



**SLEZSKÁ  
UNIVERZITA**

OBCHODNĚ PODNIKATELSKÁ  
FAKULTA V KARVINĚ

# HUMAN RESOURCE MANAGEMENT

## Lesson 11

# Rewarding system. Performance management and motivation

Ing. Helena Marková, Ph.D.

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- purpose of rewarding strategies
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- development

# Rewarding systems

Compensation X Reward

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Different forms

Rewarding systems

Rewarding Strategies

Motivation

# Significance of pay policy

In manufacturing sector

20 to 30 percent of operational costs

In service sector

50 to 70 percent of operational costs

Employers and their quality are the source of competitive advantage

Balance of fixed and variable pay based on the evaluation of performance (individual or team) – it also transfers some of the financial risk to the firm from employers onto the employees.

# Compensation X Reward

Compensation refers to the total package of financial and non-financial benefits that an employee receives in exchange for their work, including base salary, bonuses, benefits, and other forms of pay. Compensation is typically structured according to the job market and the value of the employee's skills and experience.

Rewards are incentives or recognition that are given to employees for their performance or contributions. Rewards can take many forms, including bonuses, promotions, recognition programs, and other non-financial incentives.

# Compensation X Reward

Compensation is a key part of the overall employee package, but rewards are a way to motivate and appreciate employees for their contributions over and above their normal duties.

Reward programs are often used to increase employee engagement, encourage high performance, and retain top talent.

While compensation is a fixed package of pay and benefits that an employee receives as part of their job, rewards are additional encouragements that are used to motivate and recognize employees for their performance and contributions.

# Purpose of reward

Purpose of whom? Different stakeholders have an interest, but their interest vary.

For employers

For employees

For society

Customers

# Purpose of reward

Attraction

Retention

Motivation

Fairness in reward (CEO / employees, sportstars, popstars, men x women)

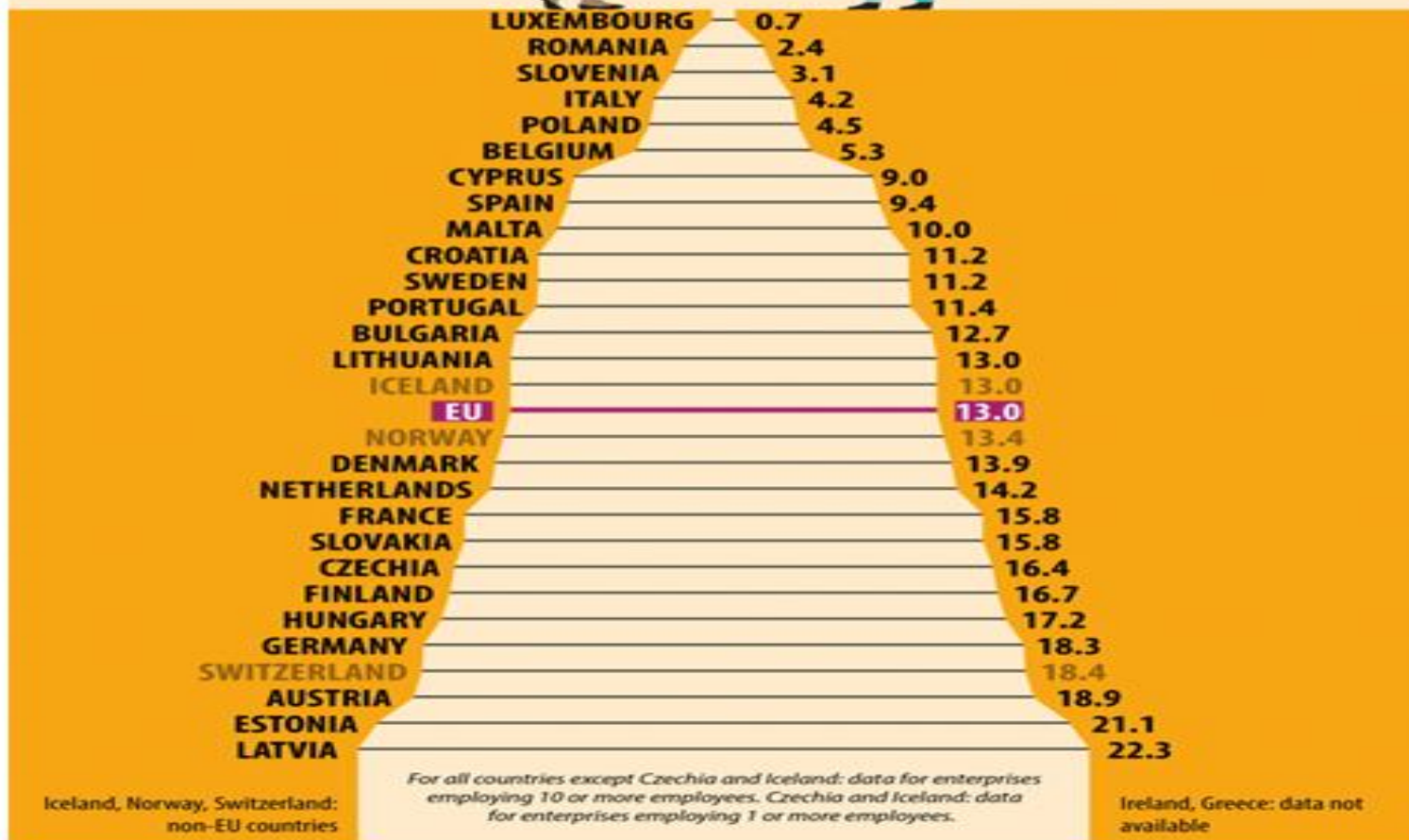


# Gender pay gap

How much less do women earn than men?



Difference between average gross hourly earnings of male and female employees as % of male gross earnings, 2020



# Rewarding forms

## Financial Rewards:

These include monetary incentives such as bonuses, salary increases, and stock options.

## Non-Financial Rewards:

These are non-monetary incentives that can include recognition programs, promotions, or additional benefits such as more flexible working hours.

# Rewarding forms

## Extrinsic Rewards

These are rewards that come from external sources, such as recognition from others, or tangible rewards like bonuses or promotions.

## Tangible Rewards:

These are physical items or experiences that can be given as rewards, such as gift cards, vacations, or company-sponsored events.

# Rewarding forms

## Intrinsic Rewards

These are rewards that come from within, such as a sense of accomplishment, pride in one's work, or a feeling of personal satisfaction.

## Intangible Rewards:

These are non-physical rewards that cannot be touched, such as praise, recognition, or opportunities for personal and professional growth.

# Strategic and total reward

There is a range of purposes that a reward system serves and many aspects of work that can be considered rewarding.

Priorities of reward policy corresponds with HR strategy.

Total reward

All of the tools available to the employer that may be used to attract, motivate and retain employees perceived to be a value resulting from the employment relationship.

# 6 total reward components

1. compensation
2. benefits
3. work-life effectiveness
4. recognition
5. performance management
6. talent development

# TASK 1

Work is more than just an exchange of effort for financial compensation. The preceding sections have identified intrinsic and extrinsic reward, and the total reward model further elaborates on a range of different sources of reward at work.

**TASK:**

Consider the components of the total reward model. Which of these components are particularly important to you, and which are less attractive? Does this affect your view of what you might look for in your new job?

# Performance management

Performance management is a process through which organisations can ensure that individual employees are working towards organisational goals, by monitoring and guiding their performance.

## Critical components:

1. job assignment
2. goal setting
3. establishing performance standards
4. providing feedback
5. performance appraisal (including documentation)



# Job assignment

The process of matching individual competencies with job requirements, so as to achieve the best fit.

Testing and identifying the best fit of employee, starting in the process of recruitment and hiring.

# Goal setting

The process of assigning work tasks to individuals so that they are clear on what is expected of them.

to be effective, the goals should be specific, measurable, attainable, realistic and time-bound. = SMART

# Performance standards

Specific performance expectations and levels against which an employee's performance will be judged – thus, it should be clear to the employee what levels of performance would be deemed unacceptable, acceptable and surpassing expectations.

# Feedback

The process by which individuals are informed of the degree to which they are meeting desired or expected levels of performance.

# Performance appraisal

The process of evaluating an individual's past performance for a specific period, usually one year.

Important features:

The evaluation process (role of appraisee and appraiser, record of achievement)

Scheduling the evaluation

The appraiser

Evaluating performance – What will be evaluated (traits, behaviours, outcomes)?

# Performance evaluating methods

Here are some performance evaluation methods commonly used in organizations to assess employee competency:

**360-Degree Feedback:** This method involves collecting feedback from multiple sources, including supervisors, peers, subordinates, and even external stakeholders, to provide a comprehensive assessment of an employee's performance. It provides a well-rounded view of an employee's competencies, strengths, and areas for improvement.

**Key Performance Indicators (KPIs):** Establishing measurable KPIs aligned with job responsibilities and desired competencies allows for objective evaluation of employee performance. KPIs can include quantitative metrics such as sales targets, productivity levels, customer satisfaction ratings, or qualitative indicators like problem-solving ability, communication skills, or teamwork effectiveness.

# Performance evaluating methods

**Management by Objectives (MBO):** MBO involves setting specific, measurable, achievable, relevant, and time-bound (SMART) objectives collaboratively between managers and employees. Regular performance evaluations are conducted to assess how well employees are meeting these objectives, providing insights into their competency development.

**Behavioral Observation Scales (BOS):** BOS involves assessing employees' competencies based on observed behaviors during their job performance. Evaluators use predetermined scales to rate employees' behaviors, such as decision-making, communication, leadership, or problem-solving skills.

**Self-Assessment:** Employees are given the opportunity to evaluate their own performance against predefined competency frameworks or criteria. This method encourages employees to reflect on their strengths and areas for improvement, fostering self-awareness and personal development.

# Performance evaluating methods

**Performance Ranking and Rating:** This method involves ranking or rating employees' performance against each other based on their competencies and achievements. It can be done using a numerical scale or performance categories (e.g., outstanding, proficient, needs improvement), providing a comparative assessment of employees' competency levels.

**Performance Appraisal Interviews:** Conducting structured performance appraisal interviews allows managers to have one-on-one discussions with employees to evaluate their performance and competencies. These interviews can provide an opportunity to address concerns, set development goals, and provide feedback on competency strengths and areas for improvement.



## TASK 2

Discuss the positives and negatives of the above mentioned evaluating methods.

**Thank you  
for your attention.**

