitioners (such as HR directors) and Innovation Leaders (such as R&D leaders).

Key findings reflect that a multi-faceted reward strategy is required to motivate innovation. This includes financial rewards, non-financial rewards, learning and development opportunities, as well as specific elements within the work environment. Leadership was found to be a critical success factor in the implementation of an effective total reward strategy. The research allowed for the development of a framework outlining the critical success factors for rewarding and motivating innovation in the workplace. This is believed to be a useful tool for senior managers who wish to develop a total reward strategy to increase the level of innovation within their organisations. This study also contributes to the body of academic knowledge by clarifying the relationship between innovation and the notion of total reward, which was identified as a gap in the literature.

LIST OF KEYWORDS

Total reward, total reward strategy, innovation, employee innovation, innovation contests

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Marius Möller 11 November 2013

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TABLE OF CONTENTS

ABSTRACT	i
LIST OF KEYWORDS	i
DECLARATION	ii
ACKNOWLEDGEMENTS	iii
TABLE OF CONTENTS	iv
LIST OF FIGURES	ix
LIST OF TABLES	ix
CHAPTER 1: INTODUCTION TO THE RESEARCH PROBLEM	1
1.1 RESEARCH TITLE	1
1.2 INTRODUCTION	1
1.3 RESEARCH PROBLEM	3
1.4 RESEARCH AIMS AND OBJECTIVES	6
1.5 SCOPE OF RESEARCH	6
1.6 CHAPTER SUMMARY	6
CHAPTER 2: THEORY AND LITERATURE REVIEW	7
2.1 INTRODUCTION TO THE LITERATURE REVIEW	7
2.2 INNOVATION	8
2.2.1 Definition of innovation	8
2.2.2 Types of innovation	9
2.2.3 The innovation process	10
2.3 MOTIVATION	11
2.3.1 Motivation models	12
2.3.1.1 Maslow's Hierarchy of Needs	12
2.3.1.2 Herzberg's Two-Factor Theory	13
2.3.2 Distinction between intrinsic and extrinsic motivation	15
2.3.2.1 Intrinsic motivation	15
2.3.2.2 Extrinsic motivation	16
2.4 REWARD	17
2.4.1 Total Reward Models	18
2.4.1.1 WorldatWork's Total Reward Model	18
2.4.1.2 Armstrong and Brown's Total Reward Model	19
2.4.1.3 Towers Perrin's Total Reward Model	20
2.4.2 Total Reward Strategy	21

2.5 THE LINK BETWEEN REWARD AND MOTIVATING INNOVATION	
2.5.1 Financial rewards and innovation	
2.5.1.1 Long-term versus short-term incentives	
2.5.1.2 Pay-for-performance model (monetary rewards) and innovatio	on23
2.5.1.3 Tension between exploration and exploitation – financial rewa	ırds 25
2.5.2 Non-financial rewards and innovation	
2.5.2.1 Work environment and culture	
2.5.2.2 Autonomy and responsibility	
2.5.2.3 Recognition	
2.5.2.4 Job security	
2.5.2.5 Learning and development	
2.6 THE ROLE OF LEADERSHIP IN ENCOURAGING INNOVATION	
2.6.1 Leadership behaviour and innovation	
2.7 ROLE OF ORGANISATIONAL STRUCTURES IN INNOVATION	
2.7.1 Organisation design and innovation	
2.7.2 Innovation contests as a method to stimulate and reward innovation	on 34
2.7.3 The reward aspect of innovation contests	
2.8 CONSEQUENCES OF REWARDING INNOVATION	
2.9 CONCLUSION TO THE LITERATURE REVIEW	
CHAPTER 3: RESEARCH QUESTIONS	
3.1 INTRODUCTION	
3.2 FORMULATING RESEARCH QUESTIONS	
3.3 CONCLUSION TO RESEARCH QUESTIONS	40
CHAPTER 4: RESEARCH METHODOLOGY	41
4.1 INTRODUCTION	
4.2 RESEARCH METHOD AND DESIGN	
4.3 ONTOLOGY AND EPISTEMOLOGY	
4.4 POPULATION	
4.5 SAMPLING	
4.6 RESEARCH INSTRUMENT USED	
4.6.1 Interview guide design	
4.6.2 Pilot testing	
4.7 DETAILS OF DATA COLLECTION	
4.8 DATA ANALYSIS	
4.9 LIMITATIONS	51

4.10 CONCLUSION TO RESEARCH METHODOLOGY	51
CHAPTER 5: RESULTS	52
5.1 INTRODUCTION	52
5.2 DEMOGRAPHICS	52
5.3 CHAPTER LAYOUT	53
5.3.1 Frequency table design	53
5.4 RESULTS FOR RESEARCH QUESTION 1:	54
5.4.1 Introduction	54
5.4.2 Pay (financial rewards) as a motivator of innovation	56
5.4.2.1 Base pay	56
5.4.2.2 Short-term incentives	57
5.4.2.3 Long-term incentives	57
5.4.2.4 Profit-sharing	58
5.4.3 Individual non-financial rewards as a motivator of innovation	59
5.4.4 Learning and development as a motivator of innovation	61
5.4.5 Work environment as a motivator of innovation	62
5.4.6 Conclusion of the results of research question 1	64
5.5 RESULTS FOR RESEARCH QUESTION 2	65
5.5.1 Introduction	65
5.5.2 Leadership as a critical success factor	65
5.5.3 Organisational structures as a critical success factor	67
5.5.4 Conclusion on the results of research question 2	68
5.6 RESULTS FOR RESEARCH QUESTION 3	68
5.6.1 Introduction	68
5.6.2 Ideation phase	69
5.6.3 Implementation phase	70
5.6.4 Conclusion to the results of research question 3	72
5.7 RESULTS FOR RESEARCH QUESTION 4:	72
5.7.1 Introduction	72
5.7.2 Risks associated with innovation contests	72
5.7.3 General risks associated with rewarding innovation within the workplace	73
5.7.3.1 Risks that emerge specifically as a result of the use of financial rewards	74
5.7.3.2 Risks that emerge from both financial and non-financial rewards	75
5.7.4 Conclusion to the results of research question 4	75
5.8 CONCLUSION ON RESULTS	75

СНА	PTER 6: DISCUSSION OF RESULTS	. 76
6.1	INTRODUCTION	76
6.2	DISCUSSION OF RESEARCH QUESTION 1:	76
6	5.2.1 Pay (financial rewards)	76
	6.2.1.1 Base Pay (salary)	77
	6.2.1.2 Short-term incentives	77
	6.2.1.3 Long-term incentives	. 79
	6.2.1.4 Profit-sharing	81
6	6.2.2 Individual non-financial rewards	81
	6.2.2.1 Intrinsic versus extrinsic non-financial rewards	82
6	6.2.3 Learning and development	83
6	6.2.4 Work environment (communal rewards)	85
6	6.2.5 Conclusion to research question 1	. 88
6.3	DISCUSSION OF RESEARCH QUESTION 2:	89
6	S.3.1 Introduction	90
6	6.3.2 Leadership as a critical success factor	90
6	6.3.3 Organisational structures as a critical success factor	. 92
	6.3.3.1 Innovation competitions and other platforms for ideation	92
	6.3.3.2 Non-hierarchical structures that allow the free flow of ideas	93
	6.3.3.3 Reward teams not individuals for specific innovation performances	93
6	6.3.4 Conclusion to research question 2	94
6.4	DISCUSSION OF RESEARCH QUESTION 3:	94
6	S.4.1 Introduction	95
6	6.4.2 Rewarding the ideation phase	95
6	6.4.3 Rewarding the implementation phase	96
6	6.4.4 Conclusion to research question 3	97
6.5	DISCUSSION OF RESEARCH QUESTION 4:	98
6	S.5.1 Introduction	98
6	6.5.2 Risks associated with innovation contests	98
6	6.5.3 General risks associated with rewarding innovation within the workplace	99
	6.5.3.1 Risks that emerge specifically as a result of the use of financial rewards	99
	6.5.3.2 Risks that emerge from both financial and non-financial rewards	100
6	5.5.4 Conclusion to the results of research question 4	101
6.6	CONCLUSION ON THE DISCUSSION OF RESULTS	102
СНА	PTER 7: CONCLUSION	103

7.1 INTRODUCTION	103
7.2 A FRAMEWORK FOR REWARDING INNOVATION	103
7.2.1 The critical success factors (inputs)	104
7.2.2 Total reward strategy (mechanism)	104
7.2.3 Risks	105
7.2.4 Risk mitigation strategies	105
7.2.4 Innovation and creativity (output)	105
7.3 RECOMMENDATIONS FOR ORGANISATIONS	107
7.4 RECOMMENDATIONS FOR FUTURE RESEARCH	107
7.5 LIMITATIONS OF STUDY	108
7.6 CONCLUSION	108
REFERENCES	109
APPENDIX A: INTERVIEW GUIDE	118
APPENDIX B: INFORMED CONSENT LETTER	120
APPENDIX C: LIST OF RESEARCH PARTICIPANTS	121

LIST OF FIGURES

Figure 1: Maslow's Hierarchy of Needs Model	
Figure 2: Herzberg's Two-Factor Theory	14
Figure 3: Worldatwork's Total Reward Model	
Figure 4: Armstrong and Brown's Total Reward Model	19
Figure 5: Towers Perrin's Total Reward Model	
Figure 6: Important elements of reward to encourage innovation	89
Figure 7: Critical Success factors in the implementation of a reward strategy	
Figure 8: Framework for rewarding innovation	106

LIST OF TABLES

Table 1: Eight elements of an innovative culture	28
Table 2: Thirteen forms of leadership behaviour	33
Table 3: Companies included in population	44
Table 4: Categories of executive managers (sampling)	45
Table 5: List of research participants	52
Table 6: Example of frequency table	53
Table 7: Total reward categories (summary results)	55
Table 8: Base pay	56
Table 9: Short-term Incentives	57
Table 10: Long-term incentives	58
Table 11: Profit-sharing	59
Table 12: Non-financial rewards	59
Table 13: Extrinsic and intrinsic non-financial rewards categorisation	60
Table 14: Learning and development	61
Table 15: Internal and external learning and development	62
Table 16: Work environment	63
Table 17: Leadership - critical success factors	66
Table 18: Organisational structures - critical success factors	67
Table 19: Opening remarks on innovation phases	68
Table 20: Ideation phase challenges	69
Table 21: Ideation phase - rewards	70
Table 22: Implementation phase - general	70
Table 23: Implementation phase - rewards	71
Table 24: Risks when using innovation competitions	73
Table 25: Risks related to financial rewards	74
Table 26: Risk related to general rewards	75

CHAPTER 1: INTODUCTION TO THE RESEARCH PROBLEM

1.1 RESEARCH TITLE

The critical success factors in a total reward strategy to motivate innovation in the workplace.

1.2 INTRODUCTION

In today's global economy companies are competing with everyone, from everywhere, for everything, and innovation is the only way to do it (Sirkin, Hemerling & Bhattacharya, 2008). Shadab (2007) agreed that the importance of innovation has escalated as a result of intensified global competition, as well as the decreasing costs of mass communication.

Johannessen and Olsen (2010) used a broader term, namely a 'global knowledge economy', which is characterised by increased turbulence and uncertainty as a result of the globalisation processes, as well as increased deregulation and liberalisation. They maintained that this phenomenon has resulted in knowledge becoming a key factor of production, particularly when this expertise or know-how is associated with the identification and exploitation of new ways of establishing a competitive advantage. De Jong and Den Hartog (2007) agreed that work has become more knowledge-based and less rigidly defined. They believed that in such a context, employees can help to improve business performance through their ability to generate ideas and to use these as building blocks for new and better products, services and work processes.

Companies therefore compete through the increased use of innovation, either for preemptive reasons or in response to internal or external environmental change (Wheatley & Doty, 2010). Innovation does not have to be revolutionary and is not only the development of new products, but includes improvements and advancement to any part of the value chain - the development of new service offerings, business models, pricing plans and routes to market, as well as management practices (Birkinshaw, Bouquet & Barsoux, 2012). Innovation can also be incremental as they are at Toyota, improvements in business systems and processes as the case with Dell, or in innovative marketing as successfully illustrated by Procter & Gamble (Kalb, 2013). Increasingly organisations are exposed to intense global competition, a myriad of technological advancements, and with the emergence of the knowledge economy, innovation is cardinal to remain competitive (Lawson & Samson, 2001). Lawler and Worley (2006) stated that most organisations simply cannot sustain performance excellence unless they respond to shifting environmental demands and as the rate of change continues to accelerate, the premium on organisations' ability to change is likely to become even more important. Kalb (2013) agreed with Lawson and Sampson (2001) and affirmed that the source and type of innovations will differ across organisations, but the fact remains that companies need to continuously innovate or risk dying.

Many practitioners and academics endorse the view that employee innovation is essential in attaining organisational success (De Jong & Den Hartog, 2007). Unsworth and Parker (2003) cited various reasons why employee innovation is becoming increasingly important for organisations.

- Employees are closest to the coalface: they know what is going on the demands and requirements of customers and what inefficiencies and shortfalls exist in the system. Without their suggestions, organisations rely upon potentially out-dated products, services, procedures and/or upon management's perceptions.
- 2. Innovative behaviour is fulfilling and rewarding. Such enjoyment results in a more motivated and productive workforce.
- Many organisations have become relatively decentralised and employees need to work without close supervision. In such instances, innovative and proactive behaviour is a necessity.

The question is, however, what do organisations need to do to make their employees more innovative? Rewarding innovation is one such method used by companies to inspire and encourage innovation effort of their employees (Ederer & Manso, 2013). The definition of 'reward' has also developed and expanded over time. According to Gross and Friedman (2004), organisations are starting to realise that they have to implement a reward strategy that supports their organisational strategy. The authors affirmed that historically, the term 'reward' was only interpreted in monetary terms, but has extended to encompass the entire value proposition that the employer offers its employees. For the purposes of this study, reward is defined broadly as 'total reward', which according to Kaplan (2007) encompasses everything employees value in their

employment experience, including compensation, benefits, development and the work environment.

This research paper delves into the critical success factors of a total reward strategy to inspire and motivate innovation in the workplace. This holistic approach to reward in the context of motivating innovation is supported by Sauermann and Cohen (2010), who stated that future theoretical and empirical work on employee innovation may benefit from a more explicit consideration of individuals' motives. They were of the opinion that scholars will come to greater understanding and insight when considering financial as well as non-financial motives and incentives.

1.3 RESEARCH PROBLEM

Problem statement: Organisations accept the fact that innovation is a crucial element in achieving long-term competitive advantage, however the key business challenge or business problem lies in acquiring the expertise and methodologies to effectively motivate, support and nurture innovation (Tian & Wang, 2011). South African companies in particular are performing poorly in developing effective reward strategies to encourage and motivate innovation (Innovation Hub, 2012).

Bain & Company recently surveyed 450 executives right around the world and twothirds said that innovation is one of their top three priorities, yet fewer than one-third felt that their companies were effective innovators (Bain & Company, 2013). The study concluded that innovation is one of the most important acts in business, but one of the hardest to pull off. Daniels (2013) agreed that creating a culture of innovation and inspiring innovation can be a difficult prospect, particularly when corporations are struggling to manage time constraints and work through existing organisational structures.

There are however several companies that appear to be effective innovators, with Google being a prime example. In a recent article in Forbes, "Google's secrets of innovation: Empowering its employees", the author affirmed that Google's success is attributed to its ability to attract, manage innovators and motivate its employees to innovate (He, 2013).

Stimulating innovation, creativity and enabling entrepreneurship is a top priority for management, and according to CEO surveys is widely regarded as the "greatest human resource challenge" facing organisations (Ederer & Manso, 2013).

This challenge was affirmed by Sue Vyvyan-Day, the Head of Strategic Management of a multi-national company (MNC), who maintained that companies continually question their methods in how best to motivate and encourage innovation in the workplace. She further said that South African MNCs such as First National Bank (FNB), Discovery and South African Breweries (SAB) pay rewards of as much as R3.5 million in prize money per exceptional innovative idea to their employees, mostly through their internal innovation contests. FNB alone paid rewards of R9 million to its employees for innovations in 2011 (First National Bank, 2011).

According to Bock, Zmud, Kim and Lee (2005), individuals generally do not intrinsically share their knowledge with the organisation and need to be motivated to do so. The authors affirmed that employees are assumed to take a course of action that will maximise their utility and hence knowledge sharing is most likely to occur when employees perceive that incentives to exceed the 'costs'.

Vyvyan-Day (2013) however believed that MNCs are uncertain and not convinced that these large financial rewards are actually necessary to motivate and encourage innovative ideas within the workplace. Qualitative research conducted by De Jong and Den Hartog (2007) supported Vyvyan-Day's view that there does not appear to be consensus about whether financial rewards are the best incentive to stimulate idea generation.

Selecting and executing appropriate rewards and motivators is described by Thompson, Stickland and Gamble (2005, as cited in Arnolds & Venter, 2007) as management's "most powerful tool" to gain commitment and buy-in of organisational strategy from employees. These authors affirmed that the selection and employment of motivational techniques or rewards seem to be of the biggest challenges that managers face in executing business strategies to achieve a competitive advantage.

There are also risks associated with leveraging rewards within organisations. According to Moray Mac Lennan (2013), the Head of Innovation Contests Management at a MNC, companies are uncertain whether the potential benefit of rewarding innovation outweighs the potential negative undesired consequences. Igalens and Roussel (1999, as cited in Arnolds & Venter, 2007) agreed that Human Resource managers make assumptions about reward policies that have no grounding in field research findings. Adamczyk, Bullinger and Möslein (2012) stated that even though research has already started investigating different innovation contest prizes, the question of introducing competition to stimulate innovation remains unanswered and is in need of further exploration.

The importance of, as well as the business challenges around, innovation in the organisational environment is constantly debated and emphasised. This is certainly not a new topic but an area of ever growing interest. This is evident from the below internet search statistics.

If one Googled 'definition of innovation' in 2008 one would have 2.5 million results; two years later, 26.4 million; in early 2011, 66 million hits; and on 26 October 2011, an astonishing 125 million (Innovation Hub, 2012).

In the 2011 Global Innovation Survey, South Africa dropped 16 places since 2009 from 43rd to be ranked a discouraging 59th in terms of innovativeness. The survey results below indicate important findings relating to a broad sample of South African organisations (Innovation Hub, 2012).

- Innovation activity predominantly takes place in an ad-hoc manner and reward and recognition mechanisms are not addressed adequately. Only 38.8% of companies surveyed actively reward innovation efforts.
- Innovation value is not sufficiently demonstrated with only 26.8% actively measuring innovation outcomes.

The above findings serve as further evidence of this business problem and the need for further research in identifying the critical success factors in developing a total reward strategy to motivate innovation in the workplace.

Literature on the importance of innovation abounds, but without certainty, on which form of reward is the most effective to encourage innovation in the workplace. For this reason reward is defined broadly to include the overall employee value proposition (Gross & Friedman, 2004).

1.4 RESEARCH AIMS AND OBJECTIVES

The primary objective of this research was to formulate a holistic framework outlining the critical success factors for rewarding and motivating innovation in the workplace. The aim of this framework was to provide senior executives with a useful tool to assist them in formulating a total reward strategy that would increase the level of innovation within their organisation.

In developing this framework, the below secondary research objectives had to be met:

- 1. With reference to the notion of 'total reward', determine which elements of reward are the most important in motivating innovation in the workplace.
- Establish the critical success factors with regards to the implementation of reward strategies to differentiate organisations from the norm and to establish a competitive advantage with respect to innovation capability.
- With reference to the two broad phases of innovation (ideation phase and implementation phase), determine how innovation should be rewarded across these phases.
- 4. Explore the significance of potential unfavourable consequences or risks associated with rewarding innovation in the workplace.

1.5 SCOPE OF RESEARCH

The scope of the research was limited to the financial services industry in South Africa. The study also focused exclusively on the perceptions and opinions of executive managers within the Gauteng province of South Africa. The workforce of a particular large and diversified multi-national financial institution supplied the author with a suitable mix of executive managers to gain insight into the proposed research problem and meet the research objectives outlined above.

1.6 CHAPTER SUMMARY

This chapter has provided an introduction, overview of the business problem and a justification for this study. The chapter was concluded by an explanation of the objectives of the study which are aligned to the research questions discussed in chapter 3. In Chapter 2 the theory underlying the main constructs is presented and an argument is formed around the design of a holistic reward strategy to motivate innovation in the workplace.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 INTRODUCTION TO THE LITERATURE REVIEW

The literature review is structured in such a manner that it evolves from a general discussion of the main constructs to a more specific examination of the linkages and relationships between the concepts. The topic was covered by examining the most recent research on both 'reward' and 'innovation'. A gap in the literature was found, in that no prior research (to the knowledge of the researcher) has examined the relationship between 'total reward' and 'innovation'.

The literature review is divided into seven important sections:

- Firstly the construct 'innovation' is investigated. The concept is broadly defined and different types of innovation are explored, as are the important phases of the innovation process.
- 2) The second section probes the concept of 'motivation', where motivation is broadly defined and important theoretical motivation models are examined.
- 3) The third important construct is 'reward'. The literature review scrutinises this concept in a broad sense. The notion of total reward is examined which encompasses both financial and non-financial rewards.
- 4) The fourth section of the literature review aims to explore the link between the three aforementioned constructs; innovation, motivation and reward. Total reward models are used as a framework to investigate the link between these constructs.
- 5) The fifth section examines the role of leadership in the implementation of an effective total reward strategy to encourage innovation.
- 6) The sixth section examines the role of organisational structures to encourage innovation, with specific reference to organisational design as well as innovation contests as an important method to reward and to motivate innovation within the workplace.
- 7) The final theme examines the consequences and potential risks associated with rewarding innovation, looking at both the positive and negative aspects.

2.2 INNOVATION

Exploring and defining the construct 'innovation' is fundamental to this study, which aimed to establish the critical success factors in a total reward strategy to motivate innovation. Appreciating the complexity and multi-dimensional nature of this concept was essential in order to contextualise reward strategies to motivate innovative behaviour. In this section innovation was defined, levels or types of innovation were examined and the innovation process was scrutinised.

2.2.1 Definition of innovation

Many definitions of innovation exist. A few examples will be presented to illustrate the breadth of the concept, and a specific definition will be presented for this study.

Innovation is the outcome through experimentation and learning of actions that are superior to previously known activities. This process is the consequence of learning through the exploration of untested approaches that are likely to fail (Manso, 2011). When innovation is successful it could result in new products, new methods of production, and new forms of businesses (Shadab, 2007).

De Jong and Den Hartog (2007) discussed the differences between innovative behaviour and creativity, and affirmed that innovative behaviour is intended to produce some kind of benefit, which is not always the case with creativity. It can thus be said that innovative behaviour has a clearer applied component since it is expected to result in innovative output.

Drucker (1985) defined systematic innovation as a purposeful and methodical search for changes, and in the systematic analysis of the opportunities, such changes might offer economic or social innovation. He believed innovation to be the key to achieving a competitive advantage; the means by which organisations can anticipate and fulfil customer needs, and the method by which organisations utilise technology.

Innovation has also been defined as a knowledge process aimed at creating new knowledge and principles geared towards the development of commercial and viable solutions (Harkema, 2003). The writer believes this definition is particularly relevant to the global knowledge economy in which organisations currently operate (Johannessen & Olsen, 2010).

Delbecq and Mills (1985) defined innovation as a significant change within the organisation or in its line of services or products, that firstly requires a substantial adjustment in functions and/or structures, and secondly is successfully introduced, decided upon, and implemented into the organisation.

West and Far (1990, as cited in Boonzaaier, 2009) defined innovation as the intentional introduction and application within a specific use, group or organisation of new ideas, processes, products or procedures, which are new to the relevant unit of adoption and designed to significantly benefit the individual, the group, organisation or the broader society.

This definition of innovation will be used for this study as it broadly encompasses all types of innovation that occur in the workplace. The definition does not limit innovation to only commercial benefit; it also includes personal growth, organisational growth and societal benefits. In addition, it is also apparent from this definition that innovation is not limited to absolutely unique or brand new ideas, as long as the idea is new to the relevant unit of adoption (Boonzaaier, 2009). Due to the exploratory nature of this research this definition was deemed appropriate as it did not unnecessarily limit the scope of the study.

The definitions above portray innovation as a very broad concept with various applications in practice, however the literature also refers to different types of innovation.

2.2.2 Types of innovation

It is important to distinguish between the two types or levels of innovation introduced by firms, as the type of innovation has a significantly different impact on the organisation and the broader industry (Aleixo & Tenera, 2009).

Firstly, incremental innovation builds on existing knowledge to provide incremental improvements to existing products. In contrast, radical innovation provides significant technological breakthroughs and creates new knowledge (Ireland, Hoskisson & Hitt, 2013). McKendrick and Wade (2010) affirmed that companies are more inclined to introduce incremental innovation than radical innovation because it is more cost effective, faster and less risky to implement. Aleixo and Tenera (2009) stated that

incremental innovation is an effective tool for the short-term growth of an organisation. Incremental innovation plays a vital role in protecting and enhancing the company's position in the market. By contrast, they supported the notion that radical innovation leads to the inception of entirely new products and markets, making concurrent products obsolete.

This distinction is very important in respect of this study, as Dombrowski, Kim, Desouza, Braganza, Papagari and Baloh (2007) asserted that different reward and cultural elements drive different types of innovation. This finding will be explored further as part of this study.

2.2.3 The innovation process

The literature provides various complex models to depict the innovation process. For the purposes of this research paper the writer utilised a simplified innovation process model to illustrate the major elements. This model can be explained in two phases - the ideation phase and the implementation or application phase (De Jong & Den Hartog, 2007).

1. The ideation phase

The ideation phase was also referred to as the 'initiation' phase by De Jong and Den Hartog (2007), who stated that employees generate ideas by engaging in behaviour to explore opportunities, identify performance gaps or produce solutions for business problems. They further stated that opportunities to generate ideas lie in incongruities and discontinuity; things that do not fit expected patterns, such as problems in existing working methods, unfulfilled customers' needs, or indications that important trends may be changing.

Johnsson (2013) stated that during this phase the innovation direction is clearly communicated throughout the organisation. In addition, processes for innovation research opportunities are set up, including the collection and selection of ideas. He also affirmed that the economic opportunities presented by these ideas and those based on the potential cost of not developing the ideas are also evaluated.

This phase is believed to end at the point at which the idea is first adopted, i.e. the point at which the decision to implement the innovation is made (De Jong & Den Hartog, 2007).

2. The implementation phase

De Jong and Den Hartog (2007) also explicitly stated that innovation also includes the 'implementation' of new ideas. Johnsson (2013) explained that this is the development phase, which is used to bring out the capabilities and possibilities - designing, prototyping, testing and evaluating the product or service and preparing for production and the market. During this phase, innovative behaviour is directed towards the initiation and application of new and useful ideas, processes, products and procedures. This is the time to get the ball rolling and set new ideas into motion (De Jong & Den Hartog, 2007).

It is evident that ideation and implementation of ideas are both important forms of innovation, and the distinction purely highlights different actions and outputs that occur throughout the innovation process.

This categorisation of these phases in the innovation is relevant to this study as different reward strategies appear to be necessary to effectively motivate employees across the different phases (De Jong & Den Hartog, 2007). This belief will be tested and further explored as part of this study.

2.3 MOTIVATION

A second fundamental construct relevant to this study was 'motivation', because the essence of the topic is around understanding how to 'motivate' employees to innovate within the workplace. The study of motivation is extremely important to managers (Grant, 2008; Lei, 2010 as cited in Kim, 2013). Human beings are unique and the additional influences of many internal and external factors make motivation a complex issue to research (Kim, 2013).

The notion of motivation was explained by Locke and Latham (2004, as cited in Kim, 2013) as internal factors that impel and can drive action, and as external factors that can act as inducements to action. The three aspects of action that can affect motivation are direction (choice), intensity (effort), and duration (persistence). Motivation can affect not only the gaining of skills and abilities, but also to what extent they apply their skills and abilities.

2.3.1 Motivation models

The following section will focus on motivational theories and the implications these theories have in explaining employee performance and behaviour. Again, there are a myriad of theories to explain the complexity of motivation. One approach of this study was to distinguish between content and process theories. Rainey (2003) stated that 'content theories' are concerned with analysing the particular needs, motives and rewards that affect motivation. He further affirmed that 'process theories', on the other hand, concentrate more on the psychological and behavioural processes behind motivation.

The discussion of the following motivation theories are intended to provide valuable background, which was pertinent in interpreting the findings of this study.

2.3.1.1 Maslow's Hierarchy of Needs

Maslow's (1943) Hierarchy of Needs model is arguably the most influential content theory of motivation (Kim, 2013; Rainey, 2003). According to Zalenski and Raspa (2006), fundamental to Maslow's theory of motivation is that human needs are hierarchical, in that unfulfilled lower needs dominate one's thinking, actions and being until they are satisfied. Once a lower need is fulfilled, a next level surfaces to be addressed or expressed in everyday life. Once all of the basic needs or deficiencies are satisfied, then human beings tend to pursue the higher needs of self-actualisation.

Maslow's hierarchy can therefore be viewed as a series of steps for the individual. The individual cannot and will not attempt the next "step" until the needs of the current step are addressed and satisfied (Ozkan & Purutcuouglu, 2010).

In the literature, Maslow's Hierarchy of Needs is often depicted as the pyramid as illustrated in the figure below.





Source: (Chapman, 2001)

Maslow's model was particularly relevant to this study as it was important to understand what "level" of employee needs is satisfied by innovative behaviour in order to adequately reward such practices. Following Maslow's Hierarchy of Needs model, another well-known motivational model was Herzberg's Two-Factor Theory of Motivation discussed below.

2.3.1.2 Herzberg's Two-Factor Theory

Herzberg (1968) suggested that in a Two-Factor Theory of motivation, there are two categories of factors driving employee satisfaction in the workplace, 'Hygiene Factors' and 'Motivational Factors'. The figure below depicts Herzberg's (1968) Two-Factor Theory of Motivation.



Figure 2: Herzberg's Two-Factor Theory

Source: (Redmond & Perez, 2013)

Herzberg (1968) defined hygiene factors (also known as "dissatisfiers") as those factors closely related to the working environment, including:

- Company policy
- Quality of supervision
- Relations with others
- Personal life
- Rate of pay
- Job security
- Working conditions

According to Hyun and Oh (2011), if hygiene factors are lacking in an occupational environment it can lead to employee job dissatisfaction. The authors confirmed that the role of hygiene factors is simply to prevent workers' discontent. In other words, these factors do not lead to higher levels of motivation, but without them there is discontent.

It is clearly imperative that organisations adequately address these hygiene factors before focussing on motivational factors in the employee's situation (Nel, et al., 2001). Herzberg (1968) cited the below examples of motivational factors.

- Achievement
- Job interest
- Personal growth
- Recognition
- Career advancement
- Responsibility

Unlike hygiene factors, motivational factors can truly encourage employees to work harder and experience enjoyment in the workplace. These factors involve what people actually do on the job and should be designed and engineered into the employees' roles in order to bring out intrinsic motivational capabilities and possibilities within the workforce (Hyun & Oh, 2011).

According to Daft (2003), salary or rate of pay can be a hygiene factor or a motivator according to how it is perceived by employees. The author believes that if salary does not have any meaning other than 'buying power', it should just be considered as a hygiene factor. On the contrary, if salary represents a symbol of achievement at work, it could act as a motivator.

Herzberg's Two-Factor Theory is particularly pertinent to this study and the relevance of his 'hygiene' and 'motivational' factors will be tested in the context of rewarding innovation.

2.3.2 Distinction between intrinsic and extrinsic motivation

In order to synthesise motivational factors, the psychological literature distinguishes between intrinsic and extrinsic motivation. The important distinction between these two forms of motivation is discussed below.

2.3.2.1 Intrinsic motivation

Intrinsic motivation is most commonly defined as "doing something for its own sake" (Benabou & Tirole, 2003, p. 152). In other words, something is done because a sense of accomplishment and personal fulfilment is experienced (Amabile, 1997). Intrinsic

motivation can also be defined as the psychological - the mental and cerebral - rewards derived from work (Thomas, 2000; Mahaney & Lederer, 2006). Matsumura and Kobayashi (2008) were of the view that people are intrinsically motivated when they receive no noticeable reward; the only apparent reward lies in the activity itself. This suggests that intrinsic motivation is ingrained in the execution of the job itself.

According to Sauermann and Cohen (2010), intrinsic motivation is strongly supported by the degree of autonomy an individual might have in choosing tasks and approaches. They believed that people have a fundamental need for autonomy per se, but it also allows individuals to select problems that are of particular interest to them and to attribute success to their own actions, all of which may increase intrinsic motivation.

Mahaney and Lederer (2006) cited examples of intrinsic motivation, such as achievement, variety, challenge, autonomy, responsibility, and personal and professional growth. According to Thomas (2000), when one is intrinsically motivated, one regards the work and is more likely to look for better ways to execute it. Sauermann and Cohen (2010) stated that this kind of intrinsic behaviour is found in the open source movement, where programmers appear to be willing to give away creative output for no monetary incentive.

Thomas (2009) explained that motivational dynamics have changed radically in recent years, demanding new requirements and expectations of employees. According to Dockel, Basson, and Coetzee (2006), the labour environment has changed from a labour intensive and industrial society to a knowledge based environment, synonymous with a more educated and professional workforce and lower levels of organisational loyalty. Thomas (2000) described the increasing precedence of emotional and intrinsic rewards, and the decline of material or extrinsic rewards, as an important trend. According to Thomas (2009), after people have entered a job and possible issues of unfairness have been resolved, day-to-day motivation is primarily driven by intrinsic rewards.

2.3.2.2 Extrinsic motivation

In contrast to intrinsic motivation, extrinsic motivation refers to the pursuit of an instrumental goal, such as money or victory (Benabou & Tirole, 2003). Amabile (1997) provided examples of extrinsic motivations such as expected evaluation, surveillance, competition with peers and the promise of rewards. Sauermann and Cohen (2010) concurred and stated that individuals are extrinsically motivated if they want to derive

some benefit that is provided by an environmental entity, such as a superior or a body of peers upon an evaluation of effort or performance. They affirmed that extrinsic benefits do not result directly from engaging in the task, but are separable and indirect task outcomes. These outcomes are "outside the individual" or extrinsic, and are typically represented by money, gold stars, plaques, certificates, trophies or other tangible rewards (Deci, Koestner & Ryan, 2001 as cited in Kim, 2013).

The studies on human motivation have largely focused on extrinsic rewards such as money (Deci, Koestner & Ryan, 1999 as cited in Kim, 2013), job security (Greene & Burke, 2007, as cited in Kim, 2013), health insurance (Rakich, Longest & Darr, 2000, as cited in Kim, 2013), and employment (Green & Burke, 2007, as cited in Kim, 2013). While the reasons for this are many, some argue that extrinsic rewards are easier to implement for both academics and organisations (Frey & Jegen, 2001), and are generally regarded as an adequate motivator (Briers, Pandelaere, Dewitte & Warlop, 2006).

This distinction between intrinsic and extrinsic motivation was essential in highlighting that employees can either be motivated by the sheer enjoyment of a task itself, or alternatively by external rewards such as financial incentives. This is particularly relevant to the notion of rewarding innovation as it appears that both intrinsic and extrinsic forms of motivation are at play. This categorisation was applied in analysing the important reward elements in reward innovation that emerged from this study.

2.4 REWARD

The third and arguably the most important construct examined in this study is the notion of reward. For the purposes of this paper a very broad definition of 'reward' was used, which could be referred to as 'total reward'.

According to Jiang, Xiao, Qi and Xiao (2009), reward is the compensation which employees receive from an organisation for their services rendered. The authors affirmed that reward does not singularly imply financial or other forms which are easily converted to monetary values, but also a comfortable office, advantageous interpersonal relationships inside the organisation, being party to decision-making, challenging work, a sense of achievement and preferable growth opportunities. Not all forms of reward are thus easily quantifiable. Total reward was defined by Armstrong (2012) as the combination of all types of reward. In the past, rewards were primarily defined as the monetary rewards that employees receive (Gross & Friedman, 2004). Gross and Friedman further stated that the definition has been broadened to include the total value proposition the employer offers its employees. In order to further explore the notion of total reward, it is important to analyse total reward models prevalent in the reward literature.

2.4.1 Total Reward Models

A number of total reward models have been developed over the past few years. It is appropriate to present some of these models with the objective of improving the general understanding of all the reward components that are used.

2.4.1.1 WorldatWork's Total Reward Model

WorldatWork is the largest global non-profit professional association dedicated to knowledge leadership in total reward (WorldatWork, 2007). The association defined 'total rewards' as the employer making use of all the tools available to attract, motivate and retain employees (WorldatWork, 2007).

This association stated that total reward contains five core reward categories which are illustrated below. These elements represent a "toolkit" from which an organisation selects to offer and align a value proposition that creates value for both the employee and the organisation.



Figure 3: Worldatwork's Total Reward Model

Source: (WorldatWork, 2007)

The key reward elements depicted in the WorldatWork model are:

- 1. Compensation or remuneration
- 2. Benefits
- 3. Work-Life
- 4. Performance and recognition
- 5. Development and career opportunities

2.4.1.2 Armstrong and Brown's Total Reward Model

The WorldatWork Model was expanded by Armstrong and Brown (2006) to include "work experience". Armstrong and Brown's (2006) Total Reward Model was described as a comprehensive view of reward (Nienaber, Bussin & Henn, 2009).

This model, as illustrated in the figure below, includes transactional and relational rewards. The model divides rewards into two major categories:

- 1) Transactional rewards (tangible rewards including base pay, contingent pay and benefits).
- Relational rewards (which refer to intangible rewards, for example learning and development, recognition and status, challenging work, employment security, work experience or the work environment).

Transactional	Base Pay	Total	
	Contingent Pay		
rewards		remuneration	
	Employee Benefits		Total
	Learning and	Non-financial	rewards
Relational	Development	/ intrinsic	
	The work experience	rewards	

Figure 4: Armstrong and Brown's Total Reward Model

Source: (Armstrong & Brown, 2006)

The concept of total rewards therefore includes both intrinsic and extrinsic types of rewards, which allows the researcher to delve into both the financial and non-financial aspects associated with reward.

2.4.1.3 Towers Perrin's Total Reward Model

Towers Perrin, one of the world's largest independent management consulting firms, developed a simple matrix to help consider the total rewards in an organisation (Thompson, 2002).

Towers Perrin's Total Reward Model is illustrated in the figure below.



Figure 5: Towers Perrin's Total Reward Model

Source: (Thompson, 2002)

Thompson (2002) highlighted the below aspects of this model:

• The upper two quadrants, Pay and Benefits, represent transactional rewards. These are financial in nature and are essential to attract and retain staff, but can easily be copied by competitors. • The bottom two quadrants are relational rewards. Learning and Development and the Work Environment are essential in enhancing the value of the upper quadrants.

The author however stated that the real "power" of the model comes into being when the organisation combines transactional and relational rewards. The combination creates a broad flexible exchange that leads to employee commitment to common goals, values and long-term objectives.

2.4.2 Total Reward Strategy

Rewards Consulting Limited (2010) defined a reward strategy as an approach to reward based on a set of coherent principles in support of the organisations aims and overall objectives. Brelade and Herman (2003) affirmed that the key to any reward strategy is finding the right balance between rewards that are instant and rewards that are delayed. The authors further stated that a reward strategy should find a balance between financial and non-financial elements, such as praise and recognition, bonuses and once-off payments, opportunities for career development, and share options, performance-related pay or other options.

Hiles (2009) referred to a total reward strategy (TRS) as a focused game plan that allocates resources and tailors activities to achieve a target performance level within a prescribed timetable. He further claimed that the approach must be unique to the organisation and when implemented successfully, it will help drive a sustainable, competitive advantage in the ever-competing market for key talent, by carefully considering the full list of potential sources of value to employees. Kaplan (2007) stated that TRS is a holistic approach that must align business strategy and people strategy. He maintained that it should include everything employees value in their employment experience, including compensation, benefits, development and the work environment. Brown and West (2005) stated that reward strategy is a style of thinking and can be implemented to obtain achievable and valuable outcomes that are distinctively unique to an organisation. Jiang et al. (2009) believed that managers can achieve remarkable profits for the organisation if they are able to successfully leverage an integrated total reward strategy.

2.5 THE LINK BETWEEN REWARD AND MOTIVATING INNOVATION

The three important constructs, 'innovation', 'motivation' and 'reward' have been explored and defined for the purposes of this study.

This section specifically explores the linkages between these constructs by examining specific literature around rewarding and motivating innovation in the workplace. Important components of reward encompassed within the notion of 'total reward' are discussed by specifically analysing the relationship between these reward elements and innovation in the workplace.

2.5.1 Financial rewards and innovation

This section specifically examines the relationship between different forms of financial rewards and their effect on innovation in the workplace. The following aspects are specifically explored.

- The importance of long-term incentives in encouraging innovation
- The relevance of pay for performance theory in encouraging innovation
- The 'tensions' or trade-offs to consider when encouraging innovation

2.5.1.1 Long-term versus short-term incentives

Long-term incentives are a form of remuneration that link an organisation's long-term advancement to the performance of an individual, a method often used in attracting and retaining motivated and entrepreneurial employees (Hall & Murphy, 2003). In many instances these long-term incentives take the form of equity based remuneration. This is especially prevalent in executive remuneration contracts (Sigler, 2009) and is regarded by some as the largest and most important component of executive pay arrangements (Bebchuk & Fried, 2004).

The main argument in favour of equity remuneration appears to be the belief that this gives executives a greater incentive to act in the interest of shareholders. It also plays a crucial role in mitigating problems with risk aversion (Hall & Murphy, 2003; Sigler, 2009). There is, however, a school of thought that argues that long-term incentives provided by equity remuneration may encourage excessive risk taking, due to a fixation on share prices and the escalation of option grants (Madrick, 2003 as cited in Hall & Murphy, 2013).

Recent times saw greater focus on innovation in the workplace, with researchers aiming to better understand what type of remuneration supports or drives innovative performance.

Lerner and Wulf (2006) studied the relationship between the remuneration of Research and Development (R&D) personnel and innovation. Their research indicated that among firms with a centralised R&D function a clear relationship emerged; more longterm incentives (such as stock options and restricted stock) were associated with more heavily cited patents (higher level of innovation).

Wheatley and Doty's (2010) findings however conflicted with Lerner and Wulf's (2006) conclusions. After analysing panel data methodology from 1994 to 1998 for 380 firms, their results showed that the innovation strategy to the firm's performance relationship was moderated by "bonus" and "options-granted" compensation. Their findings suggested that implementing an innovation strategy and using a high percentage of bonus compensation will lead to greater performance. This suggests that a significant proportion of short-term compensations together with typical long-term incentives (equity type) is appropriate even when adopting an innovation strategy.

Manso's (2011) view was however that the optimal contract that motivates innovation can be implemented via a combination of stock options with long vesting periods, option re-pricing, golden parachutes, and managerial entrenchment. The author stated that managerial entrenchment gives the manager job security, since an entrenched manager may keep his job even if it is ex-post efficient for the shareholders of the firm to fire him.

Quinn (1988, as cited in Sharifirad & Ataei, 2012) added another dimension to this argument and stated that firms with a long-term strategic horizon are more likely to innovate than firms that adopt a shorter term horizon.

2.5.1.2 Pay-for-performance model (monetary rewards) and innovation

Ederer and Manso (2013) concurred that previous research in economics shows that financial reward, based on the pay-for-performance principle, i.e. paying the agent based on his level of performance, is extremely effective in influencing higher levels of effort and productivity. This view was supported by both Lazear (2000) and Dickinson (1999), who carried out experiments which showed that the productivity of participants

performing customary, regular tasks increased when compensation was more sensitive to performance, i.e. fixed wage versus piece-rate pay.

In contrast to this, psychologically speaking, there is a school of thought that argues that performance-based financial incentives will actually negatively influence performance. This was found where assignments required investigation and creativity, such as innovative behaviour (Ederer & Manso, 2013; Sauermann & Cohen, 2010). This argument is based on the premise that people will be most creative when they are principally intrinsically motivated as opposed to extrinsically motivated (Amabile, 1997; Weisberg, 2006). These psychologists affirmed that intrinsic motivation heightens atypical and exploratory thinking that contributes to creativity, whereas extrinsic rewards such as contingent pay may undermine creativity by focusing individuals' attention on more expedient, incremental approaches to problem solving.

There is, however, disagreement on the effects of extrinsic incentives and motivation on creativity and innovation (Sauermann & Cohen, 2010), as other psychologists suggest that extrinsic incentives may enhance creativity if the rewards are tied explicitly to the novelty and creativity of the product (Eisenberger & Shanock, 2003, as cited in Sauermann & Cohen, 2010). These authors agreed that if financial rewards are associated with customary, general performance, then intrinsic motivation will be reduced. They did however state that if financial rewards are specifically linked to novel or creative performance, intrinsic motivation will actually increase as a result of the application of such financial rewards.

There are other possible shortcomings of the pay-for-performance model, in addition to the effect of financial rewards on intrinsic motivation, when aiming to motivate innovation in the workplace. These problems arise because the current compensation research has been framed using 'Agency Theory' (Fama & Jensen, 1983), and Wheatley and Doty (2010) maintained that this framework of establishing a direct relationship between compensation and performance is too restrictive.

Firstly, Lerner and Wulf (2006) highlighted the problem of "multi-tasking" as another shortcoming of the pay-for-performance model. They maintained that this problem arises when an agent performs multiple tasks and where only certain tasks can be successfully measured with precision. In such instances, the authors suggested that it would make sense to offer compensation schemes with flat or very limited sensitivity to performance, otherwise the agent may neglect and pay too little attention to the

activities that cannot be precisely measured. Armstrong and Murlis (1998) agreed that undue focus on tasks that will reward performance will result in the neglect of others. They also highlighted another aspect, stating that too much emphasis on individual performance results in teamwork suffering. According to De Jong and Den Hartog (2007), previous research has strongly indicated that employee innovation depends greatly on their interaction with others in the workplace.

Secondly, Tian and Wang (2011) emphasised an important shortcoming of the pay-forperformance model when incentivising innovation, namely the lack of tolerance for early failure. Manso (2011) agreed that tolerance for failure is essential in motivating innovation and such tolerance can be reflected in the principal's choice of the termination threshold for a project. A failure-tolerant principal would choose a threshold lower than the ex-post optimal level, and this tends to encourage innovation from the agent. A failure-intolerant principal would choose a threshold higher than the ex-post optimal level, which tends to discourage innovation.

2.5.1.3 Tension between exploration and exploitation – financial rewards

According to Subramaniam and Youndt (2005), innovation signifies involved knowledge management processes of identifying and putting to use ideas and opportunities to create new or improved products or services. To be successful or even to survive, companies must excel at both exploitative and exploratory innovation, yet tensions emanate from their different knowledge management processes (Andriopoulos & Lewis, 2009). Atuahene-Gima (2005) stated that exploitation hones and broadens current knowledge, aiming at greater competency and improvements to enable incremental innovation. Exploration, on the other hand, entails the development of new knowledge and experimenting to promote variation and novelty, essential to the need of more radical innovation.

Ederer and Manso (2013) recently conducted research around the tension between the exploration of new untested actions and the exploitation of well-known actions. They stated that tension arise because "exploration" of new untested actions reveals information about potentially superior actions, but is also likely to waste time with inferior actions. "Exploitation" of well-known actions, on other hand, ensures reasonable payoffs but may prevent the discovery of superior actions. The author's research provided evidence that incentive plans tolerating early failure and rewarding long-term success lead to more innovation and better performance than fixed wages or

standard pay-for-performance incentive schemes. Subjects under such long-term incentive schemes explore more and are more likely to discover a novel business strategy than subjects under fixed-wage and standard pay-for-performance incentive schemes.

According to Andriopoulos and Lewis (2009), organisational ambidexterity signifies a firm's ability to manage these tensions between exploration and exploitation. Ambidextrous firms are capable of exploiting current competencies and exploring new fields of action with equal skill and adroitness (Lubatkin, Simsek, Ling & Veiga, 2006).

This is supported by Hyland and Beckett (2005), who stated that introducing innovation requires additional capacity to that needed to run the day-to-day operations, and some balance is needed to maintain both the short-term and long-term financial viability.

2.5.2 Non-financial rewards and innovation

Total reward models (section 2.4.1) include various non-financial or intrinsic types of rewards and analyse these as categories of rewards such as learning and development, recognition and status, challenging work, employment security, the work experience or the work environment. Several of these non-financial reward elements appear to be important in encouraging innovation within organisations.

In an empirical analysis of data from 1,707 U.S. citizens with a doctoral degree in science, engineering, or health, Sauermann and Cohen (2010) ranked seven work benefits on preference measures, identified by respondents who had patent applications in 2003. Interestingly, the authors found that intrinsic non-financial elements of total reward offerings were ranked in the top two motives, with intellectual challenge being the most important factor followed by independence or autonomy. Financial rewards in the form of salary was identified as the third most important element. The rankings following this were opportunities for advancement, job security, responsibility and contribution to society respectively, which all contain elements of both intrinsic and extrinsic motives. This study illustrates the importance of non-financial rewards in encouraging innovation in the workplace.

This section explores the link between these non-financial reward types and its effect on employees' propensity to innovate within the workplace.
2.5.2.1 Work environment and culture

The work environment is an important "communal" category of reward in a total reward framework (Thompson, 2002). There are various elements of the work environment that appear to be important in encouraging innovation in the workplace.

Trucker (2001, as cited in Hyland & Beckett, 2005) stated that it is important that managers are conscious of not stifling innovation in the work environment by having an aversion to making mistakes or taking risks.

According to Lawson and Samson (2001), organisations that encourage innovation from within the whole organisation, in other words not only rewarding innovative acts, but have the ethos and expectation that they will occur, are usually leading innovative organisations. It is evident that a work environment in which employees' views and ideas are welcomed is an important driver of innovation in the workplace.

Dombrowski et al. (2007) conducted qualitative research and identified eight cultural elements that appear to be common across innovative companies. These elements are summarised and depicted in the table below.

No	Cultural element	Description
1	Innovative mission and vision statements	Unless companies have mission and value statements that clearly encourage innovation the other cultural elements will not be in place.
2	Democratic lateral communication	Hierarchical, centralised power limit sharing and is conducive to conflict and assumptions become ingrained. Managers and employees must be able to communicate freely.
3	Safe spaces	These segregated spaces remove employees from their usual business routines and allow them to think radically.
4	Flexibility	Functional job rotation Geographic job rotation Job swopping and cross-country gatherings
5	Boundary spanning	Innovation in a global context necessitates collaboration across organisational boundaries.
6	Collaboration	Need to have a culture that encourages collaboration among employees, across partners and people who hold diverse viewpoints.
7	Incentive schemes	Team based incentives Training and learning and development opportunities Time
8	Leadership	Idea sponsors Top Management support

Table 1: Eight elements of an innovative culture

Source: (Dombrowski et al., 2007)

Hattori and Wycoff (2002) affirmed that organisational culture is reflected in the core values of the organisation. The authors cited the below organisational values as important drivers of innovation in the workplace:

- 1) Flexibility
- 2) Empowering
- 3) Welcoming of ideas
- 4) Tolerance of risk
- 5) Celebrating success
- 6) Fostering respect
- 7) Encouragement of fun

Martins and Terblanche (2003) suggested that it is important that employees understand the vision and mission of the organisation and the gap between the current situation and the company goals to be able to act creatively and innovatively.

In addition to culture and the work environment there are also other non-financial reward elements more specifically applied at an individual level (as opposed to communal rewards), that appear to be important in encouraging innovation. The importance of providing autonomy and responsibility, recognition, job security and learning and development opportunities are discussed in the following sections.

2.5.2.2 Autonomy and responsibility

According to Sauermann and Cohen (2010), innovation cannot easily be rewarded without considering the internal motives of the individual. The authors believed that this is particularly the case with scientists in R&D, where individuals are provided with a great deal of autonomy as they are the experts within the organisation and are able to tackle the technical challenges. They affirmed that it is imperative that these individuals are rewarded with responsibility and intellectual challenges as well as peer recognition.

2.5.2.3 Recognition

De Jong and Den Hartog (2007) stated that past studies have shown that non-financial recognition of innovative performance is an important driver of idea generation and idea implementation behaviour in the workplace (both phases of the innovation process). According to Yukl (2002, as cited in de Jong & Den Hartog, 2009), recognition includes the following:

- Giving praise or compliments
- Awards (such as certificates of achievement, private budgets, increased autonomy)
- Ceremonies (such as public speeches and celebrations)

It is evident from the above definition that recognition can either be formal (such as rewards and ceremonies) or informal (such as giving praise and compliments).

2.5.2.4 Job security

The importance of employee job security was explored by Ederer and Manso (2013) as an important driver of innovative behaviour. The authors found that the threat of termination discourages the agent from exploring new actions, whilst the fear of termination facilitates the provision of incentives for exploitation of existing practices and processes.

Manso (2011) also affirmed that managers are similarly biased toward short-term projects due to career concerns, which could have a detrimental effect on innovation.

2.5.2.5 Learning and development

Learning and development is a category of rewards typically included in total reward models (Thompson, 2002). There are various elements of learning and development discussed in the literature that appear to contribute to innovation in the workplace.

According to Dombrowski et al. (2007), some organisations have begun to tie employee training and development accounts to innovation. The authors affirmed that in these organisations, the funds allocated to employees for travel to conferences and other educational opportunities are directly related to the employees' innovative capacities, with more innovative employees being assigned more funds for such development activities.

Pettigrew, Massini and Numagami (2000) believed that 'functional job rotation' plays a role in encouraging innovation, as employees with a fresh perspective ask questions and undermine previously held assumptions. The authors asserted that Japanese firms apply this method successfully in encouraging incremental innovation within functional areas, even though they recognise that more specialised knowledge is more likely to lead to radical innovation.

Brown and Duguid (1991, as cited in Dombrowski et al., 2007) claimed that encouraging strong social networking in and outside the organisation also helps to achieve flexibility, which is required for innovation. The authors also cited crosscompany gatherings and cross-functional teams as important organisational knowledge sharing practices in this regard. Sharing and teaching among and across business units and alliances is also an effective way of promoting collaborative innovation, especially if the organisation's culture already emphasises learning (De Long & Fahey, 2000).

2.6 THE ROLE OF LEADERSHIP IN ENCOURAGING INNOVATION

In addition to the broad categories of total reward that appear to be important in driving innovation, the importance of 'leadership' in encouraging innovation is also prevalent in the literature.

According to Hamel (2009), leaders are no longer treated as extraordinary and brilliant visionaries, wise decision-makers, and tough rulers. He said that the job of a leader is instead to create an environment where all employees can collaborate, innovate and perform well. It therefore appears that leadership plays a vital role in implementing the appropriate total reward framework to foster innovation in the workplace. The following section examines the types of leadership behaviour conducive to encouraging innovation in the workplace.

2.6.1 Leadership behaviour and innovation

Exploring the types of leadership behaviour required to inspire employee innovation has been a prevalent theme in the innovation literature in recent years. This section summarises three of the latest studies on this theme.

McMillan (2010) found that there are four competitive forces of leadership that determine the capacity for organisational innovation. These forces can be summarised in the below points:

- Skills and competencies, relates to the unique skills and abilities of leaders, and the importance of focusing these skills and competencies on three major stakeholders: customers, employees and shareholders.
- 2) Capacity to listen, relates to a leader's ability to absorb new information, as well as analyse historical organisational information to inform decision making that benefits the organisation as a whole.
- 3) Capacity to learn, relates to decision processes, communication flows and possible bottlenecks in organisational design. Organisation design affects learning and flexible open authority structures where upward communication is required.
- 4) **Capacity to motivate**, relates to a sense of purpose which is aligned with the

mission statement of the organisation as a whole. Leaders focus attention on formal as well as informal communications, applying symbols, informal gestures and mechanisms that allow employees to break the rules and explore new techniques.

Stamm (2009) provided a different dimension with his four key leadership "ingredients" to create a culture conducive to innovation.

- Demonstrate importance of innovation, relates to the idea that leaders must sincerely and consistently demonstrate the importance of innovation. It is of critical importance that leaders engage in the same behaviours that they communicate, and thereby ensure that their actions support and match their words. The author believed that people react to the behaviours they observe rather than the words they hear.
- 2) Inspiring vision, relates to the importance of leaders being able to provide their staff with an inspiring vision to which they can contribute with innovative ideas. In supporting the vision, leaders should also create a 'shared language', which allows all team members to have the same understanding of innovations at hand.
- 3) **Seek ideas and listen**, relates to the fact that leaders should take it upon themselves to actively seek ideas and listen to what people have to say.
- 4) Tolerance for failure, relates to the notion that leaders should accept that a failure is often an opportunity to learn, and can serve as a stepping-stone to the next innovation. Such a tolerance for failure creates a non-threatening environment in which employees can innovate through experimentation.

De Jong and Den Hartog (2007) found 13 forms of leadership behaviour that leads to innovative behaviour in the workplace. Their research also indicated the relevance of particular leadership behaviour with respect to the phases in the innovation process (ideation and implementation phase). These behaviour types are depicted in the table below.

			Innovat	ion Process
No	Leadership behaviour	Behaviour description	Ideation	Implementation
1	Innovate role-modelling	Being an example of innovative behaviour, exploring opportunities, generating ideas championing and putting efforts in development	Yes	Yes
2	Intellectual stimulation	Teasing subordinates directly to come up with ideas and evaluate current practices	Yes	
3	Stimulating knowledge diffusion	Stimulating open and transparent communication, introducing supportive communication structures like informal work meetings	Yes	
4	Providing vision	Communicating an explicit vision on the role activities preferred types of innovation, providing directions for future activities	Yes	
5	Consulting	Checking with people before initiating changes that may affect them, incorporating their ideas and suggestions in decisions	Yes	Yes
6	Delegating	Giving subordinates sufficient autonomy to determine relatively independent how to do a job.	yes	Yes
7	Support for innovation	Acting friendly to innovative employees, being patient and helpful, listening looking out for someone's interests if problems arise	yes	Yes
8	Organising feedback	Ensuring feedback on concepts and firsts trials, providing feedback to employees, asking customers for their opinion		Yes
9	Recognition	Showing appreciation for innovative behaviour	Yes	Yes
10	Rewards	Providing financial/ material rewards for innovative performances		Yes
11	Providing Resources	Providing time and money to implement ideas		Yes
12	Monitoring	Ensuring effusiveness and efficiency, checking up on people, stressing tried and tested routines (negative relationship)	Yes	Yes
13	Task Assignment	Providing employees with challenging tasks, make allowance for employees' commitment when assigning tasks	Yes	

Table 2: Thirteen forms of leadership behaviour

Source: (De Jong & Den Hartog, 2007)

From the table above it is evident that six of the leadership behaviour actions only relate to one phase of the authors' simplified two-phase innovation process model. The other seven leadership actions appear to be relevant through the full innovation process.

Interestingly, the authors believed that financial rewards should only be used during the implementation phase. They supported Amabile's (1996) claims that more intrinsic type rewards are best suited to stimulate non-routine behaviour such as idea generation.

2.7 ROLE OF ORGANISATIONAL STRUCTURES IN INNOVATION

The importance of leadership in promoting innovation seems to be certain, but similarly, 'organisational structures' appear to play a critical role in fostering innovation in the workplace. The following section specifically examines the importance of organisational design, and the use of innovation competitions to foster innovation.

2.7.1 Organisation design and innovation

Zoghi, Mohr and Meyer (2010) found that organisations with a structure of decentralised decision making and information sharing are 14 to 22% more likely to innovate than those that do not employ this type of organisational structure. This was supported by Hyland and Beckett (2005), who stated that the majority of firms deemed to be innovative embrace collaboration as an important cultural element.

These findings are consistent with the notion that workers hold information about production inefficiencies and consumer demands that can lead to productive innovations if the organisation structure attributes facilitate the communication and implementation of those ideas (Zoghi et al., 2010).

Dombrowski et al. (2007) added a further dimension and stated that creation of innovative products and services requires a high level of collaboration, hence moving to incentive schemes that are group and team-based is preferable. However the authors did acknowledge the risk that certain individuals simply perform better when they feel they are being rewarded for their individual efforts.

2.7.2 Innovation contests as a method to stimulate and reward innovation

Over the past few years there has been a rapid increase in firms actively integrating internal and external input into new product development (Adamczyk et al., 2012). Organisations have adopted innovation contests (ICs) or competitions as a method of broadening the pool of idea generation by tapping into the wisdom of internal and external knowledge (Haller et al., 2011).

An innovation contest is defined as a competition for innovators who use their skills, experience and creativity to provide a solution to a particular contest or challenge defined by an organiser (Bullinger, Neyer, Rass & Möslein, 2010). Adamczyk et al. (2012) stated that even though innovation contests have their origin centuries ago, there has been a revival of the importance of its use. They also stated that companies such as IBM, BMW and Siemens have in recent years embraced this methodology as a tool for new ideas and innovation.

2.7.3 The reward aspect of innovation contests

Adamczyk et al. (2012) produced a comprehensive review and classification of innovation contests (ICs) in a literature review which included a final set of 260 publications. This review aimed to provide clarity on how contests are composed and should function by classifying all the important design elements. 'Reward' was identified as an important 'design element' in innovation contests. Their description of this element is broadly described as incentives to encourage and reward participants in innovation contests, and could be monetary, non-monetary or mixed. The practice of using innovation contests to reward and stimulate innovation is well established. The purpose of the reward as a design element is twofold, firstly to encourage participation, and then to reward participation afterwards. The type of rewards used could be classified as either extrinsic or intrinsic motivators. Extrinsic rewards are the type of rewards that provide extrinsic motivation (defined earlier) to participate in innovation contests. Extrinsic rewards cover monetary awards such as prize money, as well as non-monetary awards such as valuable goods and certificates (Adamczyk et al., 2012).

Intrinsic rewards rely on intrinsic motivation (defined earlier) to attract participants. Brabham (2010) mentioned examples such as the joy of solving scientific problems, having free time to fill, opportunity to gain new skills, or propelling one's career. Adamczyk et al. (2012) cited broader intrinsic motivators such as positive community feedback, reputation amongst peers and self-realisation.

Apart from the distinction between intrinsic and extrinsic motivators there are various other components related to the reward design element. The notion of having a single, winner- takes-all prize, as opposed to proportional prizes, was researched by Cason, Masters and Sheremeta (2010). They maintained that proportional prize design is a novel reward design, whereby the same fixed prize value is divided amongst the contestants by their share of total achievement. This reward design is said to increase

the level of participation as well as provide a higher, total level of performance than the winner-takes-all competition.

2.8 CONSEQUENCES OF REWARDING INNOVATION

In a study conducted by Saleh and Wang (1993, as cited in Lawson & Samson, 2001) which compared reward systems of highly innovative firms and less innovative firms, it was found that those that are highly innovative had adopted reward systems that embraced creative behaviour of employees, ensured public recognition for innovative ideas, supported suggestion schemes and awarded financial bonuses for innovation.

Even though the practise of rewarding innovation appears to have a positive impact on the level of innovation in an organisation, there are however risks that have been identified in the literature.

Innovation contests encourage competition with participants competing for the best idea and ultimately to win the tournament and the corresponding prizes. On the other hand, innovation contests also aim to create an environment whereby participants are able to collaborate through various discussions to improve the quality of submitted ideas. Hutter, Hautz, Füller, Mueller and Matzler (2011) referred to this occurrence as a tension between competition and collaboration, which frequently happens within innovation contests.

Bullinger et al. (2010) agreed that competitively orientated participants are not likely or willing to cooperate or collaborate, as they are mainly interested in defeating the other participants. They declared that for these participants, the reward is the main driver causing this unfavourable behaviour. In addition, their research found that this focus on reward has an adverse impact on creativity, yet there is conflicting research which said that a competitive setting results in more creative ideas (Amabile, Conti, Coon, Lazenby & Herron, 1996).

Consequently the researcher asserts that rewarding innovation has the positive effect of increasing participation in innovation contests, as well as cultivating interest and promoting competition amongst participants. However, competition for rare prizes will have the negative side effect of decreasing the amount of collaboration. The idea that 'performance contingent rewards' can undermine or reduce an individual's intrinsic motivation is almost universally credited to Edward Deci (Pierce, Cameron, Banko & So, 2012). Deci theorised that when an individual is intrinsically motivated, the locus of causality or the 'why he is doing the activity' remains within the individual (Vansteenkiste, Lens & Deci, 2006). These authors claimed that when an extrinsic reward is introduced, the locus of causality changes from within the individual to outside the individual. They stated that the individual will cognitively re-evaluate the activity as one which he does because it provides him with external rewards. Their idea was that when individuals are rewarded for performing a task, they will come to like the task less and spend less time on it once the rewards are no longer forthcoming.

It is therefore apparent that the notion of rewarding innovation is not without risks; this study will test this belief and explore the possibility of other risks that might be relevant.

2.9 CONCLUSION TO THE LITERATURE REVIEW

The literature review systematically addressed seven important themes in the attempt to holistically cover the salient issues in the context of rewarding and encouraging innovation in the workplace.

The construct innovation was explained, with West and Far's (1990, as cited in Boonzaaier, 2009) definition of innovation being used for the purposes of this study. This definition allowed the researcher to explore the topic of innovation, broadly including both incremental and radical forms of innovation. The literature review also examined important theories of motivation in order to provide the relevant background to the factors that may be instrumental in motivating employees to innovate in the workplace.

The concept of total reward was explored by analysing various models of total reward. The researcher's premise that there are broader reward factors than simply financial/transactional rewards to motivate employees to innovate was confirmed by the literature review. Total reward models allow the researcher to delve into various categories of reward important in encouraging innovation. The chapter covered prevalent literature on the following broad categories of reward in relation to innovation in the workplace.

• Transactional (financial) rewards

- Non-financial rewards (extrinsic and intrinsic)
- Communal type of rewards explored under the work environment and organisational culture
- Learning and development opportunities

It was evident from the literature that various strands of research have examined the relationship between innovation and these elements of rewards in isolation. The researcher affirms that a gap in the literature has been found in that no research (to the knowledge of the researcher) has adopted a holistic approach to researching the notion of rewarding innovation. The relationship between 'total reward' and 'innovation' is thus an under researched topic and forms the basis of this study. This research has thus leveraged the theory and concept of 'total reward' to explore the important reward elements in motivating and rewarding innovation. Towers Perrin's Total Reward Model (Thompson, 2002) was identified as being a suitable framework to adopt a holistic approach to uncovering the important reward elements in encouraging innovation in the workplace.

The relationship between innovation and three other important constructs, namely leadership, organisational design and innovation contests, were examined. The researcher believes a further gap in the literature exists in that the relationship between these concepts and the implementation of an effective total reward strategy to encouraging innovation in the workplace has not been researched.

The chapter also discussed the two important phases in the innovation process; the ideation and implementation phases. The researcher further affirmed that very little research has been carried out in terms of the reward strategies to be utilised to reward the different phases in the innovation.

The final theme examined the consequences and potential risks associated with rewarding innovation. The researcher believes that more holistic research is required in this area, as the literature appears to be focused disproportionately on innovation competitions. Prior research also does not appear to explicitly indicate which forms of reward pose the highest risk of producing unintended consequences.

The next chapter presents the research questions pertinent to this study, which collectively aim to address the gaps identified in the literature.

38

CHAPTER 3: RESEARCH QUESTIONS

3.1 INTRODUCTION

This chapter details the research questions and purpose of this study. The objective of this research report was to answer the research questions described below and to analyse the findings, with the purpose of developing a framework for rewarding innovation in the workplace. The research questions were identified from the literature review in chapter 2 and the research problem outlined in chapter 1.

3.2 FORMULATING RESEARCH QUESTIONS

This research reports aimed to answer four broad research questions:

Research question 1: When adopting a total reward strategy, which reward elements are most important in encouraging and inspiring innovation in the workplace?

This question aimed to comprehensively explore the full spectrum of rewards available to management, and to understand which elements or types of rewards organisations focus on when motivating innovation in the workplace. Sauermann and Cohen (2010) stated that future theoretical and empirical work on firm innovation may benefit from a more explicit consideration of individuals' motives. These authors were of the opinion that scholars will come to greater understanding and insight when considering financial as well as non-financial motives and incentives. With the objective of examining reward holistically, Towers Perrin's Total Reward Model (Thompson, 2002) was used as framework for exploring the various categories of reward.

Research question 2: What are the critical success factors when implementing a total reward strategy to motivate innovation in the workplace and differentiate the organisation from the norm?

This question aimed to explore whether there are specific critical success factors in the implementation of a total reward strategy that could differentiate organisations from the norm and provide a competitive advantage. Where the objective of research question 1 was to examine the important elements of a total reward strategy, this question aimed to identify the critical success factors in implementing an effective total reward strategy to encourage innovation in the workplace.

Research question 3: How should the two significant phases of the innovation process (the ideation phase and the implementation phase) be rewarded?

This question aimed to build on the theory of De Jong and Den Hartog (2007), who claimed that the innovation process consists of two main phases - the ideation and the implementation phases. The purpose of this question was to determine which reward elements are appropriate in rewarding each of these phases.

Research question 4: Are there any unintended adverse consequences or risks associated with rewarding innovation?

The purpose of research question 4 was to explore the pitfalls or potential risks associated with the practice of rewarding innovation. The study aimed to understand which types of rewards present the most significant potential risks or unintended consequences.

3.3 CONCLUSION TO RESEARCH QUESTIONS

The results of these research questions will be presented in chapter 5 of this report and the discussion and interpretation of the results with reference to the literature review will be included in chapter 6.

The ultimate objective was to combine the findings and interpretation of these research questions into a framework or conceptual model for an effective total reward strategy to motivate innovation in the workplace.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

The preceding chapters covered a detailed review of the literature and the research questions identified for the purpose of this study. This chapter outlines the research methodology used. The research approach used in this study is qualitative and exploratory in nature, which is reflected in the research method, design, sampling and data analysis techniques applied.

4.2 RESEARCH METHOD AND DESIGN

This study is a report on the critical success factors when adopting an effective total reward strategy to motivate innovation in the workplace. Given the complexity of the research questions and the importance of contextual factors associated with the study, the research methodology was exploratory and used qualitative techniques, including in-depth interviews.

Saunders and Lewis (2012) defined an exploratory study as the type of research that aims to seek new insights, ask new questions and assess a topic in a new light. This is particularly relevant to this study as the researcher aimed to assess the notion of rewarding innovation through a total reward lens, which appears to be a novel approach to exploring this topic. Saunders and Lewis (2012) also affirmed that exploratory research may often only provide tentative answers to questions, which later need to be followed up with more detailed research.

According to Cassell and Symon (2011), the criteria of good qualitative research include research being fit for purpose and a demonstration of the value of the qualitative study to academia, business and individuals. This research is appropriate and relevant to academia and particularly to business, as it contributes to the current literature by providing practical recommendations and critical success factors when adopting a holistic approach to rewarding innovation.

Leedy and Ormrod (2001) stated that qualitative research focuses on phenomena that occur in a natural setting, and referred to these studies as "real" world studies. Worley and Doolen (2006) added to this perspective and stated that qualitative data allows the researcher to more fully explore complex relationships between variables in their natural setting. A significant advantage of a qualitative approach and the use of in-

depth interviews is that it allows the researcher a degree of control in the selection and pre-screening of participants to ensure that they fit the population profile and can easily relate and contribute to the research study (Blumberg, Cooper & Schindler, 2008). This method mitigates the risk of being at the mercy of selection bias inherent in pre-existing groups (Mayers & Pope, 2005, as cited in Hyland & Beckett, 2005).

Research Philosophy

In line with Saunders and Lewis' (2012) 'research onion', the research philosophy for study could be best described as 'pragmatism'. The authors explained that a pragmatic approach asserts that the research questions and objectives are the most important determinant in guiding the research philosophy adopted. A pragmatic approach was adopted for the purposes of this study.

Research approach

The approach selected to address the research questions can best be described as an inductive approach. Saunders and Lewis (2012) described inductive reasoning as a 'bottom up' process, whereby reasoning moves from specific observations to broader generalisations and ultimately theories. This approach aligns to the exploratory nature of the research, as specific themes were identified during data collection in the attempt to build broader theories around the relationship between various reward elements and innovation.

Research strategy

The research strategy that best describes the strategy leveraged in this study is referred to as 'grounded theory'. Grounded theory is described as a research strategy in which theory is developed from data generated by a series of observations or interviews typically involving an inductive research approach (Saunders & Lewis, 2012). The data generated in this study emerged from 15 in-depth interviews.

4.3 ONTOLOGY AND EPISTEMOLOGY

The ontology and epistemology was considered in this qualitative research approach. Nel (2007) defined ontology as the nature of the reality that is to be studied and what can basically be known about that reality. Epistemology, on the other hand, is defined as the relationship between the researcher and what is out there to be studied, or what can be known. Nel identified three paradigms in categorising both ontology and epistemology: Positivist, Interpretive and Constructionist.

Firstly, Nel (2007) stated that with reference to the positivist paradigm, the ontology is such that what is to be studied is seen as external and unchanging, which translates to the researcher adopting an objective and detached epistemology. He further affirmed that in the interpretative paradigm, the stance is that reality is an internal and subjective experience.

Lastly, the author affirmed that the constructionist paradigm asserts that human beings are responsible for creating their own reality and that the researcher is then part of that reality and cannot be detached from it. He stated that the researcher is actually an involved observer, co-constructing and co-creating reality as it unfolds.

In this study, the researcher is part of the reality that is being researched, and as such it is not practical to be detached from it. This research study will be conducted in a manner which is aligned to what Nel (2007) termed a 'constructionist paradigm'.

4.4 POPULATION

The population for this study was executive managers within the financial services industry. The study was also limited to executives based within the Gauteng province of South Africa. The financial services industry is a knowledge-intensive industry, which when compared to other sectors have an intangible, heterogeneous and perishable nature (Hislop, 2005, as cited in De Jong & Den Hartog, 2007). The author stated that such firms have a strong need for continuous improvements and additions to their current product offerings, which makes employee innovation very important within such a context. For these reasons, executive management within the financial services industry was believed to be a suitable population for this study.

Senior executives employed by the Discovery Holdings group were targeted for this study. The number of executive managers employed by Discovery was estimated to be around 160 (population of this study), at the time of the study (Discovery, 2013).

Discovery Holdings Limited is a multi-national insurance company, which is listed on the Johannesburg stock exchange and founded in 1992 (EMIS, 2011). Discovery Holdings was ranked the 6th most innovative company in South Africa in 2012 by the Innovation Agency's annual innovation study (Innovation Agency, 2012). The Innovation Agency ranking was based on a weighting of several factors, the most important being innovative products; marketing; customer service; growth of business; technology and customer centricity (Innovation Agency, 2012).

Discovery Holdings Limited has 100% ownership of its five subsidiary companies within its South African operating structure. A description of these five subsidiaries or business units is depicted in the table below (Discovery, 2012).

No	Subsidiary name	Description
1	Discovery Health	Discovery Health (launched in 1992) is South Africa's largest healthcare funder. Named the top medical aid brand in the Sunday Times Top Brands survey for both 2010 and 2011 In 2012, the PricewaterhouseCoopers fifth biennial Strategic and Emerging Issues in South African Insurance survey rated Discovery Health's insurance products as the leader in the industry.
2	Discovery Life	Discovery life (launched in 2000) is South Africa's fastest growing major life assurer in the risk market, having captured 25% of the overall risk broker market. Voted the top life assurer in the Sunday Times Top Brands survey for 2009, 2010 and 2011.
3	Discovery Vitality	Discovery Vitality (launched in 1997) is a science-based wellness programme that underpins each of the Discovery businesses and is an international brand in its own right. Vitality encourages healthy behaviour that reduces long-term healthcare costs by rewarding members for improving their health. It now has more than 1.6 million members in South Africa.
4	Discovery Insure	Discovery Insure (launched in 2011) and offers comprehensive vehicle, personal and household cover, as well as the option to join Vitalitydrive. Vitalitydrive is our unique driving behaviour programme that encourages and rewards great driving.
5	Discovery Invest	Discovery Invest (launched in 2007) offers clients a unique and comprehensive product range that addresses gaps in the market by offering greater protection against poor investment choices. Received in 2011 and 2012 the Financial Intermediaries Association of Southern Africa (FIA) award in the investment product: recurring premium category.

Table 3: Companies included in population

Source: (Discovery, 2012)

The researcher's selection of Discovery Holdings and its five South African subsidiaries for this study can be regarded as purposive sampling. A purposive sampling technique is described by Saunders and Lewis (2012) as a type of non-probability sampling in which the researcher's personal judgement is used in selecting the sample members. Convenience factors such as the ability to gain access to senior managers within the

specific company, as well as the physical location of the companies, were important considerations in this regard.

The unit of analysis for this study was the opinions and perceptions of the executive managers within the population.

4.5 SAMPLING

In accordance with the qualitative research design, the study adopted a non-probability, purposive, quota sampling approach (Saunders & Lewis, 2012), with three different groups of executive level management. This type of purposive sampling could be described as heterogeneous (Saunders & Lewis, 2012), as the researcher aimed to achieve sufficient diversity in the sample to provide variation in the data collected. The description of the three groups of senior executives is depicted in the table below.

Table 4: Categories of executive managers (sampling)

No	Executive Management Group	Description
1	General Managers	This category typically included Chief Executive Officers (CEOs) or senior managers of large business units.
2	Human Resource and Reward Leaders	This category included HR Directors, Finance Directors and Remuneration Experts.
3	Innovation Leaders	This category included Research and Development (R&D) leaders and senior managers regarded as "Intrapreneurs".

Source: (Authors own)

A self-imposed quota sample was used to ensure the inclusion of five participants in each of the three groups as depicted in the table above. Quota sampling was defined by Saunders and Lewis (2012) as a type of non-probability sampling that ensures that the sample selected represents particular characteristics of the population. As discussed earlier, the purpose of this quota sample was to ensure a diversity of opinions and perspectives, and ultimately, richer data.

An additional selection criterion imposed by the researcher was that all executive managers must have the necessary power and authority within their organisation to influence policies or actually personally be in a position to incentivise or reward innovation. Based on principles or phenomenology as described by Patton (2002), it was of vital importance that the qualitative analysis be conducted on individuals who have lived the experience as opposed to conveying an experience that was

communicated to them. In addition to the above, the researcher applied a purposive sampling technique, which relied on personal judgement to select participants from the chosen population, who the researcher believed possessed the required knowledge and experience to answer the research questions. Purposeful sampling allowed for the maximisation of information using a limited number of respondents, yielding essential information from respondents with the required knowledge and experience (Marshall & Rossman, 2006).

The researcher also relied on 'snowball sampling' in the selection of three out of the 15 participants in the final sample. Snowball sampling was described by Saunders and Lewis (2012) as a non-probability sampling technique, whereby sample members are identified by earlier sample members. Given the level of experience and seniority of the targeted population within their organisation, participants were able to recommend other suitable participants to be included in the study.

A list of the research participants with reference to their company, job title and the 'group of executive management' to which they were assigned for the purposes of the quota sample is included in Appendix C.

Sample Size

A sample size of 15 executive managers was used for the purposes of this study. Guest, Bunce and Johnsson (2005) conducted a study to establish at which point data saturation would be reached in a homogenous study using semi-structured interviews. Their findings revealed that data saturation can be reached between six and 12 interviews if the data is collected properly and the groups are generally homogenous. The sample size of 15 was in line with heterogeneous qualitative research guidelines (Saunders & Lewis, 2012) and was deemed to be feasible given research timelines and the researcher's objective of focusing on depth, rather than breadth, of information (Patton, 2002).

4.6 RESEARCH INSTRUMENT USED

The research instrument used for this study was an interview guide (Appendix A). This guide was composed of all the questions required to gain insight into the four research questions posed in chapter 3. The interview guide was designed with four main open ended questions, along with supplementary probing questions to ensure that participants fully explored the subject being discussed. Patton (2002) argued that

interview guides provide assurance that the same lines of enquiry are systematically approached with every participant undergoing the interview. The author added that a guide still allows for spontaneity with regards to the conversation, but ensures that the discussion is focused on the areas laid out in the guide.

4.6.1 Interview guide design

The list of questions used for purposes of guiding the interview process was developed with reference to the literature review. The introduction section of the interview guide served the purpose of explaining the research objectives, as well as to provide definitions of the main constructs to be discussed.

The definition for 'innovation' discussed in the interview guide was derived from West and Far's (1990, as cited in Boonzaaier, 2009) explanation of the concept. Similarly, the concept of 'total reward' and a 'total reward strategy' was explained. Towers Perrin's Total Reward Model (Thompson, 2002) was used to explain the broad nature of the concept of total reward. Towers Perrin's Total Reward Model (Thompson, 2002) was also used as a framework for the design of interview question 1, as well as the related supplementary probing questions.

Interview question 2 was largely based on Hiles' (2009) explanation of a total reward strategy being a focused game plan and allocation of resources to obtain a competitive advantage. This interview question probed for critical success factors to achieve such competitive advantages when implementing a total reward strategy to encourage innovation in the workplace.

Interview question 3 was designed with reference to De Jong and Den Hartog's (2007) theory around the two phases in the innovation process. This question aimed to build on their theory by focussing on the reward elements associated with these phases.

4.6.2 Pilot testing

The researcher conducted two pilot interviews to test the suitability and clarity of the questioning as per a draft interview guide. The researcher also wanted to review the timing of the interview to ensure that an appropriate amount of time was spent on each question. Suitable middle management colleagues were interviewed as part of the pretesting process. The feedback obtained from the pilot testing was invaluable and minor changes were made to the interview guide before the final interviews were commenced.

Saunders and Lewis (2012) emphasised the critical importance of conducting a pilot test of a questionnaire prior to its official release, to ensure statements are well understood and accurately recorded. The researcher applied the same principles to the testing of the interview guide.

4.7 DETAILS OF DATA COLLECTION

Semi-structured face-to-face interviews were conducted using an open ended question approach. The interviews were on average 50 minutes long and conducted in the participants' offices. All interviews were recorded with the permission of the participants and transcribed verbatim within three weeks of the interview. The aim of the in-depth interviews was to answer the four research questions as set out in chapter 3. An interview guide was used during the interview process and included four main interview questions as well as an additional seven probing questions relating to the research objectives, which contributed to reliability (Boyce & Neale, 2006). Interview questions were designed to elicit as much information on participants' insights and experiences in terms of the critical success factors in rewarding and encouraging innovation in the workplace. The simple design of the interview guideline was intentional and purposeful in order to allow for open and free dialogue and the extraction of personal experiences and perceptions.

Gillham (2005) argued that the semi-structured interview is the most effective way of conducting a research interview because of its flexibility and balanced structure and the high quality of the data obtained. He further provided the following key aspects of a semi structured interview:

- The same questions are asked to all participants.
- Supplementary questions are used if the interviewer affirms that there is more to be disclosed at a particular point in the interview.
- All interviews are approximately the same length in time.

To ensure that all ethical requirements were met and to effectively guide the interviewees in the process, the following procedure was followed.

• A standard email was sent to potential participants requesting an interview and outlining the research objectives, along with an informed consent letter (Appendix

B). After the participant confirmed his/her willingness to participate, a suitable interview time was arranged with the participants' executive assistants (PAs).

- At the start of the interview, participants were thanked for their time and willingness to contribute to the study. Participants were reminded of the title and key research objectives. In accordance with the exploratory nature of the research, participants were encouraged to speak freely and openly, and told that their individual perceptions and opinions were the unit of analysis in this study.
- In concluding the interview, participants were asked to share any final thoughts and thanked for their input. A signed copy of the informed consent form was collected at this stage.
- A follow up e-mail was sent within a day of the interview to once again thank the participants for their insights and contribution.

This process proved effective and contributed to the successful execution of the data collection, which was deemed the most important aspect of this study.

4.8 DATA ANALYSIS

Zikmund (2003) defined and explained analysis as the application of reasoning to understand and interpret the data that has been collected. Rubin and Babbie (2001) affirmed that the process of data analysis is nothing more than a search for patterns of similarities and differences, followed by the interpretation of those.

As the data was qualitative in nature, it was analysed using content analysis and frequency analysis, with the ultimate aim of building a 'total reward' framework for encouraging and rewarding innovation in the workplace. Leedy and Ormrod (2001) suggested the following approach for content analysis:

- 1. Organise the data with the utilisation of index cards. This can also be broken down from large bodies of text into smaller units, in the form of stories, sentences or individual words.
- Peruse the entire data set a number of times to get an understanding of the contents as a whole, to provide an understanding of how the data could be categorised.
- 3. Identify general categories or themes, with possible sub-categories and subthemes, then classify each piece of data accordingly.

4. Integrate and summarise the data. This step may include offering propositions that describe the relationships among the categories.

Given the iterative and unique nature of the research, data analysis was done from an *epoche* perspective, which involved suspending ultimate judgement until such time as sufficient evidence had been collected (Patton, 2002). The findings were linked directly back to the research questions and presented thematically (Saunders & Lewis, 2012). The iterative data analysis process took between three and four hours per individual interview, with the entire data analysis process estimated to have taken approximately 50 hours in total to complete.

The data analysis process and techniques used are explained in the following steps below:

- 1. Read individual interview transcripts a minimum of two times in order to obtain a holistic perspective of participants' perspectives and views.
- Transposing potential key and underlying themes (level one theme) per individual participant into a Microsoft Office Excel spreadsheet. Each theme was captured in a separate row in the spreadsheet and the participant name was captured in a column adjacent to the theme.
- 3. Each specific theme or concept was then mapped to a specific research question and theme identified in the literature.
- 4. Once all the participants' level one themes were captured and mapped to specific research questions and constructs, the Microsoft Excel pivot table tool was used to produce summarised reports of all level one themes.
 - The pivot table tool allowed for a cross-participant comparison of themes in a logical manner (i.e. by research question or theme).
 - The pivot table also enabled the easy ranking of themes in order of frequency count from highest to lowest.
- These customised reports allowed the researcher to analyse the data at a summarised level, which enabled the identification of trends and common themes.
- 6. An iterative process was adopted whereby 'level one' themes were analysed, and if significant communalities were established they were merged into 'level two' themes. Similarly, 'constructs' were continuously refined through an iterative data analysis process. The pivot table reports were constantly 'refreshed' to analyse the higher 'level two' themes.

7. This methodology produced reliable frequency counts per theme, which were firstly grouped by research question and secondly by construct. Key findings were then aggregated into relevant tables and included in the results chapter. In addition, narrative storylines and quotations were used to discuss and support research findings.

The data analysis process described above ordered the data into themes and constructs, which enabled the results to be depicted in a logical and structured manner in chapter 5 and chapter 6.

4.9 LIMITATIONS

According to Boyce and Naele (2006), the reliability and validity of a qualitative research design using semi-structured interviews poses some challenges. The authors affirmed that interview limitations include respondent bias, interviewer skill, and the view that research results are not generalisable to the whole population.

Due to the nature of this qualitative study, including the time constraints, additional limitations were identified. These included:

- There was some geographical bias in participant response as only a limited number of participants from firms in the Gauteng province of South Africa were included in the study.
- Only executive managers within one holding company, Discovery Holdings Limited, were included in this study.
- The fact that only executive level management were included in this study could bias the findings to perceptions held by senior managers only.

4.10 CONCLUSION TO RESEARCH METHODOLOGY

The research methodology used in the study was discussed in this chapter. This included the research design, the research type, the population, the unit of analysis, and the sampling method. A short discussion on the data analyses and research limitations was also included. The findings obtained from the data analyses are discussed in the following chapter.

CHAPTER 5: RESULTS

5.1 INTRODUCTION

Chapter four outlined the research methodology used in conducting this research. This chapter outlines the analysis of the data collected through semi-structured interviews. Content and thematic analysis allowed for the identification of themes and main constructs. Raw tabulated data was grouped into common themes and categorised under key constructs.

5.2 DEMOGRAPHICS

A non-probability purposive, quota sampling approach (Saunders & Lewis, 2012) with three different groups was followed, with a sample size of 15. In accordance with the sampling selection criteria, all participants were at an executive level within their organisation. The table below depicts important demographic information of the 15 participants.

No	Name	Holding Company	Subsidiary Company	Title	Gender	Category
1	Brian Ruff	Discovery Holdings Limited	Discovery Health	Head of Risk Intelligence: Health	Male	General Managers
2	Robert Hutchinson-Keip	Discovery Holdings Limited	Corporate	General Manager: Banking	Male	Innovation Leaders
3	Penny Tlhabi	Discovery Holdings Limited	Corporate	HR Director	Female	HR/ Reward leaders
4	Ryan Noach	Discovery Holdings Limited	Discovery Health	Chief Operating Officer: Health	Male	General Managers
5	Gidon Novick	Discovery Holdings Limited	Discovery Vitality	Chief Executive Officer: Vitality	Male	General Managers
6	Nic Salmon	Discovery Holdings Limited	Discovery Vitality	Head of Research and Development: Vitality	Male	Innovation Leaders
7	Nonkululeko Pitje	Discovery Holdings Limited	Discovery Health	Deputy General Manager: HR	Female	HR/ Reward leaders
8	Ricky Farber	Discovery Holdings Limited	Corporate	Finance Director	Male	HR/ Reward leaders
9	Dianne Smith	Discovery Holdings Limited	Discovery Health	Deputy General Manager: Strategy and Innovation	Female	General Managers
10	Kris Tokarzewski	Discovery Holdings Limited	Discovery Health	Chief Information Officer: Health	Male	Innovation Leaders
11	Celeste Du Plessis	Discovery Holdings Limited	Discovery Health	Deputy General Manager: R&D	Female	Innovation Leaders
12	Moray Mac Lennan	Discovery Holdings Limited	Corporate	DM: Internal communication	Female	HR/ Reward leaders
13	Thembalihle Baloyi	Discovery Holdings Limited	Discovery Insure	Executive Director: Insure	Male	General Managers
14	Barry Swartzburg	Discovery Holdings Limited	Corporate	Executive Director/ Co-Founder Discovery	Male	HR/ Reward leaders
15	Matthew Dejkstra	Discovery Holdings Limited	Discovery Health	Head of Continuous improvement	Male	Innovation Leaders

Table 5: List of research participants

From the table above it is evident that the entire sample consisted of 10 men and five women. There were five participants in each of the categories of executive managers in accordance with the self-imposed quota sample. All participants were employed by the same holding company, but the sample included managers from four distinct business units or operating structures. The 'corporate' business unit related to employees who were employed by the Discovery Holdings entity and provided oversight across all the business units owned by Discovery.

To ensure anonymity, all the 15 participants were given a code when they were cited in the responses. For the purposes of this research, the person interviewed first was coded as number 1.

The demographic information captured in this table has not been taken into account in terms of the data analysis for two reasons:

- 1. The 'demographic samples' were judged to be too small to make any significant comparisons across demographics.
- 2. The confidentiality of the respondents would be undermined due to the small number of participants that would be grouped into the different demographic groups.

5.3 CHAPTER LAYOUT

This chapter is laid out in accordance with chapter 3, and will therefore systematically discuss the results of each of the four research questions.

5.3.1 Frequency table design

Frequency tables were constructed using Microsoft Excel. Each individual table typically resembles the ranked frequency counts of themes grouped under a specific major construct.

The table below depicts an example of a frequency table as used throughout this chapter.

Rank	Concept							Part	icip	ant	s						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			(15)
1	Theme 1		1		1	1	1	1		1			1		1		8	21.1%	53.3%
2	Theme 2			1	1			1	1		1	1	1				7	18.4%	46.7%
2	Theme 3		1	1	1				1	1			1	1			7	18.4%	46.7%
4	Theme 4		1		1								1		1	1	5	13.2%	33.3%
5	Theme 5		1	1	1					1							4	10.5%	26.7%
5	Theme 6		1			1	1									1	4	10.5%	26.7%
7	Theme 7	1									1				1		3	7.9%	20.0%
		1	5	3	5	2	2	2	2	3	2	1	4	1	3	2	38	100.0%	

Table 6: Example of frequency table

With reference to the frequency table depicted above, the following aspects of the table are explained below:

- **Participants:** All the frequency tables in this chapter depict the 15 participants (anonymously) in number order from participant 1 to 15. The tables therefore indicate which themes are relevant to each participant.
- Main Construct: all themes are categorised under a main construct, which is indicated in the table heading/ description above each table.
- **Rank:** The column heading 'Rank' depicts the ordinal rank of each theme in descending order from highest frequency to lowest frequency.
- **Concepts:** The column heading 'Concepts' lists the various themes gathered under the main construct.
- **Total Count:** The column heading 'Total Count' depicts the total frequency counts of each specific theme. Importantly, each theme is only counted once per respondent. If a participant discussed the same theme more than once under a particular construct it was only counted once.
- % of Total Responses: The column heading '% Total Responses' represents total count of each theme as a percentage of the total count of all themes within the specific table. The percentages in this column are indicative of where the emphasis was placed within a given construct.
- % of Total Participants: The column heading '% Total Participants' indicates what percentage of participants (always 15) discussed a particular theme. This column indicates how prolific or important a particular theme was.

5.4 RESULTS FOR RESEARCH QUESTION 1:

When adopting a total reward strategy, which reward elements are most important in encouraging and inspiring innovation in the workplace?

5.4.1 Introduction

It was important to firstly ensure that all participants understood the concept of total reward, and for this purpose a definition of the concept was explained as per the interview guide. In order to ensure consistency across the 15 interviews, the four quadrants of Towers Perrin's Total Reward Model (Thompson, 2002) was used as a framework to guide the interview and address this research question.

The four quadrants in the model are:

- 1. Pay (all forms of tangible pay)
- 2. Benefits (all forms of tangible benefits)
- 3. Learning and development
- 4. Work environment

Participants spoke freely about all forms of total reward. Probing questions were asked to ensure that the broad categories encompassing total reward were covered. The discussions were uninhibited and unstructured across the four quadrants. It is also important to note that several of the later interview questions also produced results that were relevant in addressing this research question, and hence were included in the data analysis.

After 30 hours of content and thematic analysis of the data gathered relevant to this research question, the results were ultimately grouped under four main categories.

- 1. Pay (financial rewards)
- 2. Individual non-financial rewards
- 3. Learning and development
- 4. Work environment (communal rewards)

The table below presents a high level breakdown of the frequency counts under these broad categories within a total reward model. Total frequency counts reflect the sum of the number of unique themes discussed by each participant.

Table 7: Total reward categories	(summary results)
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Rank	Concent						F	Part	icip	ant	s						Total	% of total
Nalik	concept	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Count	/001 (0(a)
1	Individual non-financial rewards	4	5	4	6	4	5	4	5	3	3	6	4	5	4	5	67	28.6%
2	Work Environment (communal rewards)	4	4	3	6	5	4	5	1	3	4	5	8	3	6	4	65	27.8%
3	Pay (financial rewards)	3	6	4	6	2	3	4	3	3	6	4	5	3	2	4	58	24.8%
4	Learning and Development	1	3	4	3	4	3	4	3	2	4	3	3	2	3	2	44	18.8%
		12	18	15	21	15	15	17	12	11	17	18	20	13	15	15	234	100.0%

From the table above it is interestingly evident that individual non-financial rewards and the work environment (communal rewards) contributed the most number of discussion points. It is also evident that all 15 participants contributed significantly to addressing this research question. Each of these four categories of reward will now be analysed in greater detail in the following sections in an attempt to present the results of this research question at a granular level.

5.4.2 Pay (financial rewards) as a motivator of innovation

Four forms of tangible pay were discussed and categorised as follows:

- 1) Base pay
- 2) Short-term incentives
- 3) Long term incentives (including shares and share options)
- 4) Profit-sharing arrangements

5.4.2.1 Base pay

The table below depicts the results of discussions around base pay (base salaries), as an element of financial reward used to encourage innovation.

Table 8: Base pay

Rank	Concept		•				1	Part	icip	ant	s						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		•	(15)
1	Important hygiene factor (Retention and attraction)			1	1	1	1	1	1	1	1	1		1			10	83.3%	66.7%
2	Pay according to skill not experience	1															1	8.3%	6.7%
2	Greater equality in base pay needed		1														1	8.3%	6.7%
		1	1	1	1	1	1	1	1	1	1	1	0	1	0	0	12	100.0%	

From the table above three themes were apparent. Interestingly, 67% of respondents felt that base pay is an important hygiene factor in attracting and retaining good employees, but not an important differentiator in motivating innovation.

Participant 5 said "I see pay as a hygiene factor. I think if you don't have it right it is a problem, but if you have it right, it doesn't guarantee that you are going to get the results". Participant 9 said "I think to be in the game, you've got to be market related. So for me that's a pre-requisite".

In addition to this, one participant felt that greater equality in base pay across the organisation would increase innovation. An interesting observation was made by another participant, stating that it is important to pay employees based on performance and talent rather than on experience and tenure.

5.4.2.2 Short-term incentives

The table below depicts the results of discussions around short-term incentives as an element of financial reward used to encourage innovation.

Rank	Concept						P	Parti	icip	ants	5						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	count	neoponises	(15)
1	Innovation must be explicit metric in short-term incentive				1		1				1		1	1			5	35.7%	33.3%
1	Discretionary cash bonuses good way to reward innovation				1			1		1	1	1					5	35.7%	33.3%
3	Short-term incentives are more likely to drive incremental innovation		1		1												2	14.3%	13.3%
3	Avoid short-term incentives at senior level		1													1	2	14.3%	13.3%
		0	2	0	3	0	1	1	0	1	2	1	1	1	0	1	14	100.0%	

Table 9: Short-term incentives

From the table above, two themes were most prolific and discussed by 33.3% of participants. Firstly, five participants discussed the notion that innovation needs to be an explicit metric in short-term incentives in order to be effective in encouraging innovation. Secondly, five participants felt that discretionary cash bonuses are a good form of reward for innovative behaviour.

Other interesting themes also emerged; two participants were of the opinion that shortterm incentives will only drive incremental forms of innovation, while another two participants felt that short-term incentives should be totally avoided at senior levels within an organisation.

5.4.2.3 Long-term incentives

The table below depicts the results of discussions around long-term incentives (including shares and share options) as an element of financial remuneration in a total reward framework.

Table 10: Long-term incentives

	Rank	Concept						Par	tici	pant	s						Total Count	% Total Responses	% Total Participants
L			1	2	3	4	5 (5 7	8	9	10	11	12	13	14	15			(15)
	1	Long-term incentives are important in encouraging more radical innovation	1	1		1			1	L		1				1	6	24.0%	40.0%
ſ	1	Ownership of shares alone, does not drive innovation			1		1	1					1		1	1	6	24.0%	40.0%
ſ	3	Shares are a good long-term incentive for retention and alignment		1	1	1		:	L				1				5	20.0%	33.3%
	4	Shares create interest and engagement, which could drive innovation	1						1	1							3	12.0%	20.0%
ſ	4	Problem: Share value delinked from true embedded value and level of innovation		1							1		1				3	12.0%	20.0%
	6	Shares will only drive innovation if awarded specifically for innovation	1					1									2	8.0%	13.3%
			3	3	2	2	1	2	1 2	1	1	1	3	0	1	2	25	100.0%	

From the table above it is evident that themes emerged specifically around shares/ share options, as well as themes that discuss long-term incentives in a broader sense.

Equity remuneration

Equity type long-term incentives such as shares and share options dominated the discussions around long-term incentives, contributing to 76% of the total frequency counts in this section. It was rather surprising that 40% of participants felt that the mere ownership of shares would not drive innovation. Three participants stated that the problem with shares is that they have become extremely delinked from the embedded value of the company as well as the level of innovation, and are thus not particularly effective in encouraging innovation. Nevertheless 33% of participants believed shares are a good form of long-term incentive, but the rationale for shares is more around staff retention and shareholder alignment as opposed to driving innovation.

However, 20% of respondents opposed this sentiment and felt that shares increased employee engagement and interest in the company, which could ultimately lead to more innovation. An additional 13% of respondents felt that shares would only drive innovation if they were specifically awarded for innovation, which according to these participants is not common practice.

Long-term incentives - general

The general sentiment was that long-term incentives are important in encouraging more radical forms of innovation, with 40% stating this explicitly. Importantly, participants made it clear that that the application of long-term incentives is important but does not guarantee innovation.

5.4.2.4 Profit-sharing

The table below depicts the results of discussions around profit-sharing as an element of financial remuneration in a total reward framework.

Table 11: Profit-sharing

	Rank	Concept						Р	artio	ipa	nts						Total Count	% Total Responses	% Total Participants
L			1	2	3	4	5	6	7	8	9 1	01	1 12	13	14	15			(15)
	1	Profit-sharing arrangements are complex and high risk to the organisation										1		1		1	3	42.9%	20.0%
	2	Profit-sharing could improve ownership and longevity of the innovation										1			1		2	28.6%	13.3%
	2	Profit-sharing only suitable for big radical innovation											1	L			2	28.6%	13.3%
			0	0	0	0	0	0	0	0	0	2	1 1	1 1	1	1	7	100%	

Profit-sharing as an element of reward was only discussed by six of the 15 participants (40%). The most important theme evident from the table above is the fact that profit sharing arrangements are very complex and thus risky for the organisation. Two participants also highlighted the fact that such arrangements are only feasible for the really big, radical forms of innovation. Two respondents affirmed that profit-sharing is likely to improve the longevity and ownership of the innovation.

5.4.3 Individual non-financial rewards as a motivator of innovation

The second category of rewards analysed as part of this research question were 'individual non-financial' forms of reward that emerged from the discussions. It is noteworthy that this category of rewards contributed the highest frequency count of the four broad categories of total reward discussed.

Rank	Concept		Participants													Total Count	% Total Responses	% Total Participants	
			2	3	4	5	6	7	8	9	10	11	12	13	14	15	count		(15)
1	Recognition	1	1	1	1	1	1	1	1	1	1	1	1	1	1		14	20.9%	93.3%
2	Time and opportunity to innovate		1		1		1	1			1	1	1		1	1	9	13.4%	60.0%
2	Enjoyment through creative and challneging work		1	1	1	1	1		1		1			1		1	9	13.4%	60.0%
4	Access to experts and top management			1	1	1		1	1	1			1	1			8	11.9%	53.3%
4	See your ideas being implemented & involvement in implementation		1		1		1	1	1	1					1	1	8	11.9%	53.3%
6	Sense of achievement	1	1	1								1		1		1	6	9.0%	40.0%
7	Opportunity to present idea(s) to peers and senior managers	1					1					1	1		1		5	7.5%	33.3%
8	Autonomy and responsibility	1				1						1				1	4	6.0%	26.7%
9	"Duvet days" (discreationary additional leave)				1									1			2	3.0%	13.3%
9	Work on high profile strategic projects								1			1					2	3.0%	13.3%
		4	5	4	6	4	5	4	5	3	3	6	4	5	4	5	67	100.0%	

Table 12: Non-financial rewards

From the table above it is evident that there were 10 distinct non-financial rewards discussed. Interestingly 'recognition' was discussed by 93% of participants and appears to be the most important non-financial reward. Participant 14 stated, "Providing recognition for innovation really drives continued innovation and creates identity. This is true at any level of management within an organisation". Participant 2 stated, "At the end of the day, what's really important is the recognition, the idea that

you are recognised by your colleagues because you have come up with something really interesting".

Two other themes appeared to be important and were discussed by 60% of the interviewees. Firstly, the mere opportunity to be creative and involved with innovative work was regarded as an important reward in itself. Participant 2 stated, "What is fundamental is the creativity and the actual implementation, that's where the satisfaction comes from." Secondly, it became evident that providing time or the 'capacity' to innovate is another very important reward. Participant 2 stated that employees "need time to work on their innovation and there should be no need to moonlight". Participant 4 agreed with this sentiment and stated that, "coming up with an innovation shouldn't be punitive because of time constraints of an existing job".

After further analysis of the rewards in the table above, it became evident that these rewards can be broken down into extrinsic and intrinsic reward categories. As discussed in the literature, the distinction and definitions of these two categories are subjective and therefore personal judgement was used to assign these rewards to the two categories.

	Extrinsic Rewards			Intrinsic Rewards	
Rank	Theme	Total Count	Rank	Theme	Total Count
1	Recognition	14	1	Time and opportunity to innovate	9
2	Access to experts and top management	8	1	Enjoyment through creative and innovative work	9
3	"Duvet days" (discreationary additional leave)	2	3	See your ideas being implemented & involvement in implementation	8
			4	Sense of achievement	6
			5	Opportunity to present idea(s) to peers and senior managers	5
			6	Autonomy and responsibility	4
			7	Work on high profile strategic projects	2
		24			43

Table 13: Extrinsic and intrinsic non-financial rewards categorisation

It is evident from table above that there was greater emphasis on intrinsic rewards, with a total frequency count of 43 as opposed to extrinsic rewards with a count of 24. It is important to note that recognition, which is regarded as an extrinsic reward, appears to be the most important non-financial reward. These rewards will be discussed in more detail in chapter 6.

5.4.4 Learning and development as a motivator of innovation

The third category of rewards discussed is the elements of reward that could be categorised under Learning and Development. From the results of the data analysis, learning and development also appears to contribute towards building the capability to innovate as well as providing stimuli to fuel the innovation process. The following criteria were used to categorise reward themes into this category of total reward.

- 1. Rewards are specifically awarded with the purpose of gaining/transferring knowledge and/or developing individuals within the organisation.
- 2. Rewards can be attributed at an individual level rather than only on a communal basis.

% Total

Participants

(15)

53.3%

40.09

40.0%

40.09

33.3%

26.7%

20.09

13.3%

13.3%

13.39

18.2%

13.6%

13.6%

13.6%

11.4%

9.1%

6.8%

4.5%

4.5%

4.5%

100.0%

2

2

44

The table below represents the results pertaining to this category of total reward.

Participants Total % Total Rank Concept Count Responses 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 1 Exposure to international best practice and latest trends 1 1 Formal learning and bursaries 2 Conferences, think tanks and formalised external discussions 1 1 1 1 6 Promotion and career growth 1 1 6 5 Cross-functional team projects 1 1 5 Formal structures for cross-company networking and knowledge sharing 6 7 Exposure to other industries Cross-pollination of management between different business units 1 2 8

Table 14: Learning and development

Exchange programs /collaboration with international organisations

In depth training of products and services

8

8

It is evident from the table above that the 10 elements of learning and development represent both learning and development opportunities within the organisation as well as from external sources. Looking at the four themes with highest frequency counts, three are external to the organisation and only one is internal to the organisation. The top three external sources of learning and development are:

1

4 3 4 3 4 3

2 4 3

- 1) Exposure to international best practice and latest trends (53.3% of participants).
- 2) Formal learning and bursaries (40% of participants).
- 3) Conferences, think tanks and formalised external discussions (40% of participants).

As part of the data analysis process, the 11 elements in the table above were broken down into two categories; learning and development external to the organisation, and learning and development within the organisation.

	External		Internal	Internal					
Rank	Theme	Total Count	Rank	Theme					
1	Exposure to international best practice and latest trends	8	1	Promotion and career growth	6				
2	Conferences, think tanks and external discussions	6	2	Cross -functional team projects	5				
3	Formal learning and bursaries	6	3	Formal structures for cross-company networking and knowledge sharing	4				
4	Exposure to other industries	3	4	In depth training of products and services	2				
5	Exchange programs /collaboration with international organisations	2	5	Cross-pollination of management between different business units	2				
		25			19				

Table 15: Internal and external learning and development

From the table above it is evident that that there was greater emphasis on learning and development from outside the organisation with a frequency count of 25, as opposed to internal learning with a count of 19.

The most important internal learning mechanism appears to be related to the notion of providing career growth opportunities for staff (cited by 40% of participants). Two other important internal themes were, "cross-functional project teams" and "formal structures for cross-company networking and knowledge sharing", with 33% and 27% of participants citing these themes respectively.

5.4.5 Work environment as a motivator of innovation

The work environment as a category of reward contributed the second highest frequency counts of the four categories covered. Reward elements or themes with the following criteria were assigned to this category during the data analysis process.

- 1. Rewards are non-financial in nature.
- 2. Rewards are more communal rather than individual type-rewards.

The table below represents the results analysed under the category "Work environment" as a motivator of innovation.
Table 16: Work environment

Rank	Concept						I	Part	icip	ant	s						Total	% Total	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	count	пезропаеа	(15)
1	Core values and a higher purpose	1	1	1			1	1			1		1	1	1	1	10	15.4%	66.7%
1	Collaboration and healthy debate across job levels	1	1		1	1	1	1	1				1	1		1	10	15.4%	66.7%
3	Time to innovate as a strategic priority				1		1	1			1	1	1		1	1	8	12.3%	53.3%
3	Tolerance for failure	1	1		1	1					1	1	1		1		8	12.3%	53.3%
5	Job security			1	1	1				1		1	1		1		7	10.8%	46.7%
5	Flexible work hours and greater autonomy			1	1	1					1	1	1		1		7	10.8%	46.7%
7	Culture where innovation is expected from everyone				1	1		1		1			1	1			6	9.2%	40.0%
8	Enabling physical environment							1		1		1	1		1		5	7.7%	33.3%
9	Environment where good ideas get implemented	1	1				1									1	4	6.2%	26.7%
		4	4	3	6	5	4	5	1	3	4	5	8	3	6	4	65	100.0%	

The work environment represents a broad category of communal and non-tangible rewards in a total reward framework. The results of the more prolific themes are described in more detail below.

Core values and higher purpose: Ten respondents (67%) believed that company core values and providing a higher purpose is important in driving innovation. Respondent 7 said that "values supportive of innovation help to build the right environment". Respondent 4 supported this view and stated that, "core values help a lot in terms of how you recognise innovation, and which innovation you recognise". Respondent 2 added another dimension stating that, "company values that are aligned with society values are important in bringing innovations to society".

Collaboration and healthy debates across levels: Ten respondents (67%) believed that a collaborative culture with free dialogue between senior and junior staff is crucial in driving innovation. Respondent 1 stated that, "Collaboration is key, and debate and arguing is the way to do it". Respondent 7 was of the opinion that "it is about moving from a transactional to a relationship building culture".

Time to innovate as a strategic priority: Eight respondents (53%) believed that allocating sufficient time for innovation needs to be a strategic priority. Participant 12 stated that, "this is as simple as giving employees 10% free time to come up with creative ideas". Participant 15 said that "it is important to give employees the freedom to know that they are not stealing time from the organisation when they do creative and innovative things".

Tolerance for failure: Eight respondents (53%) discussed this theme. Respondent 14 stated that "you shouldn't only reward successful innovation because without tolerance for failure, you wouldn't create the environment conducive to innovation". Respondent 2 noted that, "out of every 10 innovations at least 5 or 6 fail and that is okay". Respondent 11 reiterates this sentiment and said "you can say all you want about innovation being valued, but if people see that you try something and it fails and you get punished for it, they will be very reluctant to come up with ideas".

Job security: Seven respondents (47%) discussed this theme. Respondent 12 said, "people can innovate themselves out of a job, but must know they will be absorbed elsewhere". Respondent 1 said, "People need the freedom to come up with different ways of doing things and know that they will not get fired if it does not work out."

Flexibility and greater autonomy: Seven respondents (47%) believed that greater employee flexibility would lead to more innovation. Respondent 8 said, "It is important to note that people have different needs and challenges and by creating flexibility, people are more likely to add value". Respondent 10 said, "A liberal based relationship as opposed to a clock watching relationship is a big motivator".

The remaining themes in the table above are discussed in greater detail in chapter 6.

5.4.6 Conclusion of the results of research question 1

This research question examined the important aspects of total reward in encouraging innovation by exploring four broad categories of 'total reward'. Firstly, the different elements of financial rewards were examined. Base pay (salaries) was generally regarded as a hygiene factor and not a differentiator in terms of encouraging innovation. Both short-term and long-term incentives appear to play a role in encouraging and rewarding innovation. Interestingly, these different forms of incentives appear to encourage different levels of innovation. Participants also made it clear that applying appropriate financial incentives is important, but does not guarantee innovation. It could thus be argued that all financial type rewards could be regarded as hygiene factors in stimulating innovation.

Secondly, non-financial forms of rewards were explored as a category of total reward. The non-financial reward category contributed the highest overall frequency count of the four constructs. Interestingly, more emphasis was placed on intrinsic forms of reward in encouraging innovation. Thirteen distinct forms of rewards were identified that appear to provide organisations opportunities to differentiation their total reward offering.

Thirdly, elements of learning and development were explored as a form of 'total reward'. Greater emphasis was placed on learning and development opportunities external to the organisations as a driver for encouraging innovation.

The final category of reward explored was the general work environment. The reward elements within this category of reward are considered to be communal in nature. This category of reward appears to provide significant opportunities to differentiate the organisation's total reward offering to encourage innovation. The four most prolific themes that emerged were: core values and providing a higher purpose; collaboration and healthy debates across job levels; time to innovate as a strategic priority; and tolerance for failure.

5.5 RESULTS FOR RESEARCH QUESTION 2

What are the critical success factors when implementing a total reward strategy to motivate innovation in the workplace and differentiate the organisation from the norm?

5.5.1 Introduction

The aim of this question was to ascertain which factors are the most important in the implementation of a total reward strategy to motivate innovation in the workplace. After careful analysis of the data it emerged that the critical success factors discussed could be grouped into two broad categories - leadership and organisational structures. The results categorised under these two constructs will now be discussed in more detail.

5.5.2 Leadership as a critical success factor

The construct 'leadership' emerged as a significant critical success factor in implementing an effective total reward strategy to encourage innovation in the workplace. The table below depicts the frequency counts of themes discussed under the construct.

Rank	Concept						I	Part	icip	ant	s						Total Count	% Total	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	count	пезропэез	(15)
1	CEO & top management genuine custodian of innovation	1	1		1	1		1			1	1		1	1		9	17.3%	60.0%
2	Demonstrate a tolerance for failure	1	1		1	1					1	1	1		1		8	15.4%	53.3%
3	Listen to ideas/debates and provide honest feedback	1	1		1	1				1			1			1	7	13.5%	46.7%
3	Provide vision and articulate innovation opportunities		1	1	1		1					1			1	1	7	13.5%	46.7%
5	Manage tension between short and long term objectives		1		1	1					1			1		1	6	11.5%	40.0%
6	Appetite to channel resources to long term prospects		1		1						1	1			1		5	9.6%	33.3%
6	Encourage and challenge employees to express ideas					1		1	1				1	1			5	9.6%	33.3%
6	Provide timely and authentic recognition				1		1				1		1		1		5	9.6%	33.3%
		3	6	1	7	5	2	2	1	1	5	4	4	3	5	3	52	100.0%	

Table 17: Leadership - critical success factors

As is evident from the table above, the most prolific theme (60% of respondents) that emerged is the notion that innovation must truly be endorsed by top management and particularly the CEO of the organisation. Respondent 13 stated, "Leadership is the most important thing. If your CEO is compassionate about innovation and wants to make it happen, then you will get innovation". Respondent 5 shared this sentiment and stated, "without innovative leaders, I think you are going to battle, I think that is the bottom line".

Tolerance for failure was another important theme, which was also discussed as part of the work environment (research question 1). It was however apparent that it is the role of leadership to demonstrate the notion of tolerance for failure through their actions. Participant 14 said, "I think senior leadership needs to display imagination, tolerance for failure and needs to lead the way with recognition and reward".

A third important theme discussed by 47% of participants was the belief that leadership needs to actively listen to ideas and debates and provide honest feedback. Participant 5 said, "Leaders must actively listen to ideas, but also give honest feedback. No point saying an idea is wonderful if it is not".

Another important theme, also discussed by 47% of participants, was the notion that leadership must provide a vision for innovation and articulate opportunities. Participant 5 said "it is critical for leaders to set bold visions and objectives that require innovation. If you set targets and ambitions high enough, there has to be innovation to get there".

Another equally prevalent theme that emerged was that leaders need to be able to manage the tension between short and long-term objectives. Participant 4 said, "I think

leadership is critical and I think finding a way to deal with resolving the conflict of the immediate deliverables now and the long-term planning is extremely important".

The other themes around leadership are explored in more detail in chapter 6.

5.5.3 Organisational structures as a critical success factor

In addition to the construct 'leadership' as a critical success factor in implementing a total reward strategy, three themes which were grouped under the construct 'organisational structures', also appear to be important in this context.

 Table 18: Organisational structures - critical success factors

Bank	Concent						F	Part	icip	ant	s						Total	% Total	% Total
капк	Concept	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Count	Responses	Participants
1	Innovation competitions and other platforms for ideation	1	1		1		1	1	1	1	1	1	1		1		11	44.0%	73.3%
2	Non-hierarchical structures that allow the free flow of ideas	1	1		1	1			1					1		1	7	28.0%	46.7%
2	Reward teams not individuals			1		1				1		1	1	1	1		7	28.0%	46.7%
		2	2	1	2	2	1	1	2	2	1	2	2	2	2	1	25	100.0%	

- 1) Innovation competitions and platforms for ideation was the most prolific theme discussed (73% of participants) and regarded as an important organisational structure to create a work environment where innovation can flourish. Participant 4 said, "These competitions very clearly signal that innovation is valued and that we are doing something different to value it". Participant 6 added another dimension and said that, "these competitions create an opportunity for all staff to contribute to innovation outside of their day to day job, which I think is important". Participant 1 believed that innovation competitions "have the effect of your work force becoming better and better at innovation".
- 2) The notion of flat/non-hierarchical organisational structures was another prevalent theme discussed by 47% of participants. The following quotes illustrate this sentiment. Participant 2 believed that "the more rigid and more hierarchical an organisation is structured, the less likely ideas are actually going to get implemented". Participant 4 shared this sentiment and said "hierarchical structures are important for operational areas, but the problem is it doesn't drive innovation at all".
- 3) Interestingly, 47% of respondents believed that teams should be rewarded for innovation and not individuals. Participant 14 said "many of the rewards that we

give are at team level, because it is important to encourage collaborative behaviour". Participant 9 said, "I think it's critical to reward teams because no one can innovate as an individual, especially not in this business".

5.5.4 Conclusion on the results of research question 2

Two broad themes emerged as critical to the implementation of an effective total reward strategy to encourage innovation in the workplace. Firstly, leadership behaviour appears to be an important critical success factor and eight forms of leadership behaviours have been identified as conducive to inspiring innovation.

Secondly, appropriate organisational structures appear to play a big role in encouraging innovation. Three themes were evident under this construct - the use of innovation competitions and other platforms for ideation; non-hierarchical organisational structures; and the notion of rewarding teams rather than individuals for innovation.

5.6 RESULTS FOR RESEARCH QUESTION 3

How should the two significant phases of the innovation process (the ideation phase and the implementation phase) be rewarded?

5.6.1 Introduction

It was important to firstly discuss and explain the theory around the two significant phases in the innovation process, namely the ideation phase and the implementation phase. Many of the respondents were particularly enthusiastic in addressing this issue. Several of the participants started answering this question with a few general opening remarks about the phases before addressing the main question. The table below depicts two general themes that emerged from participants' opening remarks around the phases in the innovation process.

Table 19: Opening remarks on innovation phases

Rank	Concept						1	Part	icip	ant	s						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			(15)
1	Different skills and people required for different phases	1	1	L			1	1	1	1		1	1	1			9	64.3%	60.0%
2	All phases equally important		1	L	1	ι 1						1			1		5	35.7%	33.3%
		1	2	0	1	1 1	1	1	1	1	0	2	1	1	1	0	14	100.0%	

Interestingly, 60% of the participants believed that different skills and different people are needed for these two phases. Another import theme, explicitly stated by 33% of participants, was the notion that these two phases of innovation are equally important to the organisation. Respondents spoke freely across both phases and the data analysis process identified several common themes specific to the different phases. The results produced from the discussions around the two phases were analysed and categorised separately and will be discussed in the following sections.

5.6.2 Ideation phase

Firstly, two interesting themes emerged around two common challenges that managers face when rewarding 'ideation' in the innovation process. These themes are depicted in the table below.

Table 20: Ideation phase challenges

Rank	Concept						I	Part	icip	ant	ts						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	count	neoponoco	(15)
1	Difficult to reward idea- Ownership difficult to determine	1						1	1		1			1			5	55.6%	33.3%
2	Difficult to reward idea- Many factors contribute to success							1	1				1	1			4	44.4%	26.7%
		1	0	0	0	0	0	2	2	0	1	0	1	2	0	0	9	100.0%	

Firstly, 33% of respondents believe that is often very difficult to determine the true owner of ideas. Respondent 13 stated that, "nobody really has a monopoly on ideas". Participant 8 had an even stronger view on this and said, "I don't think people own ideas, I think there is a wrong perception that people have ownership of ideas".

Another theme that emerged and was discussed by 28% of participants was the idea that there are many factors that contribute to the success of an innovation and the 'idea' is only one of the factors. In addition to these general remarks around ideation, the table below depicts the results of the explicit discussions around which rewards are to be used during the ideation phase.

Rank	Concept						I	Part	icip	ant	s						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	count	nesponses	(15)
1	Recognition		1		1	1	1	1		1			1		1		8	21.1%	53.3%
2	Non-financial rewards			1	1			1	1		1	1	1				7	18.4%	46.7%
2	Access to experts and senior management		1	1	1				1	1			1	1			7	18.4%	46.7%
4	Provide time (capacity) to refine idea		1		1								1		1	1	5	13.2%	33.3%
5	Allocate resources to refine idea		1	1	1					1							4	10.5%	26.7%
5	The reward is to see it happen		1			1	1									1	4	10.5%	26.7%
7	Game changing ideas deserve financial reward	1									1				1		3	7.9%	20.0%
		1	5	3	5	2	2	2	2	3	2	1	4	1	3	2	38	100.0%	

Table 21: Ideation phase - rewards

It is evident from the table above that the emphasis was on non-financial reward types. Six out of the seven themes listed above could be categorised as non-financial rewards. The only exception to this general trend was that exceptional/ "game changing" ideas deserve financial rewards.

The most prolific reward discussed under this phase was recognition, which was mentioned by 53% of participants. Interestingly, 47% of respondents explicitly stated that rewards should be non-financial in nature. Examples of non-financial rewards cited by participants were providing the idea generator with access to senior management and experts (seven respondents); providing time for the idea generator to refine the idea (five respondents); and demonstrating support and commitment to the idea by allocating financial resources to develop the idea (four respondents). Four other participants explicitly stated that seeing the idea being implemented is a significant reward for the initiator.

5.6.3 Implementation phase

Two general themes were discussed around the implementation phase in the innovation process. The results of these two themes are depicted in the table below.

Table 22: Implementation phase - general

Rank	Concept		-			-	F	Part	icip	ant	s						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			(15)
1	Implementation much more difficult than ideation	1				1			1		1						4	66.7%	26.7%
2	implementation also requires a lot of innovation					1	1										2	33.3%	13.3%
		1	0	0	0	2	1	0	1	0	1	0	0	0	0	0	6	100.0%	

The first interesting theme that emerged was the notion that the 'implementation phase' is more difficult than the 'ideation phase'. This observation was explicitly made by four of the participants.

Another interesting theme that emerged was the idea that the implementation phase also requires a lot of innovative thinking; this was stated by two respondents. In addition to these general remarks relating to the innovation phase, the table below depicts the specific observations relating to the type of rewards discussed under this phase in the innovation process.

Table 23: Implement	ation phase - rewards
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Rank	Concept							Part	icip	ant	s						Total	% Total	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	count	перропаса	(15)
1	Financial rewards only once successfully implemented			1	1	1	1		1			1	1				7	30.4%	46.7%
2	Recognise and celebrate successful implementation		1		1		1		1						1		5	21.7%	33.3%
2	Involve idea generator in implementation				1			1	1	1					1		5	21.7%	33.3%
4	Financial rewards only once company extracts value							1		1						1	3	13.0%	20.0%
4	Weight financial rewards heavily towards implementation										1			1		1	3	13.0%	20.0%
		0	1	1	3	1	2	2	3	2	1	1	1	1	2	2	23	100.0%	

Evident from the table above is that themes around financial rewards are far more prolific compared to the ideation phase. Three out of the five themes discussed explicitly mentioned the use of financial rewards in rewarding this phase. There appears to be three schools of thought in terms of when innovation is eligible for financial reward.

Seven participants (47%) were of the opinion that an innovation should only be eligible for financial rewards once successfully implemented in the business. Three participants (20%) set a higher criterion, which relates to when the innovation starts extracting real benefit for the organisation. A third group of participants (20%) simply stated that financial rewards should be weighted more heavily towards implementation than ideation.

Two forms of non-financial rewards appear to be important to the implementation phase - providing recognition/ celebrating successful implementation, and involving the idea–generator in the innovation process.

5.6.4 Conclusion to the results of research question 3

The results of this research question clearly indicated that the two important phases in innovation process- ideation and implementation - should be rewarded differently.

Appropriate rewards for the ideation phase are more focused around non-financial type rewards such as recognition. The rationale for this emphasis on non-financial rewards appears to be attributable to the challenges in determining the true ownership of ideas and the fact that there are various other factors other than the idea that play a significant role in the ultimate success of an innovation.

Financial type rewards appear to be more suitable for the successful completion of the implementation phase of innovation. Non-financial rewards also play a role during this phase, but it appears as though the emphasis shifts from non-financial during ideation phase to more financial type rewards for the implementation phase.

5.7 RESULTS FOR RESEARCH QUESTION 4:

Are there any unintended adverse consequences or risks associated with rewarding innovation?

5.7.1 Introduction

This was the final question in the interview guide, the purpose of which was to explore the potential negative consequences of implementing reward strategies to encourage innovation in the workplace.

These risks have been categorised into two broad categories:

- 1. Risks associated with innovation contests as a method of rewarding innovation.
- 2. General risks associated with rewarding innovation within the workplace.

5.7.2 Risks associated with innovation contests

A significant proportion of the discussions about the risks of rewarding innovation were about using innovation contests and financial prizes as a means of rewarding innovation in the workplace.

The table below depicts the risks associated with using financial rewards for innovation within the context of innovation competitions.

Rank	Concept						I	Part	icip	ant	s						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			(15)
1	Financial Rewards creates a disincentive to collaborate		1		1	1		1				1	1	1			7	46.7%	46.7%
2	Employees may be tempted to "hold their ideas back"					1							2	1			4	26.7%	26.7%
2	Employees become despondent when ideas rejected				1		1				1		1				4	26.7%	26.7%
		0	1	0	2	2	1	1	0	0	1	1	4	2	0	0	15	100.0%	

Table 24: Risks when using innovation competitions

From the table above it is evident that there are two risks specifically associated with financial rewards in innovation competitions. Firstly, 47% of participants stated that financial rewards are like to have the effect of decreasing the level of collaboration amongst participants in competitions. Participant 7 stated that, "I think having a prize at the end inhibits collaboration because the bigger your team the less money you will win. So people tend not to want to bring in new people, which is not ideal". Participant 11 shared this sentiment and stated, "For me, in fact it stops people from accessing different skills as their idea progresses, because you need different skills later in the innovation process. But you will be reluctant to pull them in, because you have to share the prize money".

The second risk cited by 27% of participants was that employees will hold their ideas back for innovation competitions. Participant 13 summarised both these risks. "At one stage the financial reward is a motivator and then it becomes destructive because it becomes very rich and then you start to get very selfish behaviour. People don't want to share their ideas; they don't want other people in the team they want to keep it all to themselves. People also likely to hold back business ideas... I'm not going to do my job of improving things, because gee, this idea should be kept for the next competition".

A final risk also cited by four participants, was the notion that employees could become despondent if their ideas are continuously shot down. This risk appears to be more inherent with competitions in general rather than the specific use of rewards.

5.7.3 General risks associated with rewarding innovation within the workplace

In addition to the specific risks associated with innovation competitions, other more general risks also emerged from the discussions.

These risks were put into two categories:

- 1. Risks that emerge specifically as a result of the use of financial rewards.
- 2. Risks that can emerge from more general reward practices (financial and non-financial).

5.7.3.1 Risks that emerge specifically as a result of the use of financial rewards

The table below depicts the risks of using financial rewards to encourage and reward innovation in the workplace.

Table 25: Risks related to financial rewards

Rank	Concept						I	Part	icip	ant	s						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	count	neoponoco	(15)
1	Creating the expectation that innovation should always be "paid for"			1		1	1					1				1	5	29.4%	33.3%
2	Financial rewards are costly and innovation often fails	1				1					1				1		4	23.5%	26.7%
3	Financial rewards for ideas often diminishes the incentive to implement			1					1				1				3	17.6%	20.0%
3	Financial rewards commoditise and commercialise something intrinsic		1		1											1	3	17.6%	20.0%
5	Financial rewards for ideas that don't get implemented is destructive		1						1								2	11.8%	13.3%
		1	2	2	1	2	1	0	2	0	1	1	1	0	1	2	17	100.0%	

In addition to the risks associated with financial rewards utilised in innovation competitions, the table above depicts some broader risks when leveraging financial rewards to encourage innovation. The most prolific risk, disused by 33% of respondents, was the risk of creating an expectation that innovation should always be paid for. Participant 6 stated, "You create the expectation that innovation should be paid for, and that's why rewards for innovation should always be discretionary".

Another theme that emerged (26% of participants) was the notion that financial rewards are costly to the business and that the associated innovation often fails. Three participants also felt that rewarding ideas before implementation often creates the risk that the incentive to implement the idea diminishes. Two participants added to this, saying that rewarding ideas that never get implemented is destructive to the organisational morale and culture.

Three participants very strongly stated that financial rewards for innovation commoditises and commercialises something that should be intrinsically motivated. Participant 15 stated, "It becomes commercial, you are commercialising something which should be intrinsic, and I worry about such things".

5.7.3.2 Risks that emerge from both financial and non-financial rewards

In addition to the risks that exclusively result from the use of financial rewards, the table below depicts risks that relate to a broader category of rewards, including non-financial rewards.

Rank	Concept						I	Part	icip	ants	5						Total Count	% Total Responses	% Total Participants
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			(15)
1	Over glorifying individuals (Indivisualistic behaviour)					1				1		1					3	42.9%	20.0%
2	Incentivising innovation can be disruptive to work place (productivity)				1										1		2	28.6%	13.3%
2	Destructive if rewards are only given for short-term innovations		1		1												2	28.6%	13.3%
		0	1	0	2	1	0	0	0	1	0	1	0	0	1	0	7	100.0%	

Table 26: Risk related to general rewards

The table above depicts three types of risks when rewarding and encouraging innovation in a broader sense. Firstly, three participants indicated the risk of driving individualistic behaviour through over-glorifying individuals. Two other participants indicated that encouraging innovation can at times be disruptive to the workplace and general productivity. A third theme also discussed by two participants is the risk of only rewarding short-term incremental type innovation because it is easier and lower risk to implement.

5.7.4 Conclusion to the results of research question 4

The results from this research question clearly indicated that there are risks to rewarding innovation in the workplace. The risks that obtained the highest frequency counts appeared to be risks associated with financial prizes in the context of using innovation competitions as a means of rewarding innovation. There appear to be very few risks associated with the use of non-financial rewards to recognise innovation in the workplace.

5.8 CONCLUSION ON RESULTS

The purpose of this chapter was to present the findings of the data analysis of information collected during the in-depth interviews. This chapter has outlined the results of the four research questions. The significance and validity of the results are supported by existing literature on the topic of rewarding innovation. In addition, new insights emerged from the findings that allowed for the development of a framework for rewarding innovation. Chapter 6 provides a more detailed discussion of the research findings and a proposed framework for rewarding innovation in the workplace.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 INTRODUCTION

This chapter provides a more detailed discussion around the critical success factors of a total reward strategy to motivate innovation in the workplace. The discussion aims to link the findings from the literature review (chapter 2) to the results of this research study (chapter 5). Similarities and conflicts with the literature will be highlighted and reviewed.

The purpose of this chapter was to answer the four research questions posed in chapter 3 and in doing so combine and summarise the findings into a framework or conceptual model for rewarding innovation, which is presented in chapter 7.

6.2 DISCUSSION OF RESEARCH QUESTION 1:

When adopting a total reward strategy, which reward elements are most important in encouraging and inspiring innovation in the workplace?

The objective of this research question was to holistically explore and discuss the reward elements within a total reward model that are important in encouraging innovation in the workplace. Towers Perrin's Total Reward Model (Thompson, 2002) was used as a framework to guide the interview questioning and to broadly explore the elements of reward. The research findings that emerged from the in-depth interviews and data analysis process that relate to this question are reflected in Tables 7 to 16 in chapter 5.

This discussion will be structured in accordance with the four categories of rewards that emerged from the data analysis process discussed in chapter 5.

- 1) Pay (financial rewards)
- 2) Individual non-financial rewards
- 3) Learning and development
- 4) Work environment (communal rewards)

6.2.1 Pay (financial rewards)

Four categories of financial rewards were discussed: base pay, short-term incentives, long-term incentives and profit-sharing (Table 8 - Table 11).

6.2.1.1 Base Pay (salary)

Herzberg's (1968) Two-Factor Theory stated that salary or rate of pay is a hygiene factor in terms of motivating employees in the workplace. According to Hyun and Oh (2011), if hygiene factors are lacking in an occupational environment it can lead to employee job dissatisfaction. According to the authors, these factors do not lead to higher levels of motivation, but without them there is discontent.

Interestingly, the results of the discussion around base pay (Table 8) concur with this literature, as 84% of responses related to this construct indicated that base pay is an important hygiene factor in attracting and retaining good employees, but not an important differentiator in encouraging and motivating innovation. It is important to note that participants were explicit in affirming that paying market related salaries is critically important to ensure that dissatisfaction is not created. One participant stated that this "only buys you a ticket to the game" and another said that "if you don't get this right you will have a problem". The general sentiment was nonetheless unanimous that base pay is not an important differentiator in a total reward strategy to motivate innovation, but an important hygiene factor nonetheless.

It could be argued that this research finding is in conflict with Sauermann and Cohen's (2010) empirical study of 1,707 U.S. citizens with a doctoral degree in science, engineering, or health, where salary emerged as the third most important work benefit for this group out of seven work benefits researched. It must however be stated that Sauermann and Cohen's (2010) study measured and ranked preferences for specific work benefits, and did not conclude that higher salaries would result in an increased level of innovation.

6.2.1.2 Short-term incentives

Four themes emerged under the construct 'short-term incentives' (Table 9), which will be discussed with reference to the literature review.

Firstly, five participants (33% of total participants) discussed the notion that performance in the 'innovation space' needs to be an explicit metric or target in the design of short-term incentives, in order to be effective in encouraging innovation in the workplace. A couple of participants referred to the notion of 'innovation performance' carrying a significant weight in terms of executive score cards, with one participant stating that, "a weighting for 'innovation performance' of at least 25% is appropriate". Other participants referred to the notion of linking short-term incentives to explicit

targets for the improving or the reengineering of specific products or processes. This supports the theory of Eisenberger and Shanock (2003, as cited in Sauermann & Cohen, 2010), who stated that extrinsic incentives (such as monetary incentives) may enhance creativity if the rewards are specifically tied to innovation. In contrast to this, there is a school of thought that argues that performance-based financial incentives will actually negatively influence innovation performance. This argument is based on the premise that people will be most creative when they are principally intrinsically motivated, as opposed to being extrinsically motivated by financial incentives (Amabile, 1997; Weisberg, 2006).

Secondly, an important theme discussed by 33% of participants was the notion that discretionary cash bonuses are a good form of reward for innovative behaviour. Several of these participants affirmed that a discretionary additional cash bonus is an effective way to reward and recognise innovative performance. This finding is supported by a study conducted by Saleh and Wang (1993, as cited in Lawson & Samson, 2001) comparing reward systems of highly innovative firms and low innovative firms, where it was found that those firms that were highly innovative had adopted reward systems that embraced the creative behaviour of employees, ensured public recognition for innovative ideas, and awarded financial bonuses for innovation.

A third theme was discussed by two participants who believed that short-term financial incentives are likely to only drive incremental forms of innovation. This supports and extended Weisberg's (2006) theory that extrinsic rewards such as contingent pay may undermine creativity by focusing individuals' attention on more expedient, incremental approaches to problem solving. Aleixo and Tenera (2009) suggested that the importance of incremental innovation should not be underestimated, as such innovation is an effective tool for the short-term growth of an organisation and for protecting and enhancing the company's position in the market.

A final theme that emerged and was discussed by two participants is the idea that short-term incentives should be totally avoided at senior levels within the organisation. These participants believed that executives should be focussed on building sustainable businesses and long-term thinking, and short-term incentives do not drive appropriate behaviour in this regard. The literature highlighted two shortcomings of 'pay for performance short-term incentives' that supported this finding. Firstly, Lerner and Wulf (2006) highlighted the problem of 'multi-tasking', where an agent performs multiple tasks and where only certain tasks can be successfully measured with precision. In

such instances, the authors suggested that agents will be less likely to explore activities that have uncertain outcomes, such as innovative behaviour. Secondly, Tian and Wang (2011) emphasised the lack of tolerance for early failure synonymous with short-term incentives, which is problematic when incentivising innovation. Manso (2011) agreed that it is critical that an incentive structure reflect a level of tolerance for failure in order to successfully encourage innovation in the workplace.

In an attempt to interpret these findings it is evident that short-term incentives do have a role to play in encouraging innovation. It should be understood that such incentives are more likely to drive incremental innovation, and that the shortcomings of such incentive schemes make them less suitable for executives who need to adopt a more long-term view.

6.2.1.3 Long-term incentives

The relationship between the construct 'long-term-incentives' and innovation was a prolific subject in the discussions around financial rewards in a total reward framework. Interestingly, six different themes emerged (Table 10), with five of the themes being specifically related to equity type rewards such as shares and share options as a form of long-term incentive.

The first important theme that emerged, and which was stated explicitly by 40% of the participants is the notion that long-term incentives are important in encouraging more radical forms of innovation. These participants affirmed that such incentives create a long-term mind-set which is a necessity in creating an appetite to explore more disruptive forms of innovation. This finding corroborates much of the earlier literature where the relationship between financial rewards and levels of innovation was explored; two studies are particularly relevant to this research finding.

Francis, Hasan and Sharma (2011) examined the relationship between CEO remuneration and innovation using a broad sample of firms. Their research findings established that long-term incentives in the form of options schemes are positively related to the number of patents (measure of innovation). This research supported the findings of an earlier study conducted by Lerner and Wulf (2006), who similarly explored the relationship between the remuneration of Research and Development (R&D) personnel and innovation. Their research indicated that among firms with a centralised R&D function a clear relationship emerged; more long-term incentives

(such as stock options and restricted stock) are also associated with more heavily cited patents (higher level of innovation).

Hall and Murphy (2003) also supported the finding that long-term incentives create the propensity to explore and invest in innovation, as the authors affirmed that equity remuneration plays a crucial role in mitigating problems with 'risk aversion' amongst executives, which has a negative relationship with driving innovative behaviour.

Given the above literature references it was surprising that 40% of participants felt that the mere ownership of shares would not drive innovation. These participants made it clear that shares are not typically allotted to employees with the aim of driving innovation, but rather for retention purposes. This was supported by 33% of participants who explicitly stated that shares are a good form of long-term incentive, but the rationale for shares is more around staff retention and shareholder alignment as opposed to driving innovation. Hall and Murphy (2003) agreed that equity remuneration is an effective retention tool, and stated that equity type rewards are typically used as a method to attract and retain motivated entrepreneurial employees. Bebchuk and Fried (2004) further added that equity type remuneration should be the largest and most important component of executive pay arrangements.

Three participants highlighted an inherent problem with shares as an incentive for innovation, stating that shares (share price) have become extremely delinked from the embedded value of organisations as well as the level of innovation, and are thus not particularly effective in encouraging innovation. However, 20% of respondents opposed this sentiment and felt that share based remuneration increases employee engagement and interest in the company, which could ultimately lead to more innovation.

In analysing and interpreting the general sentiment portrayed by these themes and with reference to the literature, it appears that long-term incentives play an important 'indirect role' in driving innovation. It is evident that the mere application of equity type rewards would not provide any guarantee for innovation. This form of remuneration, however, seems to contribute significantly to creating an environment that tolerates risk and allows exploratory and experimental behaviour, which in turn supports innovative behaviour.

6.2.1.4 Profit-sharing

The notion of profit-sharing as a method of rewarding innovation was only briefly discussed by six of the 15 participants (Table 11). The general sentiment was that such arrangements are complex to structure and consequently pose significant risk to the organisation. These forms of reward also only appear suitable for more radical forms of innovation such as the establishment of a new business unit. Aleixo and Tenera (2009) stated that radical innovation leads to the inception of entirely new products and markets, making concurrent products obsolete. Two participants suggested that profit-sharing arrangements could improve the longevity and ownership of such radical innovation.

6.2.2 Individual non-financial rewards

The second category of rewards analysed as part of this question were the 'individual non-financial' rewards that emerged from the discussions. It is noteworthy that this category of rewards contributed the highest frequency count of the four broad categories of total reward discussed (Table 7). Ten distinct 'non-financial rewards' were identified under the construct 'individual non-financial rewards' (Table 12).

Interestingly, 'recognition' was discussed by 93% of participants and appeared to be the most important non-financial reward. The general sentiment affirmed by the participants was that providing recognition drives continued innovation, as employees particularly value being recognised by their peers. Herzberg's (1968) Two-Factor theory highlighted 'recognition' as an important motivational factor that inspires employees to work harder (Nel, et al., 2001). Sauermann and Cohen (2010) also supported this finding and stated that receiving recognition from peers is an important internal motive for creative and innovative employees. De Jong and Den Hartog (2007) further supported this and claimed that past studies had shown that non-financial recognition of innovative performance is an important driver of both idea generation and idea implementation within the workplace.

Two other important themes were both discussed by 60% of the participants. Firstly, the mere opportunity to be creative and involved with innovative work was regarded as an important reward in itself. Sauermann and Cohen (2010) agreed with this finding, believing that creative work is a powerful reward in its own right. The authors stated that this is particularly evident in the open source movement, where programmers are willing to give away their creative output for no monetary incentive. Brabham (2010)

also mentioned that the joy of solving scientific problems is a very important intrinsic non-financial reward for innovators.

Secondly, it became evident that providing time or the 'capacity' to innovate is another very important reward. The general sentiment was that employees should be given the necessary time and space to be able to innovate. One participant stated that "coming up with an innovation shouldn't be punitive because of time constraints of an existing job". This was supported by Hyland and Beckett (2005), who stated that inroducing innovation requires additional capacity to that needed to run the day-to-day operations, and organisations need to balance the short-term and long-term needs of the organisation.

6.2.2.1 Intrinsic versus extrinsic non-financial rewards

The ten non-financial rewards identified (Table 12) were further categorised as either extrinsic or intrinsic rewards (Table 13). Even though the distinction and definitions of these two categories are subjective, the literature provides useful guidelines to classify these two types of rewards.

Matsumura and Kobayashi (2008) were of the view that people are intrinsically motivated when they receive no apparent reward. The authors argued that intrinsic reward or motivation lies in the activity itself, and is thus ingrained in the execution of the job. This is in contrast to extrinsic rewards, where the benefit or reward is provided by an environmental entity such as a superior or a body of peers upon an evaluation of effort or performance (Sauermann & Cohen, 2010). They affirmed that extrinsic benefits do not result directly from engaging in the task, but are separable and indirect task outcomes.

It was evident from the categorisation of these ten rewards into intrinsic and extrinsic rewards (Table 13) that there was greater emphasis on intrinsic rewards with a total frequency count of 43, as opposed to extrinsic rewards with a frequency count of 24. It is however important to note that recognition, which is regarded as an extrinsic reward, appears to be the most important non-financial reward. Other noteworthy intrinsic rewards discussed were involvement in implementation; sense of achievement; opportunity to present ideas; autonomy/ responsibility; and the opportunity to work on high profile strategic projects. It is evident that all these rewards are certainly intrinsic in nature as the benefit derived is from the activity itself rather than from external sources (Sauermann & Cohen, 2010).

This research finding indicating the importance of intrinsic rewards in encouraging innovation is supported by several academic studies. Firstly, Sauermann and Cohen's (2010) research into important work benefits for scientists found that intrinsic elements of total reward offerings were ranked in the top two motives, with intellectual challenge being the most important factor followed by independence and autonomy. The authors' research supports the finding of this study, in that involvement in challenging and creative work, as well as 'responsibility' are important rewards.

Secondly, according to Thomas (2009), after people have started a job and possible issues of unfairness have been resolved, day-to-day motivation is primarily driven by intrinsic rewards. It is also evident that involvement in successful innovation seems to satisfy the higher level needs in terms of "esteem needs" and "self-actualisation" with reference to Maslow's (1943) Hierarchy of Needs Model (Figure 1), offering employees a sense of achievement and self-actualisation which creates immense intrinsic satisfaction (Kim, 2013).

In an attempt to interpret these findings and with reference to the literature, it appears that intrinsic motivation is fundamental in driving innovation in the workplace. These findings suggest that organisations are able to differentiate their 'total reward' offering by providing non-financial intrinsic rewards such as creative work, time for innovation and involvement in high profile projects as a means to increase the intrinsic motivation of their employees. However, even though it appears as though emphasis should be on intrinsic motivators and rewards, 'non-financial recognition', an extrinsic reward, was actually found to be the single most important non-financial reward.

6.2.3 Learning and development

'Learning and development' was the third category of rewards identified as part of this research question. The general sentiment of participants was that organisations should continuously invest in these reward elements to maintain and improve the organisation's capability to innovate. Ten distinct learning and development elements were identified and ranked (Table 14). Interestingly, the emphasis was on learning and development opportunities external to the organisation, with a total frequency count of 25 (for external elements) versus 19 for learning and development opportunities within the organisation (Table 15).

The top three external sources of learning and development identified were:

- Exposure to international best practice and latest trends (53.3% of participants).
- Formal learning and bursaries (40% of participants).
- Conferences, think tanks and formalised external discussions (40% of participants).

These findings are supported by Dombrowski et al. (2007), who stated that some organisations have begun to tie employee training and development budget allocations directly to innovation. The authors affirmed that in these organisations, the funds allocated to employees for conferences and other educational opportunities are directly related to the employees' innovative capacities and performance.

The most important internal learning mechanism appears to be related to the notion of providing career growth opportunities for employees (cited by 40% of participants). Brabham (2010) believed that one of the reasons employees are motivated to involve themselves in innovation is because of the opportunity to gain new skills and propel one's career. Herzberg's (1968) Two-Factor Theory also identified career growth as an important motivator for employees (Hyun & Oh, 2011).

Other important internal learning and development opportunities identified through this study were:

- Cross-functional project teams (33% of participants).
- Formal structures for cross-company networking and knowledge sharing (27% of participants).
- Cross pollination of management between business units (13% of participants).

These research findings are also supported by the innovation literature. Brown and Duguid (1991, as cited in Dombrowski et al., 2007) affirmed that encouraging strong social networking in and outside the organisation also helps to achieve flexibility which is required for innovation. The authors specifically cited cross-company gatherings and cross-functional teams as important organisational knowledge sharing practices in this regard, which corroborates the research findings.

Pettigrew, Massini and Numagami (2000) believed that 'functional job rotation' plays a role in encouraging incremental innovation, as employees with a fresh perspective ask questions and undermine previously held assumptions. This supports the notion of

'cross-pollination of management between business units' as an important driver of innovation.

Interpreting the general sentiment illustrated by these findings it is apparent that it is important for companies to continuously invest in learning and development. The strong link between learning and development capabilities and innovation suggests that there is a strong justification to align the application of these reward elements with the innovative capability and potential of employees.

6.2.4 Work environment (communal rewards)

The fourth and final category of rewards analysis is the 'work environment'. This category contributed the second highest frequency count of the four categories covered. These rewards included elements that met two criteria; the rewards are non-financial and are typically communal in nature as opposed to being assigned on an individual basis.

Nine distinct elements of the work environment have been highlighted as important in encouraging innovation in the workplace (Table 16). These elements are discussed below with reference to the literature.

- 1. Core values and higher purpose: Interestingly, 67% of respondents believed that the company's core values and serving a higher purpose are important in driving innovation. The general sentiment expressed was that values supportive of innovation help build an environment in which innovation can flourish. Dombrowski et al. (2007) supported this sentiment and stated that unless companies have mission and value statements that clearly encourage innovation, the other cultural elements required for innovation will not be in place. Martins and Terblanche (2003) suggested that it is important that employees understand the vision and mission of the organisation, as well as the gap between the current situation and the company goals, to be able to act creatively and innovatively.
- 2. Collaboration and healthy debates across levels: Ten respondents (67%) believed that a collaborative culture with free dialogue between senior and junior staff is crucial in driving innovation. Dombrowski et al. (2007) supported this finding and highlighted 'colloboration' among employees, partners and people with diverse viewpoints as one of the eight elements of an 'innovative organisational culture'.

The authors also believed that 'democratic and lateral communication' is another prerequisite for an innovative culture.

- 3. Time to innovate as a strategic priority: Eight respondents (53%) believed that allocating sufficient time for innovation needs to be a strategic priority. These participants argued that innovation takes time and in order for an innovation to be successfully deployed, employees must be provided with sufficient time to refine and implement their ideas. De Jong and Den Hartog (2007) agreed that leaders need to provide time and money in order for innovation to be successful. Hyland and Beckett (2005) provided further corroboration and asserted that introducing innovation requires additional capacity to that needed to run the day-to-day operations of an organisation.
- 4. Tolerance for failure: Eight respondents (53%) explicitly highlighted this theme. Participants argued that it is important to not only reward successful innovations, as without a tolerance for failure an environment conducive to innovation will not exist. Participants also stated that it is critical that employees are not punished for unsuccessful innovations. Stamm (2009) said that tolerance for failure is a key ingredient in creating a culture conducive to innovation, with the aim of establishing a non-threatening environment in which employees can innovate through experimentation.
- 5. Job security: Seven respondents (47%) discussed this theme. Participants highlighted two aspects illustrating the importance of job security in encouraging innovation. Firstly, people need to know that if they "innovate themselves out of a job" they will be absorbed elsewhere. Secondly, people must have the freedom to experiment with ideas and not be fired if the innovation happens to fail. This finding extended and supported Ederer and Manso's (2013) theory, where the authors found that the threat of termination of employment discourages employees from exploring new actions (innovation) and encourages employees to rather exploit existing methods or knowledge.
- 6. Flexibility and greater autonomy: Seven respondents (47%) believed that greater employee flexibility and autonomy would lead to more innovation. The participants affirmed that employees have different needs and circumstances and accommodating such needs would inspire innovation. Secondly, giving employees

greater autonomy and responsibility would similarly encourage innovative behaviour.

Sauermann and Cohen (2010) stated that innovation cannot easily be rewarded without considering the internal motives of the individual. The authors believed that this is particularly the case with scientists in R&D, where individuals need to be provided with a great deal of autonomy as they are the experts within the organisation and are able to tackle the technical challenges. They affirmed that it is imperative that these individuals are rewarded with responsibility and intellectual challenges.

7. Culture where innovation is expected from everyone: Six participants (40%) identified the importance of a culture that expects innovation from everyone. The general sentiment was that even though participants recognised that the more radical forms of innovation typically occur higher up in the organisation, the cumulative effect of incremental innovation across the whole organisation is very significant.

This finding is supported by Lawson and Samson (2001), who found that organisations that encourage innovation from within the whole organisation - not only rewarding innovative acts but which have the ethos and expectation of them to occur - are usually leading innovative organisations.

- 8. Enabling physical environment: This theme was explored by only 33% of participants. The sentiment was that an inspiring and enabling physical environment conducive to collaboration is also important in encouraging innovation. Dombrowski et al. (2007) supported this finding and referred to segregated physical spaces that remove employees from the usual business routine and allow them to think radically; unfettered from the usual assumptions and business practices.
- 9. Environment where good ideas get implemented: Four participants (27%) stated that an environment where ideas get implemented creates the necessary energy and excitement to encourage continuous innovation.

These communal reward elements appear to provide organisations with various strategies to differentiate the total reward offering or employee proposition to increase the level of innovation in the workplace.

6.2.5 Conclusion to research question 1

The important reward elements in a total reward strategy have been discussed under the four categories of reward that emerged from the data analysis process in chapter 5.

- 1. Pay (financial rewards)
- 2. Individual non-financial rewards
- 3. Learning and development
- 4. Work environment (communal rewards)

The reward elements associated with these categories of reward were corroborated by various excerpts from prior literature, which enabled the researcher to develop a 'total reward' framework encompassing the important reward elements to effectively reward and motivate innovation in the workplace.

The figure below summarises the discussion of research question 1 and answers the research question, 'When adopting a total reward strategy, which reward elements are most important in encouraging and inspiring innovation in the workplace?"

Figure 6: Important elements of reward to encourage innovation

PAY (FINANCIAL REWARDS)

Base Pay

Market related salaries (hygiene factor)

Short-term incentives

'Innovation' must be explicit metric in incentive design More likely to encourage incremental innovation Cash bonuses for innovative performance Short-term incentives less suitable for executives

Long-term incentives

Equity type incentives (shares/share options)

Likely to 'indirectly' encourage more radical innovation

High proportion of executive pay must be LT incentives

LEARNING & DEVELOPMENT

External to organisation

Exposure to international best practice and latest trends Conferences, think tanks & external discussions Formal learning & bursaries Exposure to other industries Internal to organisation Promotion and career growth Cross-functional team projects Cross-company networking & knowledge sharing Cross-pollination of mgmt. between business units Collaboration with international companies In-depth training

NON-FINANCIAL REWARDS

Extrinsic non- financial

Recognition (non- financial) Access to experts & senior management Discretionary additional leave ("Duvet days") Intrinsic non-financial Time & opportunity to innovate Creative & challenging work Opportunity to present ideas Sense of achievement Involve idea generator in implementation Autonomy and responsibility Involvement in high profile strategic projects

WORK ENVIRONMENT

Organisational environment Core values and a higher purpose (innovation supportive) Collaboration & healthy debate across job levels Time to innovate as strategic priority Tolerance for failure Job security Flexibility (work hours) & autonomy Culture where innovation is expected from everyone Enabling physical environment Environment where good ideas get implemented

Source: (Author's own)

The above reward elements within a total reward strategy have been taken into account in the framework for rewarding innovation described in chapter 7.

6.3 DISCUSSION OF RESEARCH QUESTION 2:

What are the critical success factors when implementing a total reward strategy to motivate innovation in the workplace and differentiate the organisation from the norm?

6.3.1 Introduction

The aim of this question was to ascertain which factors are the most important in the implementation of an effective total reward strategy to motivate innovation in the workplace, and which could ultimately differentiate the organisation from the norm. Two constructs or categories emerged from the data analysis process discussed in chapter 5:

- 1. Leadership and
- 2. Organisational structures.

The findings related to these constructs will be discussed and linkages to the literature will be highlighted and explored.

6.3.2 Leadership as a critical success factor

The general sentiment expressed by participants was that leadership behaviour is the key "ingredient" to enable the implementation of an effective total reward strategy or employee value proposition that would encourage innovation. The importance of leadership in encouraging innovation was supported by various researchers (De Jong & Den Hartog, 2007; Stamm, 2009; McMillan, 2010).

Eight themes or 'leadership behaviours' were identified (Table 17) through the data analysis process. These themes will now be discussed with reference to the literature in chapter 2.

- 1) CEO and top management genuine custodian of innovation: Nine participants (60%) affirmed that it is critical for top management and particularly the CEO to truly endorse and demonstrate the importance of innovation. Stamm (2009) stated that leaders must sincerely and consistently demonstrate the importance of innovation. The author added that it is imperative that leaders' actions support and match their words in terms of their approach towards innovation. De Jong and Den Hartog (2007) referred to this as "innovative rolemodelling", where leaders are an example of innovative behaviour by generating ideas and championing and putting effort into development.
- 2) **Demonstrate a tolerance for failure:** This theme was also discussed as part of the work environment (research question 1). Participants were however explicit in

that it is the role of leadership to demonstrate the notion of tolerance for failure through their actions. Stamm (2009) corroborated this finding and said that it is important that leaders should accept that failure is often an opportunity to learn, and can serve as a stepping-stone to the next innovation. The author added that such a tolerance for failure creates a non- threatening environment in which employees can innovate through experimentation.

- 3) Listen to ideas and provide honest feedback: Seven participants (47%) believed that leaders need to actively listen to ideas and debates and provide honest feedback. McMillan (2010) stated that a leader's capacity to listen is one of four competitive forces of leadership that determine the capacity for organisational innovation. De Jong and Den Hartog (2007) corroborated the importance of feedback to employees and referred to this behaviour as 'organising feedback'.
- 4) Provide a vision and articulate innovation opportunities: Seven participants (47%) discussed the notion that leadership must provide a vision for innovation and articulate opportunities. De Jong and Den Hartog (2007) supported this finding and suggested that leaders should provide a vision and communicate desired innovations and preferred future actions.
- 5) Manage the tension between short and long-term objectives: Six participants (40%) discussed the notion that leaders need to be able to manage the tension between short and long-term objectives. Ederer and Manso (2013) referred to this issue as the tension between the exploration of new untested actions and the exploitation of well-known actions. According to Andriopoulos and Lewis (2009), organisational ambidexterity signifies a firm's ability to manage these tensions between exploration and exploitation. Ambidextrous firms are capable of exploiting current competencies and exploring new fields of action with equal skill (Lubatkin et al., 2006).
- 6) Appetite to channel resources to long-term prospects: Five participants (33%) stated that leaders need to be willing to allocate resources to uncertain long-term prospects. Maslo (2011) affirmed that innovation is the exploration of untested approaches that are likely to fail. De Jong and Den Hartog (2007) agreed that the willingness to allocate resources to ventures with uncertain outcomes is an important leadership trait.

- 7) Encourage and challenge employees to express ideas: Five participants (33%) believed that it is the role of leaders to continuously challenge employees to express innovative ideas and challenge the status quo. Stamm (2009) agreed that leaders should take it upon themselves to actively seek ideas and enthusiastically listen to what people have to say. De Jong and Den Hartog (2007) referred to this behaviour as 'intellectual stimulation', where leaders tease subordinates to come up with new ideas and challenge existing practices.
- 8) Provide timely and authentic recognition: Five participants (33%) believed that the authenticity and timing of recognition provided by leadership is critical in encouraging innovation. De Jong and Den Hartog (2007) said that providing recognition is important leadership behaviour and should be applied during ideation and the implementation of innovation.

It is evident that leadership plays a vital role in creating an environment conducive to innovation, and put into action a holistic total reward framework to encourage and reward innovation.

6.3.3 Organisational structures as a critical success factor

In addition to the construct 'leadership' as a critical success factor in implementing a total reward strategy, three themes were grouped under the construct 'organisational structures', which also appeared to be important in this context (Table 18).

- 1) Innovation competitions and other platforms for ideation
- 2) Non-hierarchical structures that allow the free flow of ideas
- 3) Reward teams not individuals

6.3.3.1 Innovation competitions and other platforms for ideation

Innovation competitions and platforms for ideation were the most prolific concept discussed (73% of participants) with regards to organisational structures that drive innovation. These participants stated that there are three important roles which these competitions play in enhancing the innovative capacity of an organisation.

1) The use of innovation competitions clearly signal that innovation is valued by the organisation.

- Competitions create an opportunity for all staff to contribute to innovation outside of their day-to-day jobs.
- Innovation competitions have the effect of a work force becoming better and more skilled at innovation.

Adamczyk et al. (2012) supported this finding and stated that there has been a rapid surge in organisations adopting the use of innovation contests to increase the level of innovation within their particular businesses. The authors affirmed that the increased importance of innovation competitions is acknowledged in practice by companies such as BMW, IBM and Siemens, which recently started to use competitions as part of their innovation strategies.

6.3.3.2 Non-hierarchical structures that allow the free flow of ideas

A second prevalent theme (47% of participants) was the notion that flat/ nonhierarchical organisational structures are important to foster innovation. The general sentiment was that organisational hierarchy has a negative effect on innovation as it typically inhibits the free flow of information and ideas between staff levels. This research finding is supported by Zoghi et al. (2010), who found that organisations with a structure of decentralised decision making and information sharing are 14 to 22% more likely to innovate that those that do not employ this type of organisational structure. The authors affirmed that this finding is consistent with the notion that workers hold information about production inefficiencies and consumer demands that can lead to productive innovations, if the organisation's structural attributes facilitate the communication and implementation of those ideas (Zoghi et al., 2010).

6.3.3.3 Reward teams not individuals for specific innovation performances

Interestingly, 47% of respondents believed that team based rewards should be used for rewarding specific innovation performance as opposed to individual rewards. The general sentiment was that incentives need to be team based in order to encourage the necessary collaboration required in the innovation process.

Dombrowski et al. (2007) supported this finding and stated that the creation of innovative products and services require a high level of collaboration, hence moving to incentive schemes that are group and team-based is preferable.

6.3.4 Conclusion to research question 2

Two broad categories of critical success factors have been identified with reference to the implementation of an effective total reward strategy to encourage innovation in the workplace. Firstly, it was found that leadership is a critical success factor with eight forms of 'leadership behaviours' identified as being conducive to inspiring innovation.

Secondly, appropriate organisational structures appear to play a big role in encouraging innovation. Three themes were evident under this construct - the use of innovation competitions and other platforms for ideation; non-hierarchical organisational structures; and the notion of rewarding teams rather than individuals for innovation.

The figure below summarises the discussion of research question 2 and answers the research question, 'What are the critical success factors when implementing a total reward strategy to motivate innovation in the workplace and differentiate the organisation from the norm?'

LEADERSHIP	NON-FINANCIAL REWARDS
Leadership behaviour	1. Innovation competitions & platforms for ideation

Figure 7: Critical Success factors in the implementation of a reward strategy

_eadership behaviour	1. Innovation competitions & platforms for ideation
1. CEO & top management genuine custodian of innovation	Shows commitment to innovation
2. Demonstrate a tolerance for failure	Opportunity for all employees to innovate
3. Listen to ideas/debates and provide honest feedback	Enhance organisations capability and skills to innovate
4. Provide vision and articulate innovation opportunities	2. Non-hierarchical organisational structures
5. Manage tension between short term and long term objectives	Allows the free flow of information to decision makers
6. Appetite to channel resources to long term prospects	3. Reward teams not individuals
7. Encourage and challenge employees to express ideas	Enhances the level of collaboration
8. Provide timely and authentic recognition	

Source: (Author's own)

These critical success factors in the implementation of a total reward strategy have been taken account of in the framework for rewarding innovation described in chapter 7.

6.4 DISCUSSION OF RESEARCH QUESTION 3:

How should the two significant phases of the innovation process (the ideation phase and the implementation phase) be rewarded?

6.4.1 Introduction

The purpose of this supplementary question was to further explore how to tailor a 'total reward strategy' to effectively reward the phases in the innovation process.

- The ideation phase; and the
- Implementation phase

This is an area that appears to be under researched, hence this study highlighted new findings in this regard. This question also builds on the insights and discussions of research question 1 and research question 2.

Interestingly, 60% of participants observed that different skills are required for these phases and 33% of participants stated that both phases are equally important in the innovation process.

This research question will be addressed by separately discussing the findings with reference to the literature related to each of the two phases.

6.4.2 Rewarding the ideation phase

According to De Jong and Den Hartog (2007), the ideation or inception phase is where employees generate ideas by engaging in behaviour to explore opportunities, identify performance gaps, or produce solutions to business problems. The authors claimed that this phase is believed to end at the point at which the idea is first adopted, i.e. the point at which the decision to implement the innovation is made.

Two interesting themes emerged around two challenges that managers face in rewarding this phase (Table 20).

- Five participants (33%) believed that it is often difficult to determine the true owner of ideas.
- Four participants (28%) discussed the notion that there are many factors that contribute to the success of an innovation and that the 'idea' is only one of many such factors.

These observations appeared to influence the type of rewards participants believed to be appropriate for the ideation phase. It was evident from the rewards discussed in relation to the ideation phase that the emphasis was firmly placed on non-financial rewards. Six out of the seven themes discussed were categorised as non-financial rewards (Table 21). The only exception to this general trend was the notion that exceptional "game changing" ideas deserve financial rewards, however this theme was discussed by only 20% of participants.

These findings support De Jong and Den Hartog's (2007) and Amabile's (1997) assessments that intrinsic rewards are more important for non-routine activities such as idea generation. The most prolific reward discussed under this phase is recognition, which was mentioned by 53% of participants. De Jong and Den Hartog (2007) agreed that the recognition of ideas is very important in encouraging continuous innovation.

Examples of non-financial rewards cited by participants were:

- Providing the idea generator with access to senior management and experts.
- Providing time for the idea generator to refine the idea.
- Demonstrating support and commitment to the idea by allocating financial resources to develop it.

In addition to these rewards, four other participants explicitly stated that, "seeing the idea being implemented" is a significant reward for the idea generator in its own right.

6.4.3 Rewarding the implementation phase

According to Johnsson (2013), the implementation phase could be described as the development phase, to bring out the capabilities and possibilities - designing, prototyping, testing and evaluating the product or service and preparing for production and the market. Two interesting general themes were discussed around the implementation phase of the innovation process (Table 22).

- Four participants (27%) discussed the notion that the implementation phase is more difficult and challenging than the ideation phase.
- Two participants (13%) affirmed that the implementation phase also requires a lot of innovative thinking.

In addition to these general remarks relating to the innovation phase, the in-depth interviews also produced interesting themes in terms of which rewards to apply during this phase. In contrast to the ideation phase, the use of financial rewards was a far more prolific discussion point for this phase of the innovation process. Interestingly, three out of the five themes discussed explicitly referenced the use of financial rewards in rewards to the apple 23).

This finding corroborates De Jong and Den Hartog's (2007) judgement that intrinsic rewards are not enough to guarantee successful application (implementation), and that financial rewards trigger high quality implementation behaviour. There were three schools of thought in terms of when innovation is eligible for financial reward.

- 1. Seven participants (47%) were of the opinion that an innovation should be eligible for financial rewards after being successfully implemented.
- 2. Three participants (20%) set a higher criterion, saying that financial rewards should only be allocated once the innovation starts extracting real benefit to the organisation.
- 3. Three participants (20%) simply stated that financial rewards should be weighted more heavily towards implementation than ideation.

Two forms of non-financial rewards appear to be important in the implementation phase; providing recognition/ celebrating successful implementation (33%) and involving the idea–generator in the innovation process. Eisenberger and Cameron (1996, as cited in De Jong & Den Hartog, 2007) agreed that financial rewards are helpful in the implementation phase but need to be balanced with support and recognition.

6.4.4 Conclusion to research question 3

It is evident that the two important phases in the innovation process - the ideation and implementation phases - should be rewarded differently. Appropriate rewards for the ideation phase are more focused around non-financial type rewards such as recognition, access to senior management and experts, and involving the idea generator in the implementation phase. The literature suggests that the rationale for this emphasis on non-financial rewards appears to be because intrinsic motivation is more important in non-routine tasks such as ideation. However other factors were also found to influence the suitability of non-financial rewards for ideation, such as the challenges in determining the true ownership of ideas and the fact that there are

various other factors in addition to the 'idea' that play a significant role in the ultimate success of an innovation.

Financial type rewards appear to be more suitable for the successful application of an idea in the implementation phase of the innovation process. Non-financial rewards also play a role during this phase, but it appears as though the emphasis shifts from non-financial rewards during the ideation phase to more financial type rewards for the implementation phase.

These findings extend Den Hertzog and De Jong's (2007) theory on how the phases of the innovation process should be rewarded and have been taken into account in the formulation of the framework for rewarding innovation proposed in chapter 7.

6.5 DISCUSSION OF RESEARCH QUESTION 4:

Are there any unintended adverse consequences or risks associated with rewarding innovation?

6.5.1 Introduction

This question aimed to ensure a balanced approach to this topic by not only highlighting the methods and advantages of rewarding innovation, but also identifying the risks and possible pitfalls associated with the practice of rewarding innovation.

These risks have been categorised into two broad categories.

- 1. Risks associated with innovation contests as a method of rewarding innovation.
- 2. General risks associated with rewarding innovation in the workplace.

6.5.2 Risks associated with innovation contests

A significant proportion of the discussions about the risks of rewarding innovation centred on the notion of using innovation contests and the use of financial prizes as a design element (Adamczyk et al., 2012) in these organisational structures. Two risks were identified that specifically related to these financial rewards (Table 24):

Firstly, 47% of participants said that financial rewards are likely to have an adverse effect on the level of collaboration amongst participants in such competitions. The general sentiment was that they would be hesitant to access different skills to refine
their innovation as it might result in them having to share potential prize money amongst a greater number of contributors to the innovation.

A second risk cited by 27% of participants was the notion that employees might hold their ideas back for the next innovation competition to stand a better chance of being financially rewarded for the idea.

Hutter et al. (2011) corroborated this finding and asserted that innovation contests encourage competition, with participants competing for the best idea to win the corresponding prizes. The authors further added that contests also aim to create an environment whereby participants are able to collaborate through various discussions to improve the quality of submitted ideas, however a 'tension between competition and collaboration' is created by the prize money. Bullinger et al. (2010) agreed that competitively-orientated participants are not likely or willing to cooperate or collaborate, as they are mainly interested in defeating the other participants.

A final risk, also cited by four participants, is the notion that employees could become despondent if their ideas are continuously shot down. This risk appears to be specifically associated with the use of competitions, rather than explicitly linked to the notion of rewarding innovation.

6.5.3 General risks associated with rewarding innovation within the workplace

In addition to the specific risks associated with innovation competitions, other more general risks also emerged from the discussions.

- 1. Risks that emerge specifically as a result of the general use of financial rewards.
- 2. Risks that can emerge from more general reward practices (financial and non-financial).

6.5.3.1 Risks that emerge specifically as a result of the use of financial rewards

The general risks associated with the application of financial rewards (Table 25) are discussed below.

Five participants (33%) identified the risk of creating an expectation that innovation should always be paid for. These participants affirmed that this could be destructive to the work environment and could lead to discontent. This notion was supported by 20% of participants who strongly believed that financial rewards for innovation commoditises and monetises something that should be intrinsically motivated. These findings were supported by Deci's theory that 'performance contingent rewards' can undermine or reduce an individual's intrinsic motivation (Pierce et al., 2012). These authors stated that when an extrinsic reward is introduced, the locus of causality changes from within the individual to outside the individual. They added that the individual will cognitively reevaluate the activity as one which he does because it provides him with external rewards. Their claim is that when individuals are rewarded for performing a task, they will come to like the task less and spend less time on it when the rewards are no longer forthcoming.

Four participants (26%) discussed the notion that financial rewards are costly to the business and that the associated innovation often fails. These participants affirmed that financial rewards are often quite significant and very often the innovation ends up failing. Manso (2001) supported this finding and argued that innovation is the discovery of untested approaches that are likely to fail.

Three participants (20%) also felt that rewarding ideas before the actual implementation often creates the risk that the incentive to implement the idea diminishes. Participants referred to this notion as rewarding a "false milestone", which is risky. Two participants added to this, saying that rewarding ideas that are never implemented is destructive to the organisational morale and culture.

6.5.3.2 Risks that emerge from both financial and non-financial rewards

In addition to the risks that could be directly associated with financial rewards, three additional risks (Table 26) became apparent as associated to rewards and encouragements in a more general sense (financial and non-financial).

Firstly, three participants indicated the risk of driving individualistic behaviour through over-glorifying individuals. Dombrowski et al. (2007) suggested that the creation of innovative products and services requires a high level of collaboration, hence individualistic behaviour is not desirable.

Secondly, two other participants indicated that encouraging innovation can at times be disruptive to the workplace and general productivity. This is supported by Hyland and Beckett (2005), who stated that introducing innovation requires additional capacity to that needed to run the day-to-day operations, and balance is required to manage the tension between short-term and long-term objectives. Presumably there are times that this 'balance' is not achieved and it could be understood that during such times excessive encouragement of innovative behaviour could be disruptive to the organisation.

A third theme also discussed by two participants is the risk of only rewarding short-term incremental type innovation because it is easier and lower risk to implement. McKendrick and Wade (2010) supported this finding and stated that companies are more inclined to introduce incremental innovation than radical innovation because it is more cost effective, faster and less risky to implement. These participants' view is therefore that by only encouraging and rewarding innovation that could have an immediate benefit to the organisation, this could have an adverse impact on the sustainability of the organisation.

6.5.4 Conclusion to the results of research question 4

The results from this research question clearly indicated that there are risks to rewarding innovation in the workplace. The risks that obtained the highest frequency counts were risks associated with financial prizes in the context of using innovation competitions as a means of rewarding innovation.

There appear to be fewer risks associated with the use of non-financial rewards to recognise innovation in the workplace. It was however apparent that organisations must be cognisant to not only reward incremental innovations that might provide immediate benefit to the organisation, but also ensure that reward structures encourage more long-term disruptive innovations.

The risks associated with rewarding innovation have been taken into account in the framework for rewarding innovation described in chapter 7.

101

6.6 CONCLUSION ON THE DISCUSSION OF RESULTS

The discussion on the research results reflects many links to existing literature on rewarding innovation. Some of the key findings which add to the body of knowledge on rewarding and motivating innovation include:

- A total rewards strategy to motivate innovation in the workplace is intricate and multi-faceted and combines many aspects of the 'employee value proposition' or 'total reward'.
- 'Non-financial rewards' and the reward elements categorised as the 'work environment' were found to be the most important reward elements to differentiate an organisation's total reward strategy from competitors. These elements are often unique to specific organisations and harder to replicate or copy by competitors.
- Learning and development opportunities, especially providing opportunities external to the organisation (such as exposure to international best practice) are important drivers of innovation and should form an integral part of a total reward strategy to encourage innovation.
- Short-term incentives were found to be more likely to encourage incremental forms of innovation, whereas long-term incentives (such as equity based remuneration) were found to play an "indirect" role in encouraging more radical forms of innovation.
- A strong relationship between 'leadership' and the implementation of a total reward strategy to motivate innovation was found. Eight leadership behaviours were found to be important "inputs" into a total rewards strategy.
- It was concluded that the phases of the innovation process should be rewarded differently. Non–financial rewards are more appropriate for the ideation phase, and financial rewards are more important and relevant in the implementation phase.
- Specific risks were identified and associated with the notion of rewarding innovation, with the majority of the risks likened to the use of financial type rewards.

In answering the four research questions a framework for rewarding innovation is illustrated and proposed in Chapter 7.

CHAPTER 7: CONCLUSION

7.1 INTRODUCTION

The objective of the research was to establish the critical success factors in a total reward strategy to encourage innovation in the workplace, with the purpose of formulating a framework or model for rewarding innovation. This is believed to be useful to senior managers who wish to develop a total reward strategy to increase the level of innovation within their organisations.

This framework attempts to address the research problem identified in chapter 1, in that organisations accept the importance of innovation but have difficulty in developing and implementing the methodologies and reward strategies to effectively motivate employee innovation (Tian & Wang, 2011; Innovation Hub, 2012).

This chapter proposes a framework for rewarding innovation (summary of core findings) and provides recommendations to organisations, as well as recommendations for further research.

7.2 A FRAMEWORK FOR REWARDING INNOVATION

In exploring the perceptions of executive managers (Reward Experts, Innovation Leaders and General Managers), a framework for rewarding innovation has emerged and is displayed in Figure 8 below.

Confirming certain existing literature on the topic of rewarding innovation and discovering novel concepts, the model depicts and explains the below components and their importance in motivating innovation:

- 1. The critical success factors (inputs) to implementing a total reward strategy
- 2. Total reward strategy (mechanism) and associated important reward elements
- 3. The risks associated with rewarding innovation
- 4. Risk mitigation strategies (controls)
- 5. Innovation and creativity (output)

Each of the above components of this multi-faceted model, as well as their interconnectedness in producing the ultimate goal of enabling innovation and creativity in the workplace is explained below.

103

7.2.1 The critical success factors (inputs)

A key finding from this study was that there are certain factors that act as 'inputs' to the successful deployment of a total reward strategy to motivate innovation. These 'inputs' to the total reward strategy have been categorised into two groups, namely 'leadership' and 'organisational structures'.

Leadership was identified to be a key "ingredient" in formulating and implementing an effective total reward strategy. Eight forms of leadership behaviour emerged as important factors in encouraging innovation and are depicted in the framework. Three themes categorised under organisational structures emerged as critical success

factors in supporting a total reward strategy and are also highlighted in the model.

- 1. Innovation competitions and other platforms for ideation
- 2. Non-hierarchical organisational structures
- 3. The notion of rewarding teams as opposed to individuals.

These factors are depicted as 'inputs' which flow into the 'total reward strategy' which is described below.

7.2.2 Total reward strategy (mechanism)

The 'total reward strategy' is depicted as the "mechanism" or the reward elements that organisations have at their disposal to encourage and reward innovation. The combination of all the reward elements forms the total reward strategy which is specifically formulated to reward and motivate innovation in the workplace. The model categorises these reward elements into four categories as highlighted below:

- 1. Pay (financial rewards)
- 2. Non-financial rewards
- 3. Learning and development
- 4. Work environment

From this study it emerged that rewarding innovation requires a multi-faceted approach and that all the reward elements depicted in the model are important. Organisations should be cognisant not to neglect any of these four categories of reward. Tangible rewards such as pay (financial rewards) and learning and development opportunities appear to be obvious and straightforward to implement. These are, however, easily copied by competitors and hence do not play a significant role in differentiating an organisation's total reward strategy.

The reward elements categorised as 'non-financial rewards' and 'work environment' were found to be more important differentiators of an organisation's total reward strategy to encourage innovation. These two strategies appear to be more challenging to implement successfully.

7.2.3 Risks

It emerged from this study that strategies for rewarding and motivating innovation are not without potential negative consequences or risks. A key finding was that most of the risks identified were directly associated with the use of financial rewards in encouraging innovation. The most important risks identified were the potential of discouraging collaboration amongst employees and creating a "destructive" culture where financial rewards are always expected for innovative performance.

More general risks (not specific to a type of reward) also emerged, such as the risk of only rewarding incremental innovation and the potential disruption to productivity that incentivising innovation can cause.

7.2.4 Risk mitigation strategies

Given that there were specific risks identified and associated with the practice of rewarding and encouraging innovation, a key finding emerged in that there are mitigating strategies (controls) that organisations can utilise to reduce the likelihood of such risks materialising.

Important mitigation strategies highlighted by this study include: the notion of rewarding teams rather than individuals, as well as the application of non-financial rewards for the ideation phase in the innovation process.

7.2.4 Innovation and creativity (output)

The final output of this framework or model is the enablement of 'innovation and creativity' in the workplace, together with a low level of risk of adverse unintended consequences materialising.

105



Figure 8: Framework for rewarding innovation

Source: (Authors own)

7.3 RECOMMENDATIONS FOR ORGANISATIONS

Innovation is becoming increasingly more important due to globalisation processes, as well as increased deregulation and liberalisation (Johannessen & Olsen, 2010). In this 'global knowledge economy', companies need to continuously innovate or risk dying (Johannessen & Olsen, 2010; Kalb, 2013). The author recommends that organisations adopt a multi-faceted total reward strategy to encourage innovation in the workplace as illustrated by the framework proposed (Figure 8) above.

In addition to this framework, the author suggests that organisations should be aware of the following factors:

- Leadership is a key "ingredient" in implementing an effective total reward strategy the framework highlights important leadership behaviours required to support innovation.
- Organisations should specifically emphasise and acknowledge the importance of non-financial rewards (such as recognition and providing creative and challenging work) as well as creating a work environment conducive to innovation (such as tolerance for failure and collaboration) in order to differentiate their total reward strategy.
- Team-based rewards (as opposed to individual rewards) are preferable when rewarding innovative performance, as these motivate collaboration and discourage individualistic behaviour.
- Non-financial rewards are preferable during the ideation phase, with financial rewards being more relevant and effective during the implementation phase of the innovation process.

The practice of effectively rewarding and encouraging innovation is essential and such strategies need to be embedded within the overall business strategy of an organisation.

7.4 RECOMMENDATIONS FOR FUTURE RESEARCH

A number of interesting future research topics emerged from the study, which became apparent during both the literature review and the interview process. Further research on rewarding innovation is recommended in the following areas:

1) This study focused exclusively on the perceptions of executive managers. It would be interesting to replicate the methodologies of this research by changing the unit of

analysis from the opinions of executive managers to the perceptions of more junior levels of management. Different insights might come to light which would contribute to the body of academic knowledge.

- Innovation competitions were found to be an important factor to encourage innovation in the workplace. Future research could explore the critical success factors in successfully implementing such programmes.
- 3) Various reward elements were highlighted by this study, but due to the qualitative and exploratory nature of the study the relative importance of these reward types could not be accurately quantified. Future quantitative research in this area could greatly contribute to the body of academic knowledge.

7.5 LIMITATIONS OF STUDY

The limitations of this study are largely due to its qualitative and exploratory nature. The use of in-depth and expert interviews raised issues of respondent bias, as well as time limitations. Given the limited number of interviews with a sample size of 15 and restricted geographic and industry focus, the research results are perhaps not ideally generalisable. Common-method bias is a further limitation, as the research explored individual perceptions of rewarding innovation. There is also a possibility that the interviewer may have interpreted participant responses with subjective bias, which could therefore have influenced the final results.

7.6 CONCLUSION

This study has argued the importance of employee innovation in the workplace and has provided insight into the following aspects of rewarding innovation:

- The important reward elements required to encourage innovation.
- Critical success factors in implementing a total reward strategy.
- Reward strategies for the phases of the innovation process.
- The risks associated with rewarding innovation.

A conceptual model (Figure 8) encompassing the above insights was proposed as a multifaceted approach to rewarding innovation in an attempt to address this research problem.

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APPENDIX A: INTERVIEW GUIDE

Introduction and background

Thank you for your time and willingness to partake in this study.

Research title and objectives

The title of this research is "The critical success factors in a total reward strategy to motivate innovation in the workplace"

The key objectives of this research are:

- 1. Determine which elements of total reward are the most important in motivating innovation in the workplace.
- Establish the critical success factors with regards to the implementation of reward strategies/elements to differentiate organisations from the norm and to establish a competitive advantage in respect to its innovation capability.
- 3. Explore the significance of potential unfavourable consequences or risks associated with rewarding innovation in the workplace.
- 4. The ultimate purpose of this research is to develop a model or framework of how organisations could effectively tailor a total reward strategy, to motivate innovation in the workplace.

The interview will be conversational and exploratory. I would like to encourage you to speak freely and openly and not be limited to just answering the research questions.

The two main constructs:

- 1.) **Innovation:** I have used a broad definition innovation. Innovation is the intentional introduction and application within a specific use, group or organisation of new ideas, processes, products or procedures, which are new to the relevant unit of adoption and designed to significantly benefit the individual, the group, organisation or the broader society.
- 2.) Reward: A very broad definition of "reward" is used, which could be referred to as "total reward". This includes all transactional (monetary/ extrinsic) and relational (work environment/intrinsic) forms of reward. The notion of total reward has led to the concept of a total reward strategy, which is a focused game plan that allocates resources and tailors activities to achieve a target performance. Total reward strategy must be unique to an organisation and when implemented effectively, it should help drive a sustainable competitive advantage.

Towers Perrin's Total Reward Model is depicted below.



Interview questions

Question 1: Which reward elements are the most important in motivating innovation in the workplace?

Probing questions

1.1 Which forms of financial rewards are important?

1.2 Which forms of non-financial rewards are important?

1.3 Which aspects/ elements in the work environment is important to encourage innovation?

1.4 is learning and development important in encouraging innovation?

Question 2: What are the critical success factors when implementing these reward elements/ strategies to differentiate the organisation from the norm and to ultimately establish a competitive advantage in respect to the organisation's capability to innovate?

Question 3 Assuming there are two phases to the innovation process (The ideation phase and the Implementation), how do you reward innovation across the phases?

Probing questions

3.1 Do you believe these phases should be rewarded differently?

- 3.2 How should a good idea be rewarded?
- 3.3 How should successful implementation be rewarded?

Question 4: Of these reward strategies you've mentioned or those you have not mentioned are there

any potential negative or unintended consequences, to rewarding innovation?

Closing: Do you have any other final comments or thoughts on this topic?

Thank you for your valuable input and participation.

APPENDIX B: INFORMED CONSENT LETTER

I am conducting research on the critical success factors when rewarding innovation in the workplace, and would like to find out more about senior management perceptions around this topic.

Our interview is expected to last about an hour. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below. Please note that I would like to audio record the interview to ensure accurate transcriptions. Should you have any further queries, kindly do not to hesitate contact me or my supervisor on the details below.

Researcher

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Name of Participant:	
Signature of Participant:	
Date:	

Name of Interviewer:	Marius Möller
Signature of interviewer:	
Date:	

APPENDIX C: LIST OF RESEARCH PARTICIPANTS

No	Name	Holding Company	Subsidiary Company	Title	Gender	Category
1	Brian Ruff	Discovery Holdings Limited	Discovery Health	Head of Risk Intelligence: Health	Male	General Managers
2	Robert Hutchinson-Keip	Discovery Holdings Limited	Corporate	General Manager: Banking	Male	Innovation Leaders
3	Penny Tlhabi	Discovery Holdings Limited	Corporate	HR Director	Female	HR/ Reward leaders
4	Ryan Noach	Discovery Holdings Limited	Discovery Health	Chief Operating Officer: Health	Male	General Managers
5	Gidon Novick	Discovery Holdings Limited	Discovery Vitality	Chief Executive Officer: Vitality	Male	General Managers
6	Nic Salmon	Discovery Holdings Limited	Discovery Vitality	Head of Research and Development: Vitality	Male	Innovation Leaders
7	Nonkululeko Pitje	Discovery Holdings Limited	Discovery Health	Deputy General Manager: HR	Female	HR/ Reward leaders
8	Ricky Farber	Discovery Holdings Limited	Corporate	Finance Director	Male	HR/ Reward leaders
9	Dianne Smith	Discovery Holdings Limited	Discovery Health	Deputy General Manager: Strategy and Innovation	Female	General Managers
10	Kris Tokarzewski	Discovery Holdings Limited	Discovery Health	Chief Information Officer: Health	Male	Innovation Leaders
11	Celeste Du Plessis	Discovery Holdings Limited	Discovery Health	Deputy General Manager: R&D	Female	Innovation Leaders
12	Moray Mac Lennan	Discovery Holdings Limited	Corporate	DM: Internal communication	Female	HR/ Reward leaders
13	Thembalihle Baloyi	Discovery Holdings Limited	Discovery Insure	Executive Director: Insure	Male	General Managers
14	Barry Swartzburg	Discovery Holdings Limited	Corporate	Executive Director/ Co-Founder Discovery	Male	HR/ Reward leaders
15	Matthew Dejkstra	Discovery Holdings Limited	Discovery Health	Head of Continuous improvement	Male	Innovation Leaders