Performance And Reward Management
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Lecture - 27
Overview, reward system, understanding total strategic and international reward
(Contd.)

Welcome to the discussion on the topic Overview of rewards system, understanding total strategic and international reward.

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The topics the concepts that will be covered today our strategic reward and fundamental values. So, in the last discussion we had discussed extensively about the different kinds of rewards present in the organization and we have also discussed about total rewards.
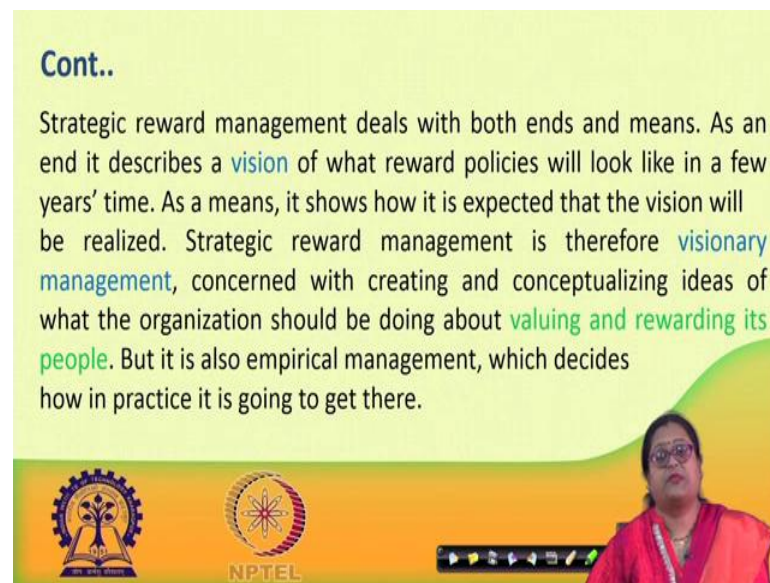
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In this section we are going to discuss about strategic reward. Because, when we have discussed about total rewards used you have you remember like we have talked about, like it is the vertical and the horizontal integration of the reward with not only like the vertical integration, not only the goals of the organization, but also there is a horizontal integration amongst the different HR functions.

So, that together it functions well in in harmony to achieve the goals of the individuals, the goals of the organization and the employees become more engaged in realizing the goals of the organization, and also the goals and purposes of their own life. So, where we are talking of strategic reward, it is the looking forward, it is the process of looking ahead at an to understand, like if in future we are going to reach a certain level expect certain things from the individuals. And, expect people to perform in certain ways and we understand if you study through different generations and see the changing needs and diversities and changing challenges in the life's patterns of the individual.

We can have a sense of like what will be the emerging needs of the individuals. Like, because we understand there are different generations of employees whose preferences are also different. And so, when we talk of strategic reward management, it is the process of looking ahead at what an organization needs to do about it is rewards policies and practices and in relatively middle or relatively distant future.

So, it is concerned with the broader business issues that the organization is facing and the general directions, which the rewards in which the reward management must go to provide and help to these issues and to like get a long-term business, achieve a longer-term of business goals.

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So, it is like a dealing with both it is ends and means. So, as an end it describes of vision of what the reward policies, would look like in future in a few years' time. So, and also it is expected to show how the mission will be or the vision will be realized. So, it is therefore, it is a visionary management and which is related with the creating and conceptualizing ideas of what the organization should be doing and about valuing and rewarding its people.

So, but it is not only telling about what it should look like, but it should also tell how we can reach that level? So, what are the practices, which need to be incorporated? So, that it which is going to help us to move from the present state what we are and take us to the future state.

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The Purpose of Reward Strategy

The aim of reward strategy is to support the corporate and HR strategies and align reward policies and processes to organizational and individual needs.

There are some powerful *arguments* for developing reward strategies: Pay costs in most organizations are by far the largest item of expense; so doesn't it make sense to think about how they should be managed and invested in the longer term?

So, when you are talking of the reward strategy we understand that the aim of the rewards strategy is to support the corporate and the HR strategies and align the policies and processes of the organization and individual needs.

So, the individual needs, the organizational needs the HR strategies and the corporate goals all should be aligned to each other. And, it is very difficult to do if we are not careful at each of the stages, in understanding and linking what are the corporate goals, what are the strategy HR strategies that can be taken, which one to like prioritize more than the other and how the individual performances and goals and the incentives can be linked to each other.

So, it requires a lot of time investment in thinking about these may be a lot of iterations about what is the correct way of doing things we will help to get certain structure about this alignment. So; however, in doing this going through this reward strategies, there are lot of some arguments, like whether they should be done and whether like the benefits coming from it is should not be like, less than the cost of implementation.

So, because. So, why these arguments are important? So, for developing our reward strategies, because we understand the pay costs are the largest item of expenses.

So, I think like we need to understand like the is it not like it really makes sense like, how these things should be given the reward should be given like so, that it is can be invested for a longer term.

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So, we have to also find out the positive relationship between rewards and the performance so, and how the rewards can help to improve the performance and crafting of policies so, that we can connect the rewards and performance together.

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So, in the words of Cox and Purcell like the real benefit in reward strategies lies in complex linkages with other human resource managements and policies and practices.

So, when we talk of the reward strategies and how it is going to be linked with the other like HR functions like recruitment selection, training, carrier development and like maybe the safety rules and regulations. So, everything every processes and how do we take care of like, may be employee voices also. So, all these we need to think of like how to develop a rewards strategic framework, which is well connected with the HR policies and like the practices in the organization.

And, should we not do it in such a way, that the other strategies and policies get like mutually connected and coherent with each other.

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So, if you see over here how do we achieve a vertical fit between HR and business strategies? If, you see the HR strategy is resourcing and if we want to achieve competitive advantage through innovation. Then, what do we do is we recruit and retain high quality people with innovative skills and quick track record in innovation, and a good track record in innovation.

But, if our decision is to achieve competitive advantage through quality, then in resourcing we use sophisticated selection procedures to recruit people who are likely to deliver quality and high levels of customer service. If, the HR competitive strategy is that

of achieve competitive advantage through cost leadership. Then, in resourcing we have to develop core and periphery employment structures, recruit people who are likely to add value if unavoidable plan and manage downsizing humanely.

So, what we find over here. According to the different competitive strategies that, the organization may have thought of as best suited its purpose, to reach the, gain competitive edge in the next few years to make it is more sustainable type of organization. So, based on that in one of the strategies that a resourcing, it takes different like shapes. When you are talking for innovation the way that we think of recruit and retaining, and which recruiting whom is different like whenever you are talking of a competitive advantage through quality, and it is quite different from when you are talking of competitive advantage through cost leadership.

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Now, if the competitive strategy is to achieve, competitive advantage through innovation. Then as an HR strategy, the reward strategies provide financial incentives and rewards and recognition for successful innovations. And, but if it is for achieve competitive advantage through quality, then link rewards to quality performance and the achievement of high standards of customer service. And, if it is achieve competitive advantage through cost leadership. Review all reward practices to ensure that, they provide value for money and do not lead to unnecessary expenditure.

So, where we find like we have to review all reward processes and find out, whether that reward is actually acting as a reinforcer, or the reinforcement value of that reward is very less and we need to drop it.

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So, there is for important link between the HR strategy; reward strategy and the line management capability. Because, it is very important to understand that it is not only enough to have very high level of policies and practices, well-conceived policies and practices in place it needs to be implemented.

And, when it comes to these implementation of these policies and practices. So, it is very important to develop the line capability for the people in HR, because it is the line managers who actually have the main responsibility of implementing these HR policies. and, practices and while we are designing for these HR policies and practices we have to think from their perspective.

We are designing something some major policies and practices, but if it really requires such a tedious work and observation. So, much in depth paperwork or so, much in depth entering of the data or keeping watch, which is going to disturb the main workflow, instead of facilitating it then, the line managers may not be implementing it in a proper way. So, we have to think from the line manager's perspective of ease of implementation and the value that, it really adds value to the whole system in increasing the performance of the individual.
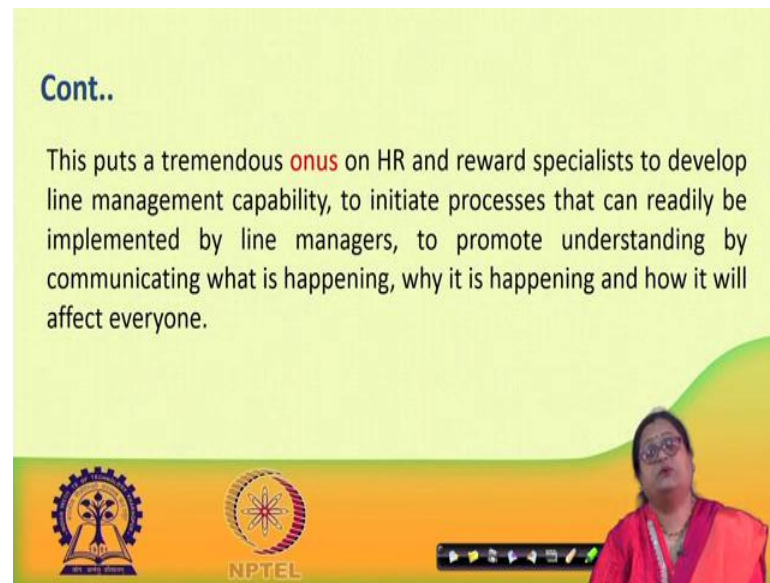
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So, the most important thing is like to think from their way and find out like how they can understand the HRs way of doing it is like mutually understanding each other. And, otherwise managers may not always do what HR expects them to do. And, if compelled they may be half-hearted about it. Because, why implementing certain things. They may have some practical problems of doing it on the spot and the ground level. And, these are important things that we need to find out while we are trying to take up certain processes, policies and practices in place.

So, what are the implementation hassles what are the problems people will face and how it is really going to affect the work or not these things needs to be taken care of.

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So, this takes a lot of owners put a tremendous owners on the HR and rewards specialist to develop line management capability, to initiate processes that can readily be implemented by line manager. So, as I told easily implementable like it should not be more, it should be hassle free implementation and it should not disturb the main workflow. So, and it should promote understanding by communicating what is happening, why it is happening and how it is going to like affect everyone.

So, sometimes it may happen like there is an initial resistance both by the line managers and the employees, because they may not get the idea of what is the ultimate gain from introducing the process. And, there could be like different in a like associated malpractices also which needs to be taken care of, but we need to understand we need to convince the people the line managers also about the long term benefits of the system. Suppose, like introduction of the biometric system of attendance in the organization.

So, many people may forget many people may argue like how you ensure like it increases the performance. And, I do perform well if I am giving biometric attendance, what if I just give the attendance and then vanish from the organization, and again come and give the attendance when it is time to go out and in between I am not there. So, how do you trace like whether I am there in the assembly line or not so, these kinds of questions may come up and we need to see this associated problems. Maybe we need to like combine two/ three processes together to find out whether it is working properly or

not. We need to convince the line managers about like the practices and the long term benefits of it. But, moreover we need to see like the implementation is hassle free and it really adds values to the performance of the organization.

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Reward Strategy and Employees

All employees, including line managers, are stakeholders in the reward strategy. It affects their interests and, to a greater or lesser extent, meets their needs. While the reward strategy does not define the employment relationship, it plays a large part in it.
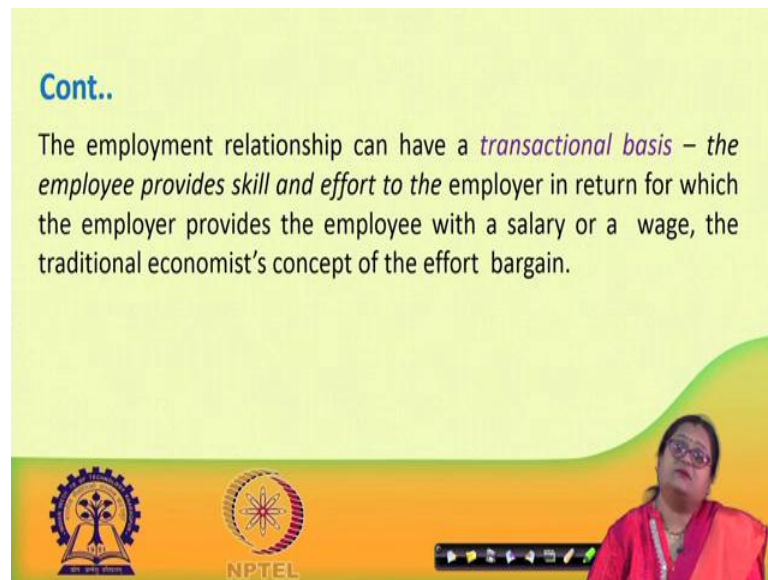
So, what we understand by reward strategy and employees are is that like all employees including line managers are stakeholders in their reward strategy. So, it affects their interests and to a greater or lesser extent meets their needs. So, how it, though it does not define the employment relationship, it plays a large part in it. So, just like I was discussing about this introduction of the biometric attendance. So, it may have like large impact on the how the people are coming to work, whether they are late comers or not when the shift is starting, who all are absent, who all are like proxy workers and many kind of things happen.

So, this may affect their employment relationships, if again this biometric attendance gets connected to their days of leave and that day payment that they are getting for it.

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Why these are important, because employment relationships too have a transactional basis. So, the employee provides the skills and effort to the employer in return for which the employer provides the employee with a salary or a wage, and the like the traditional economist's concept of the effort bargain. So, any kind of initiatives taken by the organization towards reward management we will definitely be having an effect on the employment relationship and which do have a transactional basis.

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And, also the relational basis. So, when we talk of the relational basis on the of the employment relations, it is the intangible relationships are developed as a part of being within the work environment and are affected by the nature of the leadership, the communication and giving employees a voice, and to contribute to factors like how jobs will be designed and expectations of behaviors and performance, which are jointly decided shared agreements between like what to expect what kind of behavior to expect and what are the performance with that are agreed upon.

So, if you remember this is where the performance management and reward management gets connected together, whenever we are discussing a performance management we are telling like it is a shared vision developed by the organization, with respect to the employers and the employees. Where together they come and decide about the common point how much should be expected of there, what is the nature of behavior should be expected of them? And, what are the performance that are agreed upon.

And, if that is the level of performance, then what will be the kind of rewards, but the fact that, it is fact itself, like the employees are getting consulted to decide on their expected behavior and the performance are itself rewarding in nature. And, these are called relational rewards or intangible relationships or relational basis.

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So, important part of this is the psychological contract, where it is the mutual and often implicit believes of the employees and employers of what they expect of one another. So,

it is definitely going to affect the employment relationship and has both are transactional and the relational characteristics.

So, psychological contractor implicit beliefs, but we need to explicitly state it also. So, that there is no misunderstanding or a mismatch between what the employers expectations are from the employees, and the in return and the employees expectation from the employers. Because, when there is a mutual mapping of these two only then the psychological contract becomes strong enough and it has a positive impact on the transactional and relational characteristics of the employment relations.

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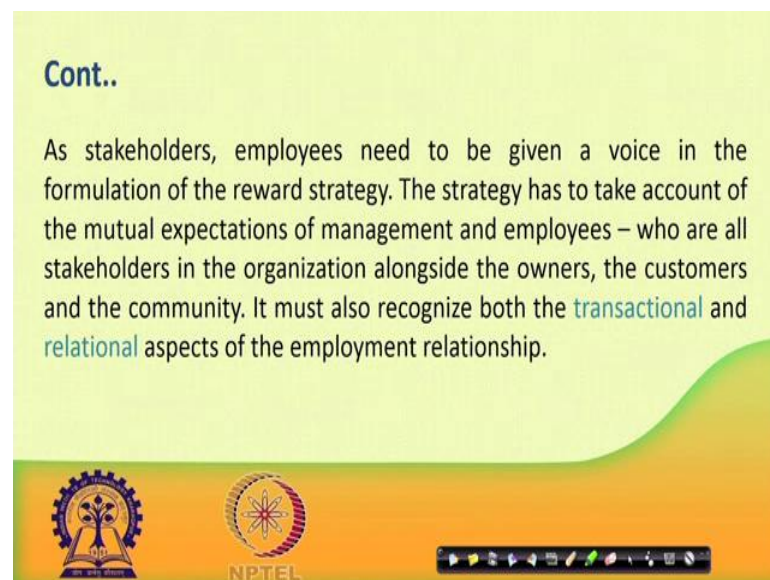
So, as stakeholders, employees must be given a voice in the formation formulation of the reward strategy. We have to keep into mind that the aim of the reward strategy is to see is to work as a reinforcer, in the sense like the employee's needs and aspirations are met. They can see that the challenging life situations are taken care of their preferences are taken care of and organization also wants to see.

Like, if they are really making investment in certain areas, it becomes fruitful enough in terms of reinforcing the employees to feel better in the organization to get engaged in the organization, and contribute in a better way to become better contributors towards the organization's purpose.

So, for doing that it is very important to take into account the mutual expectations of the management and the employees, in the reward formulation of the reward strategy, and the employees are given a voice in the formulation of the reward strategy. Because, they are also very important stakeholders beside the owners the customers and the community.

So, it and it also should realize the transactional and the relational aspects of the employment relationship. One says a like what is the kind of environment, what is the kind of treatment that, I what is get from the job? Who will be my what kind of leader do I expect, what kind of colleagues do I expect, what is the working environment do I expect to get, what is the nature of job and the challenging nature of the job that I expect, what is the flexible, flexibility in the organization system do I expect.

These will come under the relational aspects and in terms of like what I give to the organization and in return what I get from it will be a part of the transactional aspects.

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Fundamental values

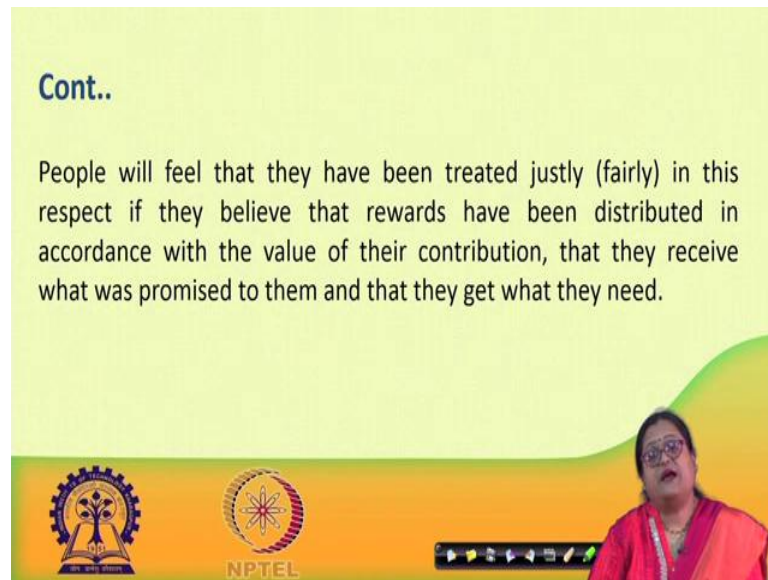There are some fundamental values which serve as guiding principles while crafting the reward policies.

Fairness: Fairness means that reward management processes should operate fairly in accordance with the principles of distributive and procedural justice. As defined by Leventhal (1980), distributive justice refers to how rewards are distributed.

There are certain fundamental values, which will serve as guiding principles while crafting the rewards policies. First and foremost important of these fundamental values is that of fairness. We have seen this in the hay system also where we found fairness of the reward is an important part when we are discussing about tangible rewards.

So, when we talk of fairness. So, we understand like it is the reward management processes should be operating fairly with respect to the principles of distributive and procedural justice. So, distributive justice as defined by Leventhal is refers to the how rewards are distributed.
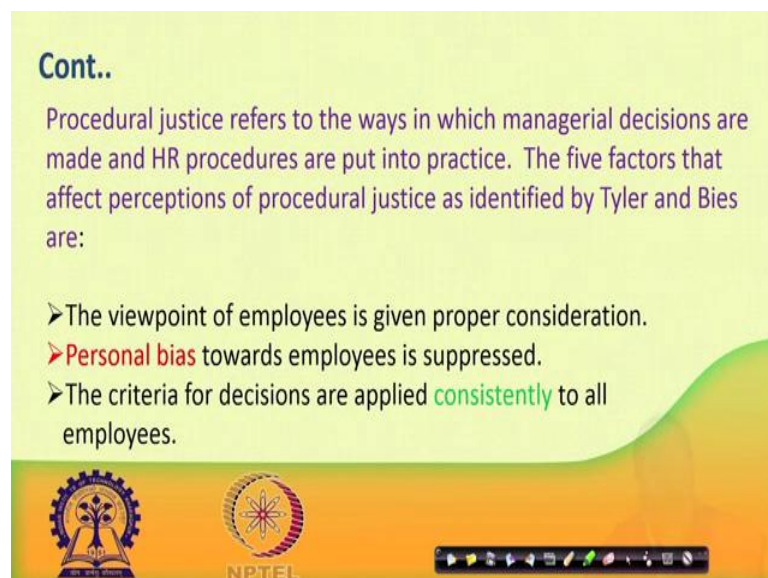
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People will generally have a feeling like they are treated fairly, if they believe that the rewards have been distributed in accordance with the value of their contribution, that they receive and that was promised to them and that they get what they needed.

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When we talk of procedural justice it refers to the ways in which managerial decisions are made and HR procedures are put into practice. So, the five factors that affect perception of procedural justi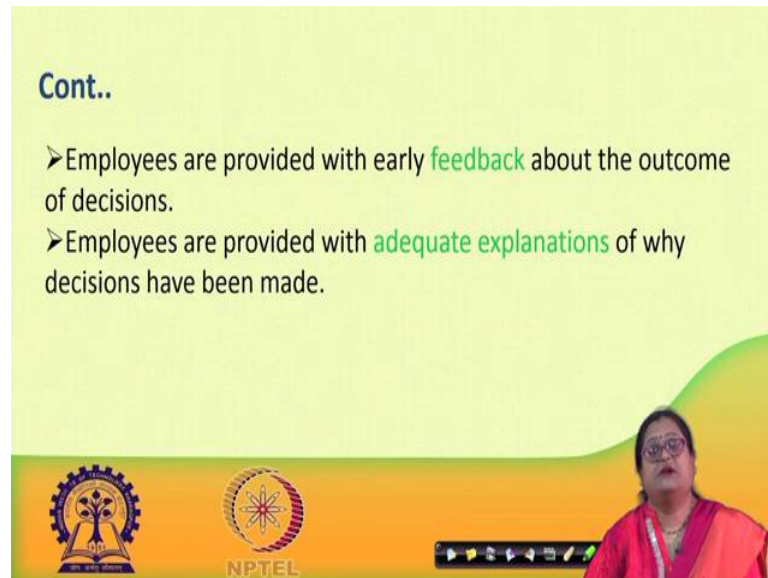ce as identified by Tyler and Bies are; the viewpoint of employees is given proper consideration, personal bias towards employees is suppressed, the criteria for decisions are applied consistently to all employees.

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Employees are provided and early feedback about the outcome of decisions. Employees are provided with adequate explanation of why decisions have been made. So, if we are following a procedural justice, we understand like there is a like transparency in the process clarity in the expectations. So, the where like the viewpoints of the employees are given proper consideration. And, like personal biases on we are not judging the employee, what kind of employee that the person is, but we are judging or we are rewarding the employee as a performer, whether the performance of the employee has been good or not.

So, any personal biases towards the employee needs to be suppressed, the criteria for decisions are applied consistently to all employees. So, being neutral to everyone and differentiating based on the level of performance only. So, employees are given an early feedback about the outcome of the decisions what are their decisions and for how it needs to be implemented what are the steps needed to be taken care of. Employees are provided with adequate explanation of why decisions have been made. So, if we know

like why in the people have got certain kind of feedback, why the person have been given or have not been given a reward, how the reward is been linked with the performance and if it is well established, well justified, then we can give an adequate explanation of why the decisions have been made.

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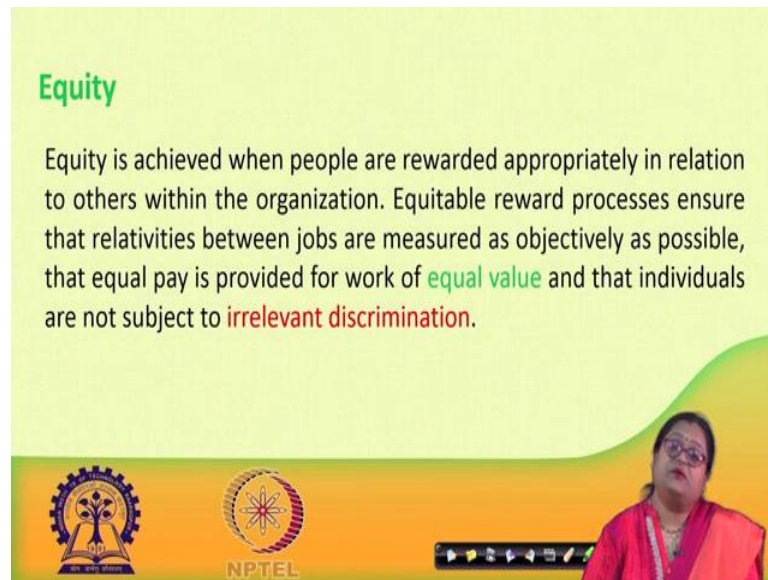
Next important value is that of equity. Equity is achieved when people are rewarded supportive in appropriate way in relation to others within the organization. Equitable rewards processes ensure that the relativities between jobs are measured as objectively as possible, and that equal pay is provided for work of equal value and that individuals are not subject to irrelevant discrimination.

So, they are should not everybody every performer is treated equally there is no personal bias in it and the people get equally paid for the equal value of the contribution made.

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The Equity Theory of Adams, which states. Like, the people try to make comparison about their exchanges with those of the others, which could be both insiders and outsiders and then respond to eliminate inequities. So, if an employee believes that his treatment is inequitable, compared to others, he or she will be motivated to do something about it that is seek justice.

So, individual like input of self, compared to the output of self versus input of the relevant others or output; and to the output of the relevant others.

$\underline{\text{Is}}$ versus $\underline{\text{Ir}}$
Os   Or

I = Inputs - employee's contribution to employer

R = Referent - comparison person

So, if you find like there is some kind of inequitable ways of distribution, people will try to balance it and will try to do something about it in order to seek justice about the things.

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We can tell that the constitution of India has a clear mandate, like "the state shall not discriminate against any citizen on the grounds only of religion, race, caste, sex, place of birth or any of them" However, it is important to note that these provision is restricted to state and it is entities, and it does not cover private corporations.

So, India lacks a comprehensive and codified anti-discrimination statute regulating the employers as well as compensation for victims of discrimination. So, it is of course, the self discipline and the stated while HR policies and practices of the organization, which are important in taking, care of these equity issues.

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Leventhal, G S (1980) What should be done with equity theory?, in *Social Exchange: Advances in theory and research,* Ed. *G K Gergen, M S Greenberg* and R H Willis, Plenum, New York

Tyler, T R and Bies, R J (1990) Beyond formal procedures: the interpersonal context of procedural justice, in *Applied Social Psychology and Organizational Settings,* Ed. *J S Carrol, Lawrence Earlbaum, Hillsdale, NJ*

These are the some of the references based on which this discussion is made, you can go through this these are very important and interesting readings, you can go through this papers or you can go through this books any queries we are will be happy to answer those things in the forum.

Thank you.