



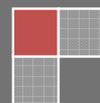
Service and people final project

[General principles for design and management of rewards]

[We are So Sweet: Joanne Peggy Ryan
Vash]

[Direction professor: Dr. James
Staneworth]

2008/1/22



The general nature of rewards

Comment [J.1]: Number headings

Robbins (1983) thinks **though** that rewards can be classified into intrinsic motivation and external motivation. Following is the detail extent of each of them :

Classification	Content
Intrinsic motivation	The satisfaction from work. For examples: join decision making, the personal development
External motivation	The tangible rewards. Including two types: Finance : such as Bonus, Stocks. Non Finance : such as Promotion, Vocation.

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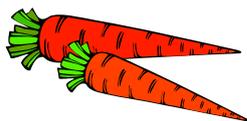
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Not only scholars like Robbins, there are also other researchers propose other theories about rewards. Like **Vroom (1964)** proposed Expectancy Theory . It means that one can be encouraged when he think his behavior can reach his goal. If the person can be encouraged, he will take action and reach the personal goal. So the managers must realize the employee's personal goal, and give them suitable rewards. In order to let them work harder, and reach better performance or the organisations' goal. The Expectancy Theory model is as below :



Comment [J.3]: Why have you chosen to focus on Vroom?



Comment [J.4]: What is the thing on the right?

What the experts said....

Kohn and other experts have different view on rewards. We describe them below:

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Kohn thinks...

Lots of corporation have incentive plan, but there're growing evidence show that they don't work. As we mentioned below, there are some reward's disadvantages:

Pay is not a motivator.

Rewards punish.

Rewards rupture relationship.

Rewards ignore reasons.

Rewards discourage risk-taking.

Rewards undermine interest.

Incentive plan absolutely won't work.



Comment [J.5]: Who is this?
Need to explain.

Comment [J.6]: No abbreviations in formal writing.

Comment [J.7]: Better as a table with summary of key points. Otherwise not entirely clear. Your summary in the presentation is more powerful

Other experts' view...

Other experts have proposed their concern. Such as G. Bennett Stewart III even pointed that 'No, thanks you, Mr. Kohn. Communism was tried and it didn't work.' Even though his opinion is not exactly as Kohn's, his words might express some people's concern. But no all the experts are against Kohn, such as Andrew M. Leiby, he said "Year after year, we ask employees what motivates them, and year after year they reply: a sense of accomplishment in performing the work itself, recognition from peers and top management, career advancement, management support, and only then, salary." As his opinion, salary is not the most important motivator from the self-report data. The job design, sense of accomplishment, recognition from others, and future career development are more important than salary. His opinion is quite similar to Herzberg's view.

There are some people said that Kohn have proposed a insightful point of view. However, his HBR article didn't mention the practical solution for audience. People may concern about what are their going to do, just as Michael Beer said ".....without paying for performance, an organization will lose its best people." He also put that "We are indebted to Kohn for ringing the alarm, but he does not

Comment [J.8]: May be. Does it have to be pay for performance. Some organizations just pay above market rate to attract and retain staff.

provide managers with creative, practical solutions to the pay-for-performance dilemma.” And Teresa M. Amabile said “Although Kohn’s article is clear about what managers should avoid, it has little to say about alternatives to incentives.” It means that some of the experts really agree with Kohn’s view; however, lack of proposing a detail alternative for people may lead their afraid of being change.

“Appropriate rewards for improved performance have always made good sense, intuitively and practically. They aren’t wrong. They are intrinsically motivating,” said Jerry McAdams, Vice President of Performance Improvement Resources Maritz Inc..



Comment [J.9]: Kohn, as you highlighted, makes that simple point about rewards. His basic approach may be too ‘simple’ for those used to expecting complexity in rewards.

“I’ll accept that elephants cannot fly and that fish cannot walk, but Kohn’s argument that incentive plans cannot work defies the laws of nature at Tyco Laboratories,” L. Dennis Kozlowski, who is the Chairman and CEO of Tyco Laboratories, Inc. In Tyco, they believe their incentive compensation program is at the heart of their company’s success. The more profits the business unit earns for the shareholders, the more compensation the management team earns for itself. He mentioned that when designed effectively and integrated thoroughly into the management process, executive incentive programs work well for management and shareholders alike.

And George P. Baker III, an associate professor of Harvard Business School, thinks that what Kohn said is true, “If teamwork and cooperation are desired, and the incentive plan rewards only individual results, then the plan will generate counterproductive results.” Without some level of extrinsic incentive to supplement the intrinsic drive of individuals, organizations become unwieldy and inflexible. Organizations must manage incentives if they are to be flexible, innovative, and directed. “The problem is not that incentives can’t work but that they work all too well,” said Baker.

Comment [J.10]: Amazing how he sticks to this argument. Compared, for example, to Beer and Amabile, his arguments are actually almost as extreme as Bennett’s

Manager of Human Resources of JMM Operational Services, Inc., Donita S. Wolters said that: “Incentives are neither all good nor all bad. Although not the right answer in all cases, they can be highly effective motivational tools and should be employed under the appropriate circumstances.” Incentives cannot improve

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performance if employees are not properly trained to perform their tasks or have no idea what is expected of them. She mentioned that two design features of the incentive program are necessary: one is objective, the criteria for the actual evaluation of performance must be seen as objective and within the performer's control, the other one is equal, the recipient should consider the reward equal to the effort that produced it.

Kohn's response...

But I believe incentive plans must fail, because they are based on a patently inadequate theory of motivation. Compensation in general and pay-for-performance in particular. Neither can produce quality, but only the latter is positively harmful.

On compensation, my advice is this: pay people well and fairly, then do everything possible to help them forget about money. Innovation and excellence are the natural results of helping people experience intrinsic motivation. But intrinsic motivation cannot survive in an organization that treats its employees like pets. Choice means that employees should be able to participate in making decision about what they do every day. Collaboration denotes the need to structure teams in order to facilitate an exchange of ideas and a climate of support. Content refers to what people are asked to do: as Frederick Herzberg said, *"If you want people motivated to do a good job, give them a good job to do."*

Comment [J.11]: Opportunity to compare to Mahesh here.

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What we think...

As many experts and scholars mentioned about rewards before, what we learn and think of rewards is also very important. There are some opinions and views that our group members mentioned below:

<Ryan's view>

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Rewards are essential. Since the reward can provide sense of safety for employee. However, over emphasizing on the work contribution and personal wealthy maximization might make employee focus more on the personal stake. I might use the

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Comment [J.12]: Stake?

group-based reward system in the future. Since the cooperation may make people focus more on the task itself. Nevertheless, the team contribution is not focus on the personal steak but asking and helping team member to work together to get the reward.

<Vash's View>

I basically agree with Kohn's view, but I wonder that why there're numerous organization apply incentive plan which referred to "useless" by Kohn?

This is a good point:

- Look at Baker's comment. Basically he is saying, if only we can find the right way to do this it will be 'ok'. Take this approach and firms will continue to change, adapt and continuously upgrade they pay for performance systems (so you end up with numerous types, all trying to correct the problems of each previous version).
- Much of this is led by the USA and they have a strong focus on rewards
- Managers & theorists are still overly stuck on the rational economic man model (Tayloristic model) with its behaviourist (Skinnerian) overtones that is increasingly outdated.
- Another point of view is that HRM has increasing tried to seek legitimacy and in doing so has sought to use science to justify its methods. Much of this 'scientific approach underlies the approach we see in reward systems

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Does it really helpless to performance? More studies are necessary for me to make a better decision.

See Mahesh's model. Another key point. Another good question. – Mahesh argues it underlies our intrinsic motivation and the will that humans have to perform at their best. Therefore people are limited to sub-optimal performance i.e., they are never giving of their best because they are being influenced to perform in a way that is not natural to them. This view, as you've highlighted, is similar to Hertzberg and reflected to in McGregor's X/Y model. The approach seems to work. My view, and others referred to in class and here, is that because these approaches seem to work well they continue to be used. The trouble is people cannot see what is not achieved i.e., the wasted resources by not choosing alternative approaches. That is to say where focus on financial rewards are minimized, emphasis is placed on giving the right people the right job for them that is interesting, relevant and challenging. See Ohno's great point on the waste of human potential. This is key, too, here. Potential cannot be seen we can only hope to harness the energy that comes from highly performing people. The danger in the excitement to adopt pay-for-reward approaches is that managers may believe they have achieved full potential when in fact they are far far far away from getting that deep commitment and energy that is

Comment [J.13]: Vash, you can't always sit on the fence. You have to come to an opinion now. Often managers are faced with partial information and you have to come to a position at that time. Later you can move to another position if convincing new information comes out.

possible from human beings.

<Peggy's Opinions>

I don't agree with Kohn's view at all. There are different kinds of people, rewards are useful for some of them. If there are people whose personal goal is making money, the manager can use financial rewards to encourage them, and they will work hard. So, financial rewards can be useful to some kinds of people, we must realize the what is the employee's personal goal and give them the suitable rewards.

Because rewards include intrinsic rewards and external rewards, so we can use several ways to give employee rewards. Besides financial rewards (bonus and stocks), we must think about the employee's need and personal goal, and design the development and training program for them, or let them have the chance to make decision. If we just give them financial rewards, people will be stimulated for a while, but if we both give them financial rewards and internal rewards, people will feel that his work can be combined with his life and goal, and they can get satisfaction and achievement from the work. So, they will have long term motivation to do the work well.

Comment [J.14]: See Kohn's point on language too. Use of the word 'reward' in the sense of giving people a good job suggests manipulation.

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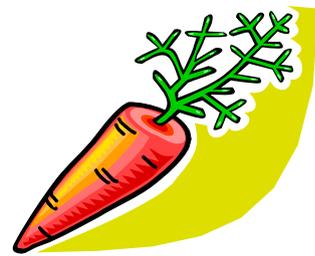
Comment [J.15]: Yes – this is exactly Kohn's point of view. You need to carry on, though to see the other points he raises:
-it is easy
-- it is effective
-- but
-- performance may well be less than *could* be achieved
-- once the reward is removed then people will revert to their old behaviour
- In service organizations this approach may well undermine the *will* (see Mahesh) to deliver service in a heart-felt empathetic and credible way.

<Joanne's Opinions>

I do not agree at all with Kohn's view. The original goal of setting rewards is to motivate people. I think rewards might be the most calculable, and the motivate that almost everyone will like it or accept it. So the rewards might be the easiest way for organisations to motivate people.

In the future, when I design and management of reward policies, I might combine other things with reward system to make it not just to let staff reach the "nominal goal" but "real goal." And I will also consider the type of jobs or tasks to find the appropriate percentages of the reward should be. Also, I will match the reward system with other merchandise such as training program, promotion, and so on.

As we can see clear below, four of us almost stands on the opposite sides of Kohn's view.



NCKU, IMBA - FEEDBACK, CLASS PRESENTATIONS

THE GROUP YOU ARE ASSESSING:		Save your file. Use this format: group being assessed your group.doc So an example would be TIV Voltes5.doc – where TIV is the group being assessed and Voltes5 is your group.	
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YOUR GROUP NAME:			
T & D			
A	B	C	D
Are ideas presented connected with the aim of the presentation?	Are the ideas presented clearly supported with evidence and logical argument?	Is it easy to follow & to understand? (Are the slides clear and easy to follow e.g. use of new pictures, words, graphs)	Overall impression (is it a group presentation etc.?)
40%	30%	20%	10%
35%	30%	20%	10%
Comments (space will expand as you type) The presenters have great express skill, but you cut this presentation too many parts to present, it's a little fuzzy. Nice ppt, clear and cute detail and clear introduction for Kohn & other expert. Maybe you can propose your team's conclusion.			
Grade (%) 90%			

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YOUR GROUP NAME:			
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A	B	C	D
Are ideas presented connected with the aim of the presentation?	Are the ideas presented clearly supported with evidence and logical argument?	Is it easy to follow & to understand? (Are the slides clear and easy to follow e.g. use of new pictures, words, graphs)	Overall impression (is it a group presentation etc.?)
40%	30%	20%	10%
35%	25%	20%	10%
Comments (space will expand as you type) Presentation it detailed Intersting Powerpoint design. Clear experts' view introduction and description.			
Grade (%) 90%			

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YOUR GROUP NAME:			
INSTRUCTOR			
A	B	C	D
Are ideas presented connected with the aim of the presentation?	Are the ideas presented clearly supported with evidence and logical argument?	Is it easy to follow & to understand? (Are the slides clear and easy to follow e.g. use of new pictures, words, graphs)	Overall impression (is it a group presentation etc.?)
40%	30%	20%	10%

5%	5%	5%	5%
<p>Comments (space will expand as you type)</p> <p>Them ('m' - Peggy)</p> <p>Senior patrtners at "Performance group"</p> <p>Chinese commas and spacing problem around the colon</p> <p>Note - my name - this is spelt like it was spelt 200-300 years ago (Staneworth = "stane" (old English for stone) and so the name means worth a stone. Since in old soceity people build walls around their houses we were lucky to have a stone wall. Gradually the name bacame Stanworth)</p> <p>Qu.</p> <p>What are rewards - Peggy</p> <p>Baker - so what should be changed? Haven't systems been 'improved' iteratively todate (to arrive at a huge variety of pay-for-reward schemes)?</p> <p>Choice - participate / collaborate - teams / content job demands</p> <p>Report and presentation compliment each other. Presentation has added to the detail that was short/missing in the report. See my detailed comments near the end which I hope clear up some misunderstandings around the theory.</p>			
Grade (%) 85%			