

Performance goals

[Business](#), [Management](#)



It is the intention of this paragraph to critically analyze whether long-term monetary reward strategies such as profit sharing, employee stock and share ownership plans, gain sharing, salary packaging that includes items such as cash salary and employer superannuation contributions and mortgage repayments should be equitably accessed by managers and employees within Telstar Corp in the achievement of pre determined performance goals.

Kepner (2001) suggests that the primary purpose of long term monetary incentives is to reward employees for their outstanding job performance through money since it is a commonly held view that monetary incentives drive performance. De Cieri (2005) claims that profit sharing has two potential advantages. First it may encourage employees to think more like owners, taking a broad view of what needs to be done to make the organization more effective. Second because payments do not become part of base pay, labor costs are automatically reduced during difficult economic times and wealth is shared during good times.

Consequently, organizations may not need to rely on retrenchments as much to reduce costs during tough times. Kohn (1993) proposes that profit sharing highly motivates employees to achieve the objectives of the incentive plan. It also has a risk sharing advantage wherein employees tend to think like entrepreneurs. Further during periods of strong results, upside potential translates into increased employee earnings and increased employee satisfaction. Whereas De Cieri (2005) argues that during periods of weak results, plans with downside risk translate into decreased earnings and decreased employee satisfaction.

Fay (2001) argues that most employees with the exception of managers are unlikely to see a considerable strong connection between what they do and what they earn under profit sharing. This means that performance motivation is likely to change very little under profit sharing, he further argues that not only may profit sharing fail to increase performance motivation but employees may also react negatively when they learn that such plans do not pay out during business downturns.

Further Price (2004) argues that in a profit-sharing program, no attempt is made to reward workers for productivity improvements. Many factors that affect profits have little to do with productivity, and the amount of money employees receive depends on all of these factors. He also claims that profit-sharing plans are very mechanistic, and do not attempt to elicit worker participation. McConnell (2006) proposes that gain sharing is most appropriate in situations where the demand for the firm's product or service is relatively stable.

He further claims that gain sharing plans can provide a vehicle to elicit active employee input and improve the production process. It can also increase the level of cooperation across workers and teams by giving everyone a common goal. Gain sharing plans are subject to fewer measurement difficulties than individual- or team-based incentives. Because gain sharing plans do not require managers to sort out the specific contributions of individuals or interdependent teams, it is easier both to formulate bonus calculations and to achieve acceptance of these plans.

Fay (2001) suggests that gain sharing should not be viewed as a pay plan. It should be viewed as an employee involvement program that ties pay to improvements in total employee performance. Gain sharing offers the largest return on invested payroll and more positive work practises. All gains and payouts are directly tied to improvements in business processes over which employees have some control. Herman (2001) suggests that stock options aren't always the best retention tool, particularly during times of market volatility.

Burton (2001) argues that the disadvantages of various long term monetary reward strategies are they can be more expensive than non monetary awards as well as having little trophy value or memorability for its recipients. It is an easy, but ineffective option, especially for employees in the comfort zone (who have already earned a lot of money). Further Burton (2001) argues that long term incentives play a key role in executive remuneration, particularly in larger companies.

Managing directors have the highest proportion of total remuneration delivered through long-term incentives, while share options continue to be the most common long term incentive plan type. McFadden (2001) claims that additional health insurance is an attractive executive benefit, particularly where the company's basic plan has gaps in coverage. Beam (2001) claims that executive compensation plans often include plans for cash bonuses paid currently or deferred for a relatively short period of time that are tied to company or executive performance.

Most of these programs are based in some manner on growth in company earnings during the executive's tenure in office. Often the bonus or incentive award depends on the attainment of specified target earning objectives. At Telstar Corp the level and composition of long term non monetary incentives varies between the employees and the managers, most managers pay packages contain four basic components: a base salary, an annual bonus tied to accounting performance, stock and share ownership plan options as well as other long-term incentive plans such as profit sharing, gain sharing, etc.

In addition, managers have wider access to " broad-based" employee benefit plans and also receive special benefits, including employer super annuation contributions, mortgage repayments, life insurance and supplemental executive retirement plans (SERPs). Whereas employees who have achieved a predetermined performance target have access to profit sharing, gain sharing, employer super annuation contributions and employee share ownership plans which was once a true domain of management.

It is the intention of this paragraph to critically analyze whether short term non monetary reward strategies such as employee recognition initiatives like 'employee of the month', awards and recognition, formal appreciation, instant appreciation by senior management, recognition in the organizational newsletter, lunch or dinner for two, mystery flights paid by the organization, involvement of employees and their families in social activities, financial planning and counselling, recreation programs and legal assistance and

benefits should be equitably accessed by managers and employees within Telstar Corp in the achievement of pre determined performance goals.

De Cieri (2005) claims that the purpose of short term non-monetary incentives is to reward associates for excellent job performance through incentives such as employee recognition initiatives like 'employee of the month', awards and recognition, formal appreciation, instant appreciation by senior management, recognition in the organizational newsletter, lunch or dinner for two, mystery flights paid by the organization, involvement of employees and their families in social activities, financial planning and counselling, recreation programs and legal assistance and benefits. Further De Cieri (2005) suggests that all these form a mosaic of efforts to reinforce results, behaviour, performance, and activities that contribute to an organisations well being. These plans should be more flexible and cultural.

Besides creating an environment of appreciation for the contributions of people, they must be adaptable to the unique needs of the demographics of the workforce. Price (2006) proposes that service awards recognize achievement of employees in both short and long term increments. They come as kits, with certificates such as 'employee of the month' awards and a choice of merchandise pre-selected for various service levels and also recognition in the organizational newsletter of those employees with extraordinary performance. McFadden (2001) argues that formal recognition systems can be perceived by staff as an alternative to increasing remuneration and a cheap way of buying loyalty. A recognition program will do more good than harm.

Further McConnell (2005) claims that personal recognition from top executives or senior management with such initiatives has a great potential to motivate an employee and also bring some job satisfaction in him. It also gives him the opportunity to pursue new challenges in the future as well as giving some distinction to the employee that makes him feel that he is 'the best'. Further the employee also senses that he has helped in making a meaningful difference to the organization. Fisher (2005) argues that high achievers like to be formally recognised for a job well done and to meet influential senior management; this further puts a healthy pressure on the team members to 'join the club' (top achiever). Burton (2001) argues that employers are increasingly providing financial and legal planning and counseling as a benefit to employees.

Although traditionally these benefits were limited to a small number of senior executives, many firms are now expanding their program's to include middle management employees in the \$50000 to \$100000 annual salary range. The concept of providing financial planning for top executives has been widely practiced for many years, particularly in large corporations. Businesses have deemed this financial planning benefit as necessary for such executives (who have limited time for their own financial affairs), so that they can be free to devote their full talents to important business decisions. A company may also find it easier to attract and retain executives who look on the financial planning program as a way to make existing compensation more valuable.

Millard (2006) claims that incentive travel experience is by far the most popular and also most expensive program wherein the company spends

anywhere in between \$500 to \$5000 (depending on whether it is to a senior level manager or a lower level employee) considering that it always includes a partner. She further proposes that travel sits right at the heart of effective motivation for all kinds of psychological reasons. It appeals to all the senses, offers relaxation from a stressful life and it also has trophy value. Kohn (1993) argues that non-cash awards are more difficult to attach a monetary value to. Therefore, when participants focus their thoughts on the positive attributes associated with the award, it is ascribed a higher value.

He further argues that cash incentives tend to be aggregated with overall compensation. Non-cash incentives tend to be kept separate from compensation, thus standing out as rewards for performance. Hepworth (2004) also claims that when a non monetary award is something that an employee would not purchase with cash on his or her own, the employee can justify the award. Being able to justify the award means it has greater power to be motivational. She further claims that non-cash incentives have trophy value and are more likely to be acknowledged than would be the case if the award were in cash. There are social taboos associated with discussing cash.

Thus, cash lacks the trophy value and social reinforcement attributes which increase the perceived value of the award over cash. Further Fisher (2005) argues that people do not like to talk about how much extra money they have earned in a given period to friends and relatives, although they will talk about being given a letter of commendation or being taken out to dinner by the supervisor, manager or about receiving an invitation to a prestigious overseas travel event, or some other non cash privilege. He further states

that it is simply not socially acceptable to boast openly about how much you earned last month. Also money tends to be absorbed into everyday expenses, and once paid electronically into the bank merges with the rest of the monthly income.

Its use as a reminder of a job well done is soon forgotten, both for employee and employer. People have achieved a comfort zone to the extent that the extra effort to accumulate more money is not worth the incremental pain. No employee, of course, is going to pass up a pay check padded with a healthy bonus. But studies, as well as managerial experience, indicate that a personalized non-cash award (tailoring recognition) may reverberate longer in an employee's mind. Craig (2004) believes that while money certainly does talk, other rewards can articulate the message better when it comes to boosting employee productivity and retention in an increasingly competitive marketplace.

Non-cash programs are viewed as more effective in achieving eight out of 10 corporate goals, according to a study of 235 managers released in July by the Forum for People Performance Management and Measurement, Sydney. At 'Telstar Corp' the management has launched a 'Corp' program which is both a magazine as well as a web-based program. The new program has four elements: instant appreciation and also formal appreciation by senior management. Formal appreciation is based on activity and behavior, both managers and employees can nominate employees and teams for exceptional performance, it has in place an efficient employee

recognition initiative like 'employee of the month and employee of the year awards' and also recognition in the organizational newsletter.

Other rewards are delivered such as lunch or dinner for two, mystery flights paid by the organization etc. further financial planning, counselling, and legal assistance could also be accessed by the employees, all this can be done online using the intranet at work or via the internet from home, thereby allowing the family to have a say in it as well. This program has already helped to support thousands of daily interactions between employees and managers. At Telstar Corp the level and composition of short term non monetary incentives varies between the employees and the managers, the employees (who have achieved a predetermined performance target) tend to have more access than the managers though it is only to a small extent.