

**Performance And Reward Management**  
**Prof. Susmita Mukhopadhyay**  
**Vinod Gupta School of Management**  
**Indian Institute of Technology, Kharagpur**

**Lecture - 24**

**Role of performance management in employee development, addressing performance management skills and team reward management (Contd.)**

Welcome to the topic on Role of performance management in employee development, addressing performance management skills and team reward management.

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The concepts that will be covered today are small group incentive plans and to elaborate on this like what are the advantages and disadvantages of it, we will go for a small case discussion.

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**Team Based or Small Group Incentive Plans:**

There are **three types of teams** in an Organization.

- Work teams
- Project teams
- Parallel teams

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So, yes if we have already in the last module, we have introduced about the incentive plans. And, we have discussed like there are like there could be individual plans and there could be group based plans also. Today, we are going to discuss the different types of team based or small group based plans. So, there are three types of teams in the organization like work teams, project teams and parallel teams. We will first understand what does this mean and then we will try to connect the incentive plans with the functions of the different types of teams.

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**Work teams:**

Work teams refer to organizational units that perform the work of the organization on an ongoing basis. Membership is relatively permanent, and members work full time in the team. Customer service teams and assembly teams on production lines represent excellent example of work teams.

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A Work Teams refers to those organizational units that perform the work of the organization on an ongoing basis. So, the membership is relatively permanent over here and the members work full time in the team. So, customer service teams, assembly teams on production lines represent these examples of work teams.

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**Project Team:**

Project teams consist of a group of people assigned to complete a onetime project. Members usually have well-defined roles and may work on specific phase of project, either full time or in addition to other work responsibility of teams. Project teams usually work across such functions as engineering, product development and marketing to ensure that the final product meets company specification in the term of cost.

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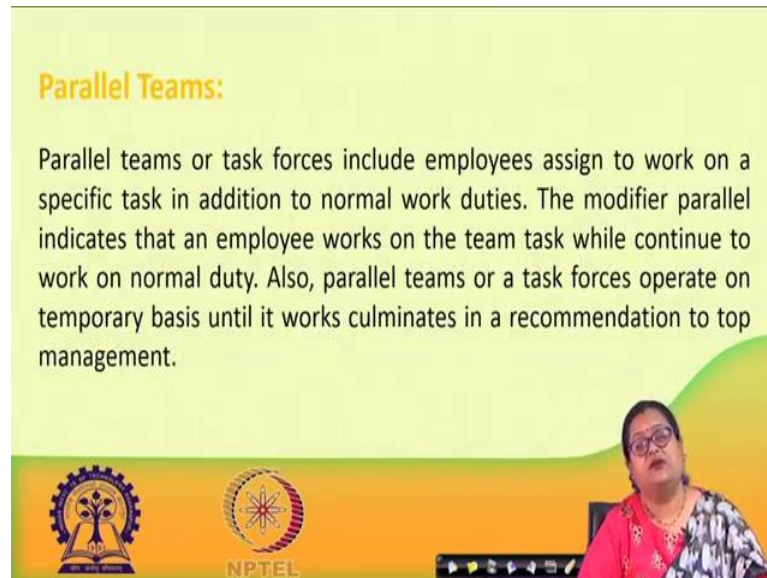
Now, when we talk of project teams; project teams consist of groups of people who were assigned to complete a onetime project. So, and members usually have well defined roles and may work on a specific phase of the project. So, either in full time or in addition to other responsibilities of like, work responsibility of the teams.

Uniqueness of the project team is that, it usually work across functions like engineering product development and marketing to ensure that the final product meets the company specification in terms of the cost. So, the difference with the work team is that work teams are like generally like permanent and the people work full time over here. And, like examples are like they are performing the work of the organization on an ongoing basis.

But, the Project team, it is a like assigned to complete an one time project after that the members disburse and like the it is like time bound. And, people may come in and work in that project on a like specific phase of the project for certain time and be they have so, got certain deliverables to the project and generally they work across functions. And, all

the different teams people from different expert areas come together to like meet certain company specifications. And, the final product should meet the company specifications

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**Parallel Teams:**

Parallel teams or task forces include employees assign to work on a specific task in addition to normal work duties. The modifier parallel indicates that an employee works on the team task while continue to work on normal duty. Also, parallel teams or a task forces operate on temporary basis until it works culminates in a recommendation to top management.

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Now, when we talk of parallel teams these are task forces, which include employees assigned to work on a specific task in addition to like the normal world duties. So, the modifier parallel indicates that when you talk of parallel it means like the employee works on the particular team task while continue to work on normal duty.

So, again parallel teams who operate on temporary basis and like until its like gives its recommendation to the top management. And, because they are formed for a particular purpose and after like they submit their report to the top management their work is done.

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**Small Group Incentive Plans**

Teams or groups may ultimately receive incentive pay based on such criteria as customer's satisfaction (i.e. customer service quality), Safety records, quality and production records. Although these criteria apply to other categories to incentive programs as well (individual, companywide, and group plans)

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Now, for these different kinds of small teams, which are there in the organization there could be small group incentives which are present in the organization. So, the teams or the groups may ultimately receive incentive pay based on such criteria as like, customer satisfaction that is customer service quality, safety records, quality and production records. So; however, these criteria incentive plans may be applicable to other incentive programs as well when you talk of individual plans company by plans and group plans.

Now, why we are discussing the team based incentives over here? Separately and we are going to discuss a case on it also, because if you remember in the last session. We were discussing there could be some issues cropping up while we are discussing on team based incentives like, because there are certain behaviors which like social loafing and maybe biasness may come in.

So, how to give a fair incentive, which is going to like motivate and reinforce people to work. And contribute positively to the team's goal is something that we need to ponder on. So, here we are giving emphasizing in details on the small group incentive plans and we will discuss on some of these important issues of team and it is group incentive plans.

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**Ways of Rewards**

Equal incentive payments to all team members:  
The equal incentives payments approach- reinforce cooperation among team members except when team members perceive differences in the member's contribution or performance.  
Disadvantage: social loafing

When a person exerting less effort to achieve a goal when he or she works in a team than when working alone

So, we will discuss here some of the ways of rewards and the first way of rewarding employees team members are equal incentive payments to all team members. When we are talking of equal incentive payments to all team members it approach, this approach of course, reinforces cooperation amongst team members.

So, accept like you except in certain situations where like people perceive the differences in member's contribution to their performance or their performance. So, this the disadvantage of this is like social loafing, when like this happens like some team members may be like exerting less effort to achieve a goal, win or he or she works in a team and then when working alone. Because, he or she may feel like even if I do not work then others are there to take care of it and at the end of the day all of us are going to get the same benefit. So, this or the though the positive side may promote cooperation amongst the employees on the negative side it may lead to social loafing.

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**Differential incentive payments to team members based on their contribution to the team's performance**

The differential incentive payment approach distributes rewards based to some extent on individual performance.  
Disadvantage: **Subjective bias**

The criteria of goal achievement should be clear and unambiguous to all members.

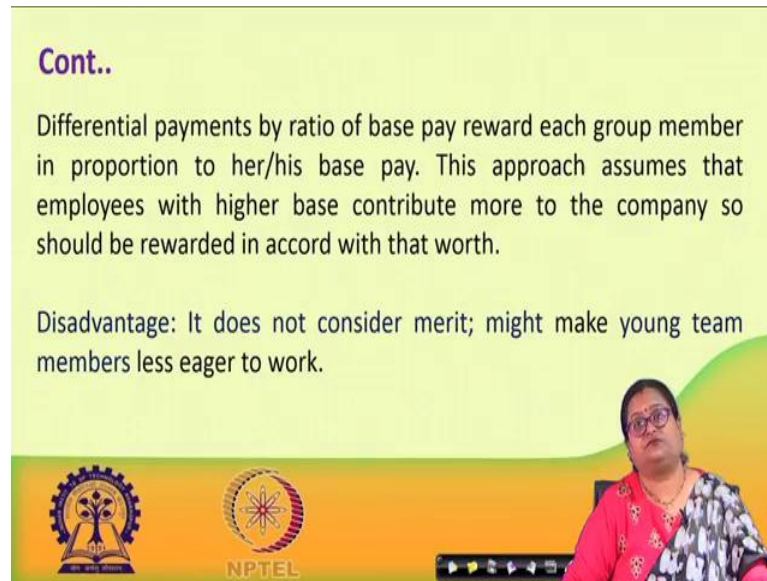
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The next alternative is like differential incentive payments to team members based on their contribution to the team's performance. So, the it is a differential incentive payment approach like which distributes results or the rewards based on the some extent over the individual performance.

But, it may be like may sometimes lead to subjective bias like the person who is giving the reward or doing the appraisal may give due to the error or biasness may tell like; some person is performing more, some of the employees are performing less. So, these may lead to subjective bias.

So, to remove these bias the criteria of goal achievement should be clear and unambiguous to all the members. Otherwise there could be a lot of dissatisfaction in the group members thinking like somebody has been unduly favored by the top management to give certain rewards, which was for which he or she was not at all eligible based on the performance that the person has shown.

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Differential payments by ratio of base pay reward each group member in proportion to her/his base pay. This approach assumes that employees with higher base contribute more to the company so should be rewarded in accord with that worth.

Disadvantage: It does not consider merit; might make young team members less eager to work.

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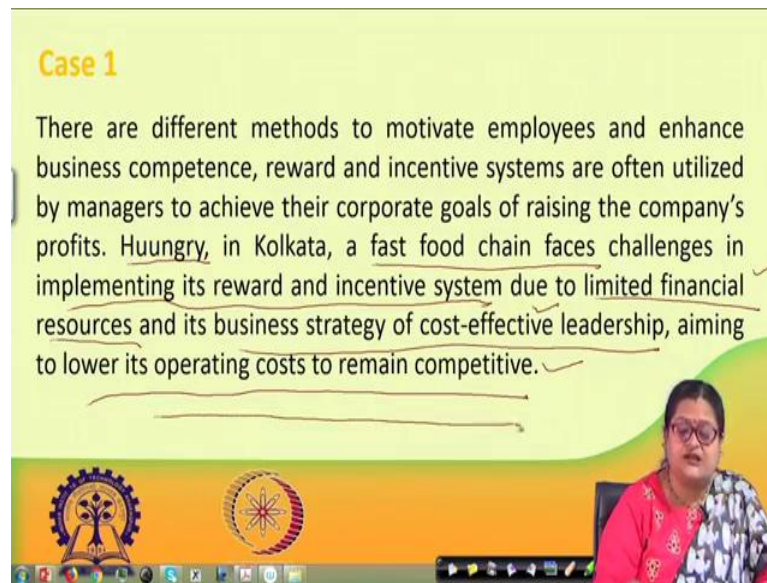
So, a format of this is differential payments by ratio of base pay reward each group member in proportion to his or her base pay. This approach assumes that employee with higher base may contribute more to the company. So, should be rewarded in accord to that work. So, the here the differential payment the ratio is related to in proportion to his or her base pay. And, the premises that because I contribute to more to the organization maybe me that is why the base pays is more and should be rewarded and the reward should be accord with it.

It means, if that is so, then mostly what happens this may be in with case of seniority in the organization and it does not consider merit. And, which might make young team members to make less eager to work. Because, in generally when people join people are new to the organization their base pay is less as compared to when they have like, spent some years in the organization or maybe we have got into the next higher pay level based on their like years and their promotions. So, based on that because it does not consider the merit so, some young team members may be less eager to work.

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**Case 1**

There are different methods to motivate employees and enhance business competence, reward and incentive systems are often utilized by managers to achieve their corporate goals of raising the company's profits. Huangry, in Kolkata, a fast food chain faces challenges in implementing its reward and incentive system due to limited financial resources and its business strategy of cost-effective leadership, aiming to lower its operating costs to remain competitive.

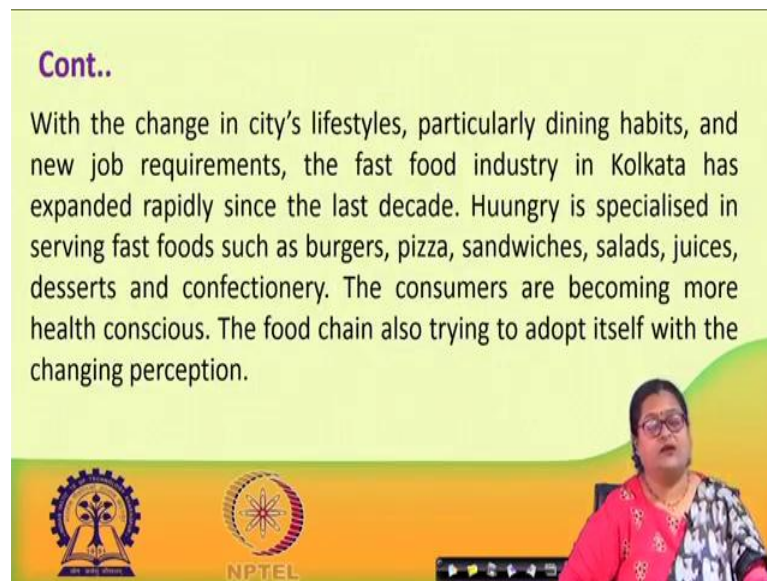
So, now, we will discuss about the case in details and we will get to see like the how a particular organization is trying to give incentives to its employees and its teams so, that they are able to reach their objective. So, what you see over here incentives and there are different ways of giving incentives to a particular employee or a group, but we have to design, we have to understand how these incentives are leading to better performance, or how the performance due to the performance the employee is getting a reward, and how these are connected with the goals of the organization.

So, that is very important to align, the performance, the reward, together with the goals of the organization. So, what we understand over here like the, it is the organization like fast food chain Huangry in Kolkata is a it faces challenges in implementing its reward - incentive system due to limited financial resources and it is business strategy of cost-effective leadership, aiming to reduce its operating cost in order to remain competitive.

So, what we see over here is a type of business what we see over here the type of business in which the company Huangry is in. It is a fast food chain and what challenge is it facing is in implementing its rewards and incentive system now why they are facing this challenge, because they have limited financial resources and that is one point. And, the other is it is business strategy of cost effective leadership and when we talk of cost effective leadership one of the main aims is to lower it is operating costs to remain competitive.

So, cost effective leadership to lower it is operating costs, now if it is to lower the operating cost, then we cannot spend too much on giving monetary incentives to the people. And, that is why they have limited financial resources and it is very difficult then to plan for the reward and incentive system, because there is less of money and we cannot think of like giving more monetary rewards.

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With the change in city's lifestyles, particularly dining habits, and new job requirements, the fast food industry in Kolkata has expanded rapidly since the last decade. Huangry is specialised in serving fast foods such as burgers, pizza, sandwiches, salads, juices, desserts and confectionery. The consumers are becoming more health conscious. The food chain also trying to adopt itself with the changing perception.

So, the background the environment is that like with the change in city's lifestyles, particularly in the dining habits, and the new job requirements, the first food industry in Kolkata has expanded rapidly since the last decade. So, this is the background environment, because whenever we are talking of discussing about any organization, we have to understand the scenario, we have to understand the environment in which the case is getting discussed.

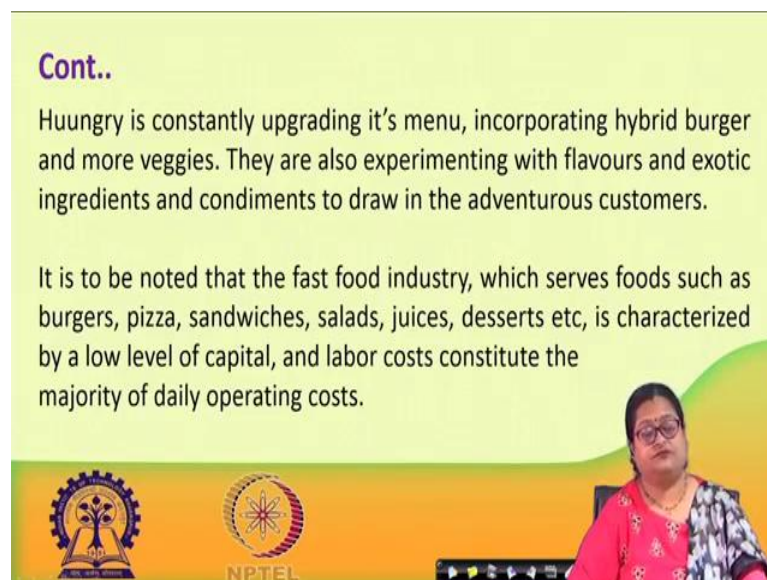
So, here we see like they if this case is based in Kolkata and with the change there has been drastic change in the city's lifestyle, the dining habits and the fast food industry has expanded rapidly. So, when we talk of the fast food industry has expanded rapidly. So, means there are new players coming up, there are more choices available to people and they the consumers also are like expressing, their like choices for different kinds of foods and they have choice of outlets also.

So, there are n number of competitors who are maybe offering same kind of thing there is a pressure from the consumers also regarding, like giving health conscious foods. And,

how the perception are because people are the taste, eating taste of people are changing also. So, there is a the food chain has to adhere to stay in business it has to like align itself with the changing perception of the consumers and also to answer to the competitors.

So, and what are the strengths points of this organization Huungry? Is it is specialized in serving fast foods like burgers, pizza, sandwiches, salads, juices, desserts and confectionary. So, these are it is strengths points, but again the changing nature of the consumption pattern, the changing nature of like consumers in terms of health consciousness. Like many competitors coming up these are again somewhat threats to the organization with which it needs to adapt itself.

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Huungry is constantly upgrading it's menu, incorporating hybrid burger and more veggies. They are also experimenting with flavours and exotic ingredients and condiments to draw in the adventurous customers.

It is to be noted that the fast food industry, which serves foods such as burgers, pizza, sandwiches, salads, juices, desserts etc, is characterized by a low level of capital, and labor costs constitute the majority of daily operating costs.

In order to do that what Huungry is trying to do is to upgrade its menu. So, and like making hybrid burger and adding more of veggies to it. So, because people have become health conscious and generally like, burger, pizza, this fast food are classified as maybe some sort of unhealthy foods. So, what it is trying to do in order to address to the need of the health consciousness of the consumers, they are trying to try to work out on the product to make it more innovative and they have trying to incorporate hybrid burger and with more veggies in it.

And, also they are because these changes are tastes are changing fast and maybe there are other organizations with maybe different kinds of offers for the consumers to grab

the market. So, in order to answer to these threats, like Hungry is also experimenting with flavors and exotic ingredients and condiments to draw in the adventurous customers.

So, it is generally noticed like the fast food industry which serves food such as burger, pizza, sandwich, salad et cetera. So, they have a very low level of capital and the labor costs generally constitute the majority of the daily operating cost.

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As competition in the food industry is on the rise and customers have also become more selective with their food choice, paying much more attention to the nutritional values and convenience. Hungry is required to offer suitable reward and performance enhancement incentives to improve the quality of its workforce, which in turn can help to improve the quality of customer services and efficiency.

The slide features a video inset of a woman with glasses and a red top speaking. At the bottom, there are logos for an institution and NPTEL.

So, what we are discussing like the as a competition in the food industry is on the rise and the customers have also become more selective with their food choices. So, it is required to pay more attention to the nutritional value and convenience of the people.

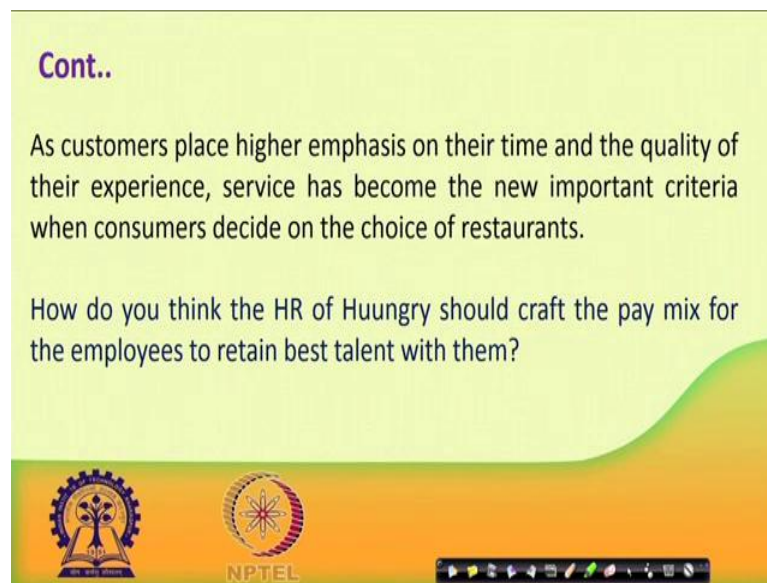
So, of the customers so, now we understand and like how fast the delivery is could be how people are the people at the counters are interacting with the customers, these are also important in bringing back the customers. So, what Hungry is required to offer is a suitable reward and performance enhancement incentives to improve the quality of the workforce. So, which in turn can improve the quality of the customer service and efficiency.

Because, we have to like you understand people who come here for dining we have may come here for ambience for a good behavior of the people in the restaurants they want a proper service to be given to them. And, they have may be efficient service they have

less of waiting time for the food. So, these are certain qualities. So, improving on the customer, quality of customer service, and the efficiency level can be done like if the quality of the workforce is improved.

And, here it is Hungry is thinking of how to offer a suitable reward and performance enhancement incentives. So, the quality of the workforce in like becomes better and which can in turn help to improve the quality of customer service and efficiency.

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As customers place higher emphasis on their time and the quality of their experience, service has become the new important criteria when consumers decide on the choice of restaurants.

How do you think the HR of Hungry should craft the pay mix for the employees to retain best talent with them?

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So, service has become very very important because people have as I was just discussing people have less of waiting time. And, the customers give lot of emphasis on their time and quality of their experience for that service has become very important criteria, when people like to make a choice between restaurants.

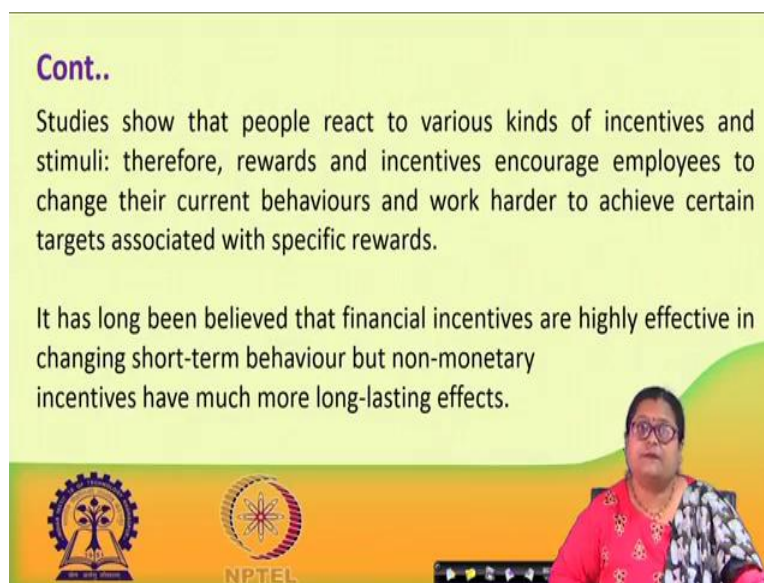
So, now we have to think of like how Hungry, the HR of Hungry should craft the pay mix for the employees in order to retain the best talent with them? So, if you go for the whole process we understand like it starts from maybe the process of this preparing of the burger and all. We will find like at the from preparation to putting it to the on to the table of the customer.

So, this is a like whole lot of teamwork which is required. So, how the employees are to be retained with the incentives and what are the pay mix? And also we have to understand somewhere the end of the day this could be like preparing same kind of

burger again and again in lots and lots, like would be a some kind of repetitive work for the employees also, if not there is a provision again for maybe experimenting with the flavors and trying to learn something new.

So, this could be a monotonous after some point of time a monotonous job also for the people who were like working on this and which may affect their quality of work and service quality. So, how to crack the pay mix for the employee so, the best talent is we take this one of the questions over here.

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Studies show that people react to various kinds of incentives and stimuli: therefore, rewards and incentives encourage employees to change their current behaviours and work harder to achieve certain targets associated with specific rewards.

It has long been believed that financial incentives are highly effective in changing short-term behaviour but non-monetary incentives have much more long-lasting effects.

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So, when studies have shown like the people react to various kinds of incentives and stimuli. So, therefore, rewards and incentives should encourage employees to change their current behavior and work harder to achieve certain targets associated with the result or the reward. So, when you talk of reward management it has got two functions like, first it should try to bring in like encourage employees to change their current behavior and work harder to achieve certain targets associated with a specific reward.

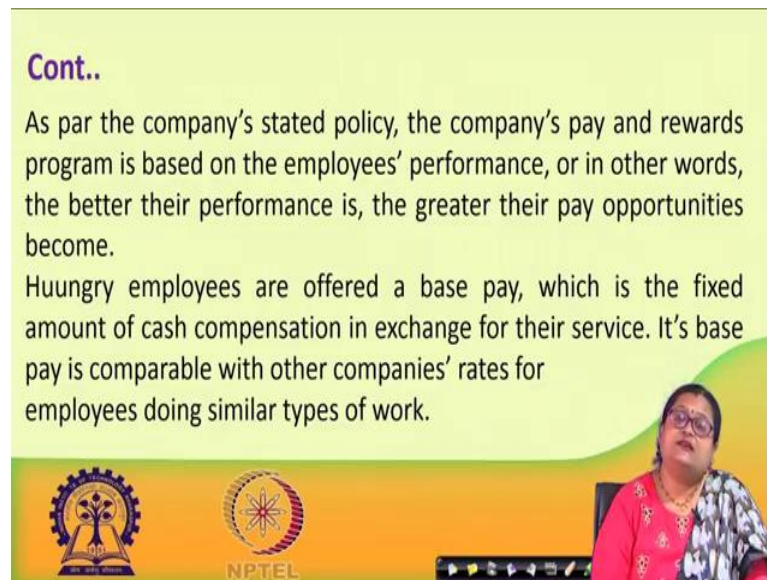
So, what we have already discussed about it like financial incentives are effective in changing short term behavior of employees. But, when it comes to for more long lasting effect maybe non-monetary incentives have much more long lasting effects.

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As per the company's stated policy, the company's pay and rewards program is based on the employees' performance, or in other words, the better their performance is, the greater their pay opportunities become.

Hungry employees are offered a base pay, which is the fixed amount of cash compensation in exchange for their service. Its base pay is comparable with other companies' rates for employees doing similar types of work.



So, to continue with the case we will find like the as per the company's stated policy, the company's pay and reward of program is based on employees performance, or in other words, the better the performance, greater is their pay or opportunities become.

So, how Hungry employees are paid? Are they are offered a base pay, which is the fixed amount of cash compensation in exchange of their service. So, its base pay is comparable to with other company's rates for employing doing similar types of work. So, they have a fixed amount of cash compensation in exchange of their services.

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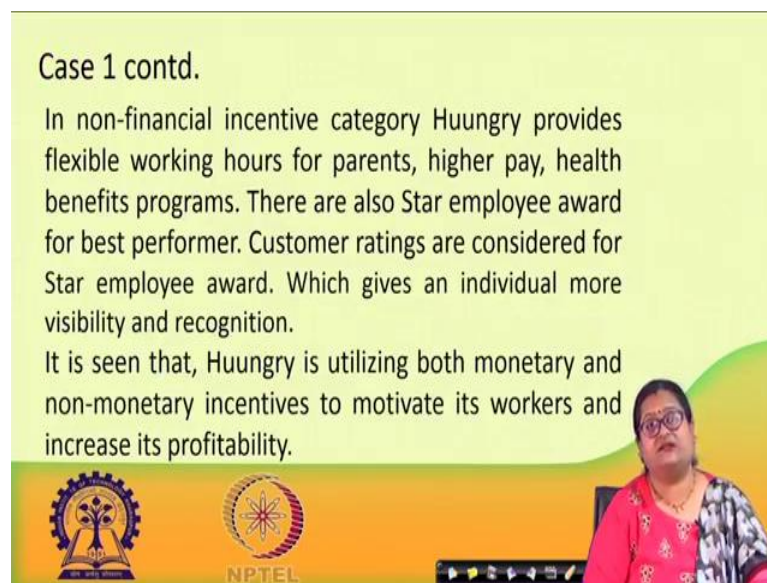
& it is matching to the particular employee's experience, skills, and performance over time. There is also small group incentive plans which depends on a particular store's success.

Which type of small group incentive plan will work here better?  
(Discussed in earlier slides).



So, and it is like matching to the employee's experience, skills, and performance over time. So, there is also a small group incentive plans which depends on a particular store's success. So, whenever we are talking of group incentive plan. So, what kind of group incentive plan will work better here? Like, we discussed about equal pay to all the team members, then we discussed about differential pay between the team members; according to just think of like which is going to like help better result, when we are talking of small group incentive plans with relation to this particular case.

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**Case 1 contd.**

In non-financial incentive category Hungry provides flexible working hours for parents, higher pay, health benefits programs. There are also Star employee award for best performer. Customer ratings are considered for Star employee award. Which gives an individual more visibility and recognition.

It is seen that, Hungry is utilizing both monetary and non-monetary incentives to motivate its workers and increase its profitability.

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So, when we are talking of this we have to understand again we have to like first observe the workflow properly. So, how the whole process of work is done, what are the contributions in terms of like preparing the food or getting materials in place and or the serving it to the customers. Like how each of the activity are connected to each other and how each activity is an input to the next activity and we have to design our plans accordingly.

So, without observing the work properly to find out how the performance of each member is getting synchronized with the performance of the other member. And, reach all our critical steps of doing the exercise of maybe making a pizza and delivering it to the customers. We just cannot like abruptly plan for whether it will be an equal based incentive or differential pay incentives. So, what we see also in that case like in non-



financial incentive category Huungry provides flexible working hours for parents, higher pay, and health benefit programs.

So, there are also star employee award for best performer. So, customer ratings are also considered for best performer. So, which gives like the employee more visibility and recognition. So, what is seen over here is Huungry is utilizing both monetary and non-monetary incentives to motivate it is employees and increase it is profitability.

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So, this is the reference like about ESOPs programs and you can go through these references to know about more about the different kinds of team based and group based plan in the organization. We will discuss these things more in the continuing sessions.

Thank you.