Rewards for failure report

Business, Company

Abstract

Performance appraisal and employee development practices that include rewards are part of performance management systems that promote the function of human resources management in an organization. Employees and managers of an organization suffer from many flaws that affect business operations either positively or negatively. Companies reward employees who fail because a successful innovation is preceded by a series of failures. The following research aimed at investigating how organizations reward failures and its impact. The research also aimed to answer the question as to what type of rewards do organizations give those who fail, and how effective are these rewards towards employees' performance. It was found out that most organizations do not reward employees who fail, but instead fire them of keep them off promotions. From the study, it was concluded that managers today should realize the need to see failure as a potential success factor and start rewarding for failures.

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Chapter one: Background information

Introduction

In June 2003, the United States federal government came up with a commission to determine the extent at which companies should reward their employees. It realized that most corporations send off their employees once they show poor performances without giving them a second chance. The move by the government was one of the approaches to fight for the rights of employees in the country. Rewards for failure should be adopted by any other organization wishing to achieve its objectives and goals (Trade and Industry Committee, 2003).

Performance appraisal and employee development practices that include rewards are part of performance management systems that promote the function of human resources management in an organization. Employees and managers of an organization suffer from many flaws that affect business operations either positively or negatively. Companies reward employees who fail because a successful innovation is preceded by a series of failures. This concludes that more failures are needed in order to achieve organizational goals. The following research investigates how rewards for failure are a means of improving the productivity of an organization. The research borrows a leaf from various theories of failure and their effectiveness in running businesses today.

Basics of rewards for failure

Rewards for failure ensure that every member of the organization effectively sets and achieves goals. For the company to achieve its goal, the rewards will make sure the poor performers get guidance on how to improve their productivity, and receive a considerable amount of motivation through encouragement. Managers identify areas that need coaching through the performance appraisal. This assists managers in exercising their leadership roles through mentoring their subordinates. In addition, the organization will also be able to decide the workforce they need in the future.

The business environment today has become volatile making organizations try all means possible to ensure they come up with an effective and affordable operation strategy. Cost challenges play a major role in determining how well employers maintain their employees accelerated by the changes in the talent market and workforce demographics. For most companies worldwide, cost containment has remained the key factor of concern. Recently, the business environment has experienced a rapid movement in economies and high workforce demand. Organizations call for high employee expectations and bigger financial performances that prompt the current workforce to put more efforts without a promise of greater rewards. This issue has made many organizations have difficulties in maintaining high profile and critical-skilled employees capable of increasing a company's global competitiveness. A survey conducted by Talent management and Rewards institution revealed that three out of four companies have difficulties attracting skilled employees while more than half of surveyed companies reported difficulties in retaining skilled employees. Management of an organization requires employers to set some policies defining the type of rewards employees are entitled to. Organizations that see a failure as an opportunity ends up retaining most of the globally recognized employees because they get a chance to learn from their mistakes and perform better in future. Many employees, however, work in environments entitled to many changes. Under such circumstances, the human resources department of that specific organization should set nearer-term goals in order to ensure employees have sufficient resources and time to achieve what they term as success. Employees working under such conditions find it difficult to achieve their potential because of the limited time and the pressure from above to meet the targets. These circumstances make many employees fail in their performance and gets raid-off by their employers. The following research aimed at encouraging managers to reward their employees and appraise them whenever they do not achieve a set goal in order to give them a challenge to work hard.

In order for an organization to achieve set goals, the management ought to follow the following guidelines:

- The goals must be clearly defines with the end results to be accomplished.
- Goals should not be easily achieved in order to motivate performance
- The set goals should not exceed more than three areas because attempting to achieve many goals impeded the success of a person/employee(s).

The study borrowed advice from Taylor’s theory and Max Weber’s theory. According to Max Weber Theory, managers should possess certain characteristics, which include: a well-defined hierarchy, division of labor and specialization, setting rules and regulations in a company, good relationship between managers and employees, competence, and a good record. These are some of contingency approaches to management established during the interview. From the interview, it was discovered that the impersonality emphasis leads to personal frustration in relation to employees and other line managers, while generating red tape to reinforce previously authorized decisions. In the above context, bureaucracy is increasingly viewed, both by its employees and the public, as a passionless instrument for responding to human needs (Roth, 1998).

Statement of the problem

Researches have revealed that most organizations face difficulties retaining employees because they terminate their duties once they fail to achieve the set goals. This has been a big issue in the management today because such organizations never get a chance achieving a global competitiveness due to lack of critical-skilled employees. This research concluded that failure is a necessary for an innovation to take place. Success is a source of learning and only paves way for a greater accomplishment down the line. The research calls upon organization managers to reward employees who fail in order to motivate them to succeed during the next trail.

Objectives

The main objective of this research was to determine the impact of rewarding failures in organizations. The study was guided by the following specific objectives:

Research questions

The following questions were answered at the end of the research:

- What are the main rewards for failure?

- Was reward for failure a better strategy to improve organizational productivity?

- What type of failures should the management reward and which ones should not be rewarded?

- What can managers learn from rewarding failures in an organization?

The project road map

The project consists of five chapters.

Chapter one- Introduction

Chapter two-literature review

Chapter three- Methodology

Chapter four- Data interpretation and analysis

Chapter five-recommendations and conclusion

Chapter two: Literature review

Introduction

This section dealt with previous studies on rewards for failure and the theories that played a role in analyzing rewards for failure.

Rewards for failure (empirical study)

One of the scholars who studied the aspect of rewarding failure was Thomas Edison. Edison justification of rewarding failure came from a research he conducted on the rationale for rewarding failure. The researcher argued that for a company to excel and achieve its goals, more failures are needed than successes. He further argued that failure is learning something that does not work. At one instance, he was quoted saying, “ I have not failed but found 10, 000 ways that cannot work” (Edison, 2013). If a high ranked scholar like Edison embraced failure, then there is no question that managers should reward employees who fail. Edison came to his conclusion after revealing something else other than failure that promoted success. The revealed factor preceded a successful innovation the same way failure does. The factor revealed by Edison was learning. People learn from mistakes they make. Learning forms the main road to success irrespective of the number of failures a person makes.

Watson conducted a research on balancing the employer and employee priorities in Canada. In his study, Watson realized that organizations today struggle to establish and maintain employees with no vain. The changing global business environment and the evolving talent markets have affected how employers manage to search and keep employees because of the costs and working challenges involved. His research found out that many employers are taking advantage of performance appraisals awarded to employees in order to retain them. This leaves the global job market as much competitive since such employees always leave their original organizations in search of greener pastures. The 2012 global work force study by Watson showed that employees experience high levels of stress at their workplace because employers never care about their struggles but just want goals to be met (Watson, 2012).

Watson’s study is similar to this research because it focuses on employee’s rewards, but he focused more on rewards for success and not failure. This research focused on how employers can maintain employees by rewarding them once they fail to achieve a set goal. In addition, from Watson’s report, most employers lose their critical-skilled employees because they fail to maintain them once they acquire the necessary skills. According to Masternak (1999), employers who reward their employees attempting something creates a team of employees with positive attitude towards work and the organization as well encouraging them to build bride and increase their productivity to achieve an innovation. Performance appraisals have been used as the main promoters to employee’s productivity, but rewarding for failure also helps an organization learn from experience and keep on improving until it realizes its goals.

Theories of failure

The research used the cognitive theory of organizational failure achieve its objectives. This theory provides a distinction between knowledge and information. According to Sanderson and Taylor (1999), individuals must value the information given in terms of knowledge it delivers before using it. People use knowledge and not information to make decisions. In addition, the structure of knowledge includes rules and expectations that a certain decision should include in order to accomplish a certain mission. According to the cognitive theory of failure, when a person encounters a new experience, she or he refers back to a similar situation coming from past knowledge gained from past experience. The person uses the old knowledge to interpret the new information and come up with a successful action. Moreover, the theory argues that knowledge can never be fully complete neither can it be fully accurate. Different people have different approaches to situations and no two people can have the same knowledge (Loasby, 2001).

The cognitive theory tries to tell employers that employees must be given a chance to try a new experience. Following this theory, the research concluded that knowledge is the driving force that controls any decision made by an individual. A person makes a wrong decision due to lack of past knowledge in the same area. Moreover, the theory provides a standing ground for our research question that demands to know the effectiveness of rewarding failure. According to the above theory, failure is not a bad omen to an organization, but an aspect that should be seen as a way of eliminating further failures and promoting success. Managers should accept failures and provide such employees with necessary appraisals as they encourage them to learn from experience. For the company to achieve its goal, the performance appraisal will make sure the poor performers get guidance on how to improve their productivity, and receive a considerable amount of motivation through encouragement.

On the other hand, the cognitive theory consists of many organizational knowledge structures. Just like employees work within the rules and regulations of their employer, an organization also must work within a framework consisting of various assumptions and procedures in order to achieve its functionality. An organization learns by its current employees of by gaining new employees with new ideas and knowledge. According to March (1991; 75-78), an organization stores knowledge accumulated to educate its employees on how to manage failures. This theory calls for employees to come together and share their knowledge in order to come up with a collective knowledge structure. The research by March forms the corner stone of this research in determining how failures in an organization can be added up to make a success. Most managers have failed to recognize how reward and failure are related calling for a study to provide them with the relationship and its effects in managing changes.

Secondly, the research used the agency theory of management. Most managers hire external agents to investigate the actions of employees in terms of their productivity and engagement in their official duties. An example of an agency theory is whereby the principal shareholder of an organization hires a management agent to conduct daily activities of an organization in order to achieve the interests of the employer. A collision comes by when the interests of the agent and those of the principal do not align. When the agent has hire management knowledge than the principal and the principle fails to recognize them, it becomes impossible for the agent to pursue their personal interests. This theory was used in the study to hire some experts who conducted interviews and surveys to the target group.

In addition, the agency relationship theory also assisted in screening information regarding certain employees in order to protect their privacy. Most high ranked organizations carryout the ownership and managerial functions differently due to their size and professionalism (Downs, 1995). Problems, however, arise when the management acts ion their own interests ignoring the interests of shareholders. Such situations see many employees fired because of their failures. The management’s work is to see the company achieves its goals and objectives using different approaches even if it means rewarding failure. The shareholders only want to see the organization prosper and cannot tolerate the failure of few employees. Such situations sees most employees’ work terminated even before gaining experience.

Chapter three: Methodology

Study design

The study utilized the mixed method design. A mixed design is a combination of methods. It is a method that combines both the quantitative and qualitative data. This was the best design for this research. The quantitative method was objective and the researcher recorded down findings of the research as they were while on the other hand, in the qualitative method, the researcher interpreted the quantitative data and generalized it to a large group because of the limited number of participants studied (Craswell and Clark, 2007).

The quantitative method was used to collect data from participating employees and employers. Where the researcher sought to find the effect of rewards of failure on employees, a questionnaire was used. In addition, surveys and face to face interviews were conducted in the chosen organizations. After the data was collected using questionnaires, surveys and interviews, the researcher used qualitative method to analyze the data. Objective one and two were taken as the main guides in data analysis. These two methods were mixed during data interpretation.

The study was carried out in United States, New York City, Queens Town. New York was selected because it has the biggest population in US and forms one of the most industrialized cities in the region. Queens Town has a total of 12 companies (See appendix A). The town was selected because the researcher resides 2 miles from the town center and could manage to collect data effectively from the selected companies.

Population of the study

The targeted companies were confined at Queens town in New York. The town has a total of 12 companies that were of interest to the research. These were business organizations.

Sampling procedure and sample size

Sampling involves getting a small group from a bigger population of the study. The area chosen for the study had 12 companies of interest and out of these; a sample of three companies was selected. Stratified sampling procedure was employed in selecting the three companies. The population was divided into different strata. Three different categories were selected to form the first, second and third stratum each containing four companies. A simple random sampling was done on these three strata to get a sample of one company in each. The selected companies were Radar Records (U. S. label), Water Lilies Food, and JetBlue Airlines. Out of the three companies selected, 5 employees and 2 managers were randomly selected in each company. A total of 15 employees and 6 managers were selected to form the respondent.

Research instruments

The main instruments used to collect data were open headed questionnaires and face-to-face interviews. In addition, surveys were conducted to employers but not all companies had surveys conducted.

Data collection procedure

Data collection procedure is a process of preparing and collecting data aimed at obtaining information. Data was collected from the questionnaires and interviews answered by the respondents. Each employee was given a questionnaire to answer privately. After the questionnaire, the employees were taken for a face to face interview each at a time. On the other hand, managers were served each with a survey to answer. The data collection procedure lasted for 5 hours.

Methods of data analysis

Both qualitative and quantitative data was collected from the respondents. The collected data was coded and presented in a table. Graphs and charts were used to analyze the data.

Chapter four: Data analysis

Results

Figure 2: A graph representing Employer's response towards employee's reward for failure

Figure 3: A pie chart showing the relationship between various Employer responses

Analysis of the results

The data collected clearly indicated that most employers never favored failures in their organizations. From table 1, the results show that most managers strive to work with employees in order to make them perform to their highest level best. On the other hand, the same employers do not recognize their employees once they make a small mistake. In table 2, employees risk a chance of getting fired once they fail on the first attempt.

In addition, the graph on figure 1 shows that employees get more appraisals when they succeed compared to when they fail.

According to table 1, 50. 7% of the population ensures they show better performances in order to secure their jobs, 33. 8% for promotion and 15. 5 % do it for the sake of the organization. Figure 3 also deduces the relationship of success and failure rewards. This shows existence of an eminent employer need for a performing workforce. Moreover, figure 3 depicts that most employees prefer not to be appraised than being sacked. Employers also do not like rewarding employees who show poor performance.

Chapter five: Recommendations and conclusion

Conclusion

The research was conducted effectively and the desired results acquired. From the study, it was realized that today managers are looking at the best reward systems and compensation packages for their employees. Of importance among these systems is the gain sharing method. As such, these systems are paired up with a number of compensation benefits and packages to motivate the workforce to be more productive. These incentives include bonuses, retirement pensions and packages, executive compensation programs, salary increments and allowances. For instance, an appraisal system can be used to evaluate the performance of a sales team and the results used to awards sales commission increases based on a pre-established and communicated sales target. On the other hand, the study realized that most managers do not realize the need to motivate employees who fail by offering them rewards. The research will act as lesson to employees who face failure in their organizations as a bad phenomenon to start motivating employees who fail and not firing them.

Recommendations

After conducting the research and achieving the above results, the following recommendations were proposed. Firstly, those given the responsibility of managing an organization should introduce reward for failures programs. Managers and employers should create awareness on the importance of implementing these systems. This can be done through giving the negative outcomes, in terms of cost, of failure to implement the program. Moreover, the management should be clear about the process and highlight each and every savings made because of the program implementation. This enables the associated employees to have a positive look at the program, and ensure all areas have been covered and no area is overlooked. Reward for failure programs should be valued the same way reward for successes are valued. The management should, however, bear in mind the process of rewarding failures in order to avoid tolerating too many failures that can paralyze operations of an organization.

On the other hand, the following research holds recommendations for future researchers wishing to conduct a similar study. The results from the research were not adequate to generalize on the actions of employers towards their employers. In future, researchers should strive to select a larger population from different cities in order to get a variety of responses. Secondly, the data collected was somehow biased because some employees feared the reactions of employers once they learn the answers they gave. Future researchers should ensure to collect research consent to ensure all respondents' information is kept private and confidential.

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APPENDICES

Appendix A: Companies in Queens, New York

- Amie street
- Cox-Klemin Aircraft Corporation
- E. Gluck Corporation
- J. Sussman, Inc
- JetBlue
- Modern Art Foundry
- Queensboro Corporation
- Radar Records (U. S. Label)
- Sadowsky
- Sweet & Sara
- TimesLedger Newspapers
- Water Lilies Food

Appendix B: sample employee’s questionnaire

Appendix C: Sample Employer’s survey