



REWARD AND RETENTION STRATEGIES - THE KEY FACTORS INFLUENCING ORGANISATIONAL EFFECTIVENESS

Samatha Yamburi,

David Memorial Institute of Management, Secunderabad, Telangana 500017, India

Corresponding Authors' Email: samathayamburi@gmail.com

ABSTRACT

Organizations should focus on administering their HR functions effectively so that can gain competitive advantage over their rivals. They should focus on embracing change as and when needed and also on functioning efficiently. The way in which an organization undertakes reward management and focuses on retaining its existing employees will determine its prospects for prosperity in future. The present article aims to study the reward and retention aspects of Human Resource Management.

KEYWORDS: HR functions, change, functions, reward, retention

INTRODUCTION

In the present day context, organizations must be agile enough to explore the opportunities, sustain and to gain competitive advantage. In such a kind of a scenario the human resources of an organization play a vital role and can create an edge for the firm over its rivals. Taking quality human resources, training them to cater to the requirements of the organization, rewarding them fairly and aligning them with the organizational needs by retaining them can make a firm competitive. The functions Reward administration and Retention can be termed as the key functions that can lead to the success of an organization. If these functions are in harmony with the other functions they can prove to be those providing with an advantage for the firm.

OBJECTIVES OF THE STUDY

The objectives of the study are

- 1) To know the importance of reward management and its impact on employees.
- 2) To know the importance of retention strategies and its role in retaining employees.

RESEARCH METHODOLOGY

For the study, secondary data was used and it was obtained through books, articles and websites.

LITERATURE REVIEW:

Robert L. Mathis et al (2017) have stated that "Retention of employees is a major focus of HR management efforts in an organisation. Retention is assisted by the use of retention measures, including employee surveys and exit interviews."

Tesiphallah Vasantham and Dr.C. Swarna latha (2016) have stated that retention serves as a powerful recruitment strategy. It is very important in the new era of modern technology and competitive environment.

Michael Armstrong and Helen Murtis (2007) have stated that "A reward strategy has to take into account the mutual expectations of management and employees.

Paul Thomson (2002) suggested that "Definition of total reward typically encompass not only traditional, quantifiable elements such as scope to achieve and exercise responsibility, career opportunities, learning and development, the intrinsic motivation provided by the work itself and the quality of working life provided by the organization."

Sandra O' Neal (1998) has explained "total reward embraces everything that employees value in employment relationship".

Lawler (1995) emphasized that reward policies should take into account the organizational goals, values and culture and the challenges of a more competitive global economy.

REWARD MANAGEMENT AND RETENTION STRATEGIES

Reward management and retention strategies are important for the following reasons:

- Retaining employees
- Attracting new employees
- To avoid the cost of hiring and training new employees
- To build loyalty and honesty
- To create a healthy work environment
- To encourage positive attitudes and behavior
- To make employees more likely to seek advancement
- To strengthen the company's reputation

REWARD MANAGEMENT

Reward Management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization

Objectives of a reward system:

- To Support the organization's strategy
- To Recruit & retain employees
- To Motivate employees
- To show internal & external equity
- To strengthen psychological contract
- To make the employees financially sustainable
- To comply with legislation

Basic Types of Reward

- **Extrinsic rewards:** It is in the monetary form and helps employees to survive by satisfying their needs
 - Satisfy basic needs: survival, security
 - Pay, conditions, treatment
- **Intrinsic rewards:** It is in non-monetary form and helps individuals to satisfy their psychological needs because of being associated with a work place.
 - Satisfy higher needs: esteem, development

Rewards by Individual, Team, Organization

- **Individual:** base pay, contingent pay, variable pay incentives, benefits, services and perks
 - Rewards attendance, performance, competence
- **Team**
 - Team bonus, rewards group cooperation
- **Organization**
 - Profit-sharing, shares, gain-sharing

ADVANTAGES OF A FAIR REWARD SYSTEM:

- An ideal compensation system can have positive impact on the efficiency and results produced by the people.
- It will encourage the normal worker to perform better and achieve the predetermined standards.
- It should be simple and flexible so that every worker/recipient would be able to compute his own compensation receivable.
- It would be easy to implement, so that it would not penalize the workers for the reasons beyond their control and would not result in exploitation of workers.
- It will raise the morale, efficiency and cooperation among the workers. It, being just and fair would provide satisfaction to the workers.
- It would help management in complying with the various labor acts.
- It would also bring about amicable settlement of disputes between the workmen union and management.
- It would thrust upon the principle of equal work equal wages. Encouragement for those who perform better and opportunities for those who wish to excel.

Reward Systems and Policies

Perhaps the most important aspect in any organization is the reward system being in place. This is because employees are not providing their services for free and on the other hand, the organizations do not run a charity show. What this means is that the contractual obligations between employees and organizations are about how much work is to be done and how much pay is to be paid for the work done. Hence, the reward policies must reflect this aspect.

However, a significant aspect about the reward systems that is usually ignored is that employees have intrinsic needs other than monetary needs alone. This intrinsic need for recognition, better treatment, and rewarding of their good work forms the other pillar on which the reward system and the reward policies stand. So, organizations have to focus on market competitive reward systems and they should adjust their pay structures as per the changes that happen in the market.

Monetary Reward Policies

The obvious and natural choice of any reward system is the provision of monetary incentives. This means that pay hikes, bonuses, and allowances that are monetary in nature play a key role in motivating employees. These extrinsic rewards cater to the basic needs of employees to sustain themselves and their families. An ideal reward system would provide for graded pay increases and bonuses that are in tune with industry best practices and are coordinated across the organization without discriminating against specific departments or divisions. Further, the monetary incentives should also not discriminate based on gender, ethnicity, or other aspects of identity. The reward policies must also take into account the fit between the employee and the role that he or she performs. There is no point in having a wrong person for the right job or a right person for the wrong job.

Non-Monetary Reward Policies

As discussed earlier, a reward system that incentivizes the intrinsic needs of employees is an ideal system. This is not to say that extrinsic rewards like pay and bonuses are not important. Rather, the combination of external rewards and non-monetary rewards like recognition, awards, and publicity for the employee's good work is the key to actualizing performance. In other words, the ideal reward system manages to reward good performance both with monetary and non-monetary incentives.

Some non-monetary rewards can also include benefits and benefits like memberships to exclusive clubs, company provided housing and transport, and advanced training and soft skill upgrading courses that motivate employees to self-actualize themselves. For instance, companies like Fidelity focus more on the package of benefits at senior levels, which includes a gamut of non-monetary rewards like the ones mentioned above

REQUISITES OF AN EFFECTIVE REWARD SYSTEM:

- **Fair treatment:** There should be a fair mechanism in place to decide the compensation of various different categories of jobs including exempt, non-exempt, managerial, technical, operational jobs in an organization. Different departments and designations contribute differently according to their relevance and the kind of duties & functions they perform. They should be treated fairly in accordance to their designations and contribution.
- **Equity and justice:** The employees should be informed and that the pay, benefits and services that the organization implements is in place after scrutiny and should also convey that the workplace follows standard mechanisms and policies related to pay and

benefits disbursements and will ensure equity and justice to all employees.

- **Alterations according to changing times:** With changing times the organizations should track the changes related to monetary and non-monetary pay systems and should adjust them as per the changes in compensation trends so that they don't lag behind in embracing change.
- **Offering market competitive pay systems:** To attract and retain employees an organization should offer market competitive pay systems so that it can focus on becoming more effective and profitable through its human resources and other resources.
- **Pay decisions should commensurate with designation and performance:** The decisions related to pay and services & benefits should be made according to the designation and performance of the various job incumbents. There should be objective performance management system in the organization to ensure the same.

RETENTION STRATEGIES

Employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employees, by having policies and practices in place that address their diverse needs.

Objectives of retention strategies

- To retain existing employees
- To align employees with organizational objectives
- To make employees feel they are needed and important
- To make employees believe the organization trusts them
- To provide employees with a platform for career growth

Various effective retention strategies are:

- **Stress on hiring the suitable persons**
The process of employee retention begins much before the actual signing of the work agreement between an employer and an employee. A lot of organizations, especially those dependent on technical know-how, have a pre placement test for the interviewees. It lets to understand the adaptability of the talent beforehand.
- **Match responsibilities, expectations & rewards**
Most of the dissatisfaction at work is related to a clear mismatch between expectations and rewards. Then there is the part when they feel that their efforts are not being recognized and rewarded well or the disillusion of how their work is contributing in the bigger picture.
- **Ensuring worklife balance**
In this overtly competitive world, it takes a lot of struggle to strike a comfortable work-life balance. Giving employees time off, allowing them to leave early on certain occasions, understanding that the person needs to attend his personal life needs and respecting personal space are small things but go a

long way to ensure people are rejuvenated and productive at work.

- **Open door policy**
Many a time people have resentment against the management and they don't know how to voice it. Many don't even discuss it in the exit interview also. Now this is something any organization can contain. There should be an open door policy and not just on paper. People should be given the freedom of walking up to the HR with any concern that is hampering their performance.
- **Understanding problems with empathy**
Not all days are same so an organization should understand the problems of the employees with empathy and support them. Letting them have a slightly longer lunch break, going out for a coffee or tea, flexible work hours, long weekend offs, allowing a sabbatical can give people a breather and they know that the organization is indeed concerned about their well-being and wants them to do well.
- **Connect through communication**
If an organization wants to build a robust team it needs to trust its people. It should make a transparent mechanism to share any developments within the organization. Being a part of the success story of an organization, increases employee loyalty. Sharing future plans with the employees, helps them see the larger picture and understand their concern help achieve organizational goals faster. It instills in them a sense of responsibility of working towards a larger goal together.
- **Instill a positive culture**
An organization should establish a series of values as the basis for culture such as honesty, excellence, attitude, respect, and teamwork. A organization that creates the right culture will have an advantage when it comes to attracting and keeping good employees.
- **Provide growth opportunities**
An organization should provide workshops, software, or other tools to help employees increase their understanding of themselves and what they want from their careers and enhance their goal-setting efforts. It's important to provide employees with adequate job challenges that will expand their knowledge in their fields.

CONCLUSION

The dynamic changes in the corporate world demand organizations to embrace the requirements of change with a lot more attentiveness and agility. If the organizations focus on their human resources by nurturing and fostering them by effective administration of HR activities and also by coupling reward management and retention, they can successfully accomplish the expected results and strive for organizational effectiveness.

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