PROJECT FEEDBACK											
GROUP:	**GREGORY**										
	Good		**Weak**		**Weak**		**Weak**		**Weak**		**Weak**

Comments on the presentation

11.13-11.49

- Equity consciousness?
- Some key points on the slides would be helpful (e.g., Maslow – Hierachy of needs)
- First and best in the market – first and best salary?
- Interview is an interesting addition – aligning rewards with corporate strategy.
- The report has a clear and interesting structure. It would have worked better to follow a similar, but even similar, structure for the presentation. Aims of rewards -> brief options -.concerns and issues -> challenges -> teams views -> challenges and your key conclusions

Stock – creates ownership but – check some recent draw backs

Comments on the report

- Key issues well covered. The order was a little strange in parts – e.g., Kohn could have been combined into the section on drawbacks of incentives. Conclusions reached on how to address incentive issue. Interesting that you have graduated to simple long-term schemes that are potentially less complex than many other incentive programmes.

Grade: 88%

PROJECT FEEDBACK	
GROUP:	**3 (JOHANNE AND SHIRLEY)**

Shirley	*Cici*	*Johanne*	*Greg*	*Shan Lee*	*Roy*
OK	**OK**	**Good**	**Good**	**OK**	**Good**

Comments on the presentation

- Pacing was not paid attention to. Typical for this group.
- Clear idea of what they want to say.

Other comments

- Much detail for their theory but few solutions.
- Show indepth knowledge of their subjects.

Comments on the report

-

Grade: 84

PROJECT FEEDBACK	
GROUP:	**GROUP 2 (CRAIG, ZAYA…) EVALUATION OF GROUP 3 (JOHANNE…)**

Group as a whole					
OK	**OK**	**OK**	**OK**	**OK**	**OK**

Comments on the presentation

- Good definition, simple history of rewards
- Thorough comparison of ideas from varied sources
- Interview very good at substantiating their views
- Would like to have seen more in depth analysis of Kohn's views

Other comments

- Good key phrases reiterated "1st and best"…rewarding high flyers
- Some momentum of presentation lost after audio clip played

Comments on the report

-

Grade: 82

PRESENTATION FEEDBACK: GROUP-1:VEASNA, UDOM, HOANG, IVO, FUNKUI			
GROUP: 3	**GREGORY, SHIRLEY, CICI, SHAN, JOHANNE, ROY –*(REWARDS)***		
A Are ideas presented connected with the aim of the presentation? 40%	B Are the ideas presented clearly supported with evidence and logical argument? 30%	C Is it easy to follow & to understand? (Are the slides clear and easy to follow e.g. use of new pictures, words, graphs) 20%	D Overall impression (is it a group presentation etc.?) 10%
34 [1]	25 [2]	15 [3]	7 [4]

Comments

[1] Presented ideas connected with the aims of topic is clear direction to understand
[2] This group should raise some information in slides related to flow of presentation for attracting audiences—(e.g. should find out new scholars' ideas associated with management of rewards beside Kohn…to support this project— this frame work seem to be old one because already presented in previous class)

[3] The information in each slide is not easy to understand and match, and you should link some new references to support this project.

[4] Impression of group presenters should show more evidences associated with previous scholars' ideas (e.g. you should some words in slides for attracting audiences to see because professor mentioned that audiences need to take a look at presenters and slides—in Gregory and Johanne's part).

General feedback from group evaluation:

- ✓ Good case in interviewing to support this projects
- ✓ The flow of presentation is not match to outline.
- ✓ Not clear explanation about negative and positive reward
- ✓ Not explain clearly about incentive and reward
- ✓ Should pick up some ideas from Professors what he mentioned in previous class.
- ✓ What type of motivation to encourage group performance?
- ✓ What kind of stock options should provide to employees?
- ✓ What kind of incentive and rewards should be used in practices because some most companies don't have stock options and so on? —Answered, company should use profit sharing, bonus, and commissions.

Grade: 81%

PROJECT FEEDBACK : GROUP 4 ANDY	
GROUP:	GROUP 3 UDON,

Good	**Good**	**Weak**	**Weak**	**Weak**	**Weak**

Comments on the presentation

- Good theoretical background on downsizing and motivation provided
- Overall smooth pacing and presentation.
- Humorous slide content.
- Conclusion and real world case presentation was uneven.

Other comments

- .

Comments on the report

-

Grade: 84%

National Cheng Kung University
College of Management
IMBA-IIM

Seminar in Human Resource Management

Final Project

Some General Principles for the Design and Management of Rewards

Instructor: ***Prof. James Stanworth, Ph.D***
Group 3

1- Shirley Chang	**RA7941131**
2- Shan Lee	**RA7951160**
3- Cici Lee	**RA7941204**
4- Roy Cheng	**RA7944121**
5- Murray, Johanne Alison	**RC6957484**
6- Ross, Gregory Allen	**RC6957476**

Fall Semester 2006

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The design and management of rewards

Background of Company

The following managerial report was written for the company Environ-Core. An alternative energy company that maintains a workforce of 1000 employees, which includes an industrial plant, sales and a corporate, headquarters which houses administrations, sales and top-level management. The product, air filtration and purification system for factory emissions is now being sold globally and the company has recently gone public. The company understands that it must be first and best in order to dominate the market share. In order to this they realize they must attract a workforce that is the best in the industry.

Overview of Objectives

The CEO of the company has decided to update its pay plans and incentive package. She has commissioned the Research and Development Division to investigate different incentives, incentive theories, experts' points of view, and to interview and learn from employee's personal experience. From this research the team will then make recommendations in order to develop a highly refined incentive package for the employees and management. Incentives and great pay packages are highly strategic decisions for any company.

Plan of Action

The Research and Development team will first regard various reward plans and consider their positive and negative attributes. They will then regard various experts' points of view and consider what approach some employees' approaches to rewards and incentives. Finally, they will consider all their findings and make recommendations to the company. The task force will first examine the definition of a reward.

A reward is a process that reinforces behavior, or a payment made in return for a service rendered. Some employers and experts consider pay a reward for the labour service employees provide. (Chruden & Sherman, 1988) Such rewards include salary, compensation, seniority welfare, workplace position, status and any formal or informal subsidies (Admans, 1965). However other experts believe a highly structured reward and incentive program will strengthen employees' equity consciousness, working attitude and performance.

Research carried out by Research and Development

(a) Piece-rate pay plan: Workers are paid a fixed sum for each unit of production completed. A modification on the piece-rate plan is known as the standard hour plan. With this plan employees earn a base hourly wage plus a piece-rate differential. There are both positive and negative aspects to this type of incentive. Theoretically this kind of incentive will motivate workers to always work to their maximum productivity. However, the down side would be the worker maybe more concerned with quantity rather than quality. Therefore product value and company reputation could be at stake.

(b) Merit-based pay plans or a merit rises: Are increases in an employee's salary based on performance appraisal ratings. This incentive also presents its own set of pros and cons. Many employers believe this is a great method to improve performance and raises should be given as an award for exceptional performance. This will theoretically keep the employee working at an optimal level while inspiring others to improve their performance so they too will receive a merit raise. However, critics of this method argue that appraisals and subsequent merit pay is often conducted unfairly and often all the workers are rewarded the same merit pay regardless of job performance. Employers do this in order to not alienate any of their workers and to assist them to keep up with the rising costs of living. (Dessler)

(c) Bonuses: Bonuses are awarded to bottom level workers all the way to the upper levels of management, which will often come in the form of an annual bonus. A general drawback of bonuses is that they are short term and as Kohn stated may rob staff and managers of creativity, create a phony relationship between the bonus recipient and the superior who will be awarding the bonus. There is also the danger that staff will be nervous about coming forth with their problems as they worry that their superiors may interpret it as incompetence and fear it may subsequently affect their bonuses. Companies reward employees with bonuses when company profits improve. One advantage of bonuses over merit pay is bonuses reward employees for recent performance rather than historical performance. An example of this is the companies UMC and TSMC give quarterly bonuses when profits increase. It is also advantageous for a company to give lump sum bonuses as the payroll expenses only increase for a short period instead of a constant expense that comes with a merit raise. Psychologically one lump sum seems to be a larger amount to an employee and therefore a greater motivator than receiving a small weekly pay increase.

(d) Commission: Gives a percentage of the fee from the sale back to the salesperson. This has a tendency to make people work hard in order to drive the products, as they will reap the benefits directly. It will attract motivated and skilled people that know how to sell. People that are not competent in sales will not usually stay in a job whose income is highly dependent on commission. It is also beneficial for the company as it keeps wage payments low or in some cases the company only needs to pay when a sale has been made.

One drawback to this incentive package is that sales people will sometimes concentrate on just making the sale, therefore there is the danger they may misrepresent the product, not attract repeat business or favor only the popular products the company has on the market.

(e) Awards and non-cash incentives and recognition based awards: There are a variety of awards and non-cash incentives that companies have devised to theoretically increase employee productivity. This can come in the form of target bonuses, stock options, or allowing managers and executives who travel to keep their frequent flier points for their own personal use. They also come in the form of working towards vacations, cars, free meals, employee of the month honors, pins, plaques and trophies for “professional achievement” etc. According to Dessler these types of awards can be successful if you know your employees and their own specific interests, needs, and expectations. Non-cash incentives could be successful if the company spends the time taking an interest in what sort of incentives would be of interest to the employee and then awarding them likewise. This sends a message out to the employees that the company does in fact take a particular interest in them and has tailored the award to their needs.

However, there is always the danger that these incentives could come across as demeaning, degrading, insulting and as Kohn stated could instigate feelings of being bribed. If a company is going to choose to combine cash incentives with non-cash incentives, the incentive should get increasingly better. One example was Home Depot who originally gave employees $100 U.S. for receiving five good customer reports. This policy was subsequently changed to employees receiving a merit pin for each good customer report and ended the award of $100 US. This has been met with mixed responses from employees. Many found it insulting and it created the opposite effect of which they had intended.

(f) Intrinsic Rewards: Rewards are intrinsic in the form of employee recognition programs and extrinsic in the form of compensation systems. Employee recognition programs range from a spontaneous and private "thank you" up to widely publicized formal programs where specific types of behavior are encouraged and the procedures for attaining recognition are clearly identified.

The followings are group incentive packages. A study will later be conducted for management in order to determine the benefits and drawbacks of individual incentives comparison to group incentive plans.

(a) Profit-sharing plans: Organization-wide programs where employees receive a share of the annual profits. Again there are definite downsides to this incentive program, although it boosts productivity, it is ineffective in trying to increase profit as the cost of payout is very high. (Dessler) If the economy plunged or the company did not increase profit for reasons out of the employee's control, it may create low morale and may be unproductive.
The upside to this incentive program is all employees feel they have a stake in the company and will be more committed to creating a profit.
There are a variety of profit sharing plans:

i) The Lincoln Incentive System – Employees work on a piecework basis and profits are distributed according to merit.
ii) Cash plans – Periodically pays profit shares to employees (usually 15% -20%)
iii) Deferred profit-sharing plans – A portion of company profits are placed in an account on behalf of the employee. The employee will cash in on it at later date, usually when they retire.

(b) Gain sharing plans: This was formally known as The Scanlon Plan. This type of plan has a multitude of positive attributes as it encourages cooperation and sharing of benefits. This formula-based group incentive plan encourages employees to work together to save on costs and boost performance. The goal aims to work in-group productivity — from one period to another whereas an allocated amount of money created from cost saving, constructive suggestions which effectively helps make or save funds and or increases in productivity then the subsequent profits are evenly distributed amongst the employees. Gain sharing is different from profit sharing as the focus is on productivity gains rather than on profits. Employees whose companies have devised a gain sharing plans can receive incentive awards even when the

organization isn't profitable.

(c) Employee stock ownership plans: Company established benefit plans in which employees acquire in stock, often at below-market prices, as part of their benefits. The stock is paid out to the employee upon retirement or when they part with the company (if the employee has been in service for long enough). Stock ownership plans have a number of positive aspects for both the company and the employee. The company can get tax deductions for the dividends paid on ESOP stock and can also borrow against the employee's stock. Studies show that companies that offer stock plans have higher shareholder returns than those that did not. (Dessler) These options also give employees a sense of ownership, commitment, financial incentives, teambuilding and a retirement investment.

Evidence: When the U.S. economy went into recession in 2001; companies with variable pay were able to reduce their labor costs much faster than companies that had maintained non-performance-based compensation systems.

Concerns and Issues

Management should first consider the positive aspects of individual benefits. An individual incentive program will call attention to and make examples of individuals in companies that have made an exceptional contribution to the company. This then gives other employees goals to work towards and a standard in which they can compare their work. It also shows the company appreciates people as individuals and shows they understand the needs of the employees. Sometimes companies allow employees to put together individually tailored packages that suit his or her needs. The three most popular types of benefit plans are: *modular plans*, *core-plus options*, and *flexible spending accounts*.

Team incentives have their own pros and cons. Group incentives improve productivity of groups within the company, encourages people to work together as a team, and forces teams to focus on company goals and productivity. There a number of methods to evaluate teams on their performance. One option is based on "total labor hours per final product" (Dessler). This method was quoted as being "extraordinary" when focusing teams on strategic goals and changed employee's attitudes (Seaman, 1997). There a number of positive aspects to team incentives. In many companies teams work together naturally and are all equally responsible for creating a product. Teams work together on assembly lines or complete projects therefore it makes sense to reward teams accordingly. It is also impossible to reward individual efforts in such circumstances. Group incentives also improve performance in team planning, problem solving, collaboration and training of new members. (Nickel and O'Neal, 1993). The obvious disadvantage is that often in groups some members are more productive than others. Therefore some individuals that were not as productive as others in the group either hold the whole group back from receiving a greater reward or they are granted a reward for work that was carried mostly by others. It also doesn't recognize the efforts of the individual or members of the group that go above and beyond for the company.

(a) Internal equity: Measures the job's worth within the organization → this is determined through job evaluation.
(b) External equity: An organization will conduct surveys and research in order to determine how the company is paying their employees in relation to similar companies in the industry.

Consideration: Pay is often the highest single operating cost of an organization. Although in the Kohn article, W. Edward Deming states "Pay is not motivator", paying an employee well compared to other companies or to be paid according to job

skill and knowledge can be the greatest incentive for an employee. However, a company must also approach this strategically, as salary will directly affect an organization's products and the subsequent prices and value of these services and products. Therefore even an approach to salary and other incentives is a strategic decision an organization must make, with clear trade-offs. There are many challenges managers face when selecting a rewards program and the following list a few of these challenges. Suggestions for dealing with such challenges will then provided by the research team.

The Challenges of Rewards Programs

Rewards programs can improve productivity, but managers need to consider several challenges in their design and implementation.

(a) Employees may be tempted to do only what they get paid for.
(b) Cooperation and teamwork may be damaged if individual merit pay is too strongly emphasized.
(c) Performance is difficult to measure, and tying pay to inaccurate performance measures is likely to create problems.
(d) Rewards programs can be perceived as an employee's right and can be difficult to adapt to the organization's changing needs.
(e) Emphasizing merit pay can place employees under a great deal of stress and lead to job dissatisfaction.
(f) Merit pay may decrease employees' intrinsic motivation.
(g) Many employees do not believe that good performance will be rewarded.

Meeting the Challenges of Rewards Programs

To avoid the problems sometimes associated with rewards programs, managers should consider the following approaches:

(a) Link pay and performance appropriately.
(b) Use pay for performance as part of a broader HRM system.
(c) Build employee trust.
(d) Promote the belief that performance makes a difference.
(e) Use multiple layers of rewards.
(f) Consider using non-financial incentives.
(g) Employee participation in the design of the program can enhance its credibility and long-term success.

Continued Research / Experts Insight

The Research and Development team will now regard what the experts have to say about incentive packages. They will consider the contrasting research carried out by each of these experts as they give good insight on what to be aware of when developing an incentive package and the pros and cons of incentives.

First the team will consider Kohn's approach to incentives. The following is Kohn's main insight and researched theory concerning incentive packages. In Alfie Kohn's view, rewards fail to motivate people. Here is an outline of why Kohn believes rewards fail to motivate.

(a) Pay is not a motivator: Too little money can irritate employees. More money doesn't necessarily mean the employee will be more motivated or that it will bring about increased satisfaction, much less increased motivation.
(b) Rewards punish: Rewards have a punitive effect because they, like out-right punishment, are manipulative.
(c) Rewards rupture relationships: When employees compete for a limited number of incentives, they will most likely begin to see each other as obstacles to their own success.
(d) Rewards ignore reasons why productivity or failure is occurring within the company.
(e) Rewards discourage risk-taking: When people are encouraged to think about what they will get for engaging in a task, they become less inclined to take risks or explore possibilities, to play hunches or to consider incidental stimuli.
(f) Rewards undermine interest.
(g) Punishment and rewards are actually two sides of the same coin.

Rewards can also be seen as "A carrot and stick" motivator. Yet, when you adopt the carrot and stick approach, you are manipulating your employee in order to get them to do what you want them to do. They subsequently may feel bribed and controlled. In many cases this will create resentment with in the employee and the reward will have the opposite effect of what was originally intended for it.

Some other expert's theories that were also examined are as follows:

Maslow- Argued that people have a hierarchy of five increasingly higher level needs:
(a) Physiological
(b) Security

(c) Social
(d) Self-esteem
(e) Self-actualisation (The need people have to become what they are capable of becoming.)

Most experts interpret Maslow's hierarchy as a stepladder. That is to say that if you want to motivate someone to perform well, you need to satisfy the next lower level needs. Maslow looked at Extrinsic and Intrinsic motivations. He postulated that if you want to motivate someone else with recognition and a challenging job, you need to ensure that their lower level needs are satisfied. Maslow's theory is consequential for managers because he had the viewpoint that the needs for achievement and self-actualisation can create the sense of achievement one gets from doing a challenging job well.

Herzberg has a more reward specific viewpoint. He coined the well-known Hygiene-motivator theory of motivation and divides Maslow's hierarchy into lower level (physiological, safety and social) and higher level (achievement and self actualisation) needs.

Hygienes and motivators satisfy lower level needs and motivators satisfy higher level needs. Herzberg says that adding more hygienes, such as incentives to the job, provides extrinsic motivation and is an inferior way to motivate someone. An employer who wants to create a self-motivated workforce should focus on making the job more challenging and providing feedback and recognition. Thereby motivating the employee can be done by providing a sense of enjoyment and achievement. Herzberg theorizes that relying on financial incentives is risky. He says that motivation comes from within a person and not from extrinsic elements such as pay or supervision. The motivation comes from doing a challenging job well.

Edwa Deci has the view that 'Intrinsically motivated behaviors which are the behaviors that are motivated by the underlying need for competence and self determination.

Deci contends that extrinsic rewards could at times detract from a person's intrinsic motivation. He maintains that extrinsic and intrinsic motivation stem from different needs. Therefore it is unwise to have a "one size fits all" financial incentive plan, without also considering how the firm will address the employees' intrinsic needs.

He says that a company should develop a reward strategy for the specific

behaviors driven by extrinsic motivation.

Psychologist Victor Vroom maintains that a person's motivation comes to exert a level of effort, which comes from three things:

(a) The expectancy (probability) that the effort will lead to performance.
(b) The Instrumentality the perceived connection between successful performance and actually obtaining the reward.
(c) Valence is the third motivational factor and represents the perceived value the person attaches to the reward.

Vroom expressed this relationship by the equation: Motivation = (E x I x V). Where E is the expectancy, I is the instrumentality and V is the valence. If employees don't expect that effort will produce performance no motivation will occur. Vroom also says that employees must see the instrumentality of their efforts – they must believe that successful performance will lead to award. Vroom suggests that a way for managers to accomplish this is to create easy to understand incentive plans. Lastly the reward itself must be of value to the employee, The Valence factor.

Finally the research interviewed employees of the company to determine what their approaches to rewards and incentives would be if they were in a manager's position.

Cici's Approach:

- Most managers regard reward and incentive plans to be beneficial.
- Rewards give employees positive feedback, increase confidence, express appreciations and recognitions for achievements. These will undoubtedly greater performance.

An example: An ASTD report on retention research identified consistent employee recognition as a key factor in retaining top-performing workers. (Jimenez 1999). In fact, 78% of employees indicated that it was very or extremely important to be recognized by their managers when they do good work (Nelson 2004).

- Group incentives can boost teamwork and group productivity.
- Rewards will assist the company in keeping the employees on track with the goals of the company.
- Gives special attention to the best employees and boosts employee morale.

Greg's Approach:

- Agrees with psychologist Edward Deci in that it's not practical to institute a "one size fits all incentive plan".
- In order for an incentive plan to be effective, it needs to address both extrinsic and intrinsic motivation and needs.
- Some incentive packages will suit some companies while others will be more appropriate to the culture of another company.
- An effective award strategy should be tailored to meet the underlying behaviors driven by intrinsic and extrinsic motivation.

Johanne's Approach:

- Rewards should be a sincere method of showing appreciation and making employees feel valued and should not leave employees' feeling as if they are being manipulated.
- Incentives should enhance good management not replace good management.
- Employees should be rewarded for giving good input and ideas to the company not rob employees of their creativity. They should be constructive and make them not fear bringing up issues and problems they are encountering on the job.

Roy and Shirley's Approach:

- Rewards should reflect performance and employees should understand there is a clear linkage.
- Rewards should also reflect employees' experiences, skills, abilities, efforts, job assignments and other factors that reflect a more superior productivity.
- Rewards should be fair, equal, transparent and consistent

Conclusion

The research team came to some unanimous recommendations to report back to the CEO and the company.

(a) The team believes if incentives are carried out professionally, it can indeed improve performance and productivity.
(b) Incentives must be tailored to fit the company and individual incentives must be carried out with the employees' needs in mind.
(c) The team unanimously agrees that stock options and profit sharing are the best incentives to offer employees.
(d) These incentives attract and keep talented people, which will increase the competitiveness of the company.
(e) It gives people a sense of ownership and value in the company.
(f) Stock options often drive the stock prices up and therefore will increase stockholders confidence in the company.
(g) When employees feel they own a share of the company it increases their commitment and loyalty to the company.
(h) Makes employees feel like partners.
(i) Employees will work hard to keep the stock prices up since they have personal interest in keeping the price high.

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