

Case study – airbus

Education



Answer 1

Shifting from traditional to a more performance based reward system; Airbus will garner more advantages than disadvantages. These new forms of participative and performance based systems have been coined after extensive research (Cox 2000). However, no paradigm is completely error-free since the success of any system depends on the way it is being implemented. In a study by Cox (2000) employee participation to form an effective pay system has been studied.

In the support of this argument he mentions that while traditional approaches have concentrated on the importance of pay levels as a recruitment and retention tool, enthusiasts of variable pay systems have more recently made claims that different pay systems encourage employees to direct their effort in different ways. For organisations, there are inevitable tensions in managing pay, and the pay system may be put under pressure to accommodate internal pay differentials and external relativities created by labour markets.

With the introduction of the new system, elimination of vague and needless job descriptions will take place. The concept of getting promotion to a higher designation in order to get a monetary raise will be eradicated. Horizontal expansion of salary bands is usually seen as more logical and fair as opposed to vertical expansion. The employees can now get salary raises staying at the same designation but moving higher up through the levels with the introduction of Incremental Zone Pay Range concept. Instead of a job evaluation system it will be more of a performance evaluation system which will motivate the employees to improve their performance and work as a

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synergy to achieve Airbus' organisational objectives. Also the managers can retain the employees in their own departments every time they get a pay raise compared to the previous practice.

However, if the system is not understood properly or managers are not properly trained to carry out performance evaluations then the new system can be of more harm than beneficial. The challenge of selecting, designing and implementing a pay system remains a perennial one for managers and a recurrent focus of interest for academics (Cox 2000). In the new system, a very big and non-practical assumption is that the managers and employees have understood the new system well as it is one of the prerequisites. Finessing the design of the benefits package is just the beginning (Pfau & Kay 2002). To make effective use of the investment for recruiting and retention, it is critical to communicate the rationale and the value associated with the offerings. Employees and candidates essentially have one question when it comes to a company's benefits package: "What does this mean for me?" That one question should guide the creation of the communications strategy (Pfau ; Kay 2002). To cut through the haze of confusion hovering over most employee handbook benefits descriptions, companies should do everything they can to personalize information.

Answer 2

The initiative to give the employees the right to appeal in case they were not satisfied with their performance evaluation is in-line with the performance appraisal rewards system. Since the judgment of every manager can be different for each employee and the fact that their own perceptions and experiences also play a major role in forming opinions about the employee in <https://assignbuster.com/case-study-airbus/>

question there are high chances that elements of biasness creep in when they are doing the evaluations. Organisations increasingly view performance management as a key system that can promote and sustain initiatives such as speed to market, business processes renewal, and quality management (Haines, St-Onge ; Marcoux 2004).

By aligning performance expectations, feedback, and reward systems to people requirements, performance management may foster employee behaviours that are consistent with emerging business opportunities and the need for strategic and operational effectiveness (Haines, St-Onge ; Marcoux 2004). This greater emphasis on managerial purpose makes performance management a powerful tool for organisational change and quality improvement (Haines, St-Onge ; Marcoux 2004).

To keep the employees motivated and give them the feeling and trust that their evaluation has been done in conformance with their actual performance this initiative can serve as a prime tool to remove the misunderstandings on parts of managers and employees both. However, in practice the management needs to make sure that these systems and practices are not misused by the employees. As stated in GAO Report (2004): “ CDC conducts a “ pulse check” survey to gather feedback on employees’ satisfaction with the agency and disaggregates the results to the center level. According to an agency official, CDC plans to conduct this survey quarterly.

Answer 3

Reward plans can be powerful tools for helping employees connect corporate citizenship and performance improvement of Airbus (Chen ; Hsieh 2005).

Incentive system is strategically designed when rewards are linked to activities, attributes and work outcomes those support the Airbus' strategic direction and foster the achievement of strategic goals. Maslow's hierarchy of needs includes physiological, safety, belonging, esteem and self-actualization needs, and everyone is motivated by different needs (Chen ; Hsieh 2005).

Effective performance management systems are not merely used for once-or twice-yearly individual expectation setting and rating processes (GAO 2004). These systems facilitate two-way communication throughout the year so that discussions about individual and Airbus' organizational performance are integrated and ongoing. Effective performance management systems work to achieve three key objectives: (1) they strive to provide candid and constructive feedback to help individuals maximize their contribution and potential in understanding and realizing the goals and objectives of the organization, (2) they seek to provide management with the objective and fact-based information it needs to reward top performers, and (3) they provide the necessary information and documentation to deal with poor performers (GAO 2004).

The perpetually lengthening list of practices can be reduced down to seven areas: use of selective hiring policies, an element of job security, team-working, continuous development, information-sharing implying the use of some employee involvement and communication practices, reduced status differentials and use of variable pay contingent upon some measure of performance (Cox 2000). While the links between some components are relatively well founded such as the need to recruit for trainability in people

who will be exposed to continuous development there are inconsistencies between others; see, for example, the analysis by Marchington and Grugulis (2000). More particularly, theories of the HR bundle are weak in specifying the role of and different types of pay for different types of employee in different organizations facing different circumstances (Cox 2000). Neither is the question of why, if at all, variable pay should be a component satisfactorily explained on a theoretical level.

The following are a few Human Resource practices which can be used in conjunction with the new reward system to achieve Airbus' organisational objectives (GAO 2004):

1. Align individual performance expectations with organisational goals.
2. Connect performance expectations to crosscutting goals.
3. Provide and routinely use performance information to track organisational priorities.
4. Require follow-up actions to address organisational priorities.
5. Use competencies to provide a fuller assessment of performance.
6. Link pay to individual and organisational performance.
7. Make meaningful distinctions in performance.
8. Involve employees and stakeholders to gain ownership of performance management systems.
9. Maintain continuity during transitions.

These key practices create a “ line of sight” showing how unit and individual performance can contribute to overall organisational goals and helping individuals understand the connection between their daily activities and the organisation’s success (GAO 2004).

Different incentive reward strategies are likely to have different effects on organisational outcomes (Chen ; Hsieh 2005).

(1) An individual output reward strategy will improve productivity.

(2) A group output reward strategy is used to encourage cooperation and collaboration among workers and to enlist commitment to a higher level of goals.

(3) A human capital reward strategy encourages people to develop their human capital and entices them to use it. This leads to increased skill scope and level as well as effort. Skill-based pay is often also used to develop flexibility in work scheduling because workers become generally more qualified.

(4) A position reward strategy encourages a worker to assume responsibility for greater job depth. The strategic consequence of a position reward strategy is greater technical competence within the specialized role described by the worker’s job description.

(5) A market reward strategy that pays these individuals at or above the market rate can prove to be a wise investment, especially if their replacement would be particularly expensive or disruptive. It ensures that the firm’s pay levels are at least competitive with the labour market (Chen ; Hsieh 2005).

Also considering Porter (1985) notion (Chen ; Hsieh 2005), (i) differentiation, (ii) overall costleadership, and (iii) focus strategies can develop competitive advantage and create defensible position for Airbus. Here, incentive reward will be categorized by human capital, output, and position reward strategies respectively to support three generic strategies (Chen ; Hsieh 2005). A human capital reward strategy encourages people to develop their human capital and entices them to use it. This leads to increased skill scope and level as well as effort; an output reward strategy either individual or group-based will improve productivity and arouse potential. It is also used to encourage cooperation and collaboration among workers and to enlist commitment to a higher level of goals; and a position reward strategy encourages a worker to assume responsibility for greater job depth. It ties reward to the job expresses the expectation that the worker will take ownership of his/her job and role (Chen ; Hsieh 2005).

Answer 4

The war between fairness and inconsistency is justified as they send contradictory positive and negative signals in mind respectively. Nonetheless both can be managed and controlled together. For the same reason, the guiding principles of the new scheme for Airbus raise a concern that employees lower in any pay band will be more likely to receive a salary increase for a given level of performance than an employee higher in the band therefore it raises the possibility of employees higher in the band becoming stuck with reduced scope for pay progression. However, this problem was resolved since there is a possibility to award a pay increase to individuals in the target and enhanced zones in return for additional

responsibility. This solution might sound unfair and some managers might be of the view that it will have more room for inconsistent decisions and thus creating apprehensions among employees but Airbus needed some level of flexibility in their structure to make fair judgments and allow for employee participation just in case required.

As the organization matures like Airbus, the very same process of formalization reduces innovativeness and flexibility, and the ability to adapt to turbulent environments in the future (Chen ; Hsieh 2005). Another problem is that organizations tend to develop activity programs that replicate earlier successes, but the very existence of such programs creates enormous inertia. At this point, it is imperative for the founder to be able to delegate responsibilities in order for the company to survive (Chen ; Hsieh 2005). Therefore, the key point of Airbus Human resource strategy should focus effort and resources on one particular segment of a market/product, and adequately delegate particular market/product managers to stand continuously in the industry.

For fruitful employee participation in the performance management process as the use of self-appraisals which is consistent with the emphasis on control of their own quality. While successful firms will continue using stock options to motivate employees to think like owners, they need to control the size of their grants to avoid excessive dilution and motivating risky behavior. An example of control and flexibility can be seen in Pfau ; Kay (2002) where they say that value-maximizing firms need to effectively manage both the levels of their stock-based incentive compensation and the mix between stock options and stock ownership. As the willingness of shareholders to

suffer dilution reaches a limit, as reflected in the slowdown in the growth rate of overhang, there will be even more pressure to increase stock ownership at all levels, perhaps by using formal ownership guidelines, and to slow down the increase or even reduce the size of stock option grants.

The problem of what do the Airbus' employees perceive about the fairness in the new reward system should be of prime importance for the management. As Pfau ; Kay (2002) state wherever there are wide discrepancies in the manner in which employees are compensated, there are rumours, squabbling and general " noise" about who has what kind of deal (and how unfair it is). That saps productivity, and poisons the atmosphere. Establishing objective performance measures is the key to the crucial concept of fairness behind synchronized pay (Pfau ; Kay 2002). There are two types of measures that can be proposed in such a situation: The first is organisation wide results such as total return to shareholders, earnings per share, net income, return on equity and economic value added. The second is " line of sight" measures that reflect a smaller business unit. They should always be used in combination. Profit sharing is an ideal way to reward every employee based on the same measurement. Executive perquisites and benefits should be eliminated or reduced, if possible. For example, executive medical benefits should be eliminated and replaced with salary (Pfau ; Kay 2002).

Answer 5

After studying the new rewards system introduced in Airbus, one is forced to think that introduction of which new element will motivate the employees to take ownership of their tasks and responsibilities? How can the employees link their benefit with those of the organisation they work for? How can the

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employees be forced to think in terms of organisational profits rather than their own salaries and working hours?

Sharing corporate profits and offering company stock are two such options which may be recommended and included as part of the reward system for Airbus employees. Shareholder value is 0.9% higher at companies where employees participate in the company's success through profit sharing (Pfau & Kay 2002). This program capitalizes on employees' desires to be "part of the bigger picture." Corporate profit sharing—particularly when combined with stock incentives and employee participation programs (e.g., suggestion box, focus groups) encourages employees to think like owners (Pfau ; Kay 2002). Find Pay for performance examples

Some percentage of company profit and/or stock should be offered to employees to make them feel as owners of Airbus and understand that they all have to work for the "nurturing of their own baby". With 16.5% of shareholder value on the line, organisations can no longer afford to operate under the traditional assumption that superior rewards and accountability practices are nice to have, but not essential (Pfau ; Kay 2002).

The logic of offering employees opportunities for participation and involvement with certain forms of pay system is clear (Cox 2000). The enlarged and/or enriched jobs upon which a skills-based pay system depends are unlikely to be created in an autocratic management culture. Furthermore the use of participative mechanisms is likely to be a critical element in the effective operation of group-based pay systems such as profit-sharing and employee share-ownership plans if these are implemented in the desire to

increase employee motivation and commitment to Airbus (Cox 2000). Much of this kind of approach to managing the employment relationship depends on mutual trust, which is notoriously difficult to create but remarkably easy to damage and the absence of which has been identified as an explanation for the slow diffusion of many sophisticated HCM practices (Cox 2000).

This trust, furthermore, seems likely to be created only through paying careful attention to ensuring positive employee perceptions of procedural and interactional justice. In short, Airbus needs to move away from a fixation with 'best practice' to a focus on 'best process' as a lens through which to investigate the design, implementation and management of pay systems (Cox 2000).

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