# Organizational Behaviour-II Prof. S. Srinivasan Vinod Gupta School of Management Indian Institute of Technology-Kharagpur

### Lecture-59 Rewarding Teams

Welcome to lecture 4, of the module 12. And the previous lecture we discussed about different tools and techniques of evaluating team members and teams. And today's lecture, we are going to look at rewarding the team because essentially after the evaluations, there should be an outcome. So, outcome of the evaluation is yes, you will be assessed and given some ratings, based on the rating what we expect you as a team member or you as a team what do you expect from the ratings being provided?

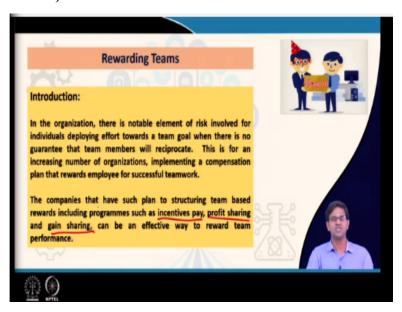
You will expect some term kind of reciprocation from an organization just valuing or appreciating your performances, probably reward can be provided in terms of incentives, in terms of promotions and so many aspects company will be repaying based on the effort put by the team member.

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So, today we are going to discuss about the concept of rewards, how do we reward teams? What are the ways in which organizations can reward the teams?

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Let us now try to understand, why rewarding teams is important? Because essentially in many organizations, when we use a team, there is a risk involved in putting him individuals towards achieving the team goal. Unless otherwise, if each individual who are actually part of the team, who are essentially working for a team goal, if they are not provided with rewards in the way if they are able to achieve the team goal.

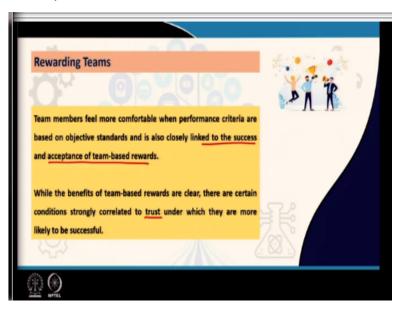
If you are not provided a reward individual will not be motivated or do not create an inclination towards achieving the team goal. Imagine a situation where yes, you are a part of a team and you are essentially there to fulfill the team goal. Then if your team, if your organization is only providing the incentives only to an individual level performance not on the team level goal, then what will happen?

Over the period of time individual will withdraw the collective effort rather they want to compete each other team member. Because it is an individual assessment, so I need to have better performance than the other team members, so that I can gain more. So, there are risk involved, so organization has to create a rewarding system for a team itself, not only focusing on individuals.

So, you company may have different ways of rewarding individuals or teams, it's maybe an incentive pay or profit sharing or a gain sharing. These are all some of the ways in which

organizations actually provide rewards to the team. So, in order to effectively reward them as well as to create their motivations and then sustain their performances, so as to organization can also grow. So, that is an intention of rewarding the teams.

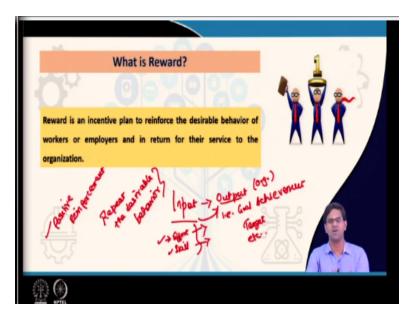
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Now, so team members always feel comfortable when performance criteria are based on objective standards not on a qualitative perspective and if it is closely associated with the success and acceptance of the team-based rewards. If we know it is associated with a team-based rewards, so they will be happy. Because team members as I said each member participating or putting the effort in order to make the team realize their goals.

So, you they will be always happy if their assessments are very objective not very subjective in nature. And then if it can be associated with the success of the team reward base, then the rewarding system, team rewarding system will be very successful. And employees will also appreciate a team members will be wanted to continue to be associated with their team. Because when we talking about rewards, it is also having strong associations with a trust, because we always we are reiterating the fact in this module itself we are trying to trust in the virtual team trust in the team is very important factor in order to create a successful team effort. So, it will also associated with the development of a trust within the team context.

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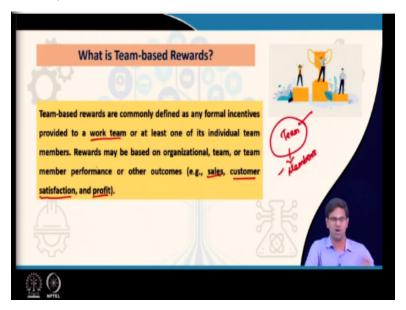
Now try to understand what is reward? Reward is nothing but it is an incentive plan to reinforce a desirable or expected behaviour of a worker or an employee in return for their service to the organizations. In a simple term if you put it what is reward? I am giving my effort, there is an input. So, input definitely there will be an output in terms of goal achievement or achieving the target etc.

So, now I have given my input, meaning that my effort, I have used my skill, now I have given my inputs and now I have also created some output for the organization. Now, in return, what do we expect? I expect my organization to reciprocate for the effort I put in, in terms of an incentive plan. If I can able to do really well my efficiency is really good, effectiveness is really good, I expect my organization to provide.

Because, if an organization provides a reward, it will also make an employee or a team to repeat the desirable behaviour. It is very simple, if you remember the concept of positive reinforcement in a psychological concept, when you are able to appreciate somebody, you will expect them to repeat the same behaviour. So, it is kind of a positive reinforcement perspective where organization provides rewards to its employees or teams to repeat the most desirable behaviour for an organization.

What is the most desirable behaviour, putting their commitment and skills and effort in making the organization to achieve the goal? So, that is what a concept of the reward.

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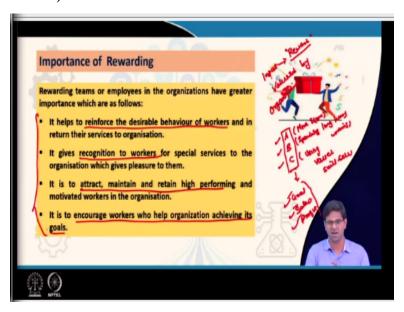


Now, let us understand what is team-based reward? So, reward can be in 2 forms, one is an individual based, can be a team or a group based. Team based rewards are commonly defined as an formal incentives provided to teamwork or at least maybe individual team members. So, it is always with respect to the context of a team, the rewards are provided maybe for a team or for it is members, so that is called team-based reward systems.

So, reward may be based on organization level, overall organizational performance or a team or a team member performance or their outcomes. When you talk about the sales, they are able to reach the sales target been provided on a set for the month or for the weekly or bi-weekly, customer satisfactions. So, how do they interact with a customer? Customer response has been captured through a survey or maybe conducting an assessment over the customers.

So, based on the customer satisfaction or a feedback from the customers or probably making a profit. So, based on that you will be provided; reward to the team. So, in this team rewards is specifically with respect to team has an own or as a member of the team, how do you become a member? Because you belong to the team, so that you are able to receive that reward. So, each individual team member can also get the reward, so that team based rewards.

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Now let us understand the importance of rewarding, why reward is important? Because it helps to reinforce the desirable behaviour. As I said in the previous 2 slides, every organization are interested in making my employees work positively or the meaning is; I expected let us say A, B, C, this is a behaviour which is like a putting more effort or spending. I am just giving some example, random example, spending long hours of working, using varied skill sets.

Now these are the behaviours which are very much positive for an organization to reach the goal or maybe sales, increase the sales or maybe increase the profit, all that, let us say these are all associated with this. Now I wanted to reinforce this behaviour because I found these behaviours are very useful for organizations, either to reach the goal, maybe increase the sales or maybe increase the profit.

So, now organization has to provide a reward, so that they will be able to repeat this behaviour. Then reward is also for providing recognition to the workers because I put my input, I also expect in terms of my input I expect them to provide a reward. So, this providing reward is a recognition, I feel that yes, my input is valued by the organization. So, it is kind of I claimed that maybe some of you would have received some incentives, you will be so proud and happy to share with the team members.

Maybe fellow colleagues or maybe at your family or from your friends that yes, I put a lot of

effort my organizations paid me as an incentive. So, that is kind of a recognition of your effort

you have been putting. So, then reward is also provided to attract, maintain and retain high

performing and motivated workers. Because the most challenging aspect in an organization, so

how do I attract the talent?

Let us say there are very good talents, meaning that the potential employees I wanted to attract

them towards my organizations, how do I make them apply or maybe work with me? Probably

give more rewards, so that will be attractive or maybe people are already working, I wanted to

give them more reward, so that they wanted to continue to work for my company, so stay in my

company.

So, rewards is also helping you to attract, maintain and retain my high performing employees

and also it encourage workers to help organization achieving it is goals. So, it is called the kind

of encouragement you provide because I am going to give you a reward in terms of an incentive

or a profit or a bonus or maybe cash benefit or a non cash benefit, something I am giving you

that encourages you to help continue to help organization to reach its goals or targets.

So, that is why rewards are important, in a general context just you as an employee or you as or a

potential employee. Just imagine that what is that which are actually motivating you to work in a

company? Yes, probably maybe the task, maybe the environment or probably you really love

doing the job, maybe beyond this, if you look at.

Yes, what kind of a reward I am being provided, what kind of a pay I been provided, that is going

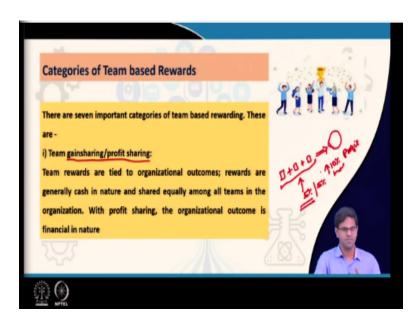
to primarily going to make a decision about whether you will going to continue to work with this

company or whether you are going to apply for this company is all primarily depends on the

reward system of a company or for an organization. So, that is why reward is an important factor.

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Then let us try to understand different categories of team-based rewarding. So, as we understood the concept of reward, then team-based reward, then why reward is important? Now, we are trying to understand what are the different ways or a practice of providing team-based rewards. One is team gain sharing and profit sharing, so team rewards are tied to organizational outcomes.

So, meaning that when a organizations able to gain a profit or make some more additional revenue or a profit, that profit some proportion of that not exactly the full profit, the proportion of the profit will be shared with a team. Because, let us say these are the teams making an organization to reach, let us say there is an increase of 10% profit, imagine. Now this 10% profit probably proportionate means not 10% be shared with all this probably 5% will stay for a company and 5% will be shared across these teams.

So, this is kind of a profit sharing is based on the effort they put and how much of the gain we are making, based on the gain we are proportionally trying to pay rewards to the team. Why? So, that the team can continue to keep increasing the profit, keep clocking the bottom line of a company, so that the company can repay them in terms of a or recognize them in terms of paying rewards. And then team gain share or your profit sharing is one way of rewarding the teams.

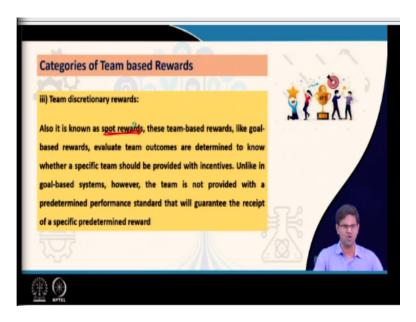
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Next is team goal-based rewards. So, organization formulates goals or targets for each team. So, for any organization, essentially, yes, every organization will definitely create a goal or a target for each of the team. And they reflect and they believe to be effective or short term, long term performance outcomes. So, these based on the expectation that yes, there are be goals and targets are set.

So, now you based on that now maybe let us say customer service goals let us say you have to have a customer satisfaction, at least more than 4. Let us say a 1 to 5 is a scale, 1 being the least and 5 being maximum and I am setting a goal for my team. Then yes, at least your customer satisfaction score should be equal or greater than 4, so customer satisfaction score. So, it is kind of a goal basically when we are able to achieve the goal that reward will be provided.

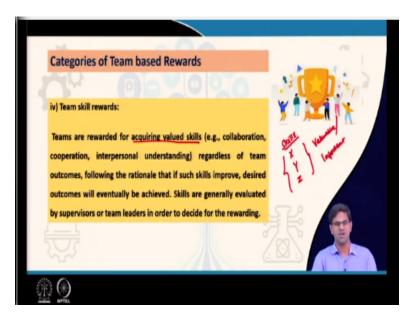
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Then sometimes called discretionary rewards. So, it is also otherwise called as spot reward, why it is spot rewards? It is not related to team based or like goal-based rewards or something like that, where they evaluate team outcomes are determined to know whether a specific team should be provided with an incentive. So, whereas in a goal-based incentive or a team is not provided with a predetermined performance standard that will guarantee the receipt of specific predetermined reward.

Here what is happened spot in a discretionary; say all of a sudden, the team was able to really do well. And based on that, particular time of performance, we are trying to provide an incentive to the team, so it is called a team discretionary rewards.

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Then team skill rewards, what is the skill rewards? Teams are rewarded based on the skills which they are acquired which are a valuable skill. For example, let's say a team is able to develop or create or learn a new skill X, Y, Z, these are the skills. And if the skills are valuable and which are important for an organization, based on the amount of skills they have learned, that reward will be provided.

For example, may be collaboration, cooperation, interpersonal understanding. So, based on the skill learned or developed, so that will be provided based on the amount of the skill or the number of skills they developed which are valuable and important for an organizational performance. Then there is a team will be rewarded for the skills they have learned or acquired.

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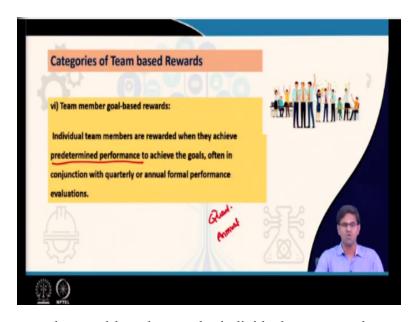


Then team member skilled version, now we have looked at overall team, now we are going to the members of the team, each individual team members are rewarded for acquiring team related skills. So, for example when we are creating a team and essentially it is always difficult to run a team because there are a lot of challenges; managing the interpersonal relationship, creating the cohesiveness, building the trust, so that they perform well.

Because all the team members are interdependent and they are also complementary skill, they have a complementary skill unless otherwise they work together it will be very difficult. So, now, these team members will be rewarded for developing some of the team related skills. Let us say somebody who builds better coordination skills or adaptability, leadership skills or initiation of ideas. So, these skills are generally evaluated by the other team members or supervisor for rewarding the individual team members.

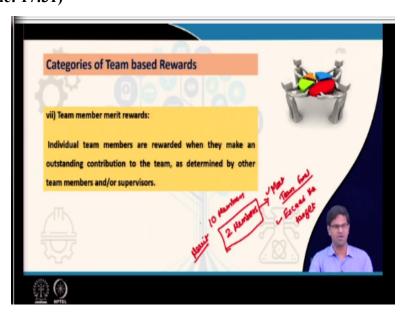
So, generally these individual team members who develop the team related skills which are important for the effective functioning of the team that has to be valued. So, that skill will be rewarded, who is going to assess that whether this person has developed these skills or acquired this kind of team leader skills? Either the peers or colleagues or the leader or a supervisor of the team will be able to assess and reward based on the type of skills this each individual member have developed.

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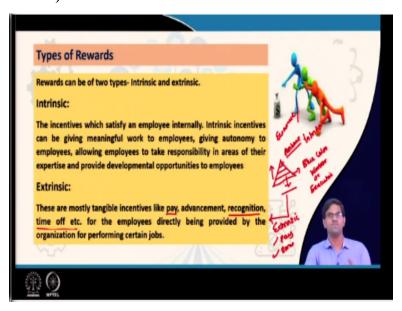
Then comes team member goal-based rewards, individual team members are rewarded when they achieve predetermined performance to achieve these goals. It is always in conjunction with quarterly or annual formal performance evaluation. So, it will be done during the either a quarterly performance or an annual performance appraisal. Yes, based on the predetermined performance, whether these individual team members were able to achieve the goals or not. Then based on that achievement or the; proportion of the achievement they will be provided a goal-based rewards.

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Then team member merit rewards. So, each individual team members are rewarded when they make an outstanding contribution to the team. So, probably you would have seen that, yes, out of these 10 members I had, I found there are 2 members who had done exceedingly well to meet team goals or probably they help to reach the target or exceed the target. So, these 2 members will be provided merit because they were significantly contributed for helping the team to reach the goal or probably exceed the targets which are provided to the team. So, that is a team member merit reward, so each team members who are actually significantly contributions been made towards making the team to reach the goal or exceed the goals and then they will be rewarded.

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Then next one is about we are going to talk about there are 2 different types of rewards. One is intrinsic and extrinsic, what is this intrinsic reward? Intrinsic to within oneself, the incentives which satisfy employee internally. For example; maybe your satisfactions or emotional satisfaction or psychological safety or maybe the fulfillment of a psychological contract.

So, whatever or maybe you will have a pro-social behaviour, when there is reward or incentives which satisfy employee internally, maybe creating happiness or your enjoyment. So, intrinsic meaning intrinsic incentives will give meaningful reward to employees. For example; by creating work life balance, they are feeling really happy to work in a company, they are really satisfied, they are highly engaged.

So, these are also all of employees to take responsible in the areas of their expertise and provide

developmental opportunities for employees. So, within myself which are actually internally I am

going to feel satisfied. Now extrinsic is not within me, the outside for example, by paying salary

or increments or incentives or a bonus or recognition or providing time off for employees to take

time off from their regular work and then go for a vacation.

LTC leave travel concession or leave travel allowance. There are so many things we give which

are extrinsic it is not internal; it is external to the individual member where it may be in terms of

providing rewards or a payment or an incentive or a bonus which will actually creates this kind

of rewards are extremely similar. What are the intrinsic rewards? Rewards that are going to

satisfy the employee internally, maybe creating the satisfaction, creating the happiness and

improving the well being of the individual, these are all very intrinsic rewards.

So, that kind of a rewards are intrinsic, in long run intrinsic rewards are more motivating

compared to the extrinsic motivation. We can also do understanding maybe people who were at

the let us say I am making an organizations as pyramid. Let us say, base of the pyramid is let us

say blue colour in an organization of the manufacturer colour, blue colour workers or let us say

in an knowledge and this let us low level executives, entry level executives.

Then you keep going hierarchy or the position is increasing. So, now people who are at the lower

level of the organization, so these are all positions. So, the lower level of the organizations will

be really motivated or happy to see these extrinsic rewards, they will be happy to have more pay

or bonus or incentive. People who are higher up in the order let us say managers or above who

are mid level or a senior level management, they are not concerned about the economic outcome

rather they are concerned about intrinsic rewards.

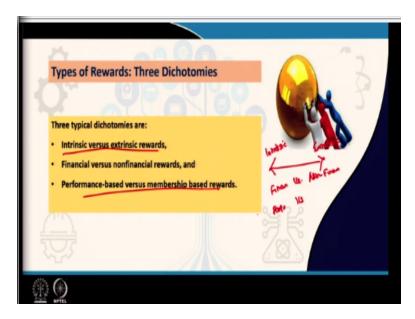
Can I get more satisfying positions? Can I get more employee well being? Can I get more

happiness being in the company? So, based on the level in which the employee belongs also

provides a kind of a reward system we have to focus on.

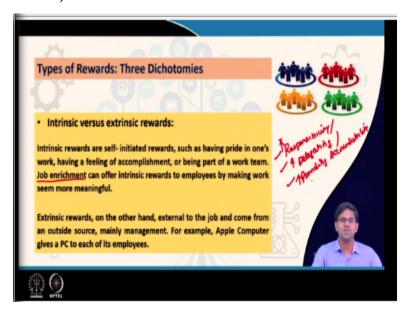
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Now, let us also understand there are 3 different dichotomies. As we said there are 3 different dichotomies one is intrinsic versus extrinsic, it is like this. So, it is intrinsic or extrinsic, this or that. Similarly, there are financial versus non financial, then performance based versus membership based rewards. So, there are dichotomies of rewards being provided, let us try to understand those dichotomies. Already we have been discussing with these intrinsic and extrinsic motives or rewards.

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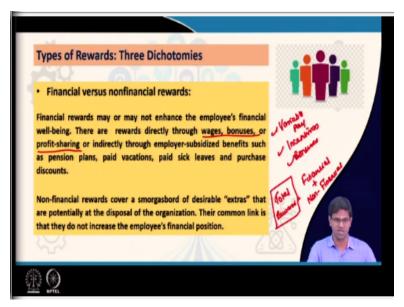
So, intrinsic rewards are the one which are you know self initiated rewards, which are having pride in one's work or having a feeling of accomplishment when I am able to reach the goal, I get

a kind of an happiness, I am really happy because I could deliver this. I am really happy I did a very good presentation today; my clients are really happy, it is not going to give me any incentive, it is not going to give me something maybe kind of an appreciation I might get or I feel really contented.

I feel, yes, I could able to do something really good. So, these are all intrinsic rewards it will provide job enrichment. Now giving more responsibilities, increasing more responsibility or giving delegating or providing more accountability that will actually increase, this increasing responsibility or delegating or providing more accountability. This is going to provide more intrinsic reward to employees by working, work seems more meaningful. They will feel like yes, I am really happy that I am feeling meaningful in doing this job.

And extrinsic reward and other and it is about external to the job. Now for example providing some time, you provide incentives or maybe providing computer maybe the laptop or some kind of gadgets. So, something which is external to the employees that is an extrinsic rewards. Now, let us understand that between the financial versus non financial.

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So, financial rewards may not enhance the employee financial well being, but there are rewards with respect to maybe wages or a bonus or cash based incentives, profit sharing, gain sharing, these are all financial rewards. Variable pay, then incentives, bonuses, these are all financial

rewards, what are the non financial rewards which are not providing a cash or in terms of cash benefits, it is something more maybe flexi work time or maybe giving leave travel concessions or providing work from home opportunity or giving other non financial aspects. Maybe giving other insurance policies or covering the employees, yearly outings and so on. So, other things are non financial reward.

So, organization can trade off between what type of a reward I am going to give my team or team members, is it a financial reward or non financial reward? But that has to determine what level of the employees they are, what kind of team environment they work in? Maybe some organization can create combination of both financial and non financial reward that will become a total reward system. So, total reward which is a concept of financial plus non financial rewards that becomes a concept of a total reward, so company can go for a combination of both as well.

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Then the last one is about performance based versus membership based rewards. So, the performance based rewards are exemplified by use of commissions or a piece rate work. Now when you are able to achieve, there is target productivity, based on the productivity, productivity based incentives, these are all performance based rewards. Membership based is based on the membership wherever we the benefits you provide, because you work in this particular domain or with this level.

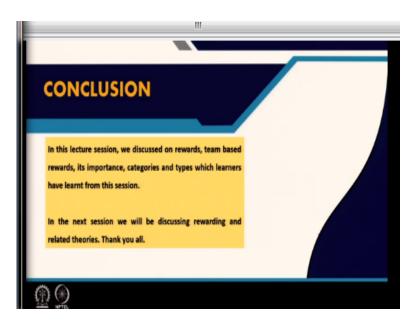
So, that is why you are been given this reward system, maybe you based on the positions, based on the category, type of a service you offer, maybe important projects you are working for. Based on that membership of being that team belonging to the team you will be given a reward, so that is a membership based reward. There are now we are able to understand where rewards and what are the different types of rewards being offered to team. And we also discussed about dichotomies, where we are talking about extrinsic versus intrinsic. And financial versus non financial and performance based versus membership based.

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And probably what is important here is that organization has to come up with a combination of rewards, so that you will be able to effectively reward your teams. So, these are the some of the references, we are used for this today's lecture.

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And in this lecture, we understood the concept of reward, what is reward and what is team-based reward? And various types of rewards ranging from profit, gain sharing, profit sharing to merit based reward, individual member reward, skill based reward, individual skill based reward. Then we also discussed about various forms of rewards like intrinsic, extrinsic and performance based, membership based and also financial and non financial rewards.

So, this will actually help you to develop more understanding about what kind of a reward you have to provide. You have to understand the needs of the teams and team members in order to determine what type of a reward to be provided. In the next sessions, we are going to discuss about the motives of the team to understand what type of a reward would really work for the teams or the team member? So, we will discuss in the next lecture, thank you.