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Strategic Reward Management - High Munch Booster

Abstract ::

Strategic reward management is the process of looking ahead at what an organization needs to do about its reward policies and practices in the middle or relatively distant future. It is concerned with the broader business issues the organization is facing and the general directions in which reward management must go to provide help in dealing with these issues in order to achieve longer term business goals. In our conceptual paper we have tried to explain how strategic reward management deals with both ends and means.

Key Words:-Reward, Recognising Value, Assessment of Stake Holders, Reinforce,

Introduction ::

Reward Management has been defined as the distribution of monetary and non monetary rewards to employees in an effort to align the interests of the employees, the organization and its shareholders" D. Needham. In addition Needham suggests that reward management system can serve the purpose of attracting prospective job applicants, retaining valuable employees, motivating employees as well as assisting organization in achieving human resource, organizational objectives and obtaining competitive advantage. This is particularly important in competitive academic climate where colleges and universities are fighting for high - caliber employees in order to improve the quality of teaching and gain excellent reputation.

What is Reward Management?::

Reward management is concerned with formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization. It deals with the design, implementation and maintenance of reward processes and practices that are geared to the improvement of organizational, team and individual performance.

The Aims of Reward Management ::

- Create total reward processes that are based on beliefs about what the organization values and wants to achieve;
- Reward people for the value they create;
- Align reward practices with both business goals and employee values; as Duncan Brown emphasizes, the 'alignment of your reward practices with employee values and needs is every bit as important as alignment with business goals, and critical to the realization of the latter';
- Reward the right things to convey the right message about what is important in terms of expected behaviors and outcomes;
- Facilitate the attraction and retention of the skilled and competent people the organization needs, thus 'winning the war for talent';
- Help in the process of motivating people and gaining their commitment and engagement;
- Support the development of a performance culture;
- Develop a positive employment relationship and psychological contract.

Strategic Reward ::

Strategic reward management is the process of looking ahead at what an organization needs to do about its reward policies and practices in the middle or relatively distant future. It is concerned with the broader business issues the organization facing and the general directions in which reward management must go to provide help in dealing with these issues in order to achieve longer-term business goals.

Strategic reward management deals with both ends and means. As an end it describes a vision of what reward policies will look like in a few years' time. As a means, it shows how it is expected that the vision will be realized. Strategic reward management is therefore visionary management, concerned with creating and conceptualizing ideas of what the organization should be doing about valuing the rewarding its people. But it is also empirical management, which decides how in practice it is going to get there.

Reward Strategy Defined ::

Reward strategy clarifies what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals. It is a declaration of intent, which establishes priorities for developing and acting on reward plans that can be aligned to business and HR strategies and to the needs of people in the organization. Brown believes that: 'reward strategy is ultimately a way of thinking that you can apply to any reward issues arising in your organization, to see how you can create value from it'.

The purpose of Reward Strategy ::

1. You must have some idea where you are going, or how do you know how to get there and how do you know what you have arrived (if you ever do)?
2. 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?
3. There can be positive relationship between rewards, in the broadest sense, and performance, so shouldn't we think about how we can strengthen that link?
4. As Cos and Purcell write, 'the real benefit in reward strategies lies in complex linkages with other human resource management policies and practices'. Isn't this a good reason for developing a reward Strategic framework that clearly indicates how reward processes will be linked to other HR strategies and processes so that they are coherent and mutually supportive?

The Structure of Reward Strategy ::

The structure of a reward strategy could be built round these four questions as follows:

1. A definition of guideline principles - the values that it is believed should be adopted in formulating and implementing the strategy.
2. A statement of intentions - the reward initiatives that it is proposed should be taken.
3. A rationale - the reasons why the proposals are being made. The rationale should make out the business case for the proposals, indicating how they will meet business needs and setting out the costs and the benefits. It should also refer to any people issues that need to be addressed and how the strategy will deal with them.
4. A plan - how, when and by whom the reward initiatives will be implemented. The plan should take account of resource constraints and the need for communications, involvement and training. The priorities attached to each element of the strategy should be indicated.

Guiding Principles ::

Guiding principles defined that approach an organization takes to dealing with reward. They are the basis for reward policies and provide guidelines for the actions contained in the reward strategy. They express the philosophy of the organization - its values and beliefs - about how people should be rewarded.

Members of the organization should be involved in the definition of guiding principles, which can then be communicated to everyone to increase understanding of what underpins reward polices and

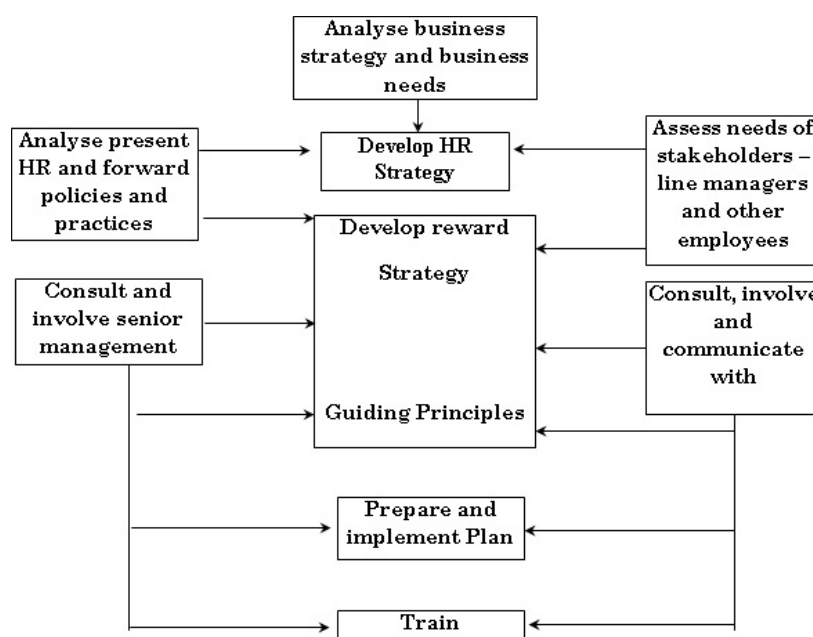
practices. However, employees will suspend their judgment of the principles until they experience how they are applied. What matters to them is not the philosophies themselves but the pay practices emanating from. Transparency means that people understand how reward processes and how they are affected by them. The reasons for pay decisions should be explained to them at the time they are made. Employees should have a voice in the development of policies and practices and should have the rights to be given explanations of decisions and to comment on how they are made.

Specific guiding principles ::

Reward guiding principles may be concerned with such specific matters as :

- Developing reward policies and practices that support the achievement of business goals ;
- Providing rewards that attract, retain and motivate staff and help to develop a high-performance culture;
- Maintaining competitive rates of pay;
- Rewarding people according to their contribution;
- Recognizing the value of all staff who are making an effective contribution, not just the exceptional performers;
- Allowing a reasonable degree of flexibility in the operation of reward processes and in the choice of benefits by employees;
- Developing more responsibility for reward decisions to line managers.

Developing Reward Strategy ::



The formulation of corporate strategy can be described as a process for developing and defining a sense of direction. A logical step-by-step model for doing this is illustrated in Figure. This incorporates ample provision for consultation, involvement and communication with state holders; these include senior managers as the ultimate decision maker as well as employees generally and line managers in particular.

In practice, however, the formulation of reward strategy is seldom as logical and Linear A process as this Quinn produced the concept of 'logical instrumentalism', which states that strategy evolves in several steps rather than being perceived as a whole. This notion was developed by Mintzberg, 15 who believes that strategy formulation is not necessarily rational and continuous. In theory, he says, strategy is a systematic process: first we think, then we act; we formulate, then we implement. But we also 'act in order to think'. In practice, 'a realised strategy can emerge in response to an evolving situation' and the strategic planner is often 'a pattern organiser, a learner if you like, who manages a process in which strategies and visions can emerge as well as he deliberately conceived'. Strategy,

according to Mintzberg, is best regarded as a 'pattern in a stream of activities'.

Suggestions and Conclusion::

These opinions about the nature of strategy formulation suggest that, while a logical approach as shown in Figure may provide a desirable model, the reality is different. Reward strategists do not start with, a clean sheet. They have to take note and keep taking note of the changing situation in their organization, including the needs of stakeholders. They will have to take particular account of financial considerations – the concept of 'affordability' looms large in the minds of chief executives and financial directors, who will need to be convinced that an investment in rewards will pay off.

Reward strategists must also track emerging trends and may modify their views accordingly, as long as they do not leap too hastily on the latest bandwagon. It may be helpful to set out reward strategies on paper for the record and as a basic for planning and communication. But this should be regarded as no more than a piece of paper that can be torn up when needs change – as they need change- as they will – not a table of stone. However, it is still desirable to have a clear view shared with management and other stakeholders about future intentions even if this may have to change, and there are certain criteria as set out below that can be used to judge the effectiveness of the strategy as a broad but possibly evolving statement of intent, which may usefully be recorded in writing.

Criteria for an effective reward strategy ::

According to Brown,¹ effective reward strategies have three components:

1. They have to have clearly defined goals and a well-defined link to business objectives.
2. There have to be well-designed pay and reward programmes, tailored to the needs of the organization and its people, and consistent and integrated with one another.
3. Perhaps most important and most neglected, there need to be effective and supportive HR and reward processes in place.

Objectives	Rating*
1. Reinforce the achievement of corporate goals.	
2. Recruit and train staff of the required caliber.	
3. Strong relationship between pay and performance.	
4. Reinforce organizational values.	
5. Motivating for our employees.	
6. Cost effective	
7. Well communicated, supported and understood by staff.	
8. Managed effectively in practice by line managers.	
9. Efficient to operate and maintain.	
10. Flexible to react quickly to change.	

* **Scale : 10 = incredible, 5 = OK, 1 = appalling**

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