[HR Planning, Talent Acquisition, Retention and Reward Strategies]]

Lecture Title:
[Reward: Policies and Tools]

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Date: Monday 27 April 9.00 – 13.00hrs

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Masters in
Human Resources Management

Learning Objectives

Critically formulate total reward strategies, polices, and practices based on organisational goals, mission and values and appropriate research and data analysis:- Performance-Based Rewards; Non-Monetary Recognition.

Understand the use of Data-Driven Decision-Making; Clear Communication; Link to Organizational Goals ; Monitor Fairness and Inclusivity and to Regularly audit reward systems to ensure they are equitable across roles, genders, and departments.

Critically propose or apply appropriate tools and methods used in reward strategies. These include: Job Evaluation Systems; Compensation Software; Employee Feedback Platforms:; Recognition Platforms; "Employee of the Month," certificate; Flexible Benefits; Equity-Based

Debate the advantages and disadvantages of individual v team-based reward

Learning Method

- Lecture focused on learning objectives supported by formative assessment tools, to provides feedback and information during the instructional process, while learning is taking place, and while learning is occurring.

- Formative assessment through participative learning activities will be utilised evaluating students' comprehension and academic progress throughout the lecture - particularly with respect to understanding and applying HRM concepts.

"Being told you're appreciated is one of the simplest and most uplifting things you can hear."

- Sue Fitzmaurice.

- Critically formulate total reward strategies, polices, and practices based on organisational goals, mission and values and appropriate research and data analysis:- Performance-Based Rewards; Non-Monetary Recognition.

1. Understanding Organisational Context

Organisational Goals, Mission & Values

- Total reward strategies must reflect:
- **Strategic Goals** (e.g. growth, innovation, operational excellence)
- **Mission** (why the organisation exists)
- **Core Values** (e.g. integrity, teamwork, customer focus)

- **Example:**

- A tech firm with a mission to *“innovate for a smarter world”* and values like *creativity* and *collaboration* should not focus only on individual financial incentives. Recognition should also reward innovation, teamwork, and knowledge-sharing.

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2. Performance-Based Rewards Strategy

- **Objectives**

- Drive high performance
- Align individual goals with organisational KPIs
- Attract and retain high performers

Element	Practice
Performance Metrics	Use balanced scorecards: financial, customer, process, learning & growth
Pay-for-Performance	Bonuses, profit-sharing, commission plans tied to objective results
Differentiated Rewards	Tiered incentive schemes for top 10–20% performers
Transparency	Clear communication of performance expectations and reward criteria

Data-Informed Approach

- **Benchmarking**: Use market salary surveys (e.g. Mercer, PayScale)
- **Internal Equity Analysis**: Gender pay gaps, role parity
- **Performance Analytics**: Use KPIs, 360-degree feedback, and productivity metrics to guide bonuses

- https://www.reedglobal.com.mt/salary-guide

Critical Considerations

Avoid over-reliance on short-term financial metrics.

Risk of encouraging competition over collaboration if misaligned.

Must consider equity and avoid unconscious bias in reward allocation.

3. Non-Monetary Recognition Strategy

- **Objectives**

- Reinforce organisational culture
- Provide frequent, low-cost motivation
- Support intrinsic motivators (purpose, mastery, autonomy)

Key Practices

Type	Examples
Peer-to-peer Recognition	"Kudos" systems, team nominations
Managerial Recognition	Praise, development feedback, award ceremonies
Career Development	Opportunities for stretch roles, project leadership
Work-Life Balance	Flexibility, sabbaticals, wellness programs
Purpose-Driven Work	Involvement in CSR projects, employee volunteering

- **A sabbatical can be either paid or unpaid**, depending on your employer’s policy and your length of service.

- Some companies offer fully paid sabbaticals as a reward for long-term commitment, while others might provide partial pay or no pay at all.

- For example, Adobe offers paid sabbaticals of up to six weeks based on tenure, while other organizations might only allow unpaid time off for personal development, travel, or study.

- It’s also common for companies to require a minimum number of years worked before you're eligible.

Research-Based Rationale

- **Self-Determination Theory** (Deci & Ryan): autonomy, competence, and relatedness enhance motivation.
- **Herzberg's Two-Factor Theory**: Recognition is a key motivator beyond hygiene factors like pay.
- **Gallup Research**: Employees who receive regular recognition are more engaged and productive.

Data-Driven Approaches

- **Pulse Surveys**: Measure employee satisfaction with recognition.
- **Engagement Scores**: Link recognition programmes to morale and retention rates.
- **Diversity & Inclusion Data**: Ensure recognition is representative and inclusive.

4. Integrating Rewards into Total Reward Strategy

Policy Formulation Principles

- **Equity**: Fair access to rewards regardless of demographics.
- **Transparency**: Clear, consistent criteria and communication.
- **Flexibility**: Tailored options based on employee needs and life stages.
- **Sustainability**: Financially viable and scalable.

Example: Integrated Total Reward Strategy

Component	Alignment	Practices
Base Pay	Market competitiveness	Regular benchmarking
Incentives	Performance culture	Bonus tied to KPIs
Recognition	Values-based culture	“Employee of the Month” tied to values
Development	Long-term growth	Career paths, mentorship
Wellbeing	Human-centred values	Mental health days, flexible hours

5. Evaluation & Continuous Improvement

Metrics to Track

- Reward satisfaction (via surveys)
- Performance improvement trends
- Turnover and retention data
- ROI on incentive spend

Review Cycle

- Annual review tied to strategic planning
- Quarterly feedback loops with HR and leadership

Conclusion

- A **critical and strategic total reward framework** must go beyond just pay.
- It must integrate **performance-based financial incentives** with **recognition that affirms values**, all underpinned by robust data and continual alignment with organisational purpose.
- By combining **extrinsic and intrinsic motivators**, the organisation fosters not just compliance, but real commitment and engagement.

- Understand the use of Data-Driven Decision-Making; Clear Communication; Link to Organizational Goals ; Monitor Fairness and Inclusivity and to Regularly audit reward systems to ensure they are equitable across roles, genders, and departments.

1. Data-Driven Decision-Making

Definition:

Using objective data and analytics to inform decisions rather than relying solely on intuition or tradition.

- **Use:**

- Analyzes employee performance, engagement, and compensation trends.
- Identifies gaps or inconsistencies (e.g., pay disparities or performance rating biases).
- Supports transparent and defensible decision-making

- **Example:**
- *A company uses performance metrics and salary benchmarking data to determine promotions and raises, reducing favoritism.*

2. Clear Communication

- **Definition:**
- Ensuring transparency and clarity in how decisions are made and shared within the organization.

- **Use:**

- Explains how performance is measured and rewarded.
- Builds trust and reduces misunderstandings.
- Helps employees understand how they can grow and what is expected.

- **Example:**

- *Managers explain how performance ratings impact bonuses, ensuring that all team members understand the process and criteria.*

3. Link to Organizational Goals

- **Definition:**
- Aligning individual and team efforts with the broader mission and strategic priorities of the organization.

- **Use:**

- Ensures that rewards and evaluations encourage behaviors that drive company success.
- Helps employees see the impact of their work on larger goals.

- **Example:**
- *A sales team's bonuses are tied to revenue growth targets aligned with the company's expansion strategy.*

4. Monitor Fairness and Inclusivity

- **Definition:**

- Continuously assessing whether policies and practices are equitable and inclusive for all employees.

- **Use:**

- Identifies disparities in opportunities, evaluations, or rewards based on gender, race, age, etc.
- Promotes a culture of equity and belonging.
- Enhances employee morale and retention.

- **Example:**
- *HR tracks promotion rates by demographic groups to ensure equal opportunities for advancement.*

5. Regularly Audit Reward Systems

- Definition

- Conducting periodic reviews of compensation, bonuses, recognition, and other rewards to ensure equity and alignment with goals.

- Use:

- Detects and addresses unintended biases or gaps.
- Ensures consistency across roles, departments, and demographics.
- Helps maintain internal and external competitiveness.

- Example:
- *An annual compensation audit reveals that women in engineering roles are paid less than male peers with similar experience—prompting a pay adjustment*.

How They Work Together:

- These elements form a holistic framework for fair and effective organizational management:

- Data reveals the truth …
- →Communication ensures understanding
  →Linking to goals aligns efforts
- →Monitoring fairness ensures equity
  →Auditing rewards maintains long-term integrity.

- Critically propose or apply appropriate tools and methods used in reward strategies.

- These include: Job Evaluation Systems; Compensation Software; Employee Feedback Platforms:; Recognition Platforms; "Employee of the Month," Certificate; Flexible Benefits; Equity-Based

- Reward strategies are essential for maintaining employee motivation, improving performance, and retaining talent.

- Here's a critical proposal of how various tools and methods can be applied effectively:

1. **Job Evaluation Systems**

- **Application:** Helps establish internal fairness in pay by assessing job roles based on responsibilities, skills, and market benchmarks.

- ***Critical View:*** *While systematic, these systems may overlook evolving job scopes in dynamic industries, leading to rigidity in pay structures.*

2. **Compensation Software**

- **Application:** Automates salary calculations, pay raises, and bonuses based on performance metrics and company policies.

- ***Critical View:*** *Provides transparency and efficiency, but if not integrated with real-time market data, it may result in outdated compensation structures.*

3. Employee Feedback Platforms

- **Application:** Enables employees to express concerns and provide feedback on pay structures, benefits, and workplace recognition.

- ***Critical View:*** *Encourages open dialogue, but without proper action on feedback, employees might perceive it as superficial rather than impactful.*

4. Recognition Platforms

- **Application:** Digital platforms that allow peer and managerial recognition through badges, points, or direct praise.

- ***Critical View:*** *Promotes a culture of appreciation, but overuse or favoritism may diminish its credibility among employees.*

5. "Employee of the Month" Certificate

- **Application:** Offers structured public recognition for outstanding contributions.

- ***Critical View:*** *While boosting morale, it may foster competition rather than collaboration and neglect employees who consistently perform well but aren't highlighted.*

6. Flexible Benefits

- **Application:** Gives employees the choice to tailor benefits such as health coverage, remote work, or wellness programs according to their preferences.

- ***Critical View:*** *Enhances employee satisfaction, yet managing multiple preferences can be administratively complex.*

7. Equity-Based Rewards

- Application: Stock options or profit-sharing plans give employees a direct stake in the company's success.

- ***Critical View: Encourages long-term commitment, but market volatility can make such rewards uncertain, possibly discouraging risk-averse employees.***

- A well-rounded reward strategy integrates these tools thoughtfully, ensuring fairness, motivation, and adaptability to changing workforce needs.

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Groups Activity

- Debate the advantages and disadvantages of individual v team-based reward

formative assessment tool

Individual-Based Rewards

Advantages:

- Motivation & Performance: High achievers may feel personally recognized and driven to excel.
- Clear Accountability: Rewards are tied directly to personal efforts, making performance measurement straightforward.
- Career Growth: Individuals can distinguish themselves, earning promotions or bonuses based on merit.

Disadvantages:

- Competitive Tensions: Can create unhealthy rivalry among colleagues rather than collaboration.
- Neglect of Team Goals: Employees may prioritize personal achievements over collective success.
- Demoralization of Others: If only top performers are rewarded, others may feel undervalued and disengaged.

Team-Based Rewards

Advantages:

- Encourages Collaboration: Builds a culture of teamwork and shared responsibility.
- Boosts Morale: Everyone feels valued, leading to greater overall job satisfaction.
- Diverse Skill Utilization: Allows for the pooling of talents, improving productivity and innovation.

Disadvantages:

- Unequal Contribution: Some may contribute less but still receive the same reward, causing frustration among high performers.
- Reduced Individual Motivation: Top achievers might feel less incentivized if their efforts don’t directly impact rewards.
- Difficulty in Measuring Impact: Assessing and fairly distributing rewards within a group can be complex.

"Rewards should be fairly distributed"

(Taylor 2014)

- **Ultimately, the best approach depends on the goals of the organization and the nature of the work.**
- **Some companies even blend both methods—offering a mix of individual and team-based rewards to balance incentives.**

- Case Study: Reward Management Challenges at TechNova Solutions

Background

- TechNova Solutions is a mid-sized software development company employing around 350 people. Over the past five years, the organisation has grown rapidly due to increased demand for digital transformation services. While revenue has increased, internal employee surveys show declining morale, rising turnover (especially among developers), and growing dissatisfaction with the reward system.

Current Reward System

- TechNova's reward management system has not been updated since the company was founded 12 years ago. Key features include:

- - Fixed salary bands based largely on tenure rather than skills or performance
- - Annual bonuses awarded at the discretion of senior managers, with no clear criteria
- - Minimal differentiation between high performers and average performers
- - Limited non-financial rewards, aside from occasional team lunches
- - No formal recognition programme
- - Inconsistent pay progression, with some employees receiving raises while others wait years

- Employees have increasingly voiced concerns about fairness, transparency, and a lack of career development opportunities. Exit interviews reveal that many high-performing developers leave because they feel undervalued and see no link between their contribution and their rewards.

- Organisational Challenges
- - High turnover in technical roles (22% annually)
- - Difficulty attracting specialised talent due to uncompetitive reward packages
- - Perceived favouritism in bonus allocation
- - Low engagement scores especially around recognition and fairness
- - Misalignment between rewards and organisational goals, such as innovation, collaboration, and customer satisfaction

- The HR Director has been tasked with redesigning the reward strategy to improve retention, motivation, and performance. Senior leaders want a system that is modern, fair, and aligned with TechNova’s strategic priorities.

- The Task

- You have been brought in as an HR consultant to analyse the situation and recommend a new reward strategy.

- Senior management wants guidance on the following discussion questions.

🔍 Discussion Questions :

1.What are the key issues with TechNova’s current reward management system

2.What type of reward strategy should TechNova consider implementing to address these issues?

3. How can TechNova ensure fairness and transparency in the new reward system?

4. What are some non-financial rewards that TechNova could introduce?

5. How can aligning rewards with organizational goals improve performance?

6. What risks should TechNova be aware of when implementing a new reward system?

1. What are the key issues with TechNova's current reward management system?

- Answer:

- Lack of performance-linked incentives reduces motivation.
- Fixed bonuses do not differentiate between high and low performers.
- Inconsistent promotion and salary raise criteria lead to perceptions of unfairness.
- Informal recognition is not structured or widely valued.
- The current system is not aligned with strategic objectives like innovation or teamwork.

2. What type of reward strategy should TechNova consider implementing to address these issues?

Answer:

- TechNova should implement a total rewards strategy that includes:

- Performance-based bonuses tied to individual, team, and organizational goals.
- Transparent promotion criteria based on skill development, results, and leadership.
- Non-monetary rewards such as flexible working hours, learning opportunities, and recognition programs.
- A points-based peer recognition system to encourage team-based appreciation.
- Periodic reward system audits to ensure fairness and relevance.

3. How can TechNova ensure fairness and transparency in the new reward system?

- Answer:

- Establish clear and measurable KPIs for performance evaluations.
- Communicate reward criteria and policies openly with all staff.
- Use 360-degree feedback to reduce bias.
- Train managers to conduct consistent and objective performance reviews.
- Allow employees to provide feedback on the reward system regularly.

4. What are some non-financial rewards that TechNova could introduce?

- Answer:

- Career development opportunities (e.g., training, certifications).
- Flexible work arrangements or remote work options.
- Public recognition through internal newsletters or team meetings.
- Extra leave days or sabbaticals.
- Wellness programs and mental health support.

5. How can aligning rewards with organizational goals improve performance?

- Answer:

- When rewards are directly linked to company objectives (e.g., innovation, client satisfaction), employees are more likely to focus their efforts in those areas. This alignment creates a shared purpose, boosts engagement, and reinforces behaviors that contribute to the company's success.

6. What risks should TechNova be aware of when implementing a new reward system?

- Answer:

- Perceived bias or favoritism in performance assessments.
- Overemphasis on individual performance could harm teamwork.
- Demotivation if goals are seen as unachievable.
- Potential resistance to change from employees or managers.
- Administrative complexity and costs of implementing and maintaining the system.

References

- Armstrong, M. with Taylor, S. (2014), Armstrong's Handbook of Human Resource Management Practice, 13th edn. London: Kogan Page.

- Taylor, S. (2014), People Resourcing, 6th edn. London: CIPD.

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