

# Good report about jinnikins jeans approach to reward

[Business](#), [Company](#)



**MODULE LEADER'S NAME:**

- Executive summary

Jinnikins Jeans is a UK company established in early 2000 that sell designer clothes. The company's directors have drawn much attention especially from the media due to their personal exploits, youthful entrepreneurship, and innovative use of internet for marketing. The company has in the past few years faced various challenges such as increased wage bill, low performance and reduced morale among various employees. This article examines the company's approach to reward and the extent to which their approach is consistent with its business objectives. It also focuses on various theories of motivation including, instrumentality ( expectancy) theory, goal setting theory, as well as equity and distributive theories, and critiques, the company's efforts of reducing wage bill or their contingency plan. The report then gives an action plan on how to increase employee satisfaction and at the same time control the wage bill. It gives recommendations on the areas the company needs to improve on, in order to achieve its objectives.

**Introduction**

Jinnikins Jeans is a company that was established in early 2000s by two brothers, George and Trevor. They began their business as teenagers, by selling fashionable items of girl's clothing from market stalls in London and later on in Birmingham. They sourced the items from India by use of local and value for money labor. The brothers received much attention from media by late 2000s for their business acumen, personal exploits and their innovative use of internet for marketing.

Their business met setbacks in their set up on a more formal basis, which seemingly did not fit their business style. However, they managed to pull through due to their design creativity, determination and hallmark entrepreneurship and are now a commercial force in the fashion industry. Their expansion strategy in the mid 2000s involved buying up existing textile

Looking at the company's growth over the years, as well as its approach to employee performance management, it is clear that its reward and motivational theories are consistent with their business objectives in some areas and not others. They also have a clear plan in trying to reduce wage bill through redundancy (See Appendix 2). The company has achieved a lot in employee motivation and reward concerning extrinsic motivation where it gives the employees' salaries and benefits that are above industry norm. This has greatly enhanced employee loyalty and retention. However, the company has put less effort on intrinsic motivation in terms of rewarding their employees. The company has failed to consider such intrinsic motivation as recognition and appreciation, which are cheaper reward options with more lasting effect to continuity commitment. This article examines the company's theories and approaches to employee rewards and whether they are consistent with the company's business approach.

### 3. 0 Theories of Employee motivation

Employee motivation and satisfaction is essential in productivity and staff retention today. Every company needs to device a strategic reward system for its employees. An effect reward system is one that addresses these for areas: Compensation, recognition, benefits and appreciation most companies

today fail to address one or more of these elements in their reward system. (Kroon & Freese 2013). In most cases, companies miss the elements of recognition and or appreciation thereby failing to effectively motivate or satisfy talented or exceptionally hardworking employees (Al-Khaled 2014). In addition, companies that address some of the elements of reward fail to align them with the company's corporate strategies. Generally, a well-established employee reward system needs to motivate employees to perform at their highest levels (Norhia, 2008). Motivation and reward theories such as expectancy and goal setting theory should be integrated in the reward strategy (Giancola 2014).

### 3. 1 Instrumentality (expectancy) theory

The theory states that an employee needs to receive compensation or reward for efforts produced. In a company, the basic forms of compensation are salary and wages. These forms of compensation are rewards that satisfy employees' basic needs (Wright 2001). The salary structure in use in a company plays a major role in employee reward system (Sims 2007).

Jinnikins Jeans Company has a good compensation strategy for its employees given that the employees are paid well above the industry norms (See Appendix 1). This is the main factor that leads to motivation and productivity among the workers on various sections (Armstrong 2002). The company should however come up with the right strategy to compensation, which should also have an incentive compensation plan linked to the objectives of the company over a given period (Robert Lussier, 2009).

The company has made the right steps towards establishing a compensation plan, which is in the finance director's plan (Griffin & Moorhead 2010). One

main issue that the finance director should approach is the tendency of the directors offering salary increase to anyone they feel is de-motivated (van Rijn, Yang & Sanders, 2013). There needs to be a standard procedure of salary increment, which should be prepared by the financial director (Bahar, Alam, Mahfuz & Khar 2015). This would help avoid cases where employees hold the company ransom whenever they need salary increase (Podmoroff, 2005).

### 3. 2 Goal setting Theory

This theory involves a company setting targets and giving rewards or incentives if those targets are achieved or surpassed (Ichniowski, Delaney & Lewin 1989).. Companies mainly offer employees incentives in terms of bonuses in order to motivate them for their services. This is a type of extrinsic motivation, meaning that it is an external stimuli aimed at increasing an employee's performance in the company. Bonuses are different from compensations in that they are less direct Jinnikins Jeans Company has various benefits for the staff to help increase their output and meet the company's objectives (Aisha & Hardjomidjojo 2013).

. The company gives yearend bonus for all staff, and this is calculated on percentage of the company's profits set at between 2-5% of their annual salary. In addition, all sales and marketing personnel receive personal performance sales bonus that can go up to 100% of basic salary if they meet their targets (Casey & Casey 2014). Such benefits are important in maintaining staff motivation and loyalty among the staff. The performance-based benefits help the employees especially sales and marketing personnel increase their performance, and this directly helps increase the company's

revenues (Drexel & Mundschenk 2008).

If well applied, bonuses can increase the output of a company on both short and long term. Jinnikins Jeans Company should ensure that all the employees are included some form of the company's bonuses. There should be a standard format of awarding bonus to ensure that all employees feel represented (Hokroh 2014). For instance, in the company some members of the design team feel they too deserve performance bonuses instead of annual bonus, just like those in sales force with whom they work closely (Binder 2012).

### 3. 3 Equity and distributive Justice Theories

These theories take the primary account of ensuring attainment of maximum possible happiness of employees in a company. To achieve this, a company needs to evaluate what makes every employee in the company happy. It then sums all the various preferences and wants and then figures out how to satisfy the greatest number of the individuals (Ozguner & Ozguner 2014).. Jinnikins Company pays the employees well and most of them are satisfied with the salaries and benefits they receive. However, the company needs to have a clear structure that compensates equally all employees or a given level or grade (Kruse, 2012). For instance, Etty should not have any thoughts of paying female merchandisers less than their male counterparts given that they do the same job and are expected to deliver same outcomes. Likewise, she needs to come up with a clear strategy to ensure satisfaction in all departments in terms of benefits given to employees (Prieto & Pérez-Santana 2014). For instance, the design team feels they too should receive performance bonuses just like the sales force with whom they work closely.

These are the issues the company should address to ensure harmony and job satisfaction (Grimaldi, 2005).

#### 4. 0 Intrinsic Motivational Approaches

Aside from monetary rewards, companies should also focus on intrinsic rewards for motivation. There are various form of intrinsic motivation such as Recognition, Appreciation as well as incorporating continuity and retention approaches such as training and promotions. These forms of motivation are effective in encouraging employee loyalty and satisfaction and are less expensive compared to compensations and benefits

#### 5. 0 Action Plan on reward Approach by Jinnikins Jeans

Jinnikins Jeans has done a lot in ensuring that their employees are motivated through various reward approaches they have put in place. Their model has touches on expectancy, goal setting, and equity and distributive justice theories in their quest to achieve their business objectives. The company directors focus on employee satisfaction, which is a model that has helped them have many loyal and productive employees (Valdez & Nichols 2013). The employees receive salaries that are well above the industry norms, and this has gone a long way in ensuring their satisfaction and need to remain on the job.

The employees also receive good benefits including year-end bonuses for all staff, company cars for senior managers and all sales persons, and performance based bonuses for sales and marketing personnel. With this, the company has put much effort to be in line with the expectancy and goal setting theories car (Achakul & Yolles, 2013). However, the company's motivational approach focuses more on extrinsic motivation, and fails to look

at the intrinsic motivational approaches that are equally important in motivation employees. First, the company needs to come up with strategies that would ensure that the employees have job security and this would include continuity commitment (Podmoroff 2005). They can achieve this by offering training to the employees. Training gives an employee the indication that the company is committed to their growth and involvement in the company. The company should also have clear succession plans in all departments, which encourage the employees, giving them an indication of progress to even higher position in the company (Laabs 1993). Non-monetary reward strategies such as recognition and appreciation would also help the company motivate the employees and at the same time save money that would otherwise be used on benefits or pay increase.

Jinnikins Jeans need to focus more on intrinsic reward approaches such as recognition and appreciation, which are cheaper options, compared to compensation and benefits.

## 6. 0 Conclusion and recommendations

The report gives a clear picture that the Jinnikins Jeans has put a lot of consideration into employee satisfaction in terms of compensation. However, the company, just like many companies today rely much on compensation and reward in benefits in rewarding their employees. Most businesses fail to sustain their employees' huge salaries and benefits in attempt to compete with other companies in retaining their employees (Partridge 1999). They fail to realize the importance of the non-monetary means of rewarding employees including the use of recognition and Appreciation, which also have a great impact in increasing employee performance. The report



considers a few issues of employee motivation that would need to be considered to help them comply with the company's business objectives.

They are:

- The financial director should come up with a standard compensation package for all directors, managers and employees, to avoid inconsistent salaries especially of directors and top management.
- The financial director should coordinate all salary increments made as per the standard period of review
- All bonuses should be pegged on performance at a standard rate, only if targets are met. The bonuses to apply to all departments where productivity is based on performance
- The company should consider focus more on non-monetary rewards such as appreciation and recognition to help reduce the amount of resources spent on bonuses and salaries.

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## 7. 0 APPENDIX

### 7. 1 APPENDIX 1: OVERTIME AND WAGES BILL BY DEPARTMENT (excluding

George and Trevor and temporary/casual staff)(AVERAGE ANNUAL SALARY BILL 2013)

(basic pay not including PRP)87696, 00014, 400 (15%)Finance47 705, 00052, 875 (7. 5%)HR30360, 00010, 800 (3%)Distribution 49392, 00049, 000 (12. 5%)Production10250, 000nilDesign39702, 00035, 100 (5%)TOTAL2523, 259, 000275, 275 (8. 4%)7. 2 APPENDIX 2 STRATEGIC BUSINESS VISION

## 1. FINANCIAL MANAGEMENT

### **Reduce overall management costs to 5% from its existing 18.5%, with the focus on reducing the wages bill through redundancy**

Increase gross profit margins on own brand jeans-wear to 35%

ALL departments to produce budgets on income/expenditure, including payroll, overtime and recruitment for the next financial year, starting in March. HR to generate a ' contingency' redundancy plan for all staff in support, admin. and clerical jobs, with a budget for either re-hiring the same staff at lower salaries (more in line with industry norms) or by using agency/short-term contract staff. One possibility to be considered would be to offer all existing staff new contracts.

2. PRODUCTS AND MARKETSA full viability plan, with ' best' and ' worst' scenarios to be prepared as a matter of urgency for the proposed chain of own shops. A new Marketing Director to be appointed to handle all marketing and new product responsibilities. As a priority, analyze the trend behind the failure of the boys' fashion leisurewear to achieve its projected sales figures Engage in a ' hearts and minds' campaign with buyers at ALL major sales outlets, this is directly related to item e) below

## **Increased sales penetration for each outlet by 15% across the ranges**

A quality control program needs to be introduced as a matter of urgency following several unresolved complaints from All Saints about the sizing of out-sourced garments. 'Customer care' to be put at the heart of the business

## **Investigate costs for a new website aimed at marketing to corporate customers**

Similarly investigate cost for another new website for sales to the public