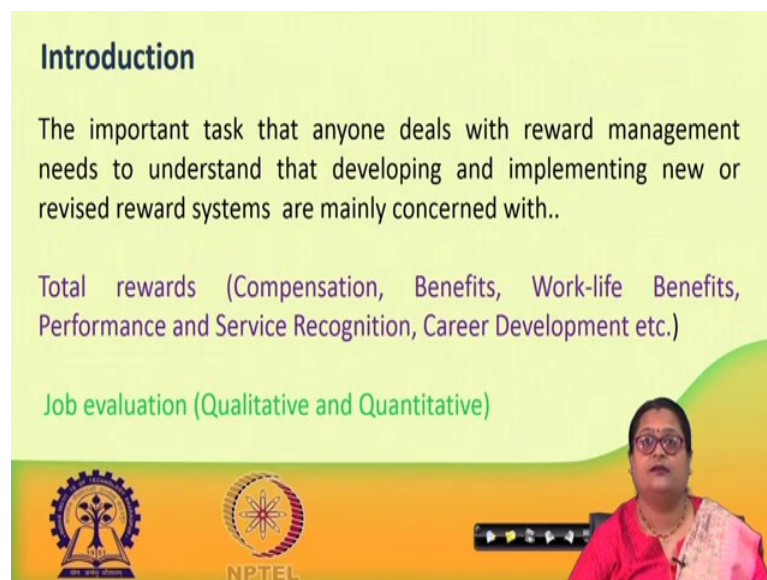


Performance And Reward Management
Prof. Susmita Mukhopadhyay
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Lecture – 53
Developing and Implementing Rewards Systems

Welcome to the course on Performance and Reward Management. The topic for today's discussion will be Developing and Implementing Reward Systems. The concepts that will be covered in this discussion are again will elaborate on developing and implementing the reward systems and we will go to the in depth of how to develop the reward systems and implement the reward systems.

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Introduction

The important task that anyone deals with reward management needs to understand that developing and implementing new or revised reward systems are mainly concerned with..

Total rewards (Compensation, Benefits, Work-life Benefits, Performance and Service Recognition, Career Development etc.)

Job evaluation (Qualitative and Quantitative)

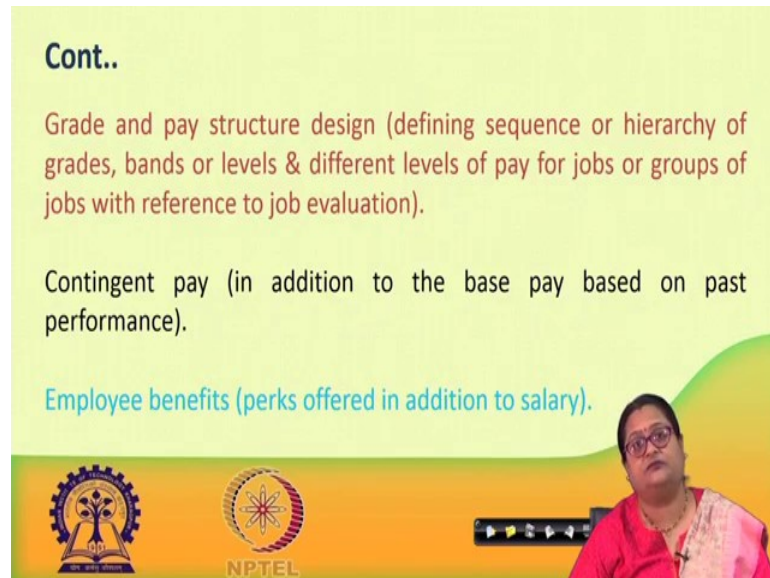
The slide features a video inset of Prof. Susmita Mukhopadhyay in the bottom right corner. At the bottom of the slide, there are logos for IIT Kharagpur and NPTEL.

So, what we see in reward management is that, developing a new reward system or implementing a new reward system is a matter of concern for any person who is connected with the process of reward management. So, here in this topic mainly we are going to focus on how to develop and implement new reward management system, what are the challenges faced by people while they are going to transform from an older system to a newer one, when do we go for a new management reward management system and like how we go about it.

We have already been conversant with the terms like total rewards which consist of like compensation benefits, work life benefits, performance and service recognition career

development etcetera. We understand like job evaluation can be of two nature, qualitative and quantitative in nature.

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Grade and pay structure design (defining sequence or hierarchy of grades, bands or levels & different levels of pay for jobs or groups of jobs with reference to job evaluation).

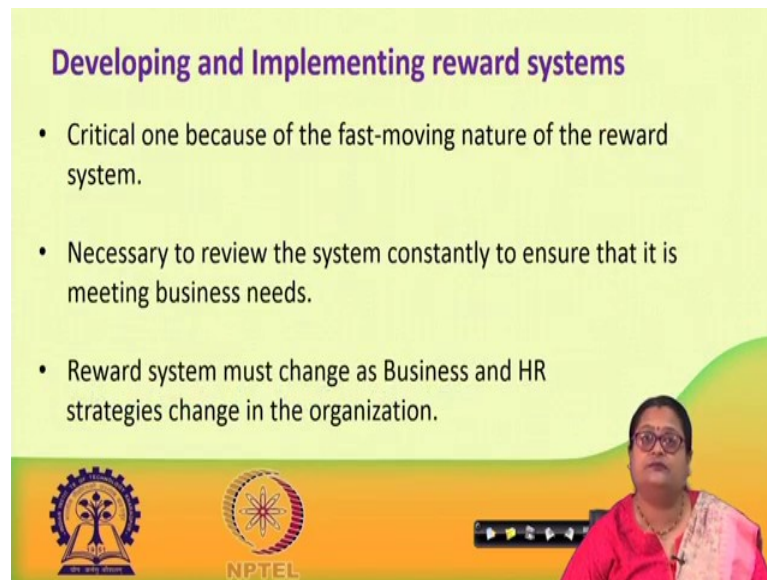
Contingent pay (in addition to the base pay based on past performance).

Employee benefits (perks offered in addition to salary).

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The grade pay; grade and pay structure design, like during the which we do defining the sequence or hierarchy of the grades bands or levels and different levels of pay for jobs or groups of jobs with reference to job evaluation. We have also discussed about contingent pay like which is based in addition to the base pay based on past performance and we have also discussed about different kinds of benefits which are like maybe perks also offered in addition to salary.

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Developing and Implementing reward systems

- Critical one because of the fast-moving nature of the reward system.
- Necessary to review the system constantly to ensure that it is meeting business needs.
- Reward system must change as Business and HR strategies change in the organization.

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With this background knowledge when we come to the development and implementation of a reward system, we find like the it is very critical task for the organization because of the fast moving nature of the reward system. And it is very necessary to review the reward system constantly to ensure like , it is meeting the business needs.

So, also as we understand like the business objectives and HR objectives are connected together in a way like the business goals and the organizational goals at the departmental goals in the individual goals, it should be connected together and it has to be ensured like the individuals performance yields results which are which adds value to the organization's effectiveness.

So, it is important to understand like as the business and HR strategies change in the organization based on what the organization wants to do new or in a different way, the reward system must also change as for the requirement of the business and the HR strategies.

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- To retain the key talent in the organization
- Strengthens the company's reputation

It is also important to have a review discussion about the reward system in order to retain key talent in the organization and strengthen the company's reputation.

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Understanding the process of developing and implementing reward systems

The process starts with..

- Objective setting
-guidelines as what is to be done and achieved, which is also serves as a basis for evaluation.

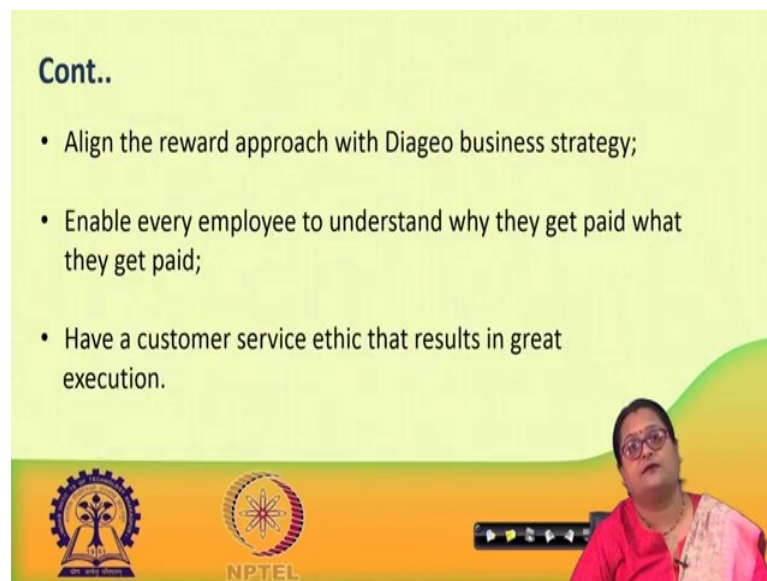
For example..
The objectives at Diageo were to (Armstrong, 2010):

- Support and enable the talent agenda;
- Provide clear principles to enable reward decision making in the business;

Now, we will go to discuss about like why it is important to understand the process of developing and implementing the reward system. We understand like when you are talking of developing a reward system, it consists of certain processes and which are like and each of the steps of these processes are very very important. So, we will discuss in details about the processes of like developing the reward system.

Now, the process starts with objective setting which is guidelines as to what is to be done and achieved and which is also served as a which also serves as a basis for evaluation, how far we have achieved what you want it to do. So, objective setting is very important and from that objective setting we can design the reward system. Like for example, the objectives of Diageo were to support and enable the talent agenda, prove; provide clear principles to enable reward decision making in the business.

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- Align the reward approach with Diageo business strategy;
- Enable every employee to understand why they get paid what they get paid;
- Have a customer service ethic that results in great execution.

To do this, what is required if this is the objective like the support and enable the talent agenda and provide clear principles to enable reward decision making in the business. Then what is required is aligning the reward approach with the Diageo business strategy, enabling every employee to understand why they get paid what they get paid and also having a customer service ethic that results in great execution.

So, how to do it, what to do, what not to do; so, that people have a clear understanding of when they will be eligible for reward; what if done they will qualify to get a reward and what those things are connected with the objectives of the business.

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Approach to development and implementation
Evidence-based development
Considering the strengths and weakness of the present reward management systems and benchmarking it with good practices.

This will address following questions..

- What are the aims of reward practices? What do we want to achieve with them?
- What would successful reward practices look like? How would we know? What criteria and measures can we use to assess their effectiveness?

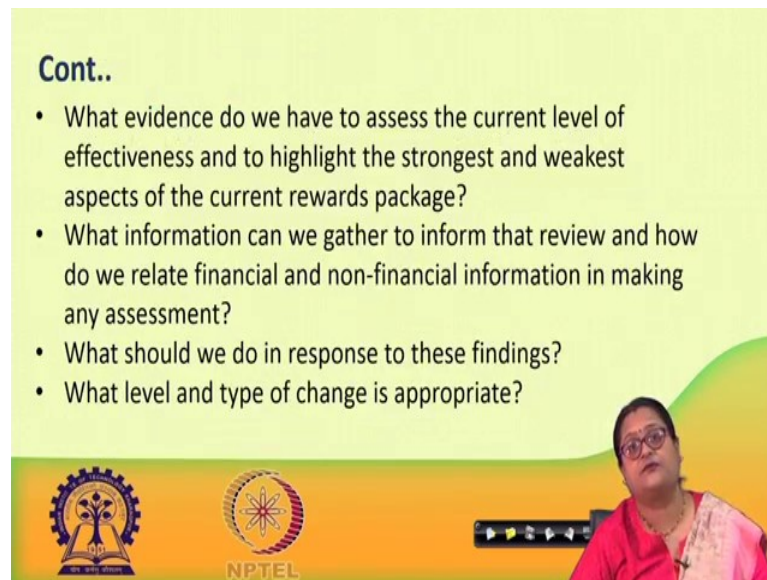
The slide also features the logos of the Indian Institute of Technology (IIT) and NPTEL (National Programme on Technology Enhanced Learning) at the bottom left, and a video player interface at the bottom right.

Now, there could be various approaches to the development and implementation of a reward system. We will discuss each of these approaches separately. The first approach that we will discuss over here is evidence based approach. So, what is evidence based approach is when we are following this evidence based approach, we consider the strengths and weaknesses of the present reward management system and try to benchmark it with good practices.

This helps to answer the following questions; what are the aims of reward practices, what do you want to achieve with them, what would successful reward practices look like, how do we know like it is a successful practice, what criteria and measures can we use to assess their effectiveness.

So, this is when we are doing like when we are having a picture of the strength and weaknesses of the present system and we are trying to bench mark it with a good practice ; so, which we would like to imbibe which you would like to like be like that. So, in that case we want to get an answer to these questions like what are the aims of our reward practices, what we want to achieve like and how to measure also criteria for measures to understand their effectiveness.

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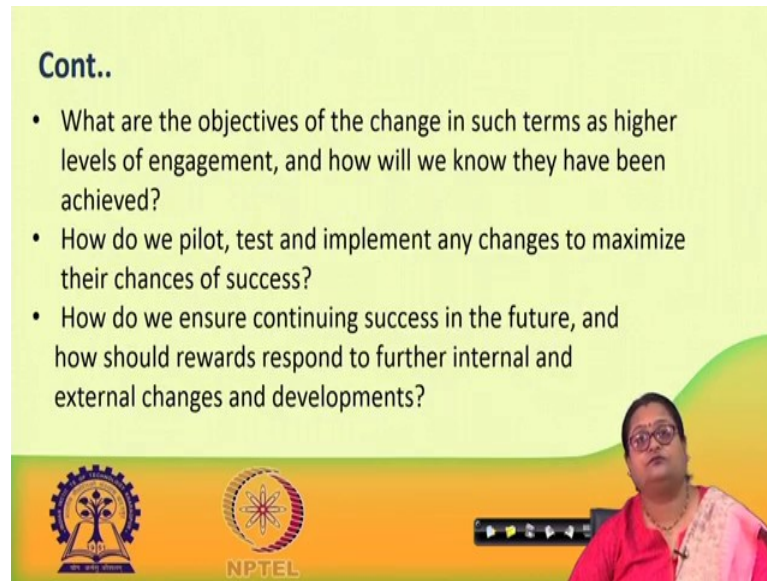
- What evidence do we have to assess the current level of effectiveness and to highlight the strongest and weakest aspects of the current rewards package?
- What information can we gather to inform that review and how do we relate financial and non-financial information in making any assessment?
- What should we do in response to these findings?
- What level and type of change is appropriate?

And also when you are talking of evidence based approach, we have to have evidence for every situations like, what evidence do we have to assess the current level of effectiveness and to highlight the strongest and weakness aspects; weakest aspects of the present reward package? Also, what information can we gather to inform that review and how do we relate and make decisions about financial and non-financial information in making an assessment? So, what should we do in response to that findings and what level and type of change is appropriate?

So, these are questions in the sense if we can get like when we talk of evidence like what is the current level of effectiveness and the strongest and weakest points, and like information like when we get to inform that the review and how do we relate financial and non-financial information. So, these are important things because, what is the degree of investment we have in terms of money. As a result of that what is the gain that we are having like how much the more improvement are we getting by implementing a new newer system in comparison to the cost that we have to incur for it.

And also like, what is the is it the only financial gain or non-financial gains also it is having and how much value addition it is making to the system. These are crucial questions which needs to be answered like we have to always do with proper evidence and reasoning judge. Like, if we are choosing a newer system over the older one then is it really worthy, is it really required it is necessary or not.

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- What are the objectives of the change in such terms as higher levels of engagement, and how will we know they have been achieved?
- How do we pilot, test and implement any changes to maximize their chances of success?
- How do we ensure continuing success in the future, and how should rewards respond to further internal and external changes and developments?

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So, that is why we get this following questions like what are the objectives of change in such terms as higher levels of engagement and how will we know like they have been achieved? Again, what evidence do we have for like a better performance for engagement as compared to the present one, what comparative things we have done in a better way we understand like them know they have the demonstrating certain kind of behavior.

So, how do we pilot for it how do we implement in if you want to implement any changes; so, that their success rate becomes more. Because it is very important to do a pilot we have already discussed this earlier because we may think of so many good things like by changing a reward we are going to get so many gains. But again when it comes really to the implementation , we may find many problems arising people not understanding the meaning of the reward, they are not cooperating, they do not find any meaning in it and there the implementation is rather more cumbersome and people are not able to get adjusted to it so many different problems may arise.

So, it is always better to do a pilot in this small situation test it how it is getting successful, what are the hurdles being faced and to overcome it and then implement it throughout the organization. So, and also we need to understand like how do we ensure continuous success in future and how should rewards respond to further internal and external changes and developments, this is a very important point. Like this new reward

whatever has been designed, till what time it is going to give results beyond which maybe it is not applicable or it has a saturation point.

So, if you have to ensure continuing success in future then you have to understand like whether this we have to understand like whether this new reward system, it is like its functions also when newer challenges from the internal and external challenges come up or like it is going not going to work as effectively in other situations also.

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Issues and Risk Assessment
Analysing and addressing the issues and risks when changing a reward system

Issues and risks	How we address them
New arrangements not communicated or managed as intended.	<ul style="list-style-type: none">• Extensive preparation.• Investment in communications and management training.
Plethora and over-complexity of different reward schemes and practices emerge, damaging cohesion and mobility.	<ul style="list-style-type: none">• Common principles and frameworks for all aspects of reward.
Hostile employee/trade union reaction.	<ul style="list-style-type: none">• Effective design and implementation.• Phased approach to implementation.
Availability and quality of relevant market data.	Source from a variety of quality providers.
Timing and cost overruns.	Effective project management and phasing.

Source: Armstrong, M., 2010. Armstrong's handbook of reward management practice: Improving performance through reward. Kogan Page Publishers, P.411

The slide features a presenter in a red top on the right side. At the bottom, there are logos for IIT Bombay and NPTEL.

So, what we do over here actually these questions help us to address the issues and analyze the risk like when we are thinking of changing a reward system. So, here in this particular slide we are going to discuss about the issues and risk involved in the introducing of a new system and how you are going to handle it.

So, what are the issues is like new arrangements not communicated or managed as intended; how do we address is like extensive preparation then investment in communications and management training. Because if things are not communicated properly if people do not feel like they are equipped enough to carry forward if whatever is demanded, then they will never be able to identify with the reward system and understand its importance.

So, what is done over here in the risk identified is that of new arrangements not communicated or managed as intended and for that how do you address them is

extensive preparation investment in communication and management training. Next issues and risk could be like plethora and over-complexity of different reward schemes and practices emerge, damaging cohesion and mobility. So, what we have to do over here find out the common principles and frameworks for all aspects of reward. So, there could be different combinations of rewards coming up and so, it is very difficult to understand like when to give what kind of reward.

So, we have to understand the common principles and frameworks for all aspects of reward and then maybe club them together and make a choice between two three of them. Another important issue and risk for reward management is and reward design and implementation rather is hostile employment and trade union reactions. So, for this; why because people have been accustomed to one set of reward and now if you want to introduce some new set of reward which is; obviously, guide to increasing effectiveness, increasing performance of the individual.

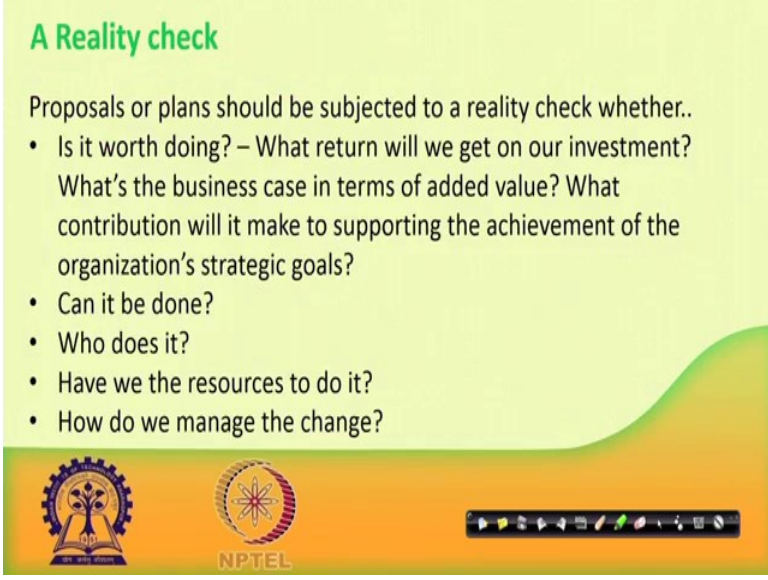
Then of course, these reward systems are going to discourage people or have some maybe punitive measures for people who are like contributing less, who are more like not performing well more absent in other things. And so, what happens that may lead to lot of union reactions and pressures in terms of equality of work and other things. Because they may try to safeguard the job of the like people who are poor performers or maybe not following the rules and regulations, and being absent from work which is having an effect on the performance level of the individual which affects the performance of the group.

So, if that is what we are sensing like there could be hostile employee and trade union reaction. So, how we can address that is effective design and implementation phased approach to implementation. So, we will have specific designs how, what kind of reward is given and how to execute it step by step process. So, that like the hostile employees or trade unions like will not be able to create like big barriers for it.

Availability and quality of relevant market data, like say its sourced from a various sources and like quality; variety of quality providers and timing and cost overruns. So, this is like there could be like commonness between two processes and the cost could overlap and time; so, effective project management and phasing.

So, like if we have like a and well established reward system and still we want to bring in and introduce a new reward system these will definitely involve certain risks as mentioned in this headings, but to come over these things; these are the things that we need to focus on.

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A Reality check

Proposals or plans should be subjected to a reality check whether..

- Is it worth doing? – What return will we get on our investment? What's the business case in terms of added value? What contribution will it make to supporting the achievement of the organization's strategic goals?
- Can it be done?
- Who does it?
- Have we the resources to do it?
- How do we manage the change?

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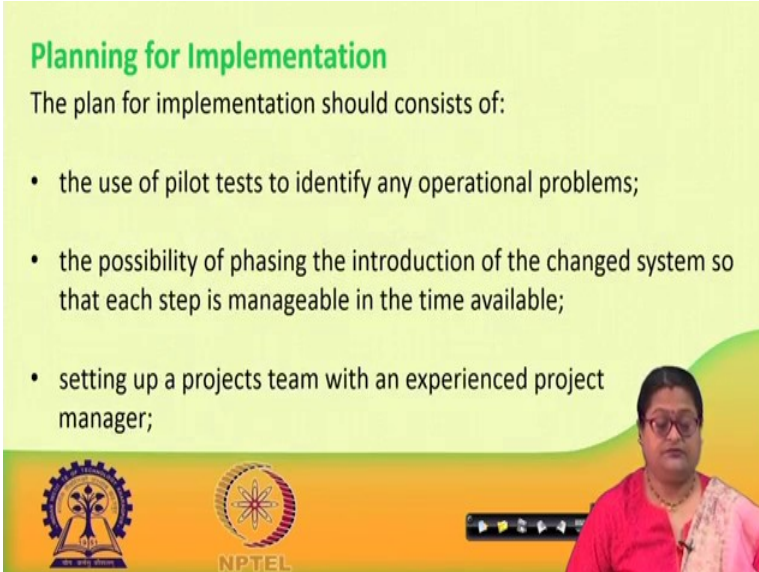
One of the points as we were discussing before introducing the development and implementation thing is that the reality check is very important. So, it should we go for all implementation of a new program is it required it is worthy. So, these are called reality check. So, proposals or plans should be subjected to reality check whether like it is wrong doing what return will get on our investment. So, what was the business case in terms of added value? So, what contribution will it make to supporting the achievement of the organization's strategic goal?

These are very important things, because whenever we are thinking of introducing a new reward system it will have some implementation cost, that implementation cost is not only in terms of money. But in terms of maybe the employer employee relation where people may become try to mistrust you. They are not able to understand whether you are going to, what made you to introduce a new system whether it will be taken as a punitive measures or not; so many questions that they are in a persons mind. So, here we have to think like is it really worth doing?

So, next when we have like answered this question like what are the contribution to be made to supporting the achievement of the organization's strategic goals. The next is question is can it be done or to face lot of resistances then who does it then have we the resources to do it how do we manage the change. So, this is very important in the sense like is it the efforts that we take and the results yielded by it, is it really worth doing taking all these efforts. So, who will be doing it, what kind of changes it are going to make.

So, we have to understand like we will go for a because it is costly in terms of money, time, energy of people. We will go for it the change, if we can justify for ourselves it is required and it is quite different, quite improved from the existing system and it is required for the progress of the business.

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Planning for Implementation

The plan for implementation should consists of:

- the use of pilot tests to identify any operational problems;
- the possibility of phasing the introduction of the changed system so that each step is manageable in the time available;
- setting up a projects team with an experienced project manager;

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So, after we have got these reasons for implementation like yes we believe implementation needs to be done then we have to plan for implementation. And it should consist of the use of pilot tests to identify any operational problems, the possibility of phasing the introduction of the change system.

So, that each step is manageable in the time available and this point is very important gradually increasing the change. So, that people in the process also gets accustomed to it, adjust to it and try to imbibe the change, otherwise if like the whole thing is introduced at

a single point of time; people may get overstressed because they have not got the time to maybe adjust to the whole new situation.

So, the possibility of phrasing the introduction of the change system so, that each step is manageable is very important; setting up as project teams with an experienced project manager. So, it is also important like we should take each of these implementation processes as projects which has a start time and which is an end time. And we have to like go for a project time team with them with an experienced project manager who can give a guiding on what to do, how to do, when we are going wrong etcetera.

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- developing an involvement strategy – deciding who should be involved in the development programme and how they should be involved;
- preparing a detailed project plan setting out objectives, timings and cost budgets for each phase and indicating how the project will be controlled;

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Also important is like developing an involvement strategy. So, we have discussed about like the social loafing how when do people escape behaviors, when placed in a group and maybe some people face a unnecessarily stressed, because they feel like every job is coming on them and others are not doing anything. So, for that require it requires to have a involvement strategy.

So, in that what is decided is who should be involved in the development program and how they should be involved. Next, what is preparing a detailed project plan setting out the objectives, timings cost and cost and budget for each phase and indicating how the project will be controlled. So, who is going to control it? Who is who is going to give the guidance if a holistic decision is required? So, these are also taken on while preparing a detailed plan for objective setting and understanding the cost budgets.

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- formulating a communications strategy;
- preparing a plan for briefing and training line managers.



It is very important again to communicate the; whatever you have decided to the employees and it is important to formulate a communication strategy and preparing a plan for briefing and training the line managers for it.


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The following Barriers to reward changes must be taken care, Brown and Purcell (2007). **Figure: Barriers to the implementation of reward changes**

Barrier	Percentage
Lack of support systems	20%
Top-management attitudes	30%
Line management attitudes	30%
Staff attitudes	35%
Insufficient communications	40%
Line-management skills and abilities	50%

Source: Armstrong, M., 2010. Armstrong's handbook of reward management practice: Improving performance through reward. Kogan Page Publishers. P.413



What we see over here the there could be certain barriers to reward changes which needs to be taken care of according to Brown and Purcell we find like it is the lack of support systems in the organization, top management attitudes, line managers attitudes, the attitudes of the staffs, insufficient communication and line managers' skills and abilities.

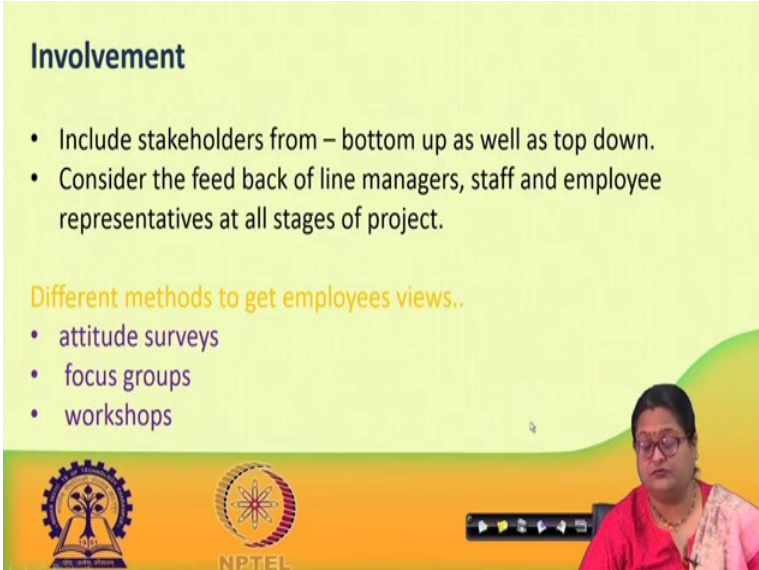
So, these could be like the points these are the points which are like support system if it is there, it helps to like establish the reward system and connected to the performance management very easy.

But if there is like the lack of support system is there the attitudes of the top management are not like that, they welcome the change or like line managers like they are doing it in a very reluctant way because they do not understand what it is. The staffs also are not showing much degree of involvement because they are not understanding what they were going to gain out of it.

There is no proper communication about the system and line managers skills and abilities is something which the HR person is lacking maybe in some cases. So, that he or she does not understand like how exactly the persons are functioning which is the firsthand knowledge the line managers have. So, these may act as barriers to the implementation of the reward changes.

If we have that then what happens like we get an open mind, open space, open communication and positive attitudes of the staffs and managers and the support having support systems in place. This will give a person to opportunity to explore think properly in like the implementation would take place, they have less of barriers and at each of the stages it will be a smooth flow towards implementation.

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Involvement

- Include stakeholders from – bottom up as well as top down.
- Consider the feed back of line managers, staff and employee representatives at all stages of project.

Different methods to get employees views..

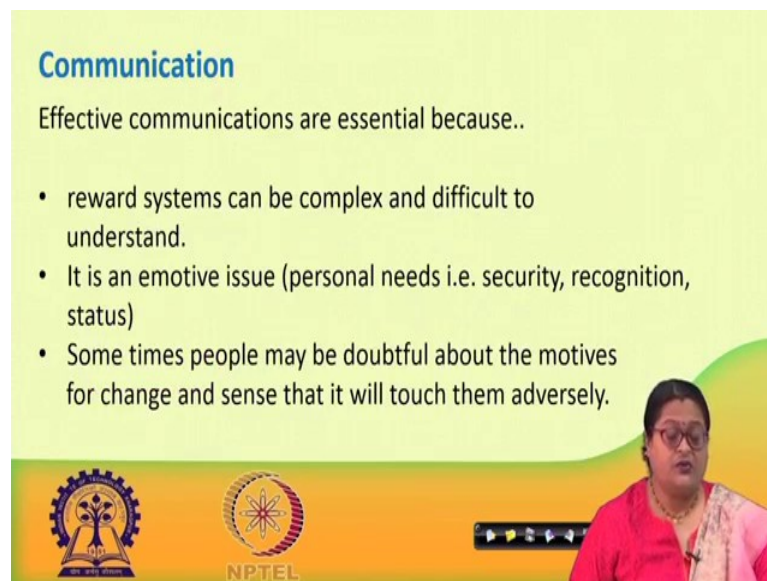
- attitude surveys
- focus groups
- workshops

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Next important is involvement. So, until and unless people get involved in the whole process no result is going to come. So, involvement is it includes stakeholders from bottom up as well as top down. So, the feedback of line manager's, staff employee representations and others are very important in the successful implementation of a reward program.

Because people who are into the actual beneficiaries and who are working on it, who are again getting the fruits of the implementation. They are the best people to tell like whether the system that has been designed is okay or not whether it is fulfilling their some kind of purpose or it needs to be redesigned again. So, it is important that the kind of feedback of the line manager's, staffs and employee representatives at different stages of the project are taken.

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Communication

Effective communications are essential because..

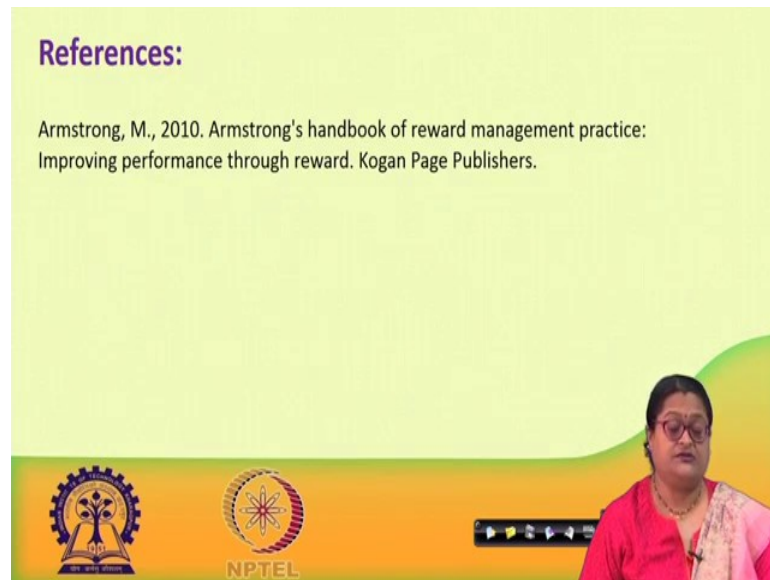
- reward systems can be complex and difficult to understand.
- It is an emotive issue (personal needs i.e. security, recognition, status)
- Some times people may be doubtful about the motives for change and sense that it will touch them adversely.

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Now, there are different methods to get employees views like attitude surveys, focus groups, workshops; why it is like important this because these are avenues for communication. So, communication is very important and essential because its reward systems can be complex and difficult to understand, it is emotive issue like personal needs, security, recognition, status which needs to be communicated to the group or to the team lead. And, sometimes people may be doubtful about the motives for change and hence that and they sense that it is not going to touch it is going to touch them adversely.

So, when the people doubt like the motive is incorrect and they it is going to affect them adversely, they need to express these feelings, they need to share it with someone, they need to maybe take help in terms of what to do and what not to do; for these reasons communication is really very important.

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So, these are the references that we have for this discussion. In the next session we will continue again with the development and implementation of the reward system.

Thank you.