

Motivating Employees and Reward Management

Case # xxx FIN2017: I don't just work here, I belong here! – Motivating employees through rewards and incentives

Abstract

Motivations are factors that affect the behaviors of people in certain ways in term of strength and direction of behaviors. In this case study, our partner SME sought to understand its employees' needs in order to design an effective reward management system which is linked to the employees' performance objectives and outputs. It is found that employees do not always put money and monetary rewards first. Indeed, according to the research, other non-monetary rewards are highly valued, such as recognition, some extra time off, flexible working hours, more challenging tasks, job security and a good work environment. The research outcome is positive news for SMEs that typically have fewer financial resources.

Background

Saara sat back and took a deep breath after a long meeting with the senior management team. She has taken this job as the human resource (HR) manager of ABC Oy 2.5 years ago. She moved from the capital city of Finland to this small city called Kajaani. It is located in the Kainuu region, about 550 km to the north of Helsinki. She had worked as an HR manager in a big company for five years before joining this small-medium sized firm with approximately 100 employees.

Looking out from the meeting room window, she saw the beautiful nature of Kainuu and few colleagues were having lunch on the green, enjoying the warm summer sun and fresh air. At the far end she saw a young couple jogging by with a dog. This is the beauty of Kainuu and the very reason why she moved here with her family consisting of her husband, her ten-year old child, their dog and recently, a horse added to the list. Here, she could have a good work-life-balance and more flexible hours, allowing her to work from home on some days. This was not possible when she was working for a large company in the heart of the capital city. This is the family life she dreamed of - Kainuu offers the perfect environment for her riding hobby and a child- friendly location for her kid who adores winter sports. Kainuu has one of the best ski resorts in Finland and here, many cross-country ski champions are trained.

The company she works for was originally made of a parent company with three child companies. One of the oldest child company, XYZ started as a small family run business some 15 years ago. A few years back, XYZ was acquired by one of the oldest telecommunication cooperatives in the region and subsequently, it merged with another sister company, ABC under the same parent company in 2014. Saara joined the parent company two years after the merger and she has a large portfolio which covers all employees in the parent company and both child companies.

On merging, the surviving company is supposed to be a new ABC with a single organisation culture. However, after the merger the employees from the two companies continued to view themselves as different and inhabited the culture from their previous companies. Thus, there seems to be some clarity issues with the post-merger company culture. At the point of merger, XYZ made up two thirds of the company's workforce, generating 80% of the total revenue. Also, after the merger, the management was working on new business strategies because ABC and XYZ have two distinct portfolios of businesses and the management tried to create more synergies between both streams of businesses. As a result, the business strategy was under re-formulation for a few years as the new management team tried to find their feet. The post-merger values of the newly formed organisation were also under formulation. In the absence of a new direction and common set of values, the employees continue to do what they did from the old organisations and this has created some gaps in the people management practices and also the split organisational cultures.

Saara has spent several months with the line managers and staff in the new ABC to study the people management practices after the merger; today, she presented her observations to the management team. It has been observed that the employees are generally doing their work diligently. However, she noticed the workforce's potential could be further developed if more formal HR practices are put in place, such as a performance and reward management system. This can be used as a tool to rebuild the organisation culture and simultaneously reinforce the new values and improve the engagement, empowerment of its employees. The absence of a formal performance evaluation and reward management system is seen as an imminent gap in this review. As such, she has commissioned a team of external resources from the SHARPEN project to develop a framework to close these gaps.

LITERATURE REVIEW

Motivations are factors that affect the behaviours of people in certain ways in term of strength and direction of behaviours. According to Armstrong & Taylor (2014), there are 3 components of motivation: Direction, Effort, and Persistence. The direction identifies what actions a person is trying to do, while effort measures how hard a person is trying. Meanwhile, persistence is the degree of how long a person keeps on trying.

McClelland (1953) argued that motivation arose as a result of a subconscious need, which results in the instability of a person's satisfied state. Thus, people have motivations when they expect that a set of actions will lead to the achievement of goals and valued rewards, which satisfies people's needs and wants. Employees are motivated generally by extrinsic factors made of both monetary and non-monetary rewards (Cerasoli et al. 2014) and intrinsic factors such as satisfying innate psychological needs when completing an activity or task. (Ryan & Deci 2000). Cerasoli et al. (2014) found that **intrinsic and extrinsic motivation** interacts with each other. They suggest that organisations should take a balanced approach to both types of motivation. They also found that intrinsic motivation remains a strong predictor of performance regardless of whether incentives are present or not.

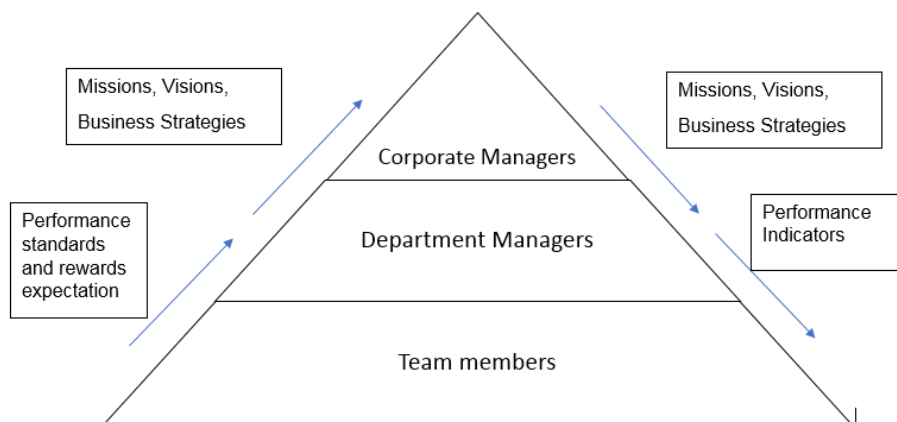
According to the **job characteristics model** (Hackman and Oldham, 1980) it is important for the

management to design jobs that will give the employees more responsibility for scheduling, coordinating and planning. The employees could have more autonomy for decision-making or discretion to arrange their work and the opportunity to interact directly with customers are some examples. It is important to help the employees appreciate the importance of their contributions and work activities and how their actions could influence the company's success. (Hills 2009)

Armstrong and Taylor (2010, p. 331) argued that **performance management** is crucial in an organisation because it helps the employees to understand what good performance means and what needs further improvements. **Reward management** affects performance by recognising those who performed well and provides incentives to those who need to make improvements.

A **goal** is a conscious action to attain something within a given timeframe. In an organisation context, a goal is usually a performance objective set and agreed between a manager and an employee; it is usually developed based on the organisation, functional and department goals – a clear, concrete, measurable action within a given time. **Goals-performance relationship** is strongest when people are committed to their goals. (Locket and Latham, 2002, Seijts and Latham, 2000). The tougher the goal, the more commitment is needed because it requires higher effort to be successful. (Klein, Wesson, Hollenbeck, & Alge, 1999; Erez & Zidon, 1984). Also, it is important to note that for goals to be effective, feedback is important so that they know how they are doing in order to adjust the level of efforts and direction to achieve the goals. (Bandura & Cervone, 1983; Becker, 1978; Erez, 1977; Strang, Lawrence, & Fowler, 1978)

Diagram 1: Relationships between business strategies and goals, performance objectives, evaluation and rewards



When incentives and rewards are offered to the employees for achieving their performance objectives, it is important to measure whether such programmes enhance the company's overall performance in different aspects. The **measurement** of the company's performance at different levels can take different forms. Traditionally, financial outcomes, tangible units such as sales

revenue, cost savings, productivity increments are the most common indicators. Today, other criteria are also important, such as customer satisfaction rates, acquiring new competencies and knowledge, developing new products etc. are also important indicators of success. (Fawcett, 2006). As such, although it is impossible to have the same performance objectives and evaluation criteria for every employee in the organisation, managers can craft different measurable goals that support the overall business goals for their employees in different functions, departments and units. This allows an equitable and transparent process to ensure all employees are given a fair and equal chance to achieve their targets and thus receive the rewards they are aiming for.

Challenges of a performance and reward management system in SMEs

According to Mayson and Barret (2006), SMEs use the informal routine of compensation and non-coordinated approaches to reward the employees. According to Cardon and Stevens (2004), SMEs focus more on non-financial rewards such as education and recreative objects whereas, Islami (2015) emphasised that employees should be rewarded based on their individual performance. It is costly for SMEs to reward their employees, especially when they have much more limited resources in comparison to larger sized companies. For this reason, its application is rare (Wright et al., 2005). Nevertheless, it is found that a formal evaluation of performance, which is linked to compensation and reward might increase the performance of a firm (Sun, Aryee and Law, 2007). When employees are rewarded, they will make continuous efforts to complete their duties and objectives successfully, thus raising the company's overall performance too. Employees are the most important assets of SMEs. As such, SMEs should find a creative way to reward their employees while managing their financial resources and constraints.

As a result, Saara and the SHARPEN team have developed the following scheme.

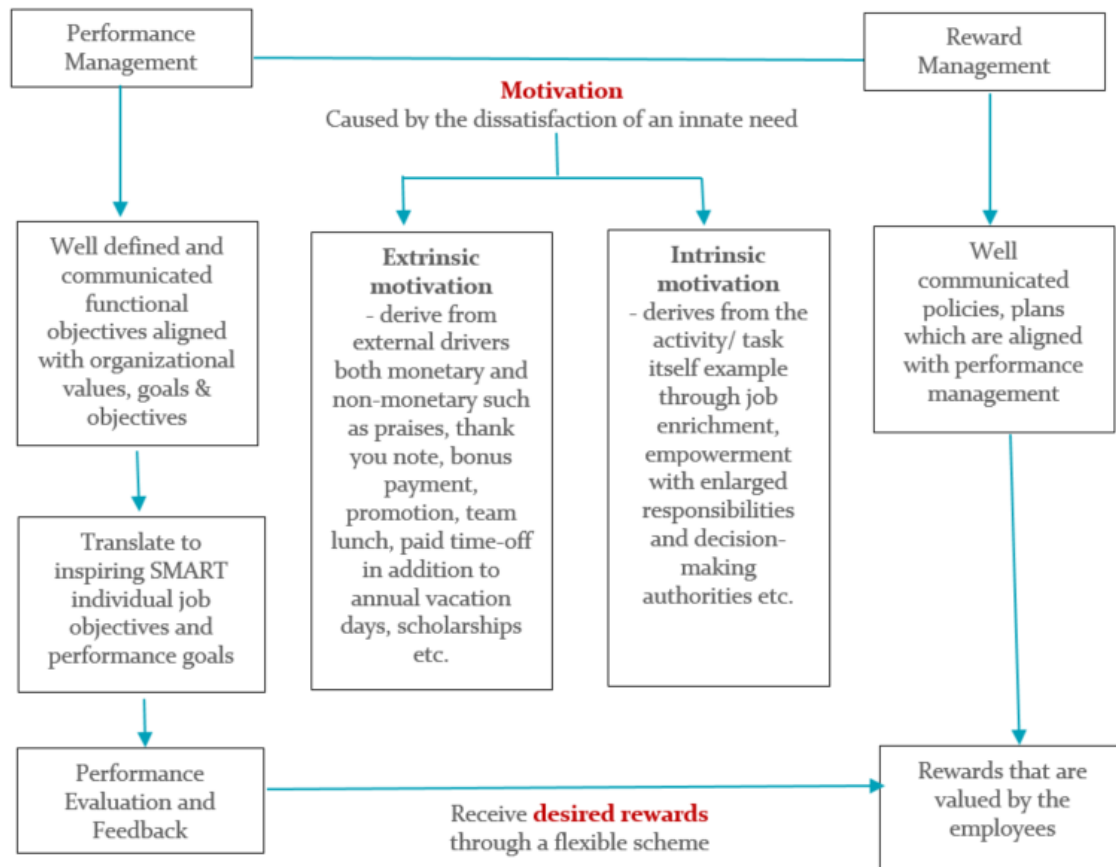


Figure 1: Performance and Reward Management Framework (own elaboration)

The questions that Saara is interested to ask are:

1. What are the key attributes of the incentive and reward system?
2. What kind of incentives and reward items are valued by the employees?
3. Will clearer goals and objectives motivate and engage the employees better?

METHODOLOGY

The SHARPEN teams implemented two methods of data collection, a semi-structured interview and an electronic questionnaire. Participation was voluntary, and the participants were reassured that they would remain anonymous. The questions in both methods were developed based on the selective literature targeted to answer the imminent questions posted by the HR Manager, Saara.

The semi-structured interview provided an opportunity for the teams to deepen their

understanding of specific issues, while the questionnaire aims to collect responses from a larger audience based on the results of the interviews. To ensure all staff has equal opportunity to participate, the electronic questionnaire contains two languages – English and Finnish. The translation was completed by one bilingual member of the SHARPEN team and checked by a BILINGUAL teacher from the SHARPEN project. The link was circulated through the HR manager and the team managers and the questionnaire was available for five days.

There were six interviewees from different organisation levels and teams of ABC. Three teams administered the interviews with a standard set of themed questions. The average time per interview was approximately one hour. The results were transcribed and shared with all the SHARPEN members. The teams also received 18 responses out of 40 employees (45% response rate). Since the organisation is very small, the teams have intentionally omitted some demographic information such as age, gender, department to ensure the respondents' identity is kept confidential.

ANALYSIS AND SOLUTIONS

After the merger between XYZ and ABC, the company has yet to finalise its strategy and to develop its organisation culture and values. Coupled with the conservative communication approach, the employees are experiencing some uncertainties and frustrations when information is not forthcoming in a timely manner. The employees continue to perform their roles based on their old roles and ways; adjustments and adaptations are driven by events such as a quick win rather than systematic planning or strategic development. The situation has resulted in a few resignations, employees becoming less engaged, which hinders the progression of the company and the development of their own potential.

The question is whether an effective performance and reward system will help to change the situation. The heart of the issues lies in the communication of strategic directions and priorities, also the unclear organisation culture post-merger. These are the fundamental gaps which must be addressed as a top priority. With the assumption that the strategies and values are in place, the performance and reward scheme that is aligned to support these changes will help to re-engage and motivate the workforce to work towards the same goals governed by the same value system.

What type of rewards are valued by the employees

According to the results from the gathered data, five of the seven top items which are highly valued as motivators to the employees are related to having clear understanding of the business and department strategies, their own roles and performance objectives. Usually, these are presumed to be known but it is evident that the employees in ABC felt they were lacking. The gaps could be addressed by improving two-way communications through both formal and informal channels on a timely basis. The other two valued motivators are flexibility of work arrangement such as having the opportunity to receive time-off or have a 'work from home day' as a reward for a good job done. It is worth noting that almost all the respondents felt that

they are competent and have the required resources to complete their tasks and to fulfil their roles. Having opportunities to enrich their roles and opportunities to be rotated to learn new jobs are also ranked highly in the results.

The outcome demonstrated that, in an SME located in a small region like Kainuu, people may not always focus on monetary rewards. Indeed, the list of valued rewards has proved that many non-monetary items are highly valued. This is a positive outcome in so far as monetary rewards are costly for a company, especially an SME. Also, they may bring undesirable tax consequences to the receiving employee too. With limited financial resources, the list of valued items from the data collected should be reasonable and viable to address quite quickly. See Appendix 3: Rewards perceived as valuable by the employees for more detailed information.

Characteristics of the reward scheme

The results of the data collected have also highlighted five important attributes which the employees of ABC think are important for the scheme. First, the system must be fair. Second, they must be informed about the scheme with a clear understanding how to get the desired rewards. Transparency is also seen as important so that they know why they have succeeded or failed to achieve what they desire. They also hope to have more clarity of the path to be rewarded and finally, they want a scheme that is flexible where they can choose what they want at a time they want.

Practical Toolkit – a summary

Based on the analysis of the data collected, the SHARPEN teams have developed a practical toolkit for ABC company. The detailed toolkit is presented in **Appendix 1: 3 step-process** for performance and reward management implementation. Here, the key essence of the solution is summarised shortly. First, the SHARPEN teams recommend that the management team of ABC formulate the SMART job objectives based on a snapshot of the business strategy today. Also, it is important that they determine the core values that underlie the foundation of the organisation.

Second, clear evaluation criteria should be agreed with the employees. Also, a reward pool should be developed so that the employees are aware what are the reward choices for them to choose. Develop a feedback system to encourage the employees to give suggestions of the reward items so that their changing needs are catered for where appropriate. All these should be formalised and reflected in the HR policies and practices in the company.

Third, the scheme should be flexible and adaptable over time with little efforts or changes. As such, the SHARPEN team proposed a modular solution where the reward pool is a 'live list' and the employees can choose the type of rewards they desire based on the reward points (referred as reputation points) gathered through their hard work, excellent performance and hitting all the agreed objectives.

Fourth, pilot run the scheme with a smaller team. Upon fine-tuning based on feedback, the scheme can be rolled out to all employees.

Fifth, get these into business as a usual mode as soon as possible. However, it is important not

to lose sight of feedback to ensure continuous improvements.

Key success factors for the new schemes

For the performance and reward system to be successful, the following attributes must be strictly observed and incorporated into the system (see Appendix 2: Key success factors):

- The scheme must be seen as fair and equitable and is open to all the employees of ABC.
- The system must be organised to support ABC's business, its strategies, values and goals. It should help to shape the organisation towards a common direction, reinforcing the new values and culture post-merger.
- The system needs to be adaptable and flexible - an effective feedback system must be in place to ensure continuous improvements.
- Two-way communication between employees and managers is a must – clarity both ways, there must be continuous dialogue to disseminate information and obtain feedback about the system.
- The measurement criteria of success for reward should be clear and well communicated to eliminate ambiguity and increase fairness.

CONCLUSION

To conclude, changes are the only constant in today's business environment. A company must create a system that is flexible to cater for the changing environment and the changing needs of its employees. This principle also applies to the performance and reward system. Employees' needs changes, also different employees have different needs at different time of their life. In addition, every employee contributes differently to achieving the business goals due to their varied roles and positions. Thus, it is important that the management design and implement a scheme that's flexible for all. When the management and teams are able to plan and implement an effective performance and reward system, over time, the employees will gradually move up the ladder or vice versa. Whereas, if the scheme fails, the workforce will fall apart, like the snake and ladder board game.

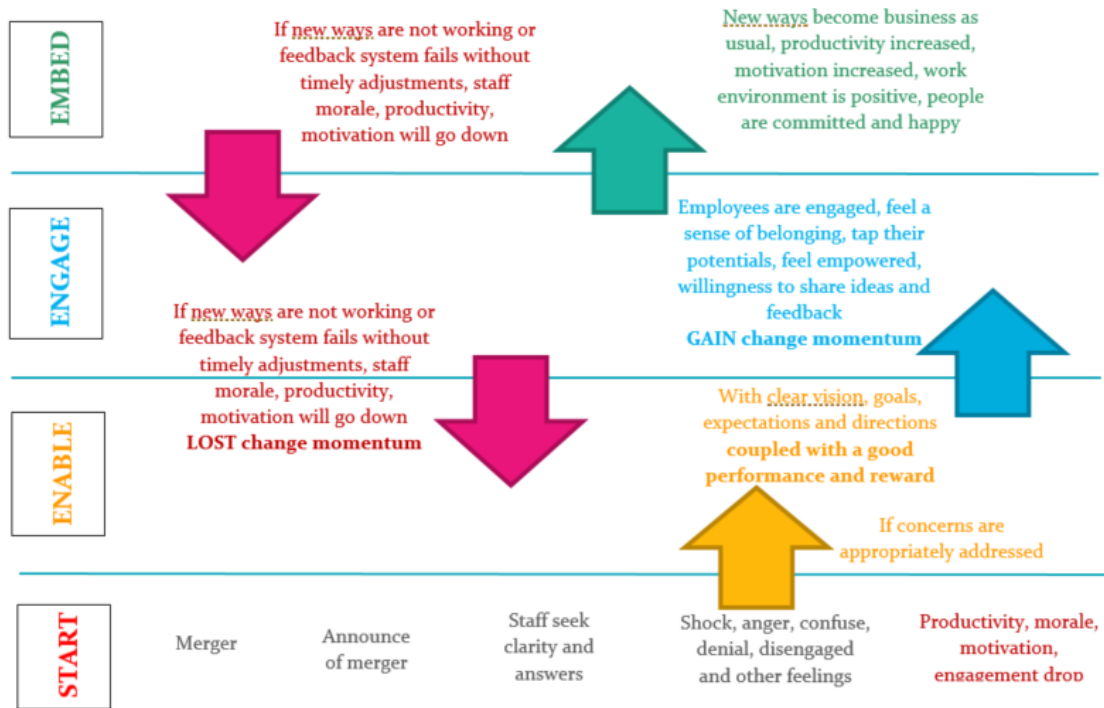


Figure 2: The success and failure of change management (Own elaboration)

LIMITATIONS

It should be highlighted that only 45% of the whole workforce of ABC replied to the electronic surveys. This leads to question – who were the ones who did not answer? Were they too busy to answer, leading to the most hard-working group of people to be unrepresented in the results? Or were they the most biased ones against the reward system?

Indeed, the structured electronic questionnaire were most successful when administered and people were made to sit through it. The ones working remotely or left to their own devices had a much lower participation rate, and this introduces bias into the findings. However, the SHARPEN team remains adamant that the findings regarding flexibility, timeliness and the ability to choose your own reward remain characteristically high. Whether the preference towards these characteristics is due to the cultural values of the surrounding society, the highly-skilled work environment or just a regional variety is not known. This could be an interesting point for further research.

ACKNOWLEDGMENT

Special thanks to the partner SME in Kainuu and the KAMK SHARPEN teams – Iikka Yli-Kuivila, Violet Mwakoi, Doan Chi, Quang Ngo Xuan, Yulia Emelianova, Marika Pöllä, Jasper Woertman, Tatiana Petrova.

REFERENCES

- Armstrong, M., & Taylor, S. (2014). *Armstrong's Handbook of Human Resource Management Practice* (str. 331). London: Kogan Page Limited.
- Armstrong, M., & Taylor, S. (2014). *Handbook of Human Resource Management Practices*. Kogan Page.
- Barros, J. D. (2009). *Human Resource Management Concepts within Micro Businesses; The study of Thai micro businesses*. Jönköping International Business School.
- Bommer, W. H., Johnson, J. L., Rich, G. A., Podsakoff, P. M., & Mackenzie, S. B. (1995). On the Interchangeability of Objective and Subjective Measures of Employee Performance: A Meta-Analysis. *Personnel Psychology*, 2.
- Cerasoli, C. P., Nicklin, J. M., & Ford, M. T. (2014, February 3). Intrinsic Motivation and Extrinsic Incentives Jointly Predict Performance: A 40-Year Meta-Analysis. *Psychological Bulletin*
- Daud, N., & Mohamad, P. N. (2010). Human Resource Practices in Small and Medium-sized Enterprises in Malaysia: an Empirical Analysis. *International Conference on Education and Management Technology*, 428.
- Distance Calculator. (28. May 2017). *From Helsinki to Kajaani*. Načteno z Distance Calculator.net: <https://www.distancecalculator.net/from-helsinki-to-kajaani>
- European Commission. (2014). *Population ageing in Europe; Facts, implications and policies*. Luxembourg: Publication Office of the European Union.
- Eurostat. (8. June 2017). *Digital Economy and society statistics-households and individuals*. Načteno z Eurostat: http://ec.europa.eu/eurostat/statistics-explained/index.php/Digital_economy_and_society_statistics-households_and_individuals
- Eurostat. (8. June 2017). *Unemployment Statistics*. Načteno z Eurostat: http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics
- Finnish Chambers of Commerce. (7. May 2017). *Finnish Chambers of Commerce*. Načteno z Finnish Chambers of Commerce: <http://kauppakamari.fi/en/finnish-chambers-of-commerce/>
- Hackman JR, Oldham GR. *Work redesign*. Reading, Mass: Addison-Wesley Publishing; 1980.
- Hills McShane (2009) *Principles of Management*, McGraw Hill Higher Education 9 ed.
- Leadership Thoughts. (8. JUNE 2017). *Successful Change Management*. Načteno z Leadership Thoughts: <https://www.leadershipthoughts.com/kotters-8-step-change-model/>
- McClelland, D. C., Atkinson, J. W., & Clark, R. A. (1953). Lowell. *EL, The Achievement Motive*, Appleton-Century-Crofts. New York.
- McLeod, S. (2016). *Maslow's Hierarchy of Needs*. Načteno z Simplypsychology: <https://www.simplypsychology.org/maslow.html>
- Muller, P., Devnani, S., Julius, J., Gagliardi, D., & Marzocchi, C. (2016). *Annual Report on European SMEs 2015/2016*. European Commission.
- Ponnikas, J. (20. April 2016). Načteno z Interregionaleurope.eu: http://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/Bridges_20_4.2016.pdf
- Qchanja, A. B., & Kutloveri, E. (2015). The Role of Human Resource in Gaining Competitive Advantage. *Journal of Human Resource Management*, 47.
- Reinis Fischer. (28. May 2017). *Economic Notes*. Načteno z Reinis Fischer.com: <https://www.reinifischer.com/average-salary-european-union-2016>
- Ryan, R. M., & Deci, E. L. (2000). Intrinsic and extrinsic motivations: Classic definitions and new directions. *Contemporary Educational Psychology*, 25(1), 54-67

- Smit, Y., & Watkins, J. A. (3. January 2012). A Literature review of small and medium enterprises (SMEs) risk management practices in South Africa. *African Journal of Business Management*, 6(21), 6324-6330.
- Statistics Finland. (2016). *Official statistics of Finland. V S. Finland, Statistical Year Book of Finland 2016* (str. 368). Helsinki: Statistics Finland.
- Statistics Finland. (28. May 2017). *Appendix table 2. Working-age population, persons who had been unemployed during the year and their share of working-age population and the share of persons who had been unemployed for the whole year among the unemployed by region in 2016*. Načteno z Stat.fi:
http://www.stat.fi/til/tyokay/2016/02/tyokay_2016_02_2017-05-26_tau_002_en.html
- Statistics Finland. (28. May 2017). *Population*. Načteno z Stat.fi:
http://www.stat.fi/tup/suoluk/suoluk_vaesto_en.html
- The Federation of Finnish Enterprises. (2015). *Entrepreneurship Statistics*. The Federation of Finnish Enterprises.
- Wiesner, R., & McDonald, J. (2001). Bleak or bright prospect? Human resource management in Australian SMEs. *Asia Pacific Journal of Human Resources*.
- European Commission (2017). *Working Conditions - Working Time Directive*. Načteno z European Commission:
<http://ec.europa.eu/social/main.jsp?catId=706&langId=en&intPageId=205>

APPENDIX: TOOLKIT FOR SMES

APPENDIX 1: 3-step process for Performance and Reward Management

STEP 1: Performance Management Cycle

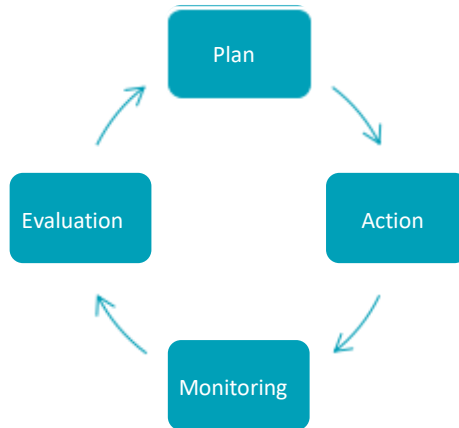


Diagram 1: The Performance Management Cycle. Adapted from Armstrong's Handbook of Human Resource Management Practice (Armstrong & Taylor, Armstrong's Handbook of Human Resource Management Practice, 2014, p. 337)

Stage 1: Planning

In this stage, the managers must clearly identify in each department:

1. Role and objectives for each department from the business perspective. (What is the main function of the department? Describe the superior-performance department – department brand?)
2. Key developments for the personnel of the department (Potential strengths/weaknesses of employees – what employees can improve?)
3. Performance indicators, period and goals based on the strengths/weaknesses. (What are the most suitable indicators? How long for each period of evaluation? How high/quality it should be?)
4. The indicator-related motivations and the characteristics of the motivations. (What make the personnel try their best related to the indicators? How effective?)
5. The designs of the rewards (quality/quantity/period of rewarding that makes every person motivated to achieve)
6. Create a competency programme in the short-term that have the supportive outcomes for long-term business strategies.

Stage 2: Action

In this stage, managers are going to implement the plan for the programme, including the informing employees about the programme before implementation.

1. Restate the functions/roles of the department ☑ remind the employees about their roles – what they are good at and should focus on or be better at.
2. Announcement of the programme: through which channels, methods of announcing etc.
3. Schedule to start the competition. Date and time of the competition period.
4. Supports from the organisation (Personal development programme, hints of which skills could/should be achieved and improved.)

Stage 3: Monitoring

Along the implementation process, managers have to monitor and adjust the programme by:

1. Tracking and measuring the performance in real time based on the indicators.
2. Giving and receiving feedback (must be two-way communication)
3. Continuously supporting the employees for the better performance.
4. Identifying the issues leading to under-performance, adjusting the programme as soon as possible.

Stage 4: Evaluation

After the end of the programme as well as the rewarding, managers have to evaluate the performance of employees, programme, and the business operations after the programme. There are some questions that will need to be answered:

1. How effective was the programme in term of business objectives? (i.e. have sales grown?)
2. Have the employees performed better than before the programme? Have they improved themselves in terms of skills and performance?
3. Is everybody happy with the programme? How have the employees reacted to the programme? What is their feedback? Who were the under-performers? Why?
4. Have the business operations been improved? Could it be kept for the long-term or permanently? Have the programmes created any organisation/human capital strengths/weaknesses?
5. What area should be improved next? Should the programmes be kept? What should the organisation have/design next?

STEP 2: Performance and Reward Management System

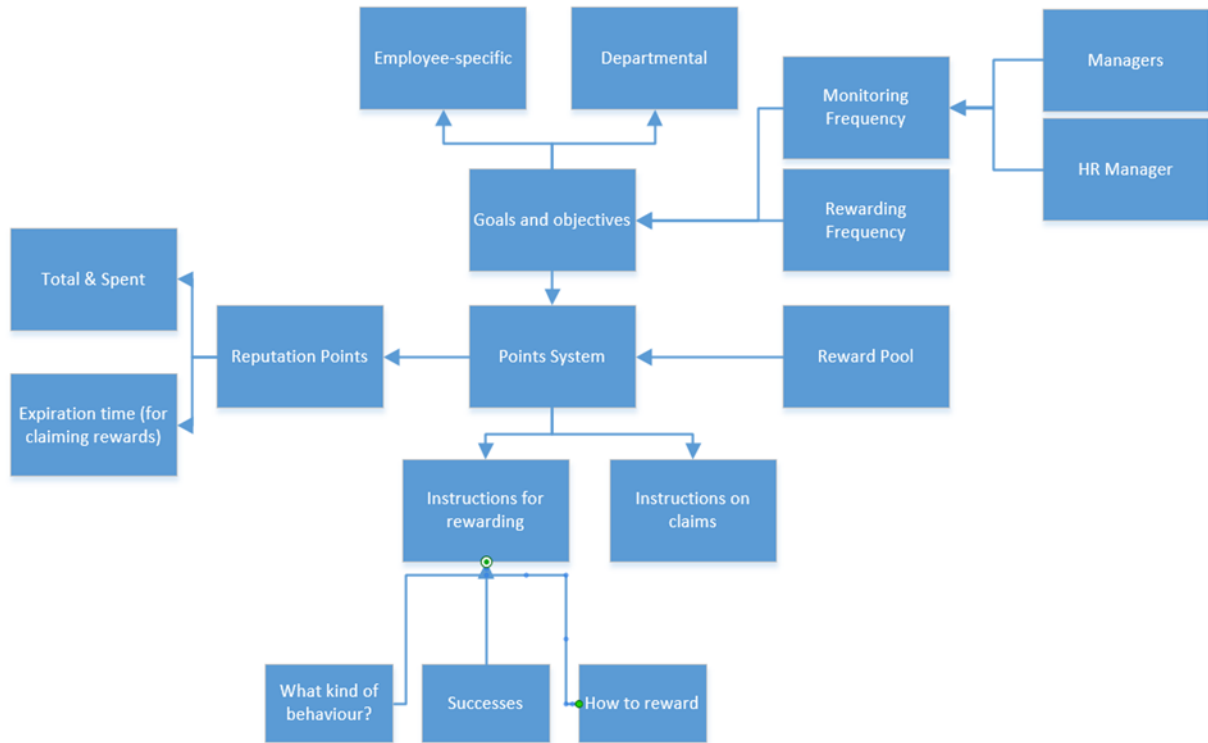


Diagram 2: The Reward Framework

In a cafeteria style reward plan, employees are allowed to select a variety of rewards from a predefined incentive and reward plan. This may be easier to implement for choices with the same tax consequences, otherwise, the employee should be fully aware how the reward will affect his/her overall financial position taking into consideration other income items. This may provide the employees with more take-home pay and rewards that they value at a specific point in time. It also enables the company to remain flexible to keep pace with changing employee needs and the needs of different employee groups.

As such, the structure of the system is designed to be modular. Things can be attached and removed if necessary. In all changes, the justifications and reasons for the change need to be communicated to all employees so as to gain their trust in the system. Modularity supports the changes within modules.

Set SMART performance goals and objectives

1. These are developed based on the business goals and objectives derived from the firm's strategies.

- a. Departmental goals and objectives
 - i. These are for all the department's members.
 - ii. These will be set with discussion from CEO and the department head.
- b. Employee goals and objectives
 - i. These support employees' growth as people and for HIT purposes.
 - ii. These should include as a basis at least:
 - Improvement in team-working abilities
 - Customer care skills (can be measured by feedback received from customers)
 - Skill attainment goals relevant to the position
 - Goals related to the position (more sales, better customer care, better code, improved performance in ability X and Y)
 - Extra sales/service goals. These are for instance a person's ability to come up with an idea on how to make a new product available for customers or providing a sales suggestion to a customer and liaise with the sales team about the details.

2. Points system

- a. In essence employees are awarded RP's (Reputation Points) for commendable performance. The value of the awarded RP's needs to be adjusted while considering the reward pools' items' RP value. These points are updated on the database and employees can monitor their own RP's and see how much more they need for certain rewards.
- b. RP's are to be accumulated over time. They can be stored for later use. Over the employment of the person this can also be used for tracking people's performance.
- c. RP's have an expiration time for claiming rewards. We recommend this time is set to two years. For monitoring purposes tracking needs to be maintained over the spent RP's and total RP's.

3. Reward pool

- a. Consists of all the available rewards.
- b. HR manager, CEO and rest of the managers need to determine the points values of rewards. This needs to be aligned with the points given out so as to build a balanced system. Things to consider when determining points value of a reward:
 - i. Monetary value of the reward (increasing factor)
 - ii. Desirability of the reward (increasing factor)
 - iii. Whether the reward supports business (decreasing factor)
- c. Pool of suggested rewards and preference data on them can be found in

the appendices.

4. **Rewarding Process – clear instructions, transparent criteria, simple process**
 - a. Instructions for managers on what kind of behaviour and performance to reward. Our proposal for instructions can be found in the appendices.
 - b. Instructions for employees on what is to be rewarded and how they can achieve it. Our proposal for instructions can be found in the appendices.
 - c. Instructions for employees on how the rewards can be claimed. This needs to include: how to claim a reward (button on a website or a request to the HR manager), what is the time from claiming a reward to receiving it (timeliness is of essence, certain rewards can be set to claimed instantly, others will for physical delivery times require a lead-up time). This is dependent on the system utilised for the monitoring and claiming.

5. **Monitoring Frequency**
 - a. How often managers need to monitor their rewarding.
 - b. Recommended period is monthly.

6. **Rewarding Frequency**
 - a. Only commendable performance is to be rewarded.
 - b. Most should derive from the performance goals and objectives.
 - c. On case by case basis, other reward criteria can also be considered such as a vast improvement in a skills or competencies.

STEP 3: Managing Implementation and Change

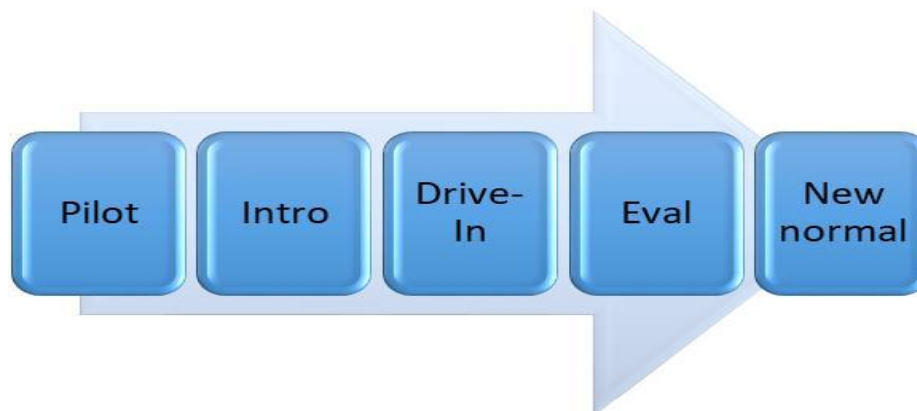


Diagram 3: Phases of implementation

PHASE ZERO: PILOT

1 month

- Formulate job goals and objectives for people working over the summer (CEO, Functional Managers, Line Managers, Team Leaders)
- Build and test out the system
- Currently used HR system might work for this
- If not, build a database and integrate it into the HR system
- Workaround for faster deployment: Excel sheets, updated on a weekly basis by the managers and HR manager
- Modules to be built:
 - Reward/Incentive-page
 - Employee's view (their current points balance, favourite reward and points required for it [works as incentive], rewarding history)
 - Manager's view (employee point balances, rewarding history, their own points balance, departmental goals, their own goals, their own reward history)
 - HR Manager's view (aggregate data on points, managers' data on points, employee data on points, rewards claimed, rewards handed out, feedback inbox/feed)
 - Reward Pool view (listing out all the rewards and required points for them, ability for HR Manager to include new rewards [remember to notify people about new rewards!], claim a reward function)
 - Feedback-module (for employees to give feedback on the system, how it is working and what could be added; needs a text-input)
- Acquaint managers to the system and task them to use it for testing purposes over the summer (on the people working over the summer)
- Gather feedback and have monitoring meetings about the workability of the system
- Improve where necessary

N.B.: Change management does not occur in this phase. Hence the results of the system are not to be interpreted as regarding the performance of the system, but whether the system is working or not

PHASE 1: INTRODUCTION

1 week

- The system's implementation is a change. It needs to be considered in the change management framework. It requires leadership, dedication, top management buy-in and example to middle management and employees.
- Introduction of the system to the employees and managers.
- Communicate what the system is, the instructions on how to use it, how changes are made.

PHASE 2: DRIVE-IN

3 months

- During this phase special attention needs to be paid that the system is used.
- Rewarding needs to be done regularly. On a weekly basis, managers need to reflect whether they have rewarded in the past week, were the rewards fair or biased, did they miss opportunities to reward? At least to say thank you for a job well done.
- CEO needs to evaluate with the HR manager whether the change is taking root, if not -> Instruct managers to pay more attention to it. Can give goals to managers: find one rewardable thing in a person's work (if there are such opportunities).
- After the phase ends and changes have been noted, the rewarding frequency can be normalised (lessened, but this needs to be communicated).

PHASE 3: EVALUATION

2 weeks

- Human Resource Manager needs to prepare meetings with managers and evaluate the performance of the system with them.
- Evaluate the system's usage:
 - Performance
 - Has it had a positive effect on business?
 - Has it had a positive effect on employee satisfaction?
 - Is ABC using the system as an attraction for new employees? Can it be used in such a way?
 - Is the system being used in a fair manner?
 - How could it be improved?
 - Is the system being communicated to employees? How?
 - How can the system be geared to be more in line with ABC's goals and values?
 - Any other improvements

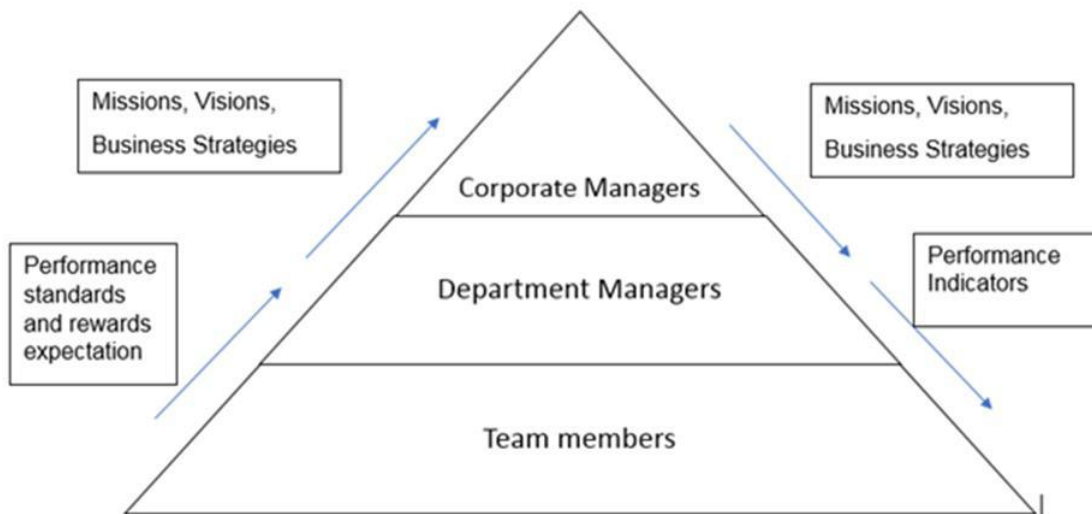
PHASE 4: BUSINESS IN THE NEW NORMAL

- Continue to use the system and improve it as it lives

APPENDIX 2: KEY SUCCESS FACTORS

For the performance and reward system to be successful, the following attributes must be strictly observed and incorporated into the system:

- System needs to be fair
- System needs to be organized to support ABC's business
- System needs to support continued evolution – adaptable and flexible
- Two-way communication between employees and managers is a must – clarity both ways, there must be continuous dialogues to disseminate information and obtain feedback about the system



APPENDIX 3:

Reward pool value chart (Results from Questionnaire)

The following chart shows the perceived value of the type of rewards according to the employees of ABC.



APPENDIX 4:

Top 5 Characteristic of the Reward System chart (Results from Questionnaire)

The following chart shows the five most important characteristics of the reward system according to the employees of ABC.

