

Performance And Reward Management
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Lecture - 26

Overview, reward system, understanding total strategic and international reward

Welcome, hope you are enjoying the lectures on the course of like Performance And Reward Management. Welcome to this week's topic on Overview of reward system, understanding total strategic and international reward. In this the concept that will be covered in today's lecture are total reward and engaged performance.

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Total Reward and Engaged Performance

The growing emphasis on employee engagement as critical to organizational performance means that the concept of **total reward** is exerting more and more influence on reward strategy.

Employees and potential employees have become much more sophisticated '**customers**' of total reward offerings and more questioning of what they contain.

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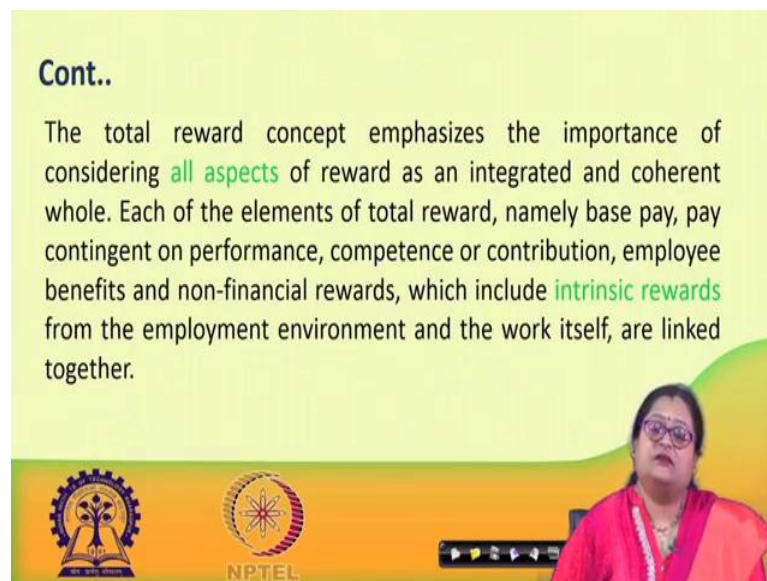
So, in the last discussions we have covered about the financial reward and the non-financial rewards that are present in the organization. What we understand like for the emphasis on employee engagement, which is now very critical for organizational performance. We have to draw a mix and match between the different rewards that are present in the organization. We cannot only tell like we will be giving only financial rewards, or we can cannot just tell like, we will be giving only non-financial rewards.

And also we understand like there are different varieties categories of financial rewards and also there are different varieties of non-financial reward. So, to keep the employee motivated and to perform well in the organization to contribute to the growth of the organization and also simultaneously have a feeling of self-fulfillment from the rewards

that are given in the organization. It is very important that all the rewards are mixed together and then reward is worked out, which is best suitable for the need of the employee and to motivate the employee in order to perform better and also to for the self-growth and development of the employee.

In today's discussion we are going to focus on the total reward system which is like, becoming more and more important in the context of reward management. And it is like it is how we are designing, what is the strategy for reward and we understand like the employees the present employees and the potential employees are they are more like in sophisticated customers of total reward offerings and like they really have more questions on what they contain. So, in today's discussion we are going to discuss about total rewards in the organization.

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The total reward concept emphasizes the importance of considering **all aspects** of reward as an integrated and coherent whole. Each of the elements of total reward, namely base pay, pay contingent on performance, competence or contribution, employee benefits and non-financial rewards, which include **intrinsic rewards** from the employment environment and the work itself, are linked together.

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So, when we talk of total rewards it the concept emphasizes on the importance of considering all aspects of rewards, like it is an integrated and coherent whole. So, each of the elements of the total reward like, whether it is a base pay for performance or for like competence, or contribution, employee benefits and non-financial rewards, which also include intrinsic rewards from the employment environment then work itself are intricately linked together in a holistic way.

So, when you talk of total reward system it is like linking of the all the different kinds of rewards together in a scientific way, which helps you to motivate the employees.

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A total reward approach is **holistic**; reliance is not placed on one or two reward mechanisms or levers operating in isolation. The aim is to offer a value proposition and maximize the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement.

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So, we have to understand the approach of total reward is holistic in nature. So, where we try to see the combined effect so, of all the rewards together. And the it is not like only one single kind of reward system that we are focusing over here or like and it is not like the rewards or different kinds of rewards are functioning in isolation.

The aim of this total reward approach is to like offer a value proposition and maximize the combined effect of the all different wide range of reward initiatives on the motivation, commitment and job engagement.

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The conceptual basis of total rewards is that of grouping or '**bundling**', so that different reward processes are interrelated, complementary and mutually reinforcing.

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The conceptual basis of the total reward is like that of grouping or bundling the rewards together. And we have to keep in mind like all the different reward processes are interrelated, we have to understand these words are important like all the reward, all the different reward processes are interrelated complementary and mutually reinforcing.

So, when we talk of the reward processes are interrelated, we mean all the different facets of the financial reward or the nonfinancial reward, they are interrelated with each other and they are complementary to each other. So, whatever is the shortcoming of one type of reward is taken care of by combining it with a different kind of reward and they are mutually reinforcing to each other.

So, when and in this process that is called a bundling of the different rewards together. If, we remember in the last discussions when we are talking of individual rewards and the group rewards for increasing individual or team performance. And the individual's performance within the team we were talking, discussing about the different advantages and disadvantages of different kinds of rewards in that section.

So, here the aim will be to combine the rewards in such a way like the disadvantages of one are taking care of by the other thing, other kind of reward and they become complementary to each other.

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Transactional Rewards

Financial rewards and benefits				
Base pay	Contingent pay (for performance)	Variable pay (cash bonuses)	Share ownership	Benefits

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So, the different kinds of rewards which are there in the organization first is that we talk of transactional rewards. In transactional rewards we have the financial rewards and benefits. So, it starts from base pay and contingent pay for performance and variable pay, which are again based on the performances and which are cash bonuses. And share ownership about the getting a feeling of the ownership of the organization and different kinds of benefits. All these are financial rewards and benefits given to employees.

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When we talk of relational rewards we were discussing it in the last session. It is the relation of the individual with the work system, relation of the individual with the leader, relation of the individual with the peers and juniors, relation of the individual with the job itself, relation of the individual with the organization and also relation of the individual with the his or her own life and other role responsibilities that he has to take up in his or her own life. So, when we talk of relational rewards these are rewards given.

So, that all these relations are like answered properly and the individual is able to like, maintain or like do justice to the different kinds of expectations and roles. So, here and the non-financial rewards are those rewards which are arising from the work itself and the work environment and it is classified as a recognition, given by the organization responsibility in the job, meaningful work that the person is doing, autonomy given to the individual in the work environment and career opportunities and work life balance.

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When we are talking of total reward, then total reward consists of like the transactional rewards or the total remuneration that the person is getting from the job plus the relational rewards or the non-financial rewards and together it leads to the total reward that the person is getting from the job.

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So, when we are talking of total reward. Why we intend to give this reward is to get like the improve the engagement of the individual with the job or to get more engaged performance of the individual from the job. The according to the Hay group the 6 pillars

of engaged performances are like tangible rewards, future growth opportunity, enabling environment, inspiration or values, work life balance and quality of work. These are the six pillars of engaged performance.

So, what we see over here as the six pillars of engaged performance tangible reward maybe is only the one of the parts, but the major of other 5 parts are the non-financial rewards that the that are connected to the job. So, now, we will discuss each of these pillars separately and find out what are the details included in each of these pillars.

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In the tangible reward pillar we find like the things which are there are competitive pay, good benefits, incentives for higher performance, ownership potential, recognition awards and fairness of reward. So, what we see over here? It is not only the pay which is important, but we have to see like, whether these pay that is given to the employee is competitive in nature, when it is compared to other like similar individuals working in the same organizations or working in the same organizations, or different competitive organizations.

So, competitive pay given to the individual in terms of what other competitors are paying will be defined by for this, whether a proper market survey has been done based on where the before the job grouping is done and the pay band is decided. And whether proper job evaluation has been done for the process to determine the price or the worth of the job.

Then only if a proper job evaluation is done, a proper market survey is done to find out what is the market, given rate in the market or in the industry for a specific nature of the job, then only we will be able to take a decision about the competitive pay. So, it is one of the important things, it is related to the good benefits also.

So, it is not only the pay when we are talking of the salary and incentives which are important, but that should be linked with the good benefits given to the employees in terms of taking care of different aspects of the person's life. When you talk of good benefits it is also linked with the incentives for higher performance. So, when there is an incentive for higher performance.

We understand everybody wants to see like if they are taking some like initiatives or performing well, it should be recognized in the organization; it should be valued in the organization. So, it is not only the good benefits, but incentives for higher performance also which are important.

And, if we are talking of like commitment to the organization and it is like thinking like getting more engaged with the organization, what are the ownership potential. So, that how much ownership do I get into the organization. So, that I can develop organizational identity, think like the organization is my own organization. So, that is taken care of by the type of financial or the tangible rewards in terms of like ownership potential.

Recognition rewards are also very important and maybe this is at the linking pin between the financial rewards and the non-financial rewards. So, what kind of recognition do we get from the job, are we recognized for our performance and these recognition can be also like when we talk of incentives for higher performance. So, these could be linked together also. Like, if somebody is given an incentives for higher performance it is also recognizing the performance of the individual.

So and most important also is taking care of everything the fairness of reward. So, whenever we are talking of like any reward given to the individuals or to the group in terms of monetary benefits incentives or the other like recognition ownership et cetera. We should see the fairness in the process. Like, whether things have been the rewards has been distributed properly, whether there has been distributive justice and whether there has been like process oriented justice also is the amount given correct and also whether the process of distribution was correct or not.

So, fairness of reward is very important, whenever we are talking of tangible rewards. So, here we see like whenever we are talking of tangible rewards it is not only the competitive pay, not only the good benefits or incentives single or the ownership potential and single or recognition and fairness like in isolation, but all together taken determines what is the like the strength of the tangible rewards. And when it is arranged in a cycle means like one will lead to the other and the again that point will lead to the first one.

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Whenever we are talking of the next pillar, which is quality of work. What we see over here are different aspects again of a work, that is present first is whether the work is challenging or not, but again in order to make the work challenging we should not like over pressurize the individual to perform with a very heavy workload. So, the challenge given in the job should be balanced with the workload, quality of work relationships.

We can take up any workload and a challenging job, provided the team members that we are working with, provided the juniors that we are working with, provided the superiors the bosses the team needs such we are working with, we are in very good rapport with them and there is high clarity of the tasks that we need to do. And there is lot of and there is lot of trust developed between the all the people that are contributing to the purpose.

So, these again are linked together along with here also you find ownership potential is very important like, what is the responsibility given how much is the accountability of

me for what kind of nature of the work given. So, these are important freedom and autonomy again like, whether I do have the freedom of expression, freedom of choice and do I have the autonomy to select the way that I will be doing the work.

So, these are important things, but again it should be balanced approach like we have to see like autonomy to what extent and expected by whom these are important things. Perception of the value of the work is again the seeing the work, as a meaningful work, whether I see it contributing to the organizational purpose and this is again connected to the sense of achievement from the work and whether do I get a challenging assignment to perform. So, again all these small circles are connected to each other and in together in totality they make up the good quality of work.

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Work life balance is a very very important facet of reward design, because we understand employees do not come to work leaving their life aside. There are different challenges in the life situations, there are life, different life events which could be stressful for the individual and which may demand certain changes in the behavioral pattern of the individual, which may bring in certain changes in the life of the individual. So, there are different life events.

And they are; obviously, going to have a reflection on the decisions made by the individual regarding certain aspects of life and having to balance between the work that is in the organization, the career and the responsibilities towards the other life situations.

So, when we talk of work life balance, it is a facilitating mechanism taken by the organization to help the person, to answer to the challenges of the dilemma that face between the work life and to bring those things into a balancing state.

For that what is required you see importantly is a flexibility of adjusting the time between the work the demands of the work and the demands of life. And so, that if we have that flexibility we will be able to answer to both in a better way. Next is a supportive environment. The organization should recognize first recognizing the facts like the individuals are not employees who are devoid of all relationships or challenges in life, if you are to perform for the organization you have to say no to other aspects of life, recognition of that itself is very much soothing satisfying for the employees.

So, a supportive environment is very important which helps the employee to adjust to the different life situations and contribute to the work also in a better way. Recognition of life cycle and individual passes through different life stages, which has it is own challenges and milestones to achieve. And that may have may lead to certain setback in the level of performance or the career that the individual is presently pursuing.

So, but these are again life cycle events, life events and we cannot say no to it. And like in that because if we say no to it presently and try to deter it for some time later on it may have greater like, negative effects on the individual and his or her life itself. So, recognition of life cycle is very important, important for the organization here for reward management is for reward design is I recognize the different challenges of the life cycle of the individual like, when we talk of like career stages of a woman and maybe career demands of a person like the job responsibilities of a person who is a caregiver to someone.

So, how can we design some innovative practices in the organization, which recognizes these life challenges, but still provides avenues for employees to like be in the organization. And also take care of the life events and then find a balancing role between both and continue smoothly in both the fears. Security of income is also important like we just cannot tell like you like do away with a considerable portion of your income and then, you take it as a compromise for the work life balance, because the minimum level of income is also required for a self-sustenance.

So, like what is that level of income which should be secured for the employees. So, that they have a balanced life style, which takes care of their minimum requirements living requirements this needs to be taken care of also.

And also a social environment which respects the individual and maybe the diversity in the individuals their needs, their personality, their preferences and social environment, which is more acceptable to these diversities and which is which gives a supporting environment of like assimilating all these diversities within itself. Because, in diversity lies the seed for creativity and like contributing in a better way like when all in a holistic manner.

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Inspiration or values these are important facts also, because we understand there is a vision and mission statement given by the organization. And also each individual have certain value systems in life which they nurture, which they cherish and which is the philosophy of the life that they move forward with. And they join every organization also to like in a where they find there is a match of these values or where they can learn from their leaders and the organizational values.

So, when we talk of inspiration or values the quality of leadership, the organizational values shared by the organization, the reputation of the organization, the recognition received by the individual from the organization, like what is the approach towards risk

sharing by the organization. And like how do they perceive risk what do they do in those situations? How the communication is in the organization?

These are very important like whether like they are encouraging open communication or not, whether there is enough of trust in the environment or not these are important factors, which gives like the values which helps the person to draw the values from the organization or get inspired by the values of the organization.

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When we talk of enabling environment? So, we have already discussed see as we have already discussed as a part of the quality of the work life balance as a supportive environment. Here, we are illustrating again what we mean by that supportive environment or enabling environment?

So, when we talk of enabling environment, which is again a part of like supportive environment, which is focused towards the performance of the individual, when we talk of a supportive environment, we talk of a socially supportive environment, which recognizes the life stages and challenges of the individual. And gives us an supportive environment for me to reduce the stress, stress from these life events and get adjusted to the work and the life situation simultaneously.

When we talk of enabling environment this is an environment, which like facilitates my performance by like having a soothing physical environment, which facilitates like the

how we perform the work, the tools and equipment's being in placed, proper training given to the individual, the information and processes which are shared and also the safety and maintenance in the organization. So, you find like the safety and maintenance in the organization will be related again to the physical environment and in proper physical environment which is there tools and equipment's will be there.

And if tools and equipment's are there then we require a proper job training to know how to use these tools and equipments and in that job training we also need to understand like, the what are the informations and the processes shared as per the requirements of the job. And it should be like lead to safety also and related to physical environment. So, we can start we can really start from any part of the cycle, I will find like all the points are connected to each other.

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When we talk of future growth and opportunity as again a pillar of employee engagement, what you find like the feedback on like we can take feedback on performance improvement and learning and development between or beyond current job are the aspects of future growth and opportunity also. So, if you want go into go for performance improvement we need to get a proper feedback of what went wrong and how we can develop on certain aspects.

And if you really want to develop on certain aspects we should be learning and developing beyond the current job. If we are developing only for the current job we are

not preparing ourselves for the future roles. So, learning and development beyond the current job is very important, if we are talking of career advancement opportunities.

And then career advancement opportunities will also be linked with the performance improvement. So, again all these are linked together then we can ask the WH questions to it like, what if we want the performance improvement, what requires to be done? What kind of feedback do we get? And if we get this kind of feedback then what are the learning and development opportunities, which we can take care beyond the current job.

And what we are learning over here does it require, does it link it to the career advancement opportunities present in the organization. And if we are working for it does it lead to my performance improvement. If, we try to see the connectivity between all these sub parts together, then we will holistically will be able to see the opportunities for future growth and development.

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At its best, the total reward approach embodies the organizational adoption of a more emotionally intelligent way of working. It requires the use of the key competency levers of self-management, self-awareness, social awareness and relationship management in an organizational context as part of the approach needed to secure leadership excellence in the pursuit of significantly raised performance.

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So, what we see over here like, when whenever we are talking of total rewards. It is an organization's adoption of a reward system, which is which helps in the adoption of a more emotionally intelligent way of working.

So, it requires to work on the key competency levers of self-management what do, how do I manage myself what do I want, self-awareness, social awareness and relationship management in an organizational context. So, because these are important factors, if we

do not know like what are my weaknesses which I need to take care of. What are my interests, where in which area I need to see my career develop?

And what are the current trends and like what are the people wanting from me or like what are the recent changes in the environment happening and how do I manage the relationship, with the other stakeholders connected to me, then maybe we will not be able to improve on our performance. So, this, but if we have these things, if you are able to see the connect between self-management awareness, social awareness and relationship management.

Then only we will be able to develop ourselves into better leaders and then which will help us to like improve on not only our own performance. Maybe also the performance of other people connected with us and together again it will lead to a increased and raised performance.

And this also you see the connection of the reward over here is like, if we know what we want, if we know what we are have the drawback where we need to develop, if we understand what are the challenges of my life and other situations, if we understand what are the challenges in the other person's life their constraints and their plus points. And also what is the total likes situations under which we need to perform, then we will be able to suit the monetary rewards and the non-monetary, non-financial rewards in a proper blend.

So, that it helps to answer the different needs of the and challenges of the individual and or and the group together and combined way it will lead to better performance. And also engaged employees, because when I see the my factors are taken care of by the organization, my challenges of life are taken care of by the organization, organization is giving me a scope to develop it is seeing me as an important contributor in the system of the organization. And it is giving me a chance to contribute irrespective of the different life preferences I may have, the different interest patterns that I may have.

And it is giving me the scope to nurture my individuality also my interest level also, it is given me a freedom of performance, then I also feel a sense of like completeness and a bond relationship bond developed with the organizations. I develop an effective commitment I start loving the organization, and when I start loving the organization.

Maybe I want to do something more for my organization and from that point employee engagement starts.

And once the employee is emotionally engaged into the organization so, the it also like motivates the employees, the employee becomes self-motivated to take up more challenging tasks to experiment with different ways of doing things take up risks and maybe work something extra. So, that when the results come when the outcomes come, I know like it is something that I am doing not only for my organization.

But, it is something which where I do find a place also of me contributing in a valuable way to the growth of not only myself, but to the organization also. So, that attachment with the organization develops, when this a bond between the employee and the organization develops.

So, when we talk of a total reward management, it involves how to develop a more emotionally intelligent way of working. So, that the employees understand themselves, understand their relation with others understand their relations with the job in the organization. Sees everybody as a holistic individual with positives, negatives, gray areas, challenges in life, but yet has a respect for the individual, recognition for the individual and understand like they if these life situations are taken care of everybody has a potential to perform and contribute well to the requirements of the organization, which in turn will make the employee grow also.

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The conceptual basis of total rewards is that of grouping or 'bundling', so that different reward processes are interrelated, complementary and mutually reinforcing.

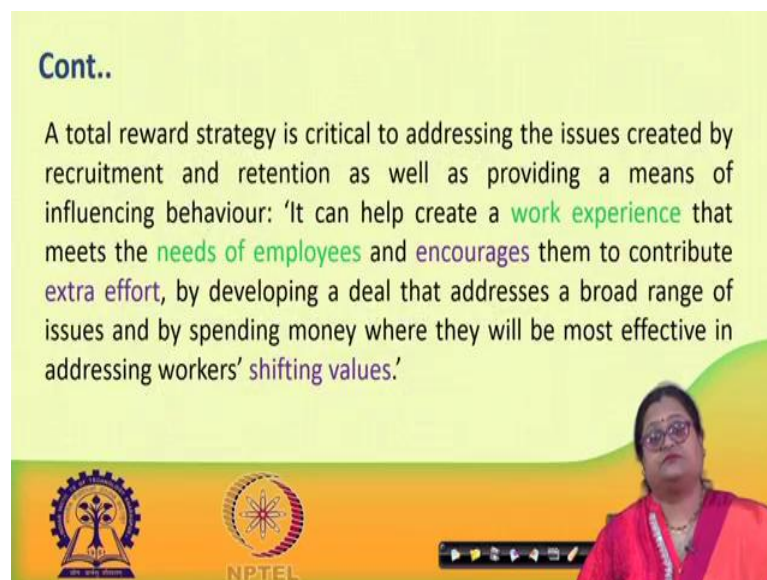
Total reward strategies are vertically integrated with business strategies, but they are also horizontally integrated with other HR strategies to achieve internal consistency.



So, the conceptual basis of this total reward is that of grouping or 'bundling' the job. So, the bundling the rewards, so, that the different reward processes are again interrelated complementary and it is mutually reinforcing.

So, it is not only the vertically integrated with the business strategy, but they are also horizontally integrated to the other HR strategies to achieve internal consistency. So, when we were seeing enabling environment how the requirements of the job requirements of the resource allocation and feedback is linked to the job training, that is linked to the communication of information sharing, and fairness in the processes. This is how all the HR related functions are connected to each other, whenever we are talking of total reward strategies.

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A total reward strategy is critical to addressing the issues created by recruitment and retention as well as providing a means of influencing behaviour: 'It can help create a **work experience** that meets the **needs of employees** and **encourages** them to contribute **extra effort**, by developing a deal that addresses a broad range of issues and by spending money where they will be most effective in addressing workers' **shifting values**.'

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So, total reward strategy is very critical to addressing the issues that are created by in recruitment and retention. So, and as a also as a means of influencing behavior or bringing in behavior modifications and changes related to it.

So, because it helps in creating a work experience that meets the needs of the employees and also encourages them to contribute extra effort, by developing deal that addresses broad range of issues and trying to spend money where they will be most effective in understanding organizations or the workers in shifting values. So, when we are talking of reward design and total reward management, it is very important that we take care of the like, help the employees to get a work experience.

And also to try to take care that the needs of the employees are met, the preferences of the employees are taken care of the challenges in the life of the employees are taken care of and spend money, in those facets where maybe it is more effective in understanding the shifting values and needs of the employees.

And that is when we talk of cafeteria reward system like, I may give you the amount of money that I can spend, but again you may try to mix and match and choose for your priorities based on what are those priorities in reward management, reward design that you want, which is going to help to address your needs reduce your stress level regarding certain things. And help you make your mind open to contribute more to the not only the organization's growth, but think of your own self development and growth also.

And because the challenges in your life has been taken care of by the organization or the organization has invested in areas of interest that which are interesting for you. And that is how you feel engaged with that purpose and want to contribute in a better way towards it. So, it is very important like the needs of the employees are taken care of and then if investment is made on those domains, which the employees feel are important for them to perform well. So, it encourages them to contribute in a extra effort, towards the organization and it leads to employee engagement.

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References :

Armstrong, M., & Murlis, H. (2007). *Reward management: A handbook of remuneration strategy and practice*. Kogan Page Publishers.

The slide features a light green background with a yellow and orange gradient at the bottom. On the left side of the bottom gradient, there are two circular logos: the first is the logo of Anna University, and the second is the NPTEL logo. In the bottom right corner, there is a small video inset showing a woman with glasses and a red shawl, who is the presenter.

So, these are the references drawn from this book, you can go through this book in details to find out more about the topic any queries we will be there to answer to those in the forum.

Thank you.