



STRATEGIC COMPENSATION SYSTEM AND EMPLOYEE MOTIVATION AT ITC LIMITED

^{#1}Mrs N RAJANI, *Associate Professor,*

^{#2}SYED RUKSAR, *MBA Student,*

Department of MBA,

VISWAM ENGINEERING COLLEGE (Autonomous), ANGALLU, MADANAPALLE, AP.

ABSTRACT: The research presented here analyzes potential a strategic remuneration scheme could motivate employees at ITC Limited, a large Indian company with a varied portfolio. As people realize, compensation plans are essential for recruiting, retaining, and motivating employees and ensuring their performance meets company goals. ITC Limited's salary, incentives, perks, and recognition programmes are examined for their impact on employee engagement and satisfaction. The study examines how financial and non-financial rewards affect employee commitment, performance, and motivation using empirical analysis and literature evaluation. The findings show that a well-organized strategic pay structure boosts productivity, promotes high performance, and increases employee loyalty. According to studies, companies like ITC Limited can sustain growth and gain a competitive edge by matching their compensation programs with their company and employee goals.

Index terms: *Strategic Compensation System, Employee Motivation, ITC Limited, Compensation Strategy, Incentives and Benefits, Employee Engagement,*

1. INTRODUCTION

Employer productivity and efficiency are greatly affected by employee motivation. Motivated workers are more likely to commit to the company's goals, perform better, and innovate. Strategic pay plans tie rewards to performance, talent development, and corporate success to motivate employees. This approach emphasizes that well-paid and valued individuals are more likely to pursue personal and corporate goals.

Performance-based incentives, stock options, bonuses, and explicit pay structures are included in the strategic compensation plan, along with flexible work hours, recognition programs, and professional development opportunities. By offering a complete compensation plan, companies may meet employees' different needs. These systems aim to encourage

individuals in various jobs and positions to control internal and extrinsic motivating elements.

Implementing a strategic compensation system requires careful planning and business strategy alignment. It involves assessing work duties, analyzing market trends, setting clear performance goals, and evaluating employee engagement and satisfaction. Companies with great pay plans have lower turnover, higher morale, and better alignment between employee performance and corporate goals. This alignment promotes continuous growth, recognition, and accountability. Equitable compensation, performance-based incentives, and non-cash perks can make employees feel appreciated, motivated, and devoted to greatness. Thus, firms seeking long-term success and a competitive edge in today's fast-changing market must



comprehend the relationship between compensation and motivation.

2. REVIEW OF LITERATURE

Lumbanraja, P. (2025): This study examines a range of literature to determine how remuneration and incentive affect worker performance in various firms. The authors meticulously analyse a large number of earlier studies to find a strong association between equitable and adequately structured monetary and non-monetary remuneration and increased job motivation and performance outcomes. When employees feel compensated, their productivity, quality, and dedication increase, according to the review. It also emphasizes the importance of non-financial incentives like career progression, recognition, and a favorable work environment in addition to monetary pay in the relationship between salaries, organizational culture, and intrinsic motivation. Complete incentive systems that combine remuneration, perks, and motivational tactics are more likely to retain and improve employee performance, according to the authors. They support strategic compensation strategies that match employee material and psychological requirements with business goals. The study found that pay plans must be part of a human resources strategy to boost motivation and performance.

Saka, Abdul-Afeez Ayomide. (2024): This study examined how civil service remuneration affects public sector employee motivation. The authors discovered that the current remuneration structure did not meet employees' basic demands, which demotivated them. They collected data via questionnaires and interviews. The data imply that money alone doesn't motivate civil servants. The

research supports a more holistic strategy that emphasizes non-monetary incentives, equity in remuneration, justice, and acknowledgment. It emphasizes the need of pay systems that incorporate employee well-being in addition to base income to motivate employees. The study also emphasizes the impact of organizational context, particularly public sector constraints, equality perceptions, and fairness, on motivation. The authors propose compensation structure changes that consider monetary and non-monetary requirements. This study shows that comprehensive strategic compensation is needed to motivate public employees.

Verma, P., & Mer, A. (2023): It examines how total pay and prizes affect employee motivation in firms. The 80-person survey data that formed the study was analyzed using regression and ANOVA. Total rewards are favorably connected with employee motivation and engagement. Motivated workers are more engaged, which boosts company success. Effective remuneration practices promote a motivating and engaging workplace, according to the report. It argues that cumulative rewards—bonuses, benefits, and other incentives in addition to base pay—increase employee engagement. Employee motivation improves organizational performance, work culture, and compensation, according to the authors. The study highlights the value of complete incentives systems in increasing organizational outcomes and motivation, adding to HR expertise. It also shows how organizations may use remuneration to boost engagement and performance.

Islam, K. M. A. (2022): This research uses employee motivation to examine how a company's remuneration structure affects



employee satisfaction. A quantitative, positivist, deductive, and explanatory research approach was used to collect cross-sectional data from 100 randomly selected employees via a self-administered survey. Employee motivation strongly mediates the association between the compensation system and employee happiness, with a confidence interval that excludes zero (lower limit 0.06; upper limit 0.61). The compensation method also directly impacts satisfaction. The compensation system, including motivation, explains 96% of employee satisfaction variation, leaving only 4% unaccounted for. Direct plus mediated effect is statistically significant. The results show that a well-designed compensation plan can boost employee satisfaction by increasing motivation. The authors believe that firms should prioritize compensation strategies that correctly compensate employees to boost employee motivation and fulfillment. The study emphasizes the strategic importance of compensation as a way to increase commitment, motivation, and happiness beyond financial incentives. This affects HR policy: well-designed compensation can boost employee engagement, motivation, and satisfaction, improving organisational performance.

Zayed, N.M. (2021): Compensation benefits and training and development programs affect employee motivation and productivity in various businesses, according to this study. The study examines performance, motivation, empowerment, and remuneration among 370 workers using SPSS quantitative analysis. Results show a strong, positive link between motivation and empowerment. This increases productivity,

work performance, wage benefits, and development investments. The authors believe that organizations should combine rewards with skill development and growth to optimize motivation. According to research, motivated and empowered workers are more likely to respond positively to developmental and non-monetary elements in addition to compensation. Managers should use a comprehensive compensation approach that includes competitive pay, benefits, and training to boost organizational effectiveness and employee engagement. The study also shows that linking pay with growth possibilities can reduce employee dissatisfaction and attrition, giving a long-term competitive advantage. It only covers retail businesses, thus future studies should include other industries. Overall, the research shows that pay plans are more effective in motivating and maximizing production when integrated into a larger HR strategy that includes training and development.

3. COMPENSATION STRATEGY



Market competitiveness:

We need attractive salaries to recruit and retain excellent talent. Fair and appealing pay rates require regular market research and benchmarking against regional and



industry standards. Research and tweak your pay package to match your competitors'. Start with basic wage, performance bonuses, and direct pay.

Internal equity:

To maintain fairness in the organization, define clear, consistent compensation rules for equivalent occupations and tasks. Evaluation of career possibilities requires a transparent remuneration strategy that considers performance, education, and experience. Dissatisfaction and workforce turnover can be avoided via internal equity.

Performance alignment:

Individual and organizational performance should be connected to pay. Goals should be measurable and reachable so staff may be recognized for going above and beyond. Stock options and bonuses motivate employees to help the company succeed. This pillar requires an open and unbiased performance review and update system.

Flexibility and adaptability:

A flexible pay plan can accommodate workforce changes, organizational needs, and external market conditions. Opportunities for professional progress, remote work privileges, and significant reward packages can help. Adjusting to varied requirements and preferences makes employees happier and more loyal.

Legal compliance and transparency:

Compensation regulations need compromise. This includes minimum wage, overtime, and benefit compliance. Legal compliance and transparency in pay system establishment foster confidence and fairness.

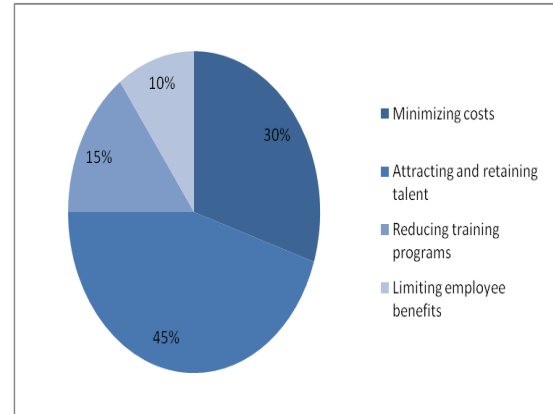
Sustainability:

Your compensation plan must be affordable for the company. To ensure financial stability, pay structures should

match your company's long-term financial goal.

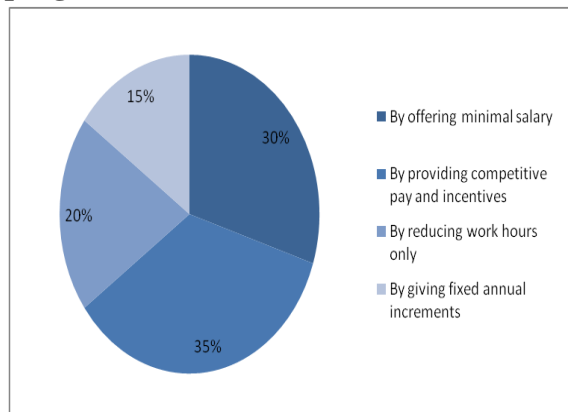
4. DATA ANALYSIS AND INTERPRETATION

1. Which is not ITC Limited's motivation for creating its strategic compensation plan?



INTERPRETATION: According to the poll (45%), ITC Limited's pay plan focuses on talent acquisition and retention. Reducing training and benefits is less important than spending (30%).

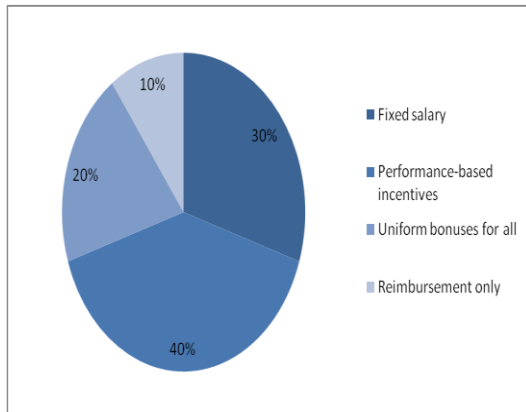
2. How does ITC Limited inspire employees with their remuneration program?



INTERPRETATION: The research suggests that ITC Limited motivates employees with incentives and competitive compensation (35%), followed by modest wage (30%). Labor hour reductions (20%) and fixed annual increments (15%) are ineffective incentives.



3. What is ITC Limited's main way of rewarding excellence?



INTERPRETATION: ITC Limited's pay plan is 40% performance-based, according to the report. Rebates and uniform incentives contribute for 30%, but salary stability is more important.

5. CONCLUSION

Strategic compensation strategy affects an organization's success and employee engagement. When incentives promote short-term and long-term goals, employees are more likely to work hard and stay loyal. Transparent and equitable compensation schemes that build trust and job satisfaction reduce turnover and increase retention. When combined with other forms of recognition, money can make employees happy and motivated. Awards and performance reviews push top performers to keep working hard. Strategic remuneration motivates workers to learn and improve, so they can see the rewards of growth. It also attracts top talent, keeping organizations competitive. Clear pay strategy communication improves employee understanding and happiness. Well-designed and flexible compensation plans boost productivity, loyalty, and motivation. The atmosphere it creates is good for business and workers in the long run.

REFERENCES

1. Lumbanraja, P. (2025). This study reviews a broad body of literature to examine how compensation and motivation influence employee performance across organizations.
2. Bhavikatti, V. I. (2024). This study investigated how compensation and reward schemes affect worker motivation, while emphasizing the need to humanize the workplace.
3. Verma, P., & Mer, A. (2023): This study examines how total rewards and compensation influence employee motivation within organizations.
4. Islam, K. M. A. (2022): This study investigates how a company's overall compensation system influences employee satisfaction, using employee motivation as a mediating factor.
5. Zayed, N. M. (2021): This study examines how compensation benefits, combined with training and development initiatives, influence employee motivation and productivity across different companies.
6. Adnan, A. A. B. Z. (2020): This study examines existing literature on how compensation strategy impacts employee performance among academic staff in Iraqi universities.