

Evaluating the Effectiveness of Individual Performance-Based Pay in Organizational Reward Management

Le LI¹, Yang Yang Zhang², Niu Yue³

¹PhD Candidate, The School of Economic and Management in Universiti Putra Malaysia) Anhui Institute of Information Technology The School of Management and Engineering, Wuhu, Anhui Province, 241000

²School of Education, University of Nottingham, (The School of Liberal Studies and Foreign Languages, Anhui Institute of Information Technology, Wuhu, Anhui Province, 241000, China)
Corresponding Author Email: yzhang67[at]iflytek.com

³University of Nottingham, UK, Nottingham University Business School, Faculty of Arts and Social Sciences.

Abstract: *The goal of this paper is to critically examine the individual performance-related pay incentive system and analyse the hotel's benefits and drawbacks. Using the case study of the Cavendish hotel as a guide, implement a performance-based pay system at the hotel and analyse the obstacles encountered. How to optimally use IPRP work inside the business, including recommendations for the HR manager. In this instance, the primary element influencing the organisation is the involvement of line managers in performance management. Using the AMO models of ability, motivation, and opportunity, one may determine how to address challenges. The employee desires other incentive schemes in addition to monetary compensation. Replace IPRP performance reward with a more efficient total reward.*

Keywords: Human Resource, IPRP work, Reward management, AMO Models, Performance management

1. Introduction

According to the Cavendish Hall Hotel, Daphne with a critical evaluation of individual performance related pay (IPRP). This report which is based on an assessment of Daphne's recommendation for improved employee performance. Firstly, this report will use various reward management and performance measure theories to analyse the Cavendish Hall hotel reward system. The individual performance related pay is based on effective employee performance appraisal is based, to achieve the wage and performance results linked wage system, companies use performance pay for staff regulation, to stimulate the behaviour of employees, according to the higher performance of individual employees and performance low individual employee income adjustment, encourage employees to meet the business requirements of the pursuit of the behaviour, to encouraged the enthusiasm of each employee, and strive to achieve business goals. (CIPD, 2015). Secondly, The report will analyses the advantage and disadvantage of individual performance related pay as performance management tool in the hotel, and how to suitable is at the hotel, Finally give recommendations to replace performance management measure to work more efficiency at the hotel.

2. The IPRP in part of performance related pay

Performance-related pay (PRP) is a way of managing pay by linking salary progression to an assessment of individual performance, usually measured against pre-agreed objectives. (CIPD, 2015). Individual performance-related pay is based on individual performance and the additional incentive

wages. According to the effective employee performance evaluation, it is based on evaluation of results and recognizes the link between pay and performance. However, the Individual performance related pay is part of performance related pay.

Individual performance related pay as a important performance management tool evaluated in the organization the employee work performance. Because on the main features of performance pay system. Firstly, the individual performance pay and quantifiable performance phase connection connect the incentives and corporate goals and individual performance together is to make employees interests are directly related to the business; Secondly, it helps pay the outstanding performance those inclined to improve business efficiency and save wage costs. Thirdly, it helps to highlight the team spirit and corporate image, increase incentives, and employee cohesion. (Purcell, Kinnie, and Swart, 2008)

The advantage of Individual performance related pay

- 1) The individual income with their own job performance is directly linked it will encourage employees to create more efficiency (Bratton and Gold, 2012). Because it allows individuals to be rewards with their contribution strong linked with organization. For example, encouraged get more motivation to work, and make more profits for companies. (Hutchinson, 2013).
- 2) The individual performance related pay can improve organizational performance. Allow the company to continue to improve their ability to work, working methods, improve employee performance, the employee's performance to improve overall

Volume 12 Issue 2, February 2023

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

organizational performance and efficiency will be increased. (Hutchinson, 2013).

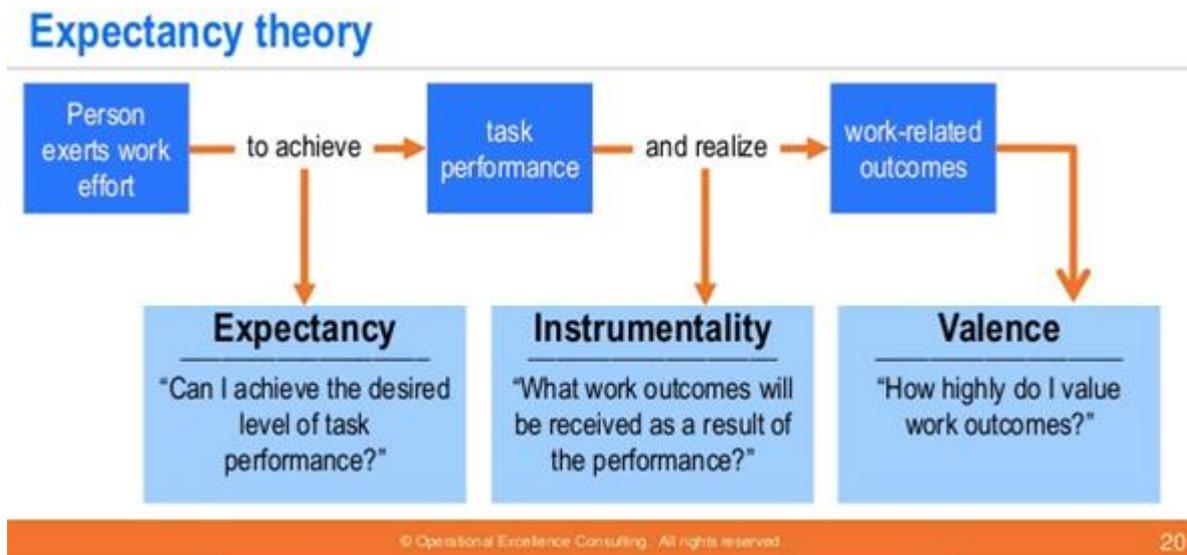
- 3) The individual performance related pay aids recruitment and retention, This performance methods make rewards for good performance employees, this types of employees will increase loyalty to the organization. Therefore, individual performance related pay can retain have good performance employee (Hutchinson, 2013).

2.1 The Disadvantage of Individual performance related pay

The individual performance related pay for performance to encourage competition between employees, otherwise, undermine trust and teamwork between employees. Because in Cavendish Hall Hotel had 5 departments: Events and Banqueting, rooming and reception, housekeeping, Food and Beverage, HR and Administration, the performance related pay will caused different department competition, and staff cooperation will be a problem, the team work will lack of

coordination. According to the teamwork efficiency and hotel customer satisfaction was decreased (Hutchinson, 2013).

Money is not motivated, According to the Expectancy theory, employee want to do more different types reward in the jobs. From the expectancy theory, performance reward divided in two sections. First the extrinsic reward for satisfy basic needs. Second section is intrinsic rewards for psychological higher level needs, for example is personal growth and career development. Perhaps some employee do not want just the reward for money and basic pay, some employee want to choose more career development opportunities to development themselves. According to this principle so analysis Cavendish Hotel's performance management system is based on the financial performance of the reward system, you can use other indirect system of incentives to encourage more employees to improve performance (Dhoundiyal and Dhoundiyal, 1993).

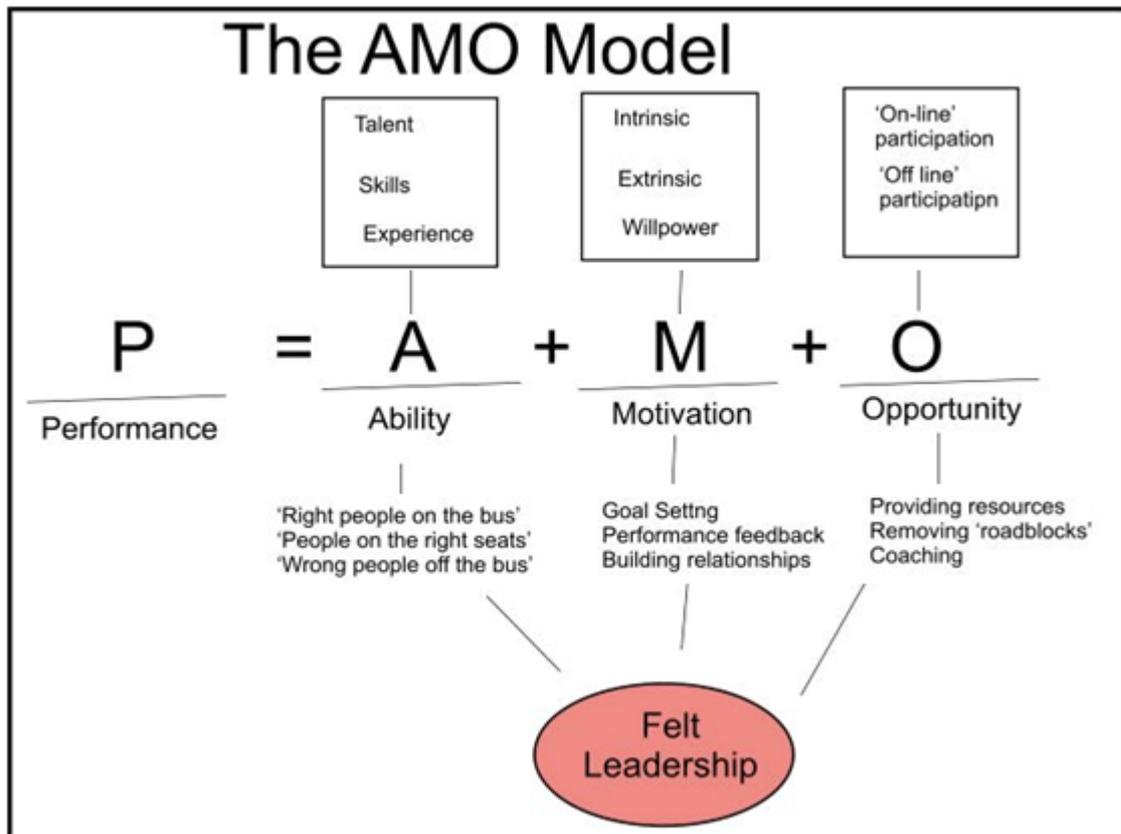


Source: (Follow et al., 2014)

The individual performance related pay will pushed employee high performance. If the interests of the employee's performance with the organization (department, company) is inconsistent, it may occur to improve personal performance, the performance of the organization, however organization reduced organization performance, this time to lose the value of this approach (Hutchinson, 2013).

3. Barriers to the effective design and implementation of IPRP schemes

According to the IPRP scheme in the Cavendish hotel has difficult in implementation, this is very important point in the role of line manager. Using AMO model to analysis. This hotel performance management line manager had problem, caused to the imposition IPRP there is a problem in the implementation process of the AMO. From AMO models analysis role of line managers. AMO models are ability, motivation, and opportunity.



Source: (Using the AMO model, 2014)

Ability is competence of line managers to undertake some of tasks. The line manager's implementation in poor appraisal skills to assess performance. Line manager for the employee performance evaluation does not have sufficient capacity, there has been competition among staff, cooperation in various sectors between the hotel appeared uncoordinated, the hotel's service quality will be affected, will lead to the hotel customer satisfaction declined. However, line managers feel they do not need training.

Motivation is for line managers in performance management, communication between with employee. For the employee needs to communicate, department managers and employees are also facing pressure communication between, leading to fewer employee performance manager is no good way to communicate, it makes employees to reduce the work force and security (Review Hutchinson 2013 pgs 83-89).

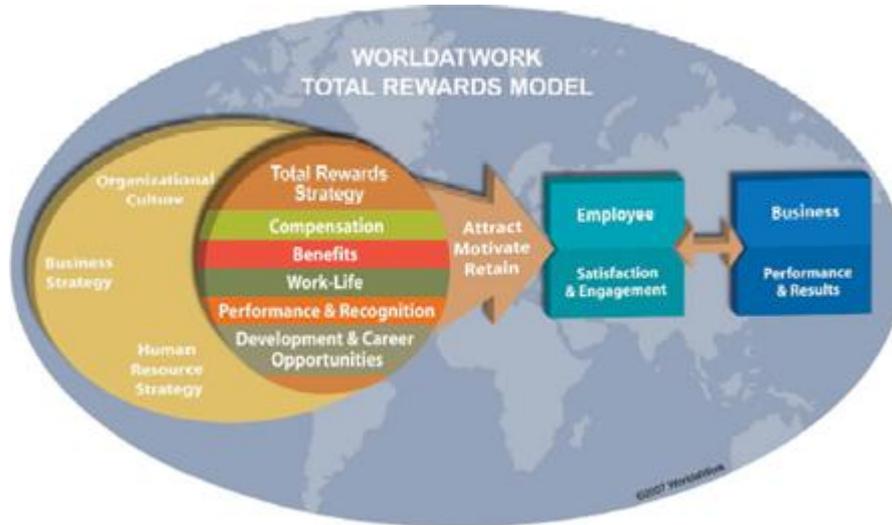
Opportunity is for line managers had heavy workload. Analysis of the performance of department managers will feel very much at work effort, a lot of time needs to be allocated, on the other hand the lack of support from the HR manager and recognition, a lot of analysis and judgment to work, you need time and attendance management and communication between employees relationship, department

managers have a lot of pressure (Review Hutchinson 2013 pgs 83-89).

Recommendation and replace Total reward



(Source: total rewards)



Source: Worldwork total rewards

Total reward, is an enterprise based on the full participation of the staff, the establishment of different compensation per employee combined system and regularly with their interests and needs change, and make the appropriate changes, this is a style of independent remuneration system, each employee can follow the development, coordination ratio of work and personal life, and decided to pay the proportion of their portfolio and the combination of various remuneration elements (Paul and CIPD, 2002).

Alternative IPRP, there are many types of incentive system for the employees, whether it is from the staff of various departments and institutions and staff expectations theories in the hope of reward, such as career development opportunities, welfare vacation, various incentive systems can increase employee for corporate loyalty and performance on a number of management incentives would be more efficient for different types of employees.



(Source: Our total rewards)

Total rewards, also known as the buffet-style compensation scheme, is the basis for the company and employees to communicate up to determine the full form of employee compensation, Ed Lawler said: "The total reward not only refers to operating profit share, wages in skills based and employee participation, but by compensation and benefits (ie, cash and non-cash instruments), to help establish a partnership between the company and the employees, the economic benefits of the company's employees directly linked with you. " (Paul and CIPD, 2002)

The hotel's combination of case, found on performance management issues, many employees are not satisfied with the plan for the use of IPRP displayed in the survey for the employees for the line manager's assessment of the performance that is not fair, some employees might think money is not everything work motivation, and finally rewarded in various institutional selection of a variety of different types of incentive system of indirect incentives and direct incentives to increase the types of employees more incentives to improve the loyalty of enterprises, improve organizational performance.

4. Conclusion

Considering the above analysis, we may reasonably arrive at a conclusion that alternative reward packets are total rewards. From this report we focus on the IPRP and evaluated the advantage and disadvantage. In the Cavendish hotel, give some recommendation and replace methods for HR managers Daphne's. To analyses the role of line managers in the organization and used AMO model. Finally, give some reasonable methods and performance management reward system replace the Individual performance related pay, total reward can work more efficiency in the Hotel.

References

- [1] Bratton, J. and Gold, J. (2012) Human resource management theory & practice. 5th edn. Hampshire: Palgrave Macmillan
- [2] CIPD *Performance-related pay* (2015) Available at: <http://www.cipd.co.uk/hr-resources/factsheets/performance-related-pay.aspx> (Accessed: 6 November 2015).

- [3] CONSULTING (2014) *Tamuka Matsika*. Available at: <http://www.slideshare.net/oeconsulting/motivation-theories-by-operational-excellence-consulting> (Accessed: 14 November 2015).
- [4] Dhoundiyal, N. C. and Dhoundiyal, V. R. (1993) *Teacher expectancy cyle, theory and research*. New Delhi: Ashish Pub. House.
- [5] Follow, O. E. C., 19587, J., Nain, P., Bharadwaj, S., Dey, S., ShadiAR, ✓ A. S., CONSULTING, O. E., Schwartz, A., kadali, masumi, Ali, Z., P, Y. M., raghuwanshi, yogesh, Mishra, P., mohan, ajay, Khan, S., Contente, A. and OPERATIONAL EXCELLENCE *Using the AMO model* (2014). Available at: <http://feltleadership.com/blog/4584545788/Felt-Leadership---Using-the-AMO-Model/9088900> (Accessed: 14 November 2015).
- [6] Hutchinson, S. (2013) *Performance management: Theory and practice*. 1st edn. London: Chartered Institute of Personnel & Development.
- [7] *Our total rewards* (2015) Available at: http://www.sovereigngeneral.com/public_docs/careers/TotalRewards.php (Accessed: 14 November 2015).
- [8] Total rewards Available at: <http://www.barneyandbarney.com/total-rewards.html> (Accessed: 14 November 2015).
- [9] Payne S. C., Cook A. L., Horner M. T., Shaub M. K., Boswell W. R. (2010) The relative influence of total rewards elements on attraction, motivation and retention, USA, Worldatwork Available at <http://www.worldatwork.org/waw/adimLink?id=37008> (Accessed: 14 November 2015).
- [10] Purcell J, Hutchinson S (2007) Front-line managers as agents in the HRM-performance causal chain: theory, analysis and evidence, Human Resource Management Journal, Vol 17, No 1, 3-19
- [11] Purcell, J., Kinnie, N. and Swart, J. (2008) *People management and performance*. 1st edn. New York, NY: Routledge, 2009, [i. e.2008].