

A Management Thesis On

REWARD SYSTEMS AND ITS EFFECTIVESS

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CERTIFICATE

This is to certify that Management thesis titled REWARD SYSTEMS & ITS EFFECTIVENESS submitted by (Name) enrollment NO. during semester IV CLASS OF 20 -20 embodies original work done by her.



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SUMMARY

In today's business scenario, managers and the organizations have to think out of the box to attract, motivate and retain the employees.

In the modern scenario employees want their management to know how their contributions are valued not just once a year but time and again when the job is done and the targets are achieved.

Reward is defined as "Benefit resulting from some event or action. Appreciation for a service rendered. It can be defined as the benefit that an employee receives after the results are achieved. to attain the desired goals the reward systems are to be assigned to organizational strategies and business objectives.

Monetary rewards play an important role in attracting the employees as it does not have a lasting impact on employees.

Whereas non monetary rewards have a lasting effect on employees psyche. e.g. Token of appreciation. Picnics, parties play a major role in retaining the employees within the organization.

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INTRODUCTION

In this article the authors analyze a set of Fortune 500 companies to show that successful organizations have a strong correlation between corporate Culture and reward system. The authors emphasize that reward systems are strong tools to bring about change in the organization? The authors are of the opinion that the managers job is not to harmonize the culture and reward system, instead a manager does more of a fine tuning of the Interactions that happen between these natural elements.

The authors believe that culture is meant to control and rationalize the Behavior and attitude of the members. The author say that although most managers intuitively understand the meaning of corporate culture but they find it very difficult to explain how the culture originates, is maintained and transmitted and undergoes a transformation over period of time. One of the best ways to get the cultural transformation is the reward system. Culture is communicated in a subtle way through the Kind of interaction between superiors and subordinates and the compensation Scheme. The culture transformation is essential to synchronize it

TYPES OF REWARDS & ITS IMPORTANCE:

a) **MOTIVATION:**

Motivation is like food for the brain .You cannot get enough in one sitting.

b) **IMPORTANCE:**

Motivation increases productivity of performance, which in turn increases goodwill of the organization.

c) **MOTIVATIONAL GOALS:**

1. Foster mutual respect for all team members.
2. Help weak team members believe that their effort is vital to team success.

3. Support a shared belief in the co-operative capabilities of the team.
4. Hold individual for contribution to team effort.
5. Direct team competitive spirit outside the team and the organization.

1. PROMOTION:

Present rank or status of the person will be upgraded .he will go in the next upper grade with more perks, facilities & more responsibilities.

2. BONUS:

Bonus is calculated on basis of profits of the company. Percentage of bonus is declared by the management of the company. Hence higher the salary, bonus amount increases, unless a fixed amount is declared to be paid to all employees.

3. INCENTIVES:

Incentives are extra perks, more & above salaries given to employees for their extra contribution or extra inputs to the organization.

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OBJECTIVES

1. To find out effectiveness of the reward systems to the employees and to the organization.
2. To find out how beneficial it is to the company or organization.
3. To bring out the smooth and friendly working relations between the management and employees. This will ultimately affect higher output bringing in financial benefits to the company and also employees.



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LIMITATIONS

1. Hard to find relevant data.
2. Ambiguous response from interviewer.
3. Primary data was very difficult to get.



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RESEARCH METHODOLOGY

Instrument used – Questionnaire

Sample design – Simple Random Sampling has been used.

DATA COLLECTION

Data used for the project was the primary data and as well as secondary data.

Methods of Data Collection

- Personal Interview (about 8 questions).



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REVIEW OF LITERATURE

"Johnson (2000) finds that supervisors perceptions of culture are generally much more positive than employee's perceptions of culture, and that for a rewards program to be successfully implemented it is critical that the organizational climate be assessed more from an employee's perspective than that of a manager. Johnson further describes the notion that a rewards based system is more feasibly adopted in a democratic vs. a hierarchical work climate where management and labor relations in general are perceived more favorably."

Rewards and reward systems:

The reward systems are concerned about two aspects - performance evaluation and compensation. Simply put reward systems decide who gets what and for which actions. Though reward systems are widely understood by individuals there is little understanding people have of the effect of culture on reward and vice versa.

Hierarchy based performance system:

The firms that had clan culture also had a hierarchy based performance System.

A hierarchy based reward system is characterized by:

- Superiors are free to decide what aspects of the performance are more important. Thus evaluation is more or less subjective.
- Managers are primarily responsible more for interpersonal relations
- Little attention is paid to the quantitative aspects of performance

Findings

EMPLOYEE REWARDS AND RECOGNITION SYSTEMS.

1. RETAINING THE TALENT:

Organization has to deal with issues like cash compensation, identifying the talent, communicate to the work force about the importance of keeping and retaining for its future business.

2. EMPLOYEE RECOGNITION AND REWARDS :

Building a culture of recognition becomes part of the company. As a result organizations should change and develop new rewards suitable to the environment.

3. IMPLEMENTATION OF EMPLOYEE RECOGNITION:

Role of employee recognition is bound to grow. Thus, organizations must be geared from top down to the bottom level employees in practice. For that key elements are:

- ❖ Sense of purpose.
- ❖ Sense of being compensated fairly.
- ❖ Feeling of appreciation.
- ❖ Feeling of participation.

4. OPTIONS FOR STOCK COMPENSATION:

It is considered to be long term financial reward that ties together shareholder or management interests. Companies have to prepare executive compensation programs that go beyond attracting and retaining top talent and reinforce executive accountability for both short and long term results

5. MOTIVATION AND REWARDS:

❖ **Employee Empowerment: (Workforce strategy for motivation)**

Company believes that empowerment of employees will allow them to face challenges and achieve goals with an entrepreneurial spirit. Employee empowerment strategy is one of the most powerful management tools that emphasize on human factor in the organization.

❖ **Inculcating inspiration through self motivation:**

Motivation plays an important role in organization to retain its talented employees. Organizations follow the concept of self and essence of motivation that consists four interrelated self perceptions.

- a) Perceived self.
- b) Ideal self.
- c) One's self-esteem.
- d) Set of social identities.

❖ **Dump The Cash, Load On the Praise.**

It includes non monetary rewards like paid holidays, sponsorships. For higher education, power, appreciation for work...Employees want a sense of belonging to the organization and full appreciation of work done. An employee easily forgets monetary reward, whereas non monetary reward will be remembered forever.

❖ **Reward the Psyche to Motivate the Mind:**

There is a set of principles specially framed to motivate the mind. i.e. Physiological needs, sociology, psychology integration principles, sense of in control principles which helps. Knowledge workers in control and satisfy their mind.

❖ **Beyond Competition Individual Perspective :**

Climate in the organization should consist of trust, willingness, to share information & power, encourage social diversity. Every individual should know personal worth and ability to look for excellence in what ever they do and grow themselves beyond rewards and recognition.

FINA DISTINCTION BETWEEN FINANCIAL REWARDS & INCENTIVES

FINANCIAL REWARDS:

They provide financial recognition to people for their achievements, exceeding their performance targets & level of competence.

FINANCIAL INCENTIVES: They aim to motivate people to achieve their objectives by focusing on specific targets and priorities.

❖ Guidelines for Motivating and Rewarding Salespeople

1. Recruit and select salespeople whose personal motives match the requirements and rewards of the job.
2. Attempt to incorporate the individual needs of salespeople into motivational programs.
3. Provide adequate job information and assure proper skill development for the sales force.
4. Use job design and redesign as motivational tools.
5. Concentrate on building the self-esteem of salespeople.
6. Take a proactive approach to seeking out motivational problems and sources of frustration in the sales force.

INTRINSIC Vs. EXTRINSIC MOTIVATION

Intrinsically Motivation:

When doing the job is reward in itself acts as motivators.

Extrinsically Motivated:

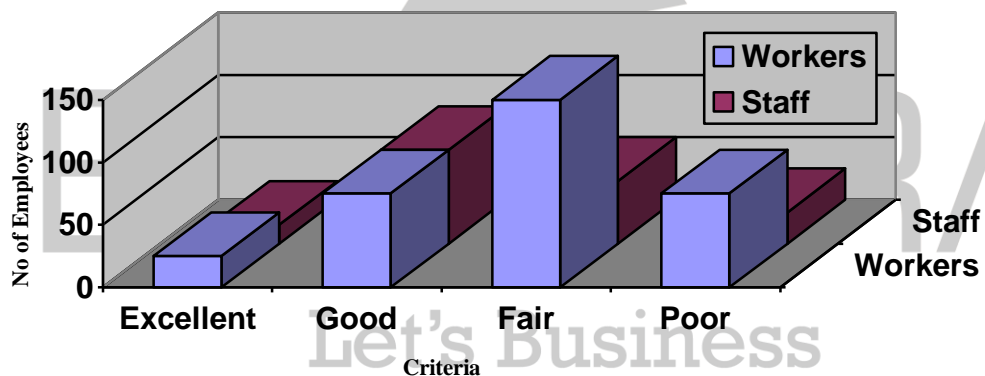
When rewards such as pay and formal recognition act as motivators .

What is the satisfaction level of rewards given to the employees?

1. EXCELLENT 2. GOOD 3. FAIR 4. POOR

Sr.no	Criteria	Worker	Staff
1	Excellent	25	15
2	Good	75	75
3	Fair	150	50
4	Poor	75	25
Total		325	165

Reward System based on performance



Interpretation: According to graph out of 490 employees 15 employees and 25 workers performed excellent therefore they got rewards as promotions. In the above graph 75 workers and 75 staff employees performed good. In return they received cash incentives.

How strategic reward system is helpful for the organization?

Various Distributions of Awards



➤ **Training:**

In training employees are differentiated into 3 categories: skilled, unskilled, semiskilled & highly skilled. Rewards are based given on these skills.

➤ **Labor Relations:**

Workers are given over time & mostly are skilled workers. Which help them in production & also increase in perks?

➤ **Employment:**

If workers are happy working in friendly atmosphere and also getting financial returns. The overall production increases bringing good returns to the company resulting increase in profits, which increases the annual bonus paid to the employees.

➤ **Performance Management:**

If the overall performance of the employees is very satisfactory this affects the pay where the merit of performance is highly related to payment.

➤ **Culture:**

If payment structure of the company is good it affects the culture of the employees and also affects the performance.

Three Motivation Factors.

a) Intensity:

The amount of mental and physical effort put forth by the salesperson

b) Persistence:

The salesperson's choice to expend effort over a period of time

c) Direction:

The choice by salespeople of where their efforts will be spent..

Categorized into 3 parts: (WORKERS)

1) Ordinary workers:

Workers are rewarded for punctuality and discipline. If the worker gives production more than the quantity than he is awarded for every extra job performed above the required quantity. Rewards are not only in the form of money but also promotions. Children of the workers are also encouraged in their education as well as other activities. If the children do well in the education then children as well as workers both are awarded.

2) Supervisor:

They may be directly appointed as supervisors after putting in several years of service. Since they are in direct contact with the workers, they have to put in efforts for getting the work done. If the supervisors work honestly they too are rewarded monetarily as well as given promotions. It is they who are after the workers to give quality production.

3) Shift engineers:

Shift engineers heads the entire production team and he is directly responsible in the production. They are also promoted to the next grade as a reward for helping to

increase production. They are given rewards financially or if agreed upon given promotions.

REWARD SYSTEMS: (staff & officers)

1. Cash incentives.(salary increase)
2. Out of turn promotions.
3. Choice postings.
4. Increase in status.
5. Direct reporting to higher ups.

EFFECTIVENESS OF TEAM REWARDS.

Team rewards is one of the areas of reward policy where employee reward systems can contribute to improving team effectiveness.

Four factors affecting team performance were identified by Beck hard:

- Setting goals & priorities.
- How work is allocated (roles).
- The way team is working (its processes)
- The relationships between the people doing the work.

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RECOMMENDATIONS

- 1) Every month based on the performance some kind of reward should be introduced.
- 2) The connection between performance & rewards must be visible and climate of trust & credibility must exist in the organization.
- 3) Reward system should be designed to promote the kind of performance needed by an organization.
- 4) Appraisals provide feedback to individual career development.

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CONCLUSION

The award system motivates the employees, where by better performance is given by the employees which creates more favorable attitudes towards the company leading to increased long term commitment and better performance.

The award system also shows that the company cares for the needs of the employees. Also attracts and retains high quality staff. The overall benefits enjoyed by the employees creates a friendly and healthy atmosphere of work which ultimately helps not only in the production but also quality of work.

The reward systems help both the employer & the employee. i.e the employees get financial returns and employer; so gets good returns. ultimate motto of the company is to increase the sale which can be got by increasing production with good quality which can be achieved by the satisfaction of the employees.

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REFERENCE

- a. BOOKS: MOTIVATION & RECOGNITION
- b. REWARD MANAGEMENT
- c. MOTIVATION & REWARD SYSTEMS
- d. WEBSITE: WWW.INFONHECL.COM



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QUESTIONNAIRE: (ANNEXURE)

Name:

Designation:

Organization Name:

1. What are: the different reward systems introduced in your company?

2. What are the benefits of reward systems concerning the employees?

3. How is the organization benefited by the rewards system?

4. What is the the importance of reward systems?

5. In what ways employees are motivated other than rewards?

6. What is the effectiveness of team rewards?

7. is strategic reward system is helpful for the organization?

8. What is the satisfaction level of rewards given to the employees?

1. EXCELLENT 2. GOOD 3. FAIR 4. POOR