

## Analysis on Reward Management Strategies

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**Abstract** - Reward system exists in order to motivate employees to work towards achieving strategic

goals which are set by entities. Reward management is not only concerned with pay and employee benefits (financial rewards). It is equally concerned with non-financial rewards such as recognition, training, development and increased job responsibility. This study focused on assessment of reward management practices in Commercial Bank of Ethiopia and tried to

assess the current reward management practices that the company is using to attract and retain employees focusing on employee's perception. To this end, descriptive research method was used.

Questionnaires, unstructured interview and review of documents were designed based on the objectives. Up on analysis the research was used cluster sampling to distribute 99 questionnaires to employees of CBE where all were filled and returned. This completed questionnaire were

processed and analyzed by using table, graph, pie chart and textual write ups. The findings of the study illustrated the reward management system practice. Respondent's response based on equity, transparency, consistency and alignments as well as overall rating of reward management

practices of the bank was used.

Key words: Reward management, Human resource Development

## INTRODUCTION

Reward management strategies encompass a range of techniques aimed at motivating and incentivizing employees within an organization. They include monetary rewards like salaries, bonuses, and profit-sharing, as well as non-monetary rewards such as recognition, career advancement opportunities, and work-life balance initiatives. By effectively designing and implementing reward management strategies, organizations can attract, retain, and engage talented employees, ultimately contributing to their success and competitiveness in the market.

A comprehensive exploration of reward management strategies would delve into various theories and models, such as expectancy theory, equity theory, and reinforcement theory, to understand the psychological principles underlying motivation and reward. It would also examine different types of rewards and their impact on employee behavior and performance, considering factors like individual preferences, organizational culture, and industry norms. Furthermore, an in-depth analysis would explore best practices for designing and implementing reward systems, considering factors such as fairness, transparency, and alignment with organizational goals. It would also address challenges and potential pitfalls in reward management, such as the risk of creating unintended consequences or disparities in pay and recognition. Additionally, the role of technology in facilitating reward management, such as through automated performance tracking and real-time feedback systems, would be explored.

Case studies and real-world examples would provide insights into how organizations across various industries have successfully implemented reward management strategies to drive employee engagement, productivity, and overall organizational performance. Finally, the discussion would extend to emerging trends and future directions in reward management, such as the increasing focus on holistic employee well-being and the evolving expectations of the workforce in a rapidly changing business landscape.

### Statement of Problem -

The rapid evolution of technology has significantly impacted reward management practices in organizations. Traditional approaches to reward management, such as salary structures and annual performance reviews, are being reevaluated in light of technological advancements. The emergence of digital platforms, remote work arrangements, and data analytics tools has reshaped how rewards are designed, delivered, and evaluated.

One key challenge is ensuring the fairness and transparency of reward systems in the digital age. As organizations adopt automated processes and algorithms for performance evaluation and compensation decisions, concerns

about bias and discrimination arise. Additionally, the shift towards remote work necessitates new methods for recognizing and rewarding employees' contributions effectively.

### Literature review -

Reward management literature encompasses a wide range of topics, including compensation strategies, employee motivation, performance appraisal systems, and organizational culture. Scholars have extensively explored the role of rewards in driving employee engagement, satisfaction, and performance.

One prevalent theme in the literature is the importance of aligning reward systems with organizational objectives. Studies emphasize the need for rewards to reinforce desired behaviors and outcomes, whether through monetary incentives, non-monetary recognition, or opportunities for career advancement. Moreover, research highlights the significance of fairness and transparency in reward allocation, as perceived inequities can undermine employee morale and trust in management.

Another area of focus is the impact of individual differences on reward preferences and effectiveness. Researchers examine how factors such as personality traits, demographic characteristics, and cultural values influence employees' responses to various reward structures and incentives. Understanding these dynamics enables organizations to design more personalized and effective reward systems.

Overall, the literature on reward management underscores its crucial role in shaping employee attitudes, behaviors, and organizational performance. By drawing on insights from diverse disciplines such as psychology, economics, and organizational behavior, scholars continue to advance our understanding of how rewards can be leveraged to achieve strategic objectives and foster a positive work environment.

### Key Theories on Reward Management -

**1. Expectancy Theory:** This theory, proposed by Victor Vroom, suggests that individuals are motivated to perform when they believe their efforts will lead to desired outcomes or rewards.

In the context of reward management, employees are motivated when they perceive a clear link between their performance and the rewards they receive. Thus, organizations must ensure that reward systems are transparent and based on achievable performance criteria to maximize motivation.

**2. Equity Theory:** Developed by J. Stacy Adams, equity theory posits that individuals compare their input (effort, skills, time) and outcomes (rewards, recognition) to those of others to assess fairness. When employees perceive inequity in their reward-to-effort ratio compared to others, they may experience feelings of under- or over-reward, leading to reduced motivation and satisfaction. Organizations need to ensure fairness and equity in reward distribution to maintain employees' motivation and commitment.

**3. Reinforcement Theory:** Proposed by B.F. Skinner, reinforcement theory focuses on the relationship between behavior and its consequences. According to this theory, behaviors that are positively reinforced (rewarded) are more likely to be repeated, while those that are negatively reinforced (punished) are less likely to occur. In reward management, organizations use reinforcement principles to shape employee behavior by strategically implementing rewards and recognition for desired performance outcomes.

**4. Goal-Setting Theory:** Developed by Edwin Locke and Gary Latham, goal-setting theory emphasizes the importance of setting specific and challenging goals to enhance motivation and performance. In the context of reward management, organizations align rewards with specific performance goals to encourage employees to strive for higher levels of achievement. By linking rewards to goal attainment, organizations can increase employee motivation and commitment to achieving desired outcomes.

**5. Social Exchange Theory:** This theory posits that relationships between individuals are based on the exchange of resources, including rewards and benefits. In the workplace, employees perceive their relationship with the organization as an exchange, where they contribute their effort and skills in exchange for rewards and recognition.

Organizations need to maintain a balance between the contributions employees make and the rewards they receive to ensure a positive social exchange and foster employee engagement and commitment.

### Methodology -

Methodologies for studying reward management typically involve a combination of qualitative and quantitative approaches. The methodology employed in reward management research depends on the research questions, objectives, and context of the study. By combining various methods, researchers can gain a comprehensive understanding of the complexities of reward management and its implications for organizational performance and employee well-being.

### Quantitative insights -

- 1. Data-driven decision-making:** Quantitative insights allow organizations to base reward management decisions on concrete data rather than intuition or anecdotal evidence.
- 2. Performance evaluation:** Quantitative metrics enable the assessment of individual and team performance, helping to determine appropriate rewards based on objective criteria.
- 3. Compensation benchmarking:** Analyzing market data provides insights into industry standards and helps ensure that compensation packages are competitive and aligned with market trends.

### Qualitative Depth-

- 1. Employee perceptions:** Understanding how employees perceive reward programs can provide valuable insights into their effectiveness and areas for improvement.
- 2. Cultural fit:** Assessing whether reward strategies align with the organization's values and culture to ensure they resonate with employees and support organizational goals.
- 3. Individual preferences:** Recognizing that different employees may value rewards differently based on their unique needs, motivations, and aspirations.

### Comprehensive investigation -

**Triangulation:** The combination of quantitative and qualitative data helps in triangulating findings, enhancing the reliability and validity of the study by cross-verifying results from different sources.

**Holistic Perspective:** A mixed-methods approach allows for a holistic examination of the interplay between Reward Management, organizational learning, and innovation, capturing not only the "what" but also the "why" and "how."

### Practical Applicability -

**Measurement Instruments:** If using quantitative methods, the researcher needs to develop or select measurement instruments to assess variables such as employee satisfaction, motivation, performance, and perceptions of reward systems. For qualitative methods, the researcher may develop interview guides or observation protocols.

**Data Analysis Techniques:** Depending on the research approach and data collected, various data analysis techniques may be employed. Quantitative data may be analyzed using statistical methods such as regression analysis, correlation analysis, or ANOVA. Qualitative data may be analyzed using thematic analysis, content analysis, or grounded theory.

### (Criteria for Sample Selection)

- 1. Diversity:** The sample should reflect the diversity of the target population, including factors such as age, gender, job role, level of seniority, and tenure within the organization. This ensures that the findings are applicable to a broad range of employees and organizational contexts.

**2. Inclusion of Stakeholders:** Stakeholders involved in reward management, such as employees, managers, HR professionals, and organizational leaders, should be represented in the sample. Including multiple perspectives allows for a comprehensive understanding of reward management practices and their impact.

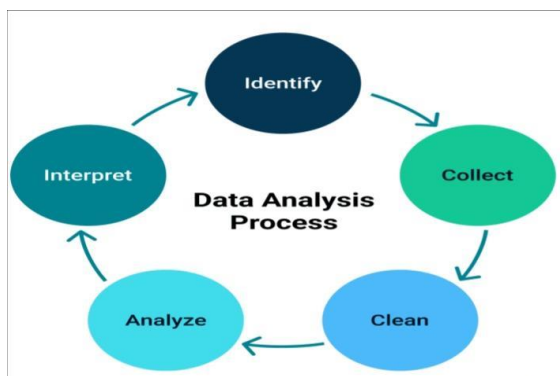
### Organizational Size -

**1. Budget Allocation:** Larger organizations often have more resources to allocate to rewards and can offer competitive compensation packages and extensive benefit options.

**2. Complexity:** Larger organizations may have more complex reward structures due to diverse job roles, hierarchies, and geographical locations, requiring more sophisticated management systems.

**3. Standardization vs. Customization:** Larger organizations may lean towards standardizing reward programs across departments or regions for consistency, while smaller ones may have more flexibility for customization based on individual or team needs

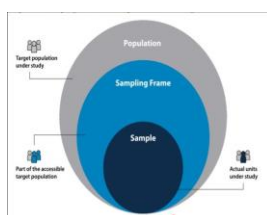
### (Data Collection Methods)



**1. Surveys:** Surveys are one of the most common data collection methods in reward management research. Researchers design questionnaires to collect quantitative data on employees' perceptions, attitudes, and experiences related to reward systems. Surveys can be administered online, via email, or in person, and they allow for efficient data collection from a large sample of participants.

**2. Interviews:** Interviews involve structured, semi-structured, or unstructured conversations with employees, managers, HR professionals, and organizational leaders to gather in-depth qualitative insights into reward management practices. Interviews provide an opportunity to explore participants' perspectives, experiences, and opinions in greater detail, allowing for a deeper understanding of the complexities of reward systems.

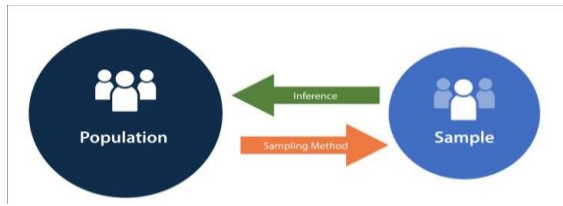
### Sample Design -



**Target Population:** The target population for research on reward management strategies may include employees, managers, HR professionals, and organizational leaders across various industries and organizational sizes. It encompasses individuals who are directly involved in the design, implementation, or experience of reward systems within organizations.

**Sampling Frame:** The sampling frame consists of the list of eligible participants from the target population. It may include employee directories, HR databases, organizational charts, or membership lists of professional associations. The sampling frame should be comprehensive, up-to-date, and representative of the target population to ensure the validity and generalizability of the study findings.

### Methods for Selecting Sample Units:



**1. Random Sampling:** Random sampling involves selecting sample units from the target population at random, such that each member of the population has an equal chance of being included in the sample.

**2. Stratified Sampling:** Stratified sampling involves dividing the target population into homogeneous subgroups or strata based on certain characteristics (e.g., job role, department, tenure) and then selecting sample units from each stratum in proportion to its size in the population.

**3. Cluster Sampling:** Cluster sampling involves dividing the target population into clusters or groups based on geographical location, organizational units, or other criteria, and then randomly selecting clusters to include in the sample.

**4. Convenience Sampling:** Convenience sampling involves selecting sample units based on their accessibility and convenience, rather than through random selection or predetermined criteria.

**5. Purposive Sampling:** Purposive sampling involves selecting sample units based on specific criteria or characteristics deemed relevant to the research objectives.

**6. Snowball Sampling:** Snowball sampling involves recruiting initial participants who then refer or nominate additional participants who meet the criteria for inclusion in the study.

### **Limitations -**

#### **Budget Constraints:**

Offering rewards can be costly, especially for cash bonuses or extravagant incentives, which may strain the budget.

#### **Short-Term Focus:**

Rewards often target short-term performance, potentially neglecting long-term goals or fostering sustainable motivation.

#### **Subjectivity and Fairness:**

Perceptions of fairness can differ among employees, leading to dissatisfaction if rewards are perceived as unfair or biased.

#### **Diminished Effectiveness:**

Over time, employees may become desensitized to certain rewards, diminishing their effectiveness in motivating performance.

**Risk of Unintended Consequences:**

Incentives can inadvertently encourage undesirable behaviors if not aligned with organizational values or if metrics are poorly chosen.

**Conclusion:**

Reward management strategies are integral to fostering a motivated, engaged, and high-performing workforce within organizations. Throughout this study, we have delved into various aspects of reward management, including theories, challenges, implementation strategies, and lessons learned from both successful and unsuccessful implementations. In this concluding section, we will recap the key findings, reflect on their implications, and offer recommendations for organizations aiming to optimize their reward management practices.

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