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### **REWARD MANAGEMENT POLICY THROUGH GAINING A COMPETITIVE EDGE**

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#### **ABSTRACT**

To survive and be successful in a global economy, an organization must be competitive. A major factor underlying organizational competitiveness is employee costs. Not only must an organization pay its employee force a competitive reward package within its geographic region, but it also must vary the kinds and amounts of rewards offered, recognizing differences in individual contributions.

Any Corporate Reward Management Strategy should ensure that the reward system of the organization not only complies with the government legislation/regulations but also advances the well-being of society. A good strategy is one that determines the kinds and levels of knowledge and skills and the number of qualified employees required to achieve organizational objectives and promote organizational success and profitability.

To assist their organizations in competing while functioning within the often-conflicting requirements, reward management professionals have had to increase their knowledge and skills dramatically. Because of these advances in knowledge and skills, the importance of the reward management profession has risen in the managerial-professional world. An attempt is made in this Paper to enumerate the various steps that become imperative in any Action Plan for making an organization's reward management strategy effective and successful at the market place.

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# REWARD MANAGEMENT POLICY THROUGH GAINING A COMPETITIVE EDGE

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## Introduction

Albert Camus, the French philosopher, stated, “Without work all life goes rotten. But, when work is soulless, life stifles and dies.” For the great majority of people, work is a necessity. As the result of working, people obtain compensation rewards that provide money to purchase a wide variety of goods and services or receive in-kind payments of goods and services that would have required the expenditure of money had they not been provided by the employer. Non-compensation rewards are almost infinite in variety. These rewards satisfy emotional and intellectual demands. They make people feel good about themselves, permit them to make full use of their talents, and promote interactions with others in a supportive manner.

Through work, employees have the opportunity to improve their lifestyles. The analysis of lifestyle demands and the opportunity for maintaining a current lifestyle and improving it in the future underscore the importance of job-earned compensation. It is no wonder that a major union leader made this statement: “A job is a job; if you don’t pay enough, it is a lousy job”. Another union leader has stated, “The most sensitive artery in the human body is the one going from the heart to the pocketbook”.

What makes a corporate rewards strategy tick?

In a rapidly growing global economy, there is a direct relationship between costs associated with employee rewards and organizational competitiveness and profitability. Organizational rewards contribute to the lifestyle opportunities of employees and their families. Income levels determine social-class structure for inhabitants of any country. The relationship among levels of education, knowledge and skills, and work-related income cannot be undermined. It is imperative for any firm to develop a reward management program that recognizes the lifestyle and standard of living of all employees. The strategy should recognize and group the ‘rewards components’ so that they influence employee motivation in a positive manner and lead to improved organizational performance and profitability. It should also identify forces that influence rewards practices and promote hiring and retention of a productive workforce. It should be able to support organizational mission and strategy through such a strategy and tactics that integrate major organizational groups of employees by taking into account the relationships among pay satisfaction, job satisfaction, and organizational satisfaction and their effect on individual behavior.

Reward Management strategy should ensure that the compensation system of the organization not only complies with the government legislation/regulations but also

advances the well-being of society. A good strategy is one that determines the kinds and levels of knowledge and skills and the number of qualified employees required to achieve organizational objectives and promote organizational success and profitability.

To survive and be successful in a global economy, an organization must be competitive. A major factor underlying organizational competitiveness is costs associated with employee rewards. Not only must an organization pay its employee force a competitive rewards package within its geographic region, but it also must vary the kinds and amounts of rewards offered, recognizing differences in individual contributions.

A major difference in individual contributions relates to the knowledge and skills the employee brings to the workplace and the interest, effort, and innovative qualities the employee provides in completing work assignments. The pay and reward system of the organization must stimulate acceptable levels of performance from all employees. Money is the name of the game, but the distribution of organizational funds determines who wins the game.

More than ever before, the compensation professional must be able to support all activities that will make the organization more successful. In the past decade, widespread activities have reduced the size of the workforce — downsizing or Reduction in Force (RIF); the elimination of entire levels of management structure, called reengineering; and the outsourcing of work to lower labor-cost countries throughout the world. These efforts have been successful in decreasing organizational costs and increasing profitability. For some employees, it has meant increased workloads with minimal to no change in pay. For others, it has meant the loss of well-paying jobs.

From the beginning of these organizational redesign efforts, reward management professionals have been called upon to identify (a) jobs in which worker efforts can be combined, (b) unneeded jobs, (c) possibly jobs in which incompetent, obsolete, or unneeded employees are being hidden, and (d) jobs that can be outsourced. In addition, these same specialist professionals are being asked to redesign compensation and reward programs to improve employee morale and motivation while keeping labor costs within specified limits.

To assist their organizations in competing while functioning within these often-conflicting requirements, Reward Systems professionals have had to increase their knowledge and skills dramatically. Because of these advances in knowledge and skills, the importance of the compensation profession has risen in the managerial-professional world.

For the Human Resources/Reward System specialist, the assignment to ensure accomplishment of organizational strategy begins with determination of the following:

(a) Any work unit's or individual's work for performance, (b) the kinds and levels of knowledge and skill required, (c) the quality of people needed to promote

organizational success, and (d) the rewards the organization can offer to its members that promote a work culture that ensures accomplishment of organizational strategy.

A human resources/compensation strategy that fulfills the preceding four requirements will provide a competitive advantage to the organization. Of equal importance, these efforts assist in developing an organizational structure that promotes effective use of all available resources.

An organization's Reward Management strategy should ideally consider the action steps as given below to obtain and retain a competitive edge:

- Develop a reward management program that recognizes the lifestyle and standard of living of all employees.
- Recognize and group all the reward system's components so that they influence employee motivation in a positive manner and lead to improved organizational performance and profitability.
- Identify forces that influence reward management practices and promote hiring and retention of a productive workforce.
- Support organizational mission and strategy through reward system strategy and tactics that integrate major organizational groups and employees.
- Ensure that the reward system of the organization complies with government regulations and advances the well-being of society.
- Determine the kinds and levels of knowledge and skills and the number of qualified employees required to achieve organizational objectives and promote organizational success and profitability.
- Design jobs that (1) support a desired organizational structure that in turn ensures organizational effectiveness; (2) are compatible with organizational culture and philosophy; and (3) permit each jobholder to recognize the relationship between job activities and the common purpose of the organization.
- Determine relative worth of all jobs to ensure fair and equitable treatment in terms of rewards given for all employees.
- Evaluate job content using a process that is understandable by all employees and recognized as fair and just.
- Recognize what rewards competitors for comparable jobholders are paying in relevant labor markets to permit organizations to attract and keep competent employees.
- Develop a clear link between work required, performance demonstrated, and rewards provided to each employee.
- Integrate the development and understanding of work and role requirements to ensure team success.
- Recognize performance that supports work unit and organizational efficiency by rewarding employee-achieved results and behaviors demonstrated.

- Improve organizational and employee productivity without increasing base pay fixed costs by using incentive rewards programs that recognize improvements in employee, work unit, and organizational performance.
- Develop qualified deferred rewards programs that link the future economic security of all employees to the economic survival and prosperity of the organization.
- Provide rewards based on incentive plans that link individual rewards to organizational objectives and performance and total returns to shareholders.
- Provide organizational resources that link employee needs for both short- and long-term survival and recognize differences in individual and family requirements.
- Maintain and adapt reward management programs to ensure alignment with marketplace practices and recognition by employees of the connection between workplace practices and organizational performance.

#### Concluding Remark

To develop a competitive advantage in a global economy the reward management program of the organization must support totally the strategic plans and actions of the organization. The individuals occupying the executive positions of the organization are responsible for establishing and developing the reward system strategy of the organization. The overall strategic plans inform all of the organization's members of the direction the organization wishes to take. Management and organizational specialists review these strategic plans and take the actions necessary within their domain to ensure accomplishment of the plans.

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