

Reward Management

- A reward is anything that motivates the employees for job performance.
- Reward management is the process of creating, implementing and controlling an effective reward system in the organization.
- Reward management consists of analyzing and controlling employee remuneration, compensation and all other benefits.
- It include financial and non financial reward like: pay, allowances, fringe benefits, pay increase, bonus, achievement, training and development opportunities, recognition, respect, praise, affiliation, participation, freedom
- Definition:
- So, Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently (continuous) in accordance with their value to the organization. It is the most powerful motivational tool that boosts productivity.

Importance of reward management (BHM)

1. Consideration of value: the reward should be provided in accordance with their value to the organization. Employees need to be rewarded on the basis of their skill, efficiency and contribution in the org. It is essential to balance between value created by employees and incentives provided to them.
2. Fulfill common goal: reward should be fulfill both organizational and individual goal. The primary focus should be given of organizational goal through full commitment and dedication of employees. Them incentives should be provided to the employees on the basis of their value and efficiency.
3. Focus on behavior and outcomes: reward should focus on positive behavior of employees and their expected outcomes. Employees who are showing positive behavior for plans, policies and procedures developed by the mgmt. should be properly rewarded
4. Attract and retain quality employees: quality measured in term of attitude, behavior and performance.
5. Motivate employees:
6. High performance culture: reward management should develop a high performance culture.

Types of Rewards

- Extrinsic and intrinsic rewards: extrinsic rewards offer the job holder in the job context only. They are external to the job. They are combination of direct-indirect financial and non financial rewards. When employees have extrinsic rewards they do the assigned job in effective way. Ex: pay, fringe benefits, job security, good working environment, supportive supervisor, team work, recognition and respect.
- Intrinsic rewards: intrinsic rewards are the satisfaction that employees obtain from their job themselves. They are directly related to job content. Intrinsic rewards can fuel intrinsic motivation. They are self granted and internally experiences by an individual. Like: sense of achievement, involvement, independency, participation, challenge, self responsibility etc.
- Financial and non-financial: financial rewards focus on providing incentives to employees on the basis of their skills and efficiency. It is addition to their regular income. Like: pay, allowances, fringe benefits, pay increase, bonus, piece rate system, retirement benefits, prize and awards.
- Non financial: it focus on providing non-financial incentives to employees. They are intangible and fulfill psychological or emotional needs of employees. Like achievement, recognition, appreciation, respect, praise, affiliation, participation, freedom, opportunities for advancement, supportive supervision etc.

- Performance based and membership based reward: performance based rewards are strategy that maintain link for making payment with result obtained. Incentives are provided to employees on the basis of their contribution in the organization. The employees having high level of performance would get better incentives. They get incentives in terms of piece rate wage, commission on sales, bonus on high production, share of profit etc.
- Membership based reward: in this method all the employees of the organization are considered as team members. They get equal reward on the basis of team performances. It consider the philosophy of team work and individual employee is not taken into consideration. Like profit sharing, bonus, skill incentives and so on. Team based reward encourage collaboration and cooperation to achieve shared goals. Like some member have planning skill and other have technical skill.

Extrinsic Motivation

Motivated to perform an activity to earn a reward or avoid punishment



Intrinsic Motivation

Motivated to perform an activity for its own sake and personal rewards



Qualities of effective reward

Effective rewards strategies contribute to an organization's ability to attract, retain and motivate the talent employees.

1. Importance: people are different in terms of nature and expectation. Reward should be given on the basis of level of needs of employees. Some employees expect sufficient financial rewards to fulfill their basic, security and social need but some expect of intrinsic need. They do not give importance only for financial rewards. So employees should be rewarded with what they feel is important for them.
2. Equitable distribution: reward should be perceived as equitable and fair. The employees doing similar nature of job must be rewarded on equal basis. And employee compare for incentives with the employees working in other organization doing similar nature job.
3. Visibility: it means transparency the reward system of the org. All reward consisting of increase in salary and allowance, distribution bonus, sharing of profit should be well published. Manager's can also openly communicate everyone's compensation.
4. Flexibility: reward should be changeable accordance to time, environment and performance. Effective reward should be flexible to vary with changes in the performance. eg: the annual performance bonus offers high flexibility. On the basis of time and requirement employees need to improve their skills, efficiency and knowledge to improve standard of performance. Like employees are not motivated with same incentives forever. Therefore, there should be the provision of amendment on incentive system of the org.
5. Low cost: an effective reward should be less costly. Rewards are not free goods. So, the org. must consider the costs along with the benefits from any reward. Incentives are given to the employees in return of their time and effort. They need to pay incentives on the basis of result obtained.

6. Provision of team reward: for interdependent job (step by step), there should be the provision of team reward system in the organization there is inter-relation among the jobs of all the individuals. So the overall completion of such job needs combined effort of all team members involving in the entire process of the job. In such situation it is suitable to use team rewards such as profit sharing and bonus.
7. Motivating: employees having scarcity of basic and social need may be motivated by extrinsic rewards. After satisfied getting extrinsic reward they expect for the fulfillment of intrinsic rewards. Therefore, on the basis of effectiveness, it is essential to provide mixture of extrinsic and intrinsic rewards.
8. Based on performance: when planning a reward system. It is essential to establish the standard of performance. For a reward system to be effective there should be a clearly established connection between the rewards and the job performance. That means better performance more rewards. It makes employees more dedicated and committed towards the assigned job.
9. Immediate after outcomes: reward should be provided immediately after recognition of the achievement. Employee may think that they are able to get the reward because they did well in the company. When any delay occurs it may fail to yield the desired outcomes. It facilitates to reinforce good performance and behavior.