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Harmonising Rewards & Motivation

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Some Facts About Pay Differentials

According to Mercer's survey:

- Highest-performing employees (12 percent of the workforce) are expected to receive base pay raises of 5.7 percent in 2007.
- Average performers (52 percent of the workforce) are expected to receive base pay raises of 3.5 percent in 2007.
- Weakest performers (3 percent of the workforce) are expected to receive base pay increases of 1.7 percent in 2007



As cited in:
2008 Pay Projections: Increased Ties to Performance
By Stephen Miller, August 2007
www.shrm.org

Some Facts About Incentives

	Management	Professional	Officer/ clerical
Highest Rated	27%	20%	15%
Middle Rated	20%	14%	11%
Lowest Rated	10%	7%	6%



As cited in:
2008 Pay Projections: Increased Ties to Performance
By Stephen Miller, August 2007
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Essentials of an Incentive System

- Clear link between individual goals and incentives
- Methods of differentiating performance differentials
- Final review by impartial arbiter
- Grievance process to address employee concerns
- Annual publication of ratings and pay decisions
- Employee surveys to measure satisfaction with the system



Pay-for-performance Doesn't Always Pay Off

“Pay-for-performance may have a natural life cycle that managers are unaware of”

– Michael Beers, HBS
Professor

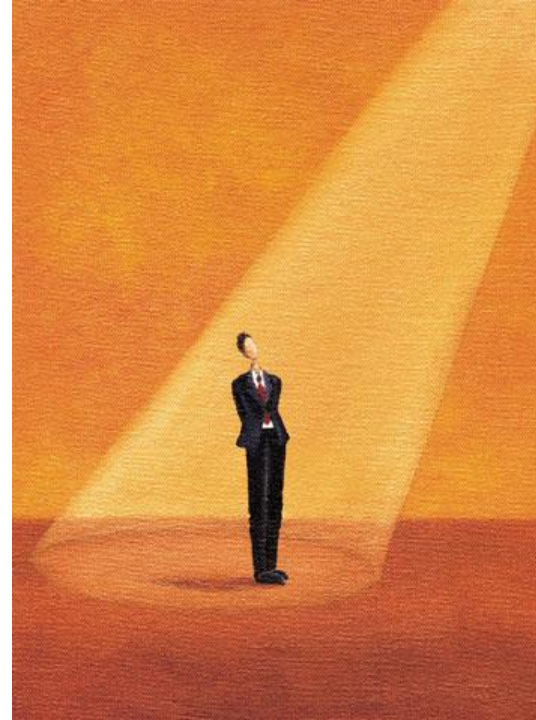
“Pay-for-performance can cast a pull over self-esteem, teamwork and creativity”

– Teresa Amabile



Back to Basics on Motivation

- Extrinsic Motivation works in the short run
 - Compensation (fixed, variable, long term & short term incentives)
 - Benefits
- Intrinsic Motivation creates harmony for long term through
 - Challenge
 - Control
 - Cooperation
 - Recognition



Challenges

- Extrinsic Motivation
 - Performance metrics (KPI's and KRA's) are necessary as a basis
 - Individual measures usually do not encourage teamwork
 - May encourage unhealthy rivalry
- Intrinsic Motivation
 - Requires massive efforts and a personal touch
 - Job Design, relationship management and teamwork hold the key



Total Rewards

- Total Rewards goes beyond Pay for Performance
- Incentive Plans are only a part of the solution and effective in the short term
- Attracting, retaining and engaging talent through providing career and personal growth opportunities is the key to harmony



Nature's Way

The story of
the wise old
man



Lessons from the Wise Man

- It is important to differentiate high performers from average and poor performers
- Average performers are those who meet expectations and are valuable. This message is important
- Poor performers need to be brought in line through Total Rewards strategy



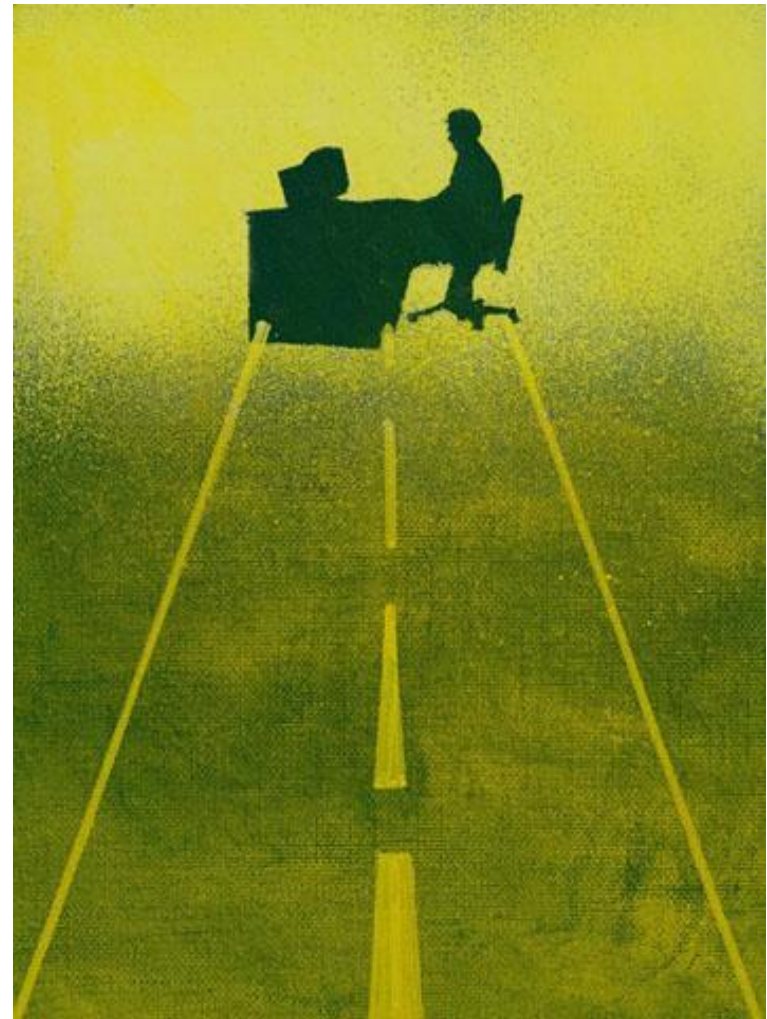
High Performers (A)

- Maverick personalities
- Driven by Achievement
- Don't always go by the rule book
- Usually on the periphery of the system
- They make a quantum difference
- Drive high-performing organisations



Average Performers (B)

- Valuable people who meet organisational goals and expectations
- They are the backbone
- They need to be recognised and valued
- Mentoring and coaching inputs work well with average performers to motivate and anchor in the mainstream of the organisation



Poor Performers (C)

- Message of development and improvement in performance levels needs to be given
- Need to invest in turnaround
- Incentive plans help in bringing their performance to acceptable levels
- Need intensive and special performance counselling



In Totality

- A total rewards strategy that works takes into account extrinsic and intrinsic motivation
- It is important to differentiate High, Average and Poor performers
- Team performance must be rewarded



Creating Harmony

Total Rewards: All of the tools available to the employer that may be used to attract, motivate and retain employees. Total rewards include everything the employee perceives to be of value resulting from the employment relationship.





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