

# Chapter 10

## Performance and Rewards

### **Guidance Note For Students**

The activities that follow are designed to be used with *An Introduction to HRM: An Integrated Approach*. Read chapter ten, which provides both the answers in easy to follow sections and guidance on other areas of the book that can help you with your studies.

#### Learning Outcomes

After reading and completing the activities in this chapter you should be able to:

1. Appreciate the value of the HR specialist input (internal and external) into the evaluation of an organisation's reward systems.
2. Recognise the role HR rewards planning in relation to external factors. PEST analysis.
3. Apply sectoral analyse to the application of HR reward management interventions and strategies.
4. Critically evaluate the use of PRP (performance related pay) schemes.
5. Critically evaluate the case for more flexible reward systems.
6. Appreciate the role of rewards strategies in employee development.
7. Evaluate the place of non-financial rewards in organisations such as education and training.
8. Appreciate the differences in HR planning required in rewarding volunteers and the not-for-profit sector.

**Note to Students:****Can You Tell Me All The Answers Please?**

In common with the vast majority of students, you want to do really well in your study programme. There are grades to attain and employers to impress...

You may like to believe that there are perfect answers that can give you perfect grades. Indeed, if this were an elementary mathematics handbook you would be correct. However, with people simple sums do not always produce neat solutions.

So, can I reassure you that I do not have all the answers to everything, and neither does anyone else! What I would encourage you to do is engage in discussions with your fellow students, read different writers ideas and listen to your lecturers. Your lecturers have invested many hours, years in doing what you are setting out to do so they are excellent guides to help you succeed.

Learn to think for yourself and integrate ideas across disciplines and subject areas. Think outside the boxes.

**Guidance Note For Students**

Read the sections of chapter 10 the address PEST and then do this exercise. It will help you to understand that organisations work inside a much wider society. It is very likely that your lecturers have asked you to read the 'quality press' so that you can develop your understanding of the workplace environment. This is an essential part of your personal managerial development and balances other more academic and theoretical elements of your learning.

**Exercise : PEST analysis**

Conduct a PEST analysis on an organisation you are interested in studying for your course work or seminar activities.

It is helpful to begin a *PEST* analysis by thinking about the kind of industry, business or sector your selected organisation is in. Start by thinking about whether it is a 'for profit or 'not for profit' organisation. Once the general sector is established consider the more specific factors that influence HR activities. If the organisation you have selected is 'not for profit' (charities, non governmental organisations, schools, nation health service, aid agencies) then HR planning will need to include the rewards/ motivation of staff whose primary motivational drives may not be financial, including unpaid volunteers. It should become evident that although organisations may be placed into a generic sector, each one will have situation specific requirements, the recurring theme of this text. Explore the sectors similarities and differences.

The experienced HR manager will be accustomed to analysing their organisation's requirements in relation to its market sector and stakeholders. However, I have found that sometimes, new HR students can experience difficulties relating HR analysis to an organisation they are studying. Try to think about the connections between the employee relation's policies and how you might respond if you were working for the organisation. In reality the preliminary stages of the process are quite straightforward and the research can produce many interesting insights into an organisation's HR requirements. Some HR students may progress to conduct in-depth *PEST* analysis if this is appropriate to their interests and course requirements. An overview of the external factors, which can be studied with *PEST*, combined with more detailed, organisation specific research should yield some interesting findings.

**Discussion points**

1. What were the key points highlighted by PEST analysis on your chosen organisation?
2. How do you think the organisation's HR team should respond to the PEST findings?
3. Evaluate how effective PEST has been in providing you/ your team with an overview of an organisation within its sector.

**Guidance Note For Students**

A manager has to make choices every day. The outcomes of those choices can eventually result in organisational success or failure. The choices people make day-to-day are important. You may think that you are not very important in the larger scheme of organisational life. It is not true.

Every one of us has a contribution to make to the environment they work in. If you read the 'quality press' and watch the more in-depth news services you will see, over the months, examples both well run organisations as well as failures. You should be thinking about what makes an effective manager. Is it qualifications? Is it experience? Are there different management approaches that suit different situations? These questions are about choices... The first choice an organisation makes is who they recruit and or who they promote into positions of management responsibility. ( See chapter 7 for recruitment and chapter 9 for employee development.). Before you go back to the book have a look at the 'choices' below and discuss them with your seminar group.

**Exercise: Choices**

Consider the following examples and discuss the choices facing various professionals when they are set performance targets.

1. If a factory worker is measured on the quantity of units produced, does quality suffer?
2. Does focusing on reducing hospital waiting lists mean the easier to treat, less urgent cases get attention in place of more complex, serious illnesses?
3. If teachers are rewarded on examination results, do schools avoid selecting 'less able' students?
4. When sales people are targeted on how many new customer accounts they open, does the quality of customer retention/ care decline?

**HRM In Action: Unmet expectations**

I heard this case about salespeople and expenses claims some years ago from a successful area sales manager. At face value it is easy to dismiss what follows as simply falsification of company documents. However, there are some interesting underlying issues regarding employee relations relating to company policies and actual practices. Read the HRM in action case and reflect upon the pay and rewards issues.

Many years ago it was customary for insurance salesmen to wear dark suits and a bowler hat, which was effectively the uniform for city banking and insurance employees. Therefore, when a young man joined an insurance firm his manager advised him that he should buy the appropriate attire. The salesman's area included the south coast so he made appointments to visit his clients in Brighton. As he was walking along the promenade a gust of sea breeze took hold of his bowler hat and cast it into the sea. Knowing that his new employers insisted that all salesmen wear a bowler hat he promptly called into a local department store and bought a replacement. Later in the week the salesman duly filled in his expenses claims form, listing his travel expenses and under the 'other items' column he noted a claim for the replacement hat.

A few days later the area manager telephoned the salesman to advise him that the company would not be able to recompense him for personal clothing and so the cost of the bowler hat had been deleted from his expenses form.

This irritated the salesman because the hat was quite expensive and had, after all, been required by the company and lost while on company business. He therefore decided to try to reclaim the cost of the hat again, with a note explaining the circumstances in the hope that his manager would relent and refund the cost of the hat. The salesman was delighted when the manager telephoned him, only to be disappointed when the area manager restated company policy about the cost of the hat.

The following week the area manager was pleased to see that the new salesman's third expenses claim did not include the cost of the hat. In fact the area manager felt so triumphant in having successfully asserted company policy that he telephoned the young salesman to congratulate him on complying with company policy.

'No bowler hat in your expenses claim this week!' He proclaimed with delight. 'Oh, it's in there, you find it'. Replied the young salesman who had sought the advice of some of the more established members of the sales force about how to 'work the system'. His expenses claim form was paid in full that week and the regional manager was also able to uphold company policy regarding the non-reimbursement of claims for lost hats since no specific item for a 'lost hat' was included on the form, though expenses in each of the other columns were all marginally higher.

### **Discussion Questions:**

1. The company expected its salespeople comply with a particular dress code. Was it reasonable for the new salesman to require the company to pay for the hat he had lost during the course of his work?
2. The company rules stated that it would not replace employees' property such as 'bowler hats' in the event of loss. Evaluate the regional manager's decision not to accept the expenses claim for the hat on the first two attempts by the salesperson.
3. What do you understand by the term: 'working the system'?
4. Why do you think the regional manager paid the full expenses claim on the third occasion?

5. What recommendations, if any, would you make regarding the company's policies relating to salesperson's expenses reimbursement?

**HRM In Action: Interview With a Senior Executive**

The following extract is taken from a research interview, which was part of an in-company survey regarding HR activities and inputs. The questions and answers below sought to drill down upon attitudes to innovative approaches to employee benefits within the organisation.

**Question.** Have you considered cafeteria benefits?

**Answer.** We have flexibility within our benefits so people can trade up to a different car by putting more money in even if that car is two levels above [the employees grade entitlement] However, we would struggle if someone said they didn't want a pension plan or a health plan. So we have considered the cafeteria approach, but there are some core benefits, which we would probably demand that employees take. The question is, then, are we being more paternalistic than we need to be?

**Question.** So would it be possible to have a core package and a flexible part from which employees could select according to their needs?

**Answer.** What I'm interested in from your research is whether there's a set of benefits, which we are ignoring or are there others?

The old approach was work hard; get stock in the company and the stock will be worth something. People have had house extensions paid for by the increase value of their stock [shares in the company which can increase in value, but can also fall in value] If the stock value falls people are extending their horizons and looking at the other things the company provides for them so we need to define, quite precisely the nature of this employment relationship. We are now using the phrase 'the employee partnership' which is inwardly focused. I am going to brand everything that the HR department does as part of the employee partnership. The thing about the HR function or any internal service organisation, it's a bit like the health service, there is

infinite demand and it's subject to continuous subjective review. Therefore we need to address it as if everyone is a consumer. There's a drive to get more of a business partnership approach with our HR managers. We are achieving this by bringing in more capable HR managers who have a direct link into a portion of the business. So it's like an account management function.

**Question.** There is a trend towards organisations having fewer people in the HR function. So that HR is moving from an operational role to a strategic one. Is this the case here?

**Answer.** We are planning to do exactly that.

**Discussion areas:**

1. If an organisation does decide to provide a core benefits package should employees have the right to opt out of it?
2. What do you understand by the term 'cafeteria benefits'?
3. What are the advantages to employees of a flexible benefits package?
4. Why do you think employees are, 'looking at the other things the company provides for them,' apart from financial incentives?
5. The executive used the term 'employee partnership' to describe the company's new HR innovations. What do you think the difference in emphasis might be with 'employee partnership' compared to the more traditional 'employee relations' approach?
6. What do you think is the difference between an operational HR role and a strategic one?
7. How can having specific, 'HR managers who have a direct link into a portion of the business' enable the HR function to be more business focused and be closer to the needs of employees?

## Chapter Summary

In this chapter you have reviewed the value of the HR in the development and evaluation of organisational reward systems. This included practical research based PEST analysis related to the role HR rewards planning. You should also have become aware and more sensitivity to the differences in sectors, so that your HR approaches to rewards can be situation appropriate. Non-financial rewards are valuable elements of the employee reward/developmental strategy. The use of rewards systems including PRP (performance related pay) and the more flexible, person centred cafeteria systems and their use and application in rewards management. Furthermore the chapter studied the specific requirements of the not-for-profit sector, rewarding volunteers and the not-for-profit public sector employees.

## **Guidance Note For Students**

The references are a useful guide to seek out other sources for background reading and ideas for your course work. Universities and colleges expect you to read more than just the set text. Although HRM An Integrated Approach provides a complete course for you, it is important to recognise that there are many other opinions, ideas on HR and management in general. In your assignments and activities you will be expected to refer to a range of literature. Go to you Learning Resources Centre and read/ view academic literature and expand your knowledge of HR and Management.

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### **Personal Notes On Chapter 10**

Notes for seminars

