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

Lecture - 54
Developing and Implementing Reward Systems
(Contd.)

Welcome to the topic on Developing and Implementing Reward Systems. We will continue with our earlier discussion on the same concept.

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And like we will now discuss the various stages of development and implementation program, first as we discussed the first step is set objectives. So, we have to understand we have to define what the program is intended to achieve which may be modified as later necessary points, but first we have to start from a well defined objective.
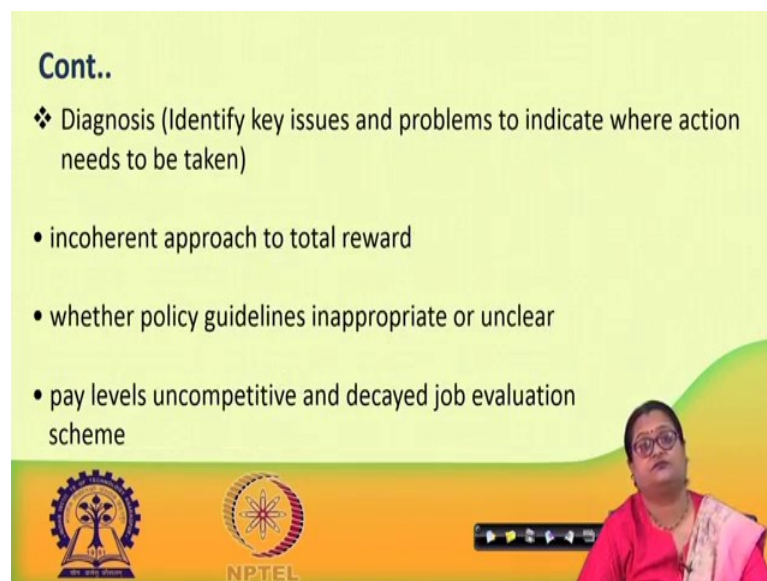
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In order to do that after we have done it the second step of course, is analysis of the strengths and weaknesses. So, in doing that we have to first look into the present provisions like the strategy, policy, job evaluation, pay, structure and levels equal pay, contingent pay, performance management, benefits and pensions, procedures and

administration. Regarding these things what are the present provisions as given by the organization.

Problems like what are the kinds of problems? Like is attraction and retention or motivation and performance, pay inequities and competitive pay, grade drift, employee dissatisfaction. The problems could be mainly we have to understand what are the present problems faced by the organization in terms of reward management or in the present reward. This discussion that we are doing today is about like how to understand when to design for a new reward system and if you had to design for a new reward system, then what when do we go for it.

Now, if you have to decide let it be going for a new reward system this is again a very crucial decision needs to be taken, before that the present scenario analysis is very important and that is why this point on analysis of strengths and weaknesses.

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So, after we have identified the problem next is diagnosis like that it could be like the key issues and the problems and so for which action needs to be taken. Because, if you understand like the developing a new reward management practice and implementation of it is really costly in terms not only of the money in terms of the resource investment also. So, in diagnosis we have to identify those key areas and problems key issues and problems where action needs to be taken.

And we have to understand like whether there is a coherent or incoherent approach to reward management; so, whether policy guidelines are given inappropriate or unclear. So, whether the pay levels were uncompetitive and decayed job evaluation scheme like whether the job worth has been revised recently as per the demands of the internal and the external environment or nothing has been done and as a result the pay levels have been uncompetitive in nature.

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Or the problems could be like there are too many grades sometimes just to for the sake of like classifications for the sake of just increasing, the people feeling good about having a different grade there are too many grades and its and in order to map your difference in pay structure with the difference in grades maybe that is not possible. And then it could be like poor communication to staff, lack of staff involvement and the competency and the capability the commitment of the line managers are inadequate because they have to understand if we are going to implement new system, if we are going to do design a new reward management system HR person cannot do it single handedly.

It has to take a feedback or it has to get a request from the line managers regarding the rewards; because they are the people who are in direct touch with the employees in getting things done and transforming it into organizational like effectiveness worth and effectiveness. So, in order to do, that line managers of the managers who will be feeling like whether the employees actually needs an increase and a different way of rewarding.

So, that maybe the present system is somewhat exploitative in nature that does not continue or to motivate the employees who are performing.

So, the line managers need to be well dedicated to the system therefore, capability and commitment of line managers whether it is adequate or not it is very important and accordingly the reward system needs to be connected to them also.
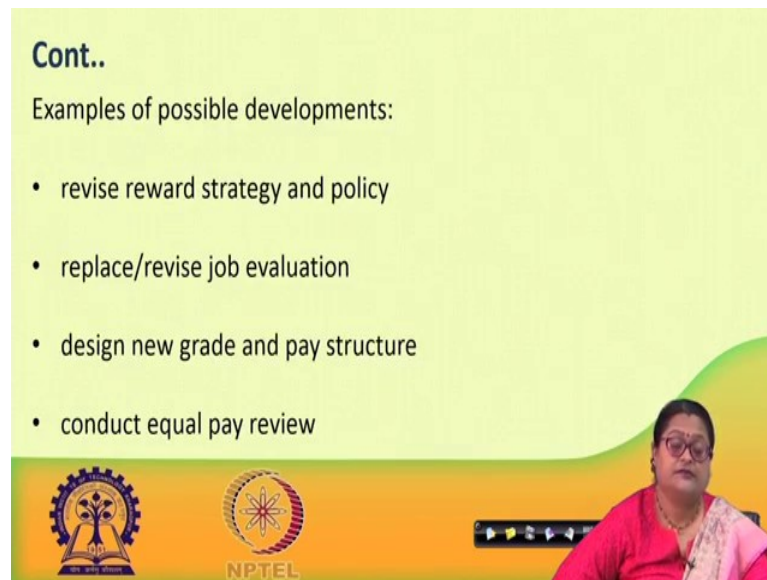
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So, these are the three steps. In the 4th step what is involved is like evaluate the alternatives, like whether in the way that you want to do, whether it is the single way single combination or there could be other combinations also that is evaluate the alternatives then decide on the course of action to be taken, take into consideration the cost proposals. That is we understand like every execution is it involves a cost and so what are the cost proposals for it and next prepare and execute the development plan.

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Examples of possible developments:

- revise reward strategy and policy

- replace/revise job evaluation

- design new grade and pay structure

- conduct equal pay review

In order to do that when we are talking of developing a new reward management system; so, what does it mean? It means revising reward strategy and policy replace or revise the job evaluation, then design new grade and pay structure and conduct equal pay interviews these are like examples of possible development. So, if you really want to develop it then we have to go for revision of policies, then if there is a job evaluation which is done many years before and after that there have been changes in the internal and the external environment.

So, you have to replace or revise the older job evaluation. You have to design for new grades and pay structure if the nature of expectations of the employees from the organization in terms of psychological contract has become more like important and in terms of like or you have to take into consideration the self esteem level of the individuals also. So, designing new grade and pay structure and also to conduct equal pay reviews are examples of possible developments.

Other very vital important points are like involve staff more in the development process this is this we are discussing maybe repeatedly in every model. Because this is the essence of performance management system like the staffs gets more involved in deciding about the criteria of performances and their salaries and like the associated payments and incentives in terms of rewards for a particular objective reached and or maybe the things that they want to learn.

So, its very important to employee, it is important to like involve more staff in the development process. So, they can understand the whole system find out which is important for them and choose it and if something is going wrong or beyond achievable level they are also going to tell that this is what we can do. Improve budgeting and control process; so how because every implementation has a budget and in or and it while implementing it there could be some errors also. So, we have to work on the budgeting and the control processes, then they are like managers can be trained and improve we also have like the improve quality of specialist HR advice.

So, these are again required important requirements for development of these rewards because if the managers are not trained, then who is going to use it in the shop floor and also to understand the thing like where the reward needs to be changed and to what extent. So, and also it is important like when an HR gives a particular advice if they do have some idea of the line manager's functions they are going to give more realistic

advice to the implementation of the reward management. Otherwise it so happens like the budget the cost of implementation may be higher than the benefits accrued from it.

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When we talk of implementation and evaluation, the first step is that of pilot testing. So, in pilot testing what is done is genuinely done to assess the total reward program fine tune the subsequent roll out and communications. So, like we have to like brief about what is expected and train, then the action is taken, then when it is required a constant monitoring, how it is functioning where are the hurdles what else we need to do and then evaluate how it went through like what we can do better in future.

So, these are the points which were like written in bold and red are very important for understanding doing a proper pilot test because on the findings of the pilot test we can understand whether to proceed with a certain decision of reward change or not. If so, what kind of change in which department it is required?

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So, pilot test is very very important part of implementation process. So, the practitioners like tell like there is to maybe conduct the E reward research interviews and like also to take into consideration the external perspective. So, if you are doing E reward research interviews, it is taking from the people their expectations what do they want next, what do they want in a better way, which do they want to feel like if it can be improved then its better, which do they feel like if it really does not carry meaning. So, it can be reduced or not even also.

So, these regarding rewards we can take opinions about from the employees and they can give their feedback. Also here what is important to study the external environment; in that examination of the changing labor market, literature review of employers' response to emerging development trends and how competitors reward staff its very very important. Like how the competitors rewarding staff because these are could be approaches of staffing.

And if like the competitors go on paying something which is very above market rate, then the other people, other organization may have problem in retaining their old employees because they will always try to look out for what the competitors are offering and they will want to go for it. So, also it is important while we are studying the, this system of external environment and competitor's rewarding staff. So, we also have to
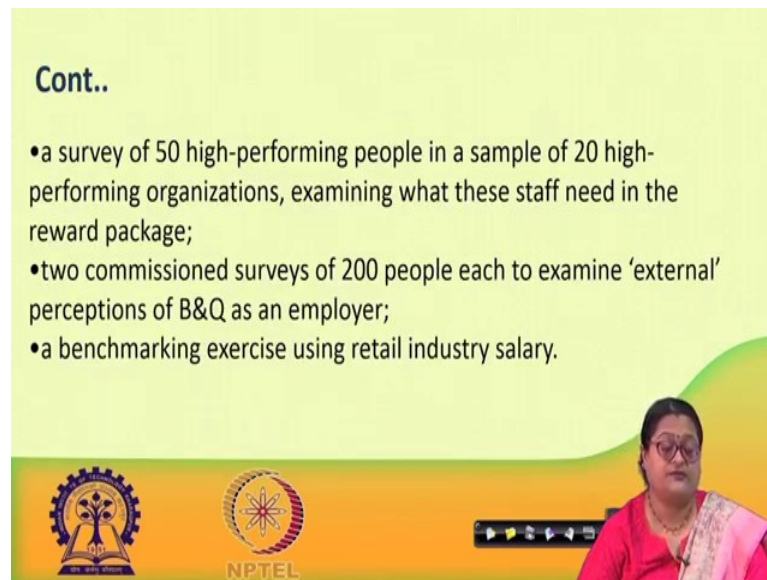
keep an evidence of the where like the strategies like HR and reward strategies that has been said, wherefore it is being adopted in high performing organizations.

So, in high performing organizations what are the reward strategies and HR policies over there, but before we discuss high performing organizations we have to understand what defines high performance for a particular organizational work system. So, it really is very particular to that organization. So, when you talking of high performing organization we have to define first for these kind of organization. Suppose organization A what if done what if demonstrated showed we will we will get the feeling like this is high performing environment and what if done like a what all things missing is like it is not high performance organization.

So, because high the definition of high performance is very-very specific to a particular organization based on the values nurtured by the organization's mission and its culture everything. So, what is high performance to you and for those rewards which will help you to reach your level of high performance may be quite different from what I understand what is high performance and the set of rewards that will get connected to the performance management; so, that we can transform into a high performing organization.

So, these we have to need to be very careful and do it like organization wise, we cannot take into just accept like the same rule, same combination of rewards follow for all the high performing organizations. Because by definition the high performing may change from what means a high performing organization what if done which will define me as an high performing organization. May vary from organization to organization based on the its own vision mission and the things that they want to achieve.
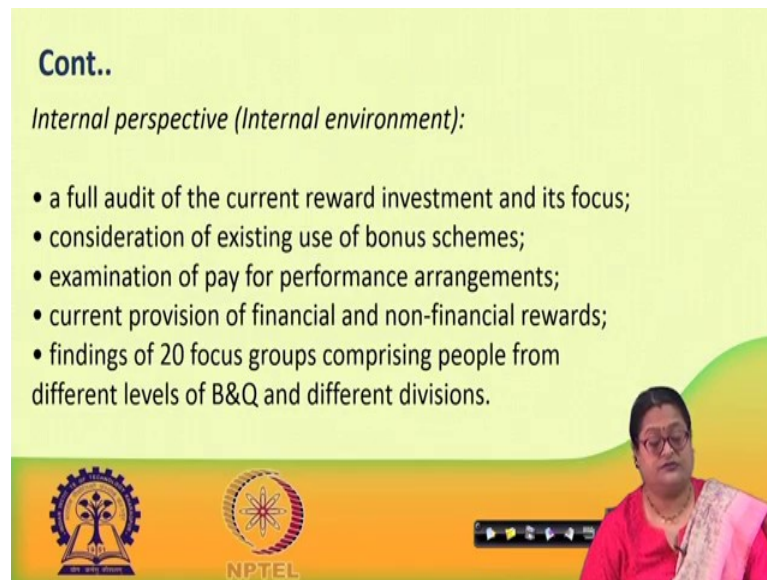
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So, I like some examples like what you find over here like a survey of 50 high performing people in the sample of 20 high performing organizations examining what these staffs need in the reward package. Two commission surveys of 200 people each to examine external perceptions of B and Q as an employer and a benchmarking exercise using retail industry salary.

So, these are some examples that we need to do and like the surveys we need to undertake maybe benchmarking exercise is done this will help to understand the functions of a high performance organization and how they are going to connect it to the reward. But, with a point of caution like we have to see the way that it means high performance for that particular organization is same for my organization or not.

Internal perspective next is what its very important to focus on or the internal environment. So, a full audit of the current reward investment and its focus, consideration of existing use of bonus schemes, examination of pay for performance arrangements, then current provision of financial and non financial rewards, finding of 20 focus groups comprising people from other levels of B and Q and different divisions.

So, these are again some steps taken like if you have to look into the internal environment how strong it is where it is weakness and what are the opportunities as perceived by this environment and also the considerable part of threat to it. So, we need to study the environment properly. So, in terms of like get the feedback from the different may be the through focus group from different kind of people associated with the department.

And so like full audit of whatever is prevalent now which focus what are the drawbacks and what are the present bonus schemes which are there, then how the pay for performance arrangements are done in the organization and how it needs to it whether it is functioning well or not these needs to be taken care of when you are talking of internal perspective.
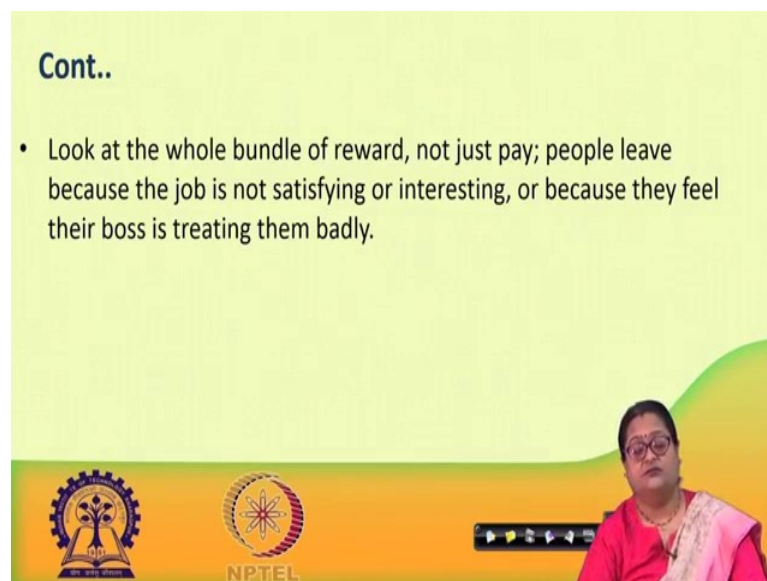
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So, we will now have some scholarly discussions on rewards what you find like report by Sandringham is the following are recommendations and developing reward system. Like as we are discussing it is very important to design a reward system which is coherent with the culture of the organization, be cautious about on the generalizations. So, like employees are to be categorized or grouped as the way you do for some customers; so, because in that case it may help to mark the reward system in a better way.

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So, and the whole bundle of reward needs to be taken care of it is not the pay only because in the start itself like when we are discussing on the financial and the non financial aspects of the job and the whether the reward system needs to be changed then we were discussing like it is yes financial aspects are important no doubt, but it is not that which is the only important thing. So, it is not because of pay, but the generally when it asked why people are leaving the organizations it is not for pay, but generally like the relationship with the boss and the other peers or like the nature of the job itself. So, which is less interesting less meaningful to the person who is leaving.

So, whenever we are talking of the financial costs and the non financial cost and then we are looking into whether to go for another reward system or not we have to take into consideration not only the money, but also the other non financial aspects of it which is like maybe in many cases more important as compared to the pay. And reasons for people either like wanting to join your organization that could be the designing of the non-financial rewards could be the major like contributor towards like attracting people towards your organization.

And like making people stay back with you and like take care of the attrition where people may be leaving not because of the payment, but because of their environment growth opportunities and meaningfulness of the job and relationship with the boss and peers.

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Developing Reward Systems: Six tips

Following are the steps in creating effective reward system..

• Be clear on what has to be achieved and why.

• Ensure that what you do fits the strategy, culture and circumstances of the organization.

After we have gone through this discussion now; obviously, the question comes then how to develop a reward system or what should be kept in mind while we are going to design a reward system we will give you six tips over here. Like there are like in order to create an effective reward system; so, we need to be clear and what has to be achieved and why. So, because that is where like we understood earlier like the financial and the non financial reward can be clubbed together in such a way like the drawback of one is compensated it is a complementary in nature, is complemented by the pros of the others or the strength of the others.

So, that can be done that combination of rewards to what extent in what proportion and what are the different alternatives that can be done only when we understand clearly what we what needs to be achieved and why. Next we have to take into consideration like whatever we do it fits into the strategy culture and circumstances of the organization because, we have to understand the word reward means reinforcer. And, it should function as a reinforcer for improving the performance which is connected with an objective of the like organizational growth and effectiveness.

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So, whatever we do should fit into the strategic culture and circumstances of the organization. And also some points to remember is that we are not to follow any fashion, but we should doing do our own things it is very important that we take into consideration the internal environment of the organization. We map the our strengths and

weaknesses before we see like what is our capability of developing and implementing something, we should not just copy from somewhere else and try to like put it in our own organization where the organization may not be ready to receive it at all.

So, that is the important like we should not follow fashion, yes we will be doing benchmarking to understand what is the nature of like reward systems to improve the performance in what kind of organization, but before we implementing we need to be very careful about like do it to the extent that is acceptable to us. So, keep it simple like over complexity is if it is very complex to do to execute it is very difficult to implement. So, planning can be one thing we can plan that we will be going to the details, minute details of everything, but while actually implementing it we may find there are so many hurdles, hassles. So, many manpower needs to be like taken in separately for it; so, much of resource allocation.

So, the process becomes; so cumbersome that nobody gets interested to continue it further and as a result it becomes a failure. So, we do we cannot rush because performance management implementation connecting it with the reward management and they need to showing its results. So, really takes time. So, you have to wait for the system to get accustomed to the new processes understand its benefit feel like it needs to be repeated.

So, we have to give its proper time to wait to show its results and we have to communicate the purpose as well to the beneficiaries involve them in the process of like improved performance and effectiveness and we have to train them adequately. So, that they are able to implement and execute it.

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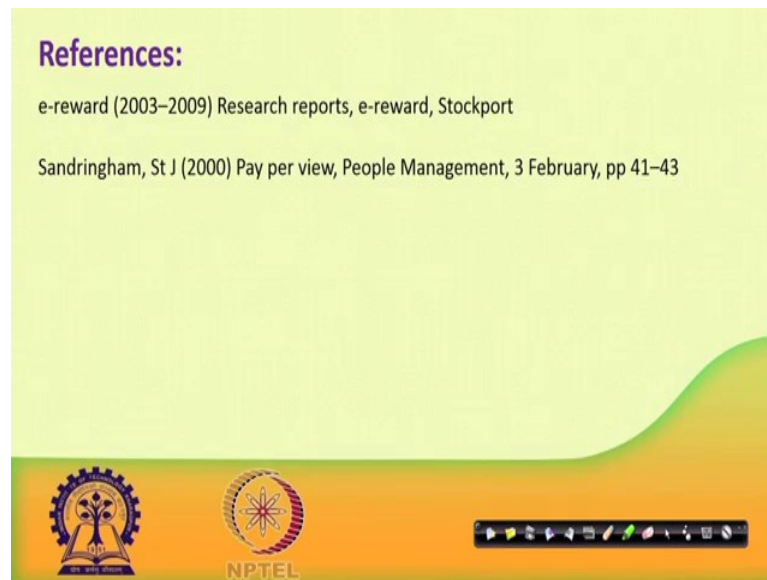
So, these are the again the references that we have for this chapter and in the next module we will continue with this developing and implementation of the reward systems.

Thank you.