



**Discipline Courses-I**

**Semester-I**

**Paper : Organization Behaviour**

**Unit-II**

**Lesson: Role of Empowerment and Incentives in Organizations**

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### **1. Learning Outcomes:**

After you have read this lesson, you should be able to:

- comprehend the concept of work empowerment in organizations,
- understand the meaning of employee recognition,
- describe the forms of employee recognition,
- understand the concept of employee involvement,
- describe the forms of employee involvement,
- understand the relevance of the organizational reward system,
- appreciate the varying objectives of organizational reward systems,
- describe the suitability of different types of organizational reward systems in various situations.

## 2. Introduction:

The organization incorporates various ways to make its human resource contribute to the best of their abilities and feel loyal and committed to the organization. It can do so through means of increasing work empowerment among employees, involving them to a greater extent in the management and decision making process, and through a well designed scheme of economic and non-economic incentives and rewards.

How would you feel if your boss tells you that you shall get 10% extra pay if you come regularly to work, 10% extra for being on time, and bonus if you return from your lunch before time?

Figure 1: Organizational Incentives



Such incentives might work as a stimulus for greater efforts and dedication towards the job in some cases. However, in other instances, economic incentives may fail to produce any motivation in the employees. They may be influenced through involvement in policy-making matters or assignment of other responsibilities. Incentives, whether financial or non-financial, are benefits provided to the employees over and above the regular pay, i.e. salaries or wages, which they get. The employees get a reason for working better for improving the performance. An organization has an option of choosing whether to provide monetary or non-monetary incentives to bring the zeal in the employees for better performance. It is a crucial decision to be made by the organization after thorough analysis of what stimulates its workforce. People working in organizations are unique and while one scheme of rewarding succeeds for one individual, it might turn out to be an outright failure for another. For example, while a financial incentive to come early to workplace might work for one employee, another employee may prefer and be motivated by flexibility in arrival time. This makes it important for all managers to study the concepts of empowerment,

# Role of Empowerment and Incentives in Organizations

involvement and incentive system and the manner in which it can be effectively applied in organizations.

## 3. Empowerment

Every employee of an organization, who is confident of his abilities, wants to be independent when he is doing his work. This makes him feel in power. In other words, he feels he has the power of voicing his opinions and contributing in the interest of the organization. The feeling of being in a position to make or influence the policies regarding own self improves self-esteem tremendously. On the other hand, being dependent on others brings the feeling of powerlessness amongst the employees. This causes frustration and low self-esteem, which is bound to affect the efficiency of the employees while doing their jobs.

Empowerment at work place, also called as work empowerment, refers to creating an environment where an employee is allowed to think, take action, and make decisions on his own. Organizations must provide the climate and support which would enable the employee to make his own decisions and take responsibility for his actions. Work empowerment brings autonomy that promotes the feeling of trust amongst the employees. This is so because for making employees empowered to take decisions calls for a mutual faith between the management and the employees. The management must believe in the employees' capabilities and dedication; and the employees must receive full support from the management. Treating employees with respect and dignity and making them self-directed and self-controlled makes them more responsible and loyal towards the organization.

Empowerment is different from delegation of authority. While delegation of authority may happen between two people, i.e. a superior and a subordinate, empowerment is more like the philosophy of management that takes place through the organization at all levels. It differs from delegation in the sense that it places the right of access to resources at the jobs where they are relevant and grants the authority and responsibility for their efficient use to the people at those jobs.

Figure 2: Empowerment in Organizations



## Role of Empowerment and Incentives in Organizations

The above figure describes the advantages of work empowerment in the organizations. Empowering employees leads to autonomy in their decision making with respect to the entrusted work, improves the self-efficacy of the empowered employees, makes the employees more efficient in their job performance, creates a more responsible attitude for exercising the power granted in the best interest of the organization and makes the employees more committed to the organization.

Work empowerment in the organization may be at the individual level, when the locus of control vests with the individuals; or may be at the group level, where the locus of control lies with the group.

<b>Value Addition 1: Video</b>
<b>Work Empowerment</b>
Click on the link below to watch a video of a company that has granted a lot of freedom to its employees and answer the following in the context of the video: <ul style="list-style-type: none"><li>• Make a list of the kinds of freedom provided by it.</li><li>• Are there any benefits of providing the autonomy to employees?</li><li>• Will you call it work empowerment? Why or why not? Discuss with your peers.</li></ul>
Source: <a href="https://www.youtube.com/watch?v=LN2b-eZ3GkM">https://www.youtube.com/watch?v=LN2b-eZ3GkM</a>

### 4. Employee Recognition

Employee recognition is one of the most impactful ways of letting the employees know that they are valued and acknowledged by their organization for their contributions made towards the growth of the organization. Employee recognition can be done through a wide range of activities. It can range from a simple "Thank you!" to giving "Awards".

Employee recognition is a positive feedback given to the employees of the organization for achieving specific goals. Such a positive feedback develops positive emotions amongst the recipients and they feel good. They get to know that their efforts are noticed and acknowledged. They feel worthy of themselves and expect similar recognition in future in consequence to their contributions. This motivates them to achieve even higher-level goals. Thus, employee recognition is a means of appreciating the employees for their work and expertise and encouraging them to reinforce the dedication and level of work towards the organization.

#### Forms of Employee Recognition

Figure 3: Ways of Recognizing Employees

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Besides these, employee recognition can also be in the form of travel package, a holiday package with a family, promotions or ushering added responsibilities or by empowering employees in other ways.

In today's competitive world, the pressure of reducing costs has resulted in employee retrenchment and increasing the workload of the remaining employees. In such an environment, there is a great need to create a culture of recognizing the employees for their work, as it is one of the cheapest ways to motivate them in order to get the work done towards organizational goals.

While employee recognition has been accepted by the organizations as an effective tool to sustain and enhance employee productivity, at the same time it has been realized that one generic form of employee recognition scheme will not fit all. Each individual is unique and gets motivated in a unique way. One employee recognition tool, for example, displaying picture of the best salesman of the month on the shop-floor premises might be beneficial in case of one employee, it may fail to make any difference with the other. The reason is that the person, who may be looking for a public announcement or acknowledgement for his work, might feel elated on such recognition extended by the organization for his contributions, especially when it happens for the first or second time. The other person, who might have been awarded the title many times before, may fail to get any satisfaction out of the act. He might perceive it is a management strategy to exploit him continuously and may get annoyed at such display of his photograph time and again. He may rather want some genuine recognition in the form of higher responsibility entrusted upon him as a method of recognizing and rewarding his contributions. If giving a commemorative plaque serves to recognize one individual's efforts, sharing confidential information with another individual and placing trust in the individual's integrity may work for the other. Employee recognition can take various forms depending on the perspective from which the organization plans to appreciate the employee. It can be divided into four main categories:

- **Personal Recognition**

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Personal recognition refers to the appreciation of an individual's personality, characteristics and qualities. It is expressed with an intention of inspiring the person to repeat such behavior in future. This form of recognition occurs in day-to-day interactions. While people get motivated with additional perks and facilities from their organization, at times the employees get much more satisfaction when they are recognized for their uniqueness and individual contribution in the organization. Recognizing and conveying to a person that she/he is rightly and professionally dressed at work by assigning him responsibilities that involve representing organization at various platforms is an example of personal recognition. Assigning the task of handling important delegations to a person with good vocal ability and confidence is another example of recognizing a person who has the gift of the gab.

- **Recognition of Work practices**

This form of recognition is related with the way an individual performs his job and the creativity and innovation that the individual uses to get the task done. It also refers to recognizing the continuous improvement that a person portrays his work over a period of time. An example of such recognition could be congratulating the employee for his work in front of his coworker or appreciating an employee's idea even in a meeting. Remembering the name of the employee who gave the last presentation and addressing the person by name subsequently by people at higher levels in the hierarchy can be a form of personal recognition. Specifically, mentioning the points raised by an individual in a meeting, or applauding an individual for giving some innovative or valuable suggestions, may be another form of person recognition. Yet another example may be to tell a person how organized is the person in his approach to work, or how systematic and prompt is the person in addressing the customer queries, or how polite and courteous is a person in interacting with clients, or the precision with which a person makes and delivers his presentations. A simple 'Thank You!' 'Well Done!' 'You Rocked!' 'You were amazing!' 'Keep it up!' or 'We are proud of you!' make work wonders with a person.

- **Recognition of dedication to work**

Acknowledging the commitment with which an employee works towards the organizational objectives is another type of employee recognition at the work place. To recognize the quality and quantity of initiatives that an employee takes, to accomplish the work assigned to him, can be done by giving him bonus for his extra efforts. Similarly, giving a round of applause in a meeting, for the extra ordinary time and effort invested by an employee in a team task, can be done to recognize the employee's dedication to work. Giving a rolling trophy for qualifying multiple parameters over a period of time is one way of recognizing dedication and loyalty towards work and the consequent consistent performance. Giving awards to employees at ceremonies for achieving milestones, say staying with the organization for over 10 years as it celebrates its silver jubilees another way of recognizing committed employees.

- **Recognition of results**

This type of recognition is used on meeting some pre-defined targets. They are used when there is a time bound objective that is linked with an incentive plan. On the completion of the task, a formal attempt is made to appreciate individuals or groups for their achievements. Such recognition is given by holding ceremonies or reward and recognition functions, or gala nights on massive scale to highlight the

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achievements of the employees and giving them product linked incentives, tours or an opportunity to participate in the conferences in other states or countries as training for higher posts. These ceremonies are professionally done by inviting celebrities, professional anchors, entertainers, key clients, etc. so that the acknowledgement takes place in a huge set up and the employees feel good about being recognized for making a difference.

### 5. Employee Involvement

What if a middle level employee gets to express his opinion about organizational issues like what changes are needed in the disciplinary policies, how should the work environment be improved, how should the perks or bonuses be given to the employees. Obviously he would feel enthusiastic and motivated towards his job and organization. He would be more involved and loyal towards the organization, as he knows that what he thinks and feels makes a difference.

Employee involvement refers to making the employees participate regularly in the decisions relating to their own work, like deciding how a task should be carried out, planning for it, managing and controlling it. Employee involvement programs are carried out by the organizations to motivate their employees towards their job. Such programs are encouraged by the organization on the grounds that the people who are doing the work know it best. The opportunity to take decisions that would affect them would keep them motivated and committed towards the organization.

Employee involvement is not a new concept. Oldest documented system of employee involvement is a document by Eastman Kodak in 1898 called "Employee suggestion system." This technique has been used by generations of organizations across the globe for years.

While employee involvement refers to involving employees in decision making regarding methods in the domain of their work areas, employee empowerment is in general giving them the right to take part in the decision making process of the organization. Employee involvement is one of the techniques of empowering employees in the organization. Involving the employees in decision making related to improving the processes or methods involved in their work, will not only empower them, but will also bring forth better work quality, as a consequence of better processes, and a better work climate, as a result of high morale of empowered employees.

#### Forms of Employee Involvement Programs

- **Participative Management**

The unique feature of participative management is the collective decision making. In such employee involvement program the employees actually have an important role in making decisions with their supervisors. Subordinates are encouraged to express their opinions about how the task should be carried out, while the ultimate power remains with the senior managers. Organizations use this form of involvement program to motivate the employees towards their job and improve performance. The job will become more meaningful and interesting for them if they are involved in deciding what they must do to achieve the targets.

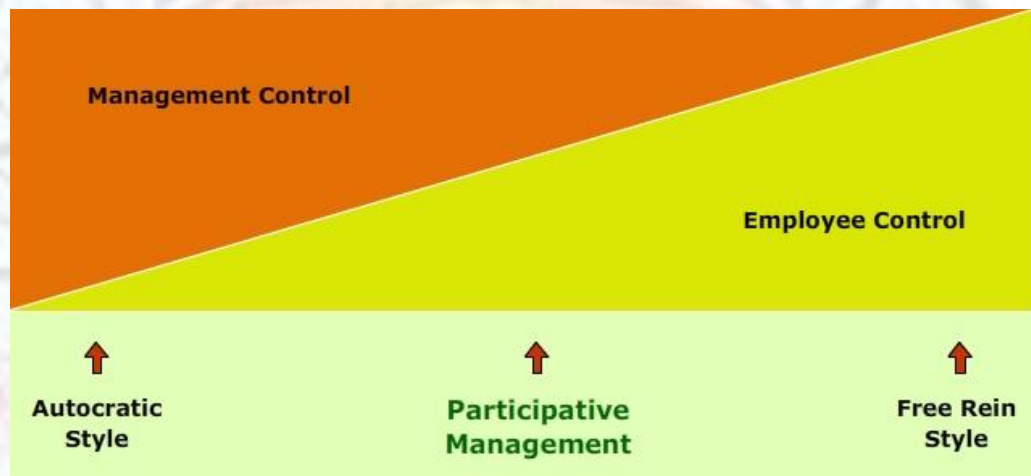


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But such programs are not suited for every organization or every task. Employees must have the knowledge and skills to take the decisions so that their opinions are valued and do not end up harming the organization. Also, their work should be affected by the matters they are deciding about, so that they feel motivated and involved. Lastly, the decisions in which they participate are less likely to face opposition at the time of implementation.

Organizations cannot be sure that use of participation management would definitely motivate the employees or improve their performance levels. But it can be beneficial for the organization as a whole if used in the right situations. The figure below shows how participative management lies in the middle of the two extremes of complete management control and complete employee control, blending the advantages of both and overcoming the limitations of the extreme styles of management and leadership.

Figure 4: Participative Management to Increase Employee Involvement



- **Representative Management**

Representative management is where a small group of employees represent all other employees and they participate in the decision making on the behalf of their colleagues. Here, the goal of the seniors is to place the interest of the employees on the same level with the interest of the stakeholders and management.

There are two types of representative management:

- **Work Councils**—These refer to small groups, say of three or more people, who are elected by the employees for representing their interests. Such councils are to be consulted while taking any decision that relates to or affects the employees.
- **Board Representatives** – These are the group of employees that sit in the board meetings with the management and argue for the interest of the employees.

Figure 5: A Presentation to the Board of Directors

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This form of employee involvement has minimal effect as the group generally puts their own interest over and above the interest of other employees. Also, these groups are often influenced by the management in their own interest. This type of representation ends up motivating and delighting the elected group only, leaving little effect on the other employees of the organization.

- **Quality Circles**

Quality Circles is defined as a formal group of employees with shared area of responsibility, which comes together and are generally lead by a supervisor. They meet on a regular basis to discuss the quality issues they are facing, causes of the problems and recommend solutions to the management. These groups are encouraged by the management in order to improve employee performance and motivate the workers but the implementation of the recommendations of these groups is decided by the management. Although, quality circles improve the productivity but its effect on employee satisfaction is little or nil. The group meets on a regular basis, but the amount of time that is devoted to such programs is not adequate to have an impact on the working of the employees. From the management's side it is a good way of getting the employee involvement bandwagon as all what is needed from them is the funding for the program.

Figure 6: Involvement of Employees through Quality Circles

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The quality circles, as shown in the figure above, gather relevant data, process data to analyze it, interpret it and gives timely information to the management. It hence becomes an integral part of 'Integrated Management Program'.

- **Employee Stock Ownership Plans (ESOPs)**

In employee stock ownership plans, the employees are given an option to own the stock of the company in which they work. ESOP is used by the companies in order to retain and compensate its human resource. A trust is created and the stocks are allocated to the employees. The employees get the possession of their shares only when they retire or leave the company. Such plans improve employee satisfaction and motivate them to do good for the company, as they are also the owners of the organization they work in. ESOPs tend to increase profitability of the company as the employees develop a better sense of decision-making and dedication.

<b>Value Addition 2: Surf and Learn</b>
<b>ESOP Questions</b>
Click on the link below to get answers to the general queries related to ESOP.
Source: <a href="http://www.esopdirect.com/knowledge-centre">http://www.esopdirect.com/knowledge-centre</a>

## 6. Incentives and Reward System in Organizations

Every organization wants its employees to perform efficiently and behave in a certain manner to achieve the organizational goals. The level of work and relationship between the employees and the organization depends to a large extent on the kind of reward system the organization adopts. If these rewards systems are adequate enough, the employees tend to stay in the organization as they are satisfied, but if they feel that they are not adequate, employees tend to search for better jobs where they are rewarded well. Therefore, apart from satisfying and motivating the employees, good reward systems also retain the employees of the organization thus reducing employee turnover.

An organization may have the best strategies, plans, training programs, and latest technology, but unless the employees of the organization have a good reward system, the other factors would have little impact on the employee satisfaction. The figure below

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describes various types of incentives and rewards that can be used to attract, motivate and retain employees in an organization. Since employees in the organization are unique and can be motivated through customized ways, one-size-fit-all strategy does not work well, and the organizations have a reward system having multitude ways of rewarding that works with different kinds of people in the organization.

Figure 7: Organizational Incentive and Reward System



Quite often it is heard that money alone is not enough to motivate the employees to work harder. Financial compensation is undoubtedly the most integral part of any reward system of an organization. Without direct or indirect financial rewards, an organization cannot persuade the employees to work better for the organization. Once the employees are decently satisfied on financial grounds, non-financial benefits or perks could be used to motivate them. Rewarding the employees by giving them opportunities to develop their career and by giving them better work environment, an organization can motivate growth seekers and enthusiastic learners. Professional development and affiliation can encourage them to become loyal and work in the interest of the organization, as it rewards them for their personal individual career. Last, but not the least, enabling them to have a better standard of living by giving them access to facilities and resources, may also attract the prospective employees and work as an incentive for the existing employees to remain in the organization.

### 6.1 Objectives of an Organizational Reward System

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The reward systems may vary from organization to organization, but the main objectives behind every such system remains the same. Following are some of the common objectives an organization has while implementing a reward system:

- To attract the talented employees to join the organization.
- To persuade employees to stick to the organization.
- To motivate the employees to put in their best and work harder.
- To make the employees feel part of the organization.
- To enable employees put the organizational objective over their personal interest.
- To acknowledge the employees for their achievement.

The overall broad objective of any reward strategy is not to achieve any of the above in a piecemeal manner, rather to integrate all the above. This is because the employees generally look forward to a total or complete reward system to include compensation, benefits, involvement and recognition mechanism, motivation and possibility of professional growth and advancement, and a good work environment and healthy living before joining an organization or later in deciding to stay with it.

<b>Value Addition 3: Read and Learn</b>
<b>Newspaper Articles on Employee Recognition/Reward System in</b>
The changing picture of our country and economic crises across globe has increased the uncertainty with respect to the job security and the salary. But many companies in India have introduced new employee recognition and reward systems even at such crucial times to keep the employees motivated towards the work.
Visit the link below to read an article "India Inc. rewards staff to tide over slowdown", from 'The Times of India', on how Indian companies like Siemens, Blue Dart, H&R Johnson, Ambuja cements and more gave recognition and awards to the employees even at the time of recession in the country.
Source: <a href="http://timesofindia.indiatimes.com/business/india-business/India-Inc-rewards-staff-to-tide-over-slowdown/articleshow/15099031.cms">http://timesofindia.indiatimes.com/business/india-business/India-Inc-rewards-staff-to-tide-over-slowdown/articleshow/15099031.cms</a>

### 6.2 Types of Organizational Reward System

Whenever we talk about the employee reward system, the first thing we think about is money, as it plays an important role. But, in recent times, organizations have become more inclined towards non-financial rewards. So, rewards may be economic and non-economic, financial and non-financial, or monetary and non-monetary. While one form of rewarding is suitable to one employee, other form of rewarding might gain acceptance with another employee. The level of employee in the hierarchy of management, the employee's personal traits, the employee's intrinsic level of motivation, the employee's need at the current moment etc. will govern the choice of rewards for him/her.

#### Economic Rewards

Financial rewards are extrinsic rewards that are tangible, for example rise in pay, bonuses, benefits, etc. Although there has been a tendency to give less importance to monetary rewards over non-monetary rewards but evidence shows that monetary rewards play a very dominant role for most of the employees. Financial rewards are important for employees unless they are satisfied with the level of pay they are getting. Once they reach a decent

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level of income, non- financial rewards play a more important role in order to motivate them for the day-to-day challenges they face in their work.

Economic incentives refer to the incentives given in cash and those in kind that have money's worth. In other words, all the non-monetary incentives that give the employees a benefit that they could have otherwise acquired only by paying for it are economic benefits. For example, free education for the employee's ward, free or concessional housing facility for the employees, free or subsidized health facility for the employees and their dependent family members, free or concessional commuting provision, free mobile phone's usage, would constitute economic benefits even if they are not directly given to the employees in cash.

Following are some types of financial rewards or incentives that an organization can give to its employees:

- **Salaries:** This is the most common reward that employees or executives at all the managerial positions get. It is a fixed amount paid in arrears every month to the employees, i.e. the employees get the pay after working for the month. The salary package motivates them to perform better.
- **Wages:** Hourly payment of the work done is called wages. Wages are paid for the blue-collar jobs, to unskilled or semi skilled employees for manual work or production, as against the salary that is paid for white caller jobs. An advantage of wage system is that employees can increase their income immediately by putting in additional working hours.
- **Piece rate:** In piece rate system, workers are paid for every unit they produce. The workers can increase their output by increasing their speed, or by working overtime or in double shifts, thereby increasing their income. However, they must be mindful of not deteriorating the quality while focusing on the quantity. Supervisors need to keep a strict check of quality where this system is followed.
- **Fringe benefits:** Fringe benefits are benefits given in kind to the employees. Some of the examples of fringe benefits are staff discounts, company car, pension options, travel discounts, entertainment and recreation facility, shopping vouchers, vouchers for availing health and gym facilities, etc. Some of these benefits are necessary for letting the right person take up the right position in the organization.
- **Bonus:** There are different types of bonuses for different types of employees and different occasions. Diwali bonus, Christmas bonus, Sales bonus, Performance bonus are some of the types of the various bonuses offered to the employees. These bonuses, generally a fixed absolute amount, may either be linked to the production, or may be given for meeting deadlines and completing the tasks on or before certain prescribed dates, or they may be linked to occasions like, religious festivals, important events or anniversaries observed by the organizations or on different milestones achieved by the organizations.
- **Commission:** Commission is paid to the sales employees on achieving sales targets. The employees get a percentage of the sales amount affected by them or business transacted by them, if the target is achieved. The targets are given to the employees, and the incentive plan is described to them in advance so that they may plan their work to be entitled to the commission. It motivates the employees to achieve the targets as their personal profit is attached to the targets.

# Role of Empowerment and Incentives in Organizations

## Non-Economic Rewards

In the recent years the emphasis on non-financial rewards has increased not only from the organization's side but also from the employee's viewpoint. It has been observed that majority of employees these days, value recognition and appreciation, i.e. the non- financial rewards, more than the monetary rewards over and above their salary. Employees feel motivated the most when they are appreciated by their managers on their achievements and contributions. Moreover, one of the main reasons of leaving jobs now a days is lack of recognition and praise in the organization for the efforts done. Non-financial rewards do not guarantee better results for the organization, but they surely improve the performance of the employees, which is in the interest of the organization.

Following are some types of non-financial rewards or incentives that an organization can give to its employees:

- **Consumables:** This category of non financial reward includes options like free lunch during office, dinner of family by the company, company outings, after work parties, etc. These are non-financial rewards to the employees, but they do cost to the organization.
- **Social rewards:** Formal and informal recognitions, compliment on the work done, verbal or non-verbal acknowledgement are some of the examples of social rewards. These work the best for the motivating the employees as their self-esteem and confidence is boosted.
- **Job design:** Rewarding employees in the form of job design means giving them the job with more responsibility along with authority, or giving them special assignments, giving them option of working in flexible hours, job rotation, etc. Such rewards empower the employees to take some decisions, related to their work, on their own.

Although, there is consensus that the use of economic and non-economic incentives and rewards generally leads to success in motivating and encouraging the employees in order to achieve the desired goals, but they may not be the answer to all the organizational problems. There may be situations where merely empowering employees may serve to motivate the employees. Also, not every incentive is suitable for all the employees or situations. Different employees and different situations may call for different strategies to boost the employees' morale, to reward them and to involve them in the organization.

<b>Value Addition 4: Case Study</b>
<b>Wipro's New Incentive Structure</b>
Click the link below to read about the new incentive program introduced recently by Wipro Ltd. for its employees. After going through the article: <ul style="list-style-type: none"><li>• List the principle or the philosophy behind the new incentive program.</li><li>• Describe the new incentive program.</li><li>• In what ways is the new incentive structure different from the previous one?</li><li>• What does the organization seek to achieve through the implementation of the new incentive structure?</li></ul>
Source: <a href="http://www.livemint.com/Industry/J9xCL5iTjn2aui8EoqjAnI/Wipro-introduces-new-incentive-structure-for-staff.html">http://www.livemint.com/Industry/J9xCL5iTjn2aui8EoqjAnI/Wipro-introduces-new-incentive-structure-for-staff.html</a>

## Summary:

## Role of Empowerment and Incentives in Organizations

- Empowerment at work place, also called as work empowerment, refers to creating an environment where an employee is allowed to think, take action, and make decisions on his own.
- Empowerment is different from delegation of authority.
- Work empowerment in the organization may be at the individual level, when the locus of control vests with the individuals; or may be at the group level, where the locus of control lies with the group.
- Employee recognition is a means of appreciating the employees for their work and expertise and encouraging them to reinforce the dedication and level of work towards the organization.
- While employee recognition has been accepted by the organizations as an effective tool to sustain and enhance employee productivity, at the same time it has been realized that one generic form of employee recognition scheme will not fit all.
- Recognition of Work practices is related with the way an individual performs his job and the creativity and innovation that the individual uses to get the task done.
- Recognition of dedication to work is acknowledging the commitment with which an employee works towards the organizational objectives is another type of employee recognition at the work place.
- Recognition of results is used on meeting some pre-defined targets.
- Employee involvement refers to making the employees participate regularly in the decisions relating to their own work, like deciding how a task should be carried out, planning for it, managing and controlling it.
- The unique feature of participative management is the collective decision making.
- Representative management is where a small group of employees represent all other employees and they participate in the decision making on the behalf of their colleagues.
- Quality Circles are defined as a formal group of employees with shared area of responsibility, which come together and are generally led by a supervisor.
- In employee stock ownership plans, the employees are given an option to own the stock of the company in which they work.
- An organization may have the best strategies, plans, training programs, and latest technology, but unless the employees of the organization have a good reward system, the other factors would have little impact on the employee satisfaction.
- Rewards can be divided into two main categories: Economic and non- economic.
- Economic rewards could be salaries, wages, piece rate, fringe benefits, bonus, and commission.
- Non-economic rewards could be consumables, social rewards, and job design.

### Exercises:

#### Objective Questions:

1. The group of employees that sit in the board meetings with the management and argue for the interest of the employees are called:
  - a) Quality Circles
  - b) Work councils
  - c) Board Representatives
  - d) ESOPs



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2. In which of the employee involvement program given below are the employees encouraged to express their opinions about how the task should be carried out, while the ultimate power remains with the senior managers?
  - a) Representative management
  - b) Participative management
  - c) Quality circles
  - d) Work Councils
3. Hourly payment of the work done is called:
  - a) Salaries
  - b) Wages
  - c) Piece rate
  - d) Fee
4. Recognizing and conveying to an employee that she/he is meticulous in maintaining records, and thereby trusting the employee with record management of the department, is an example of:
  - a) Personal recognition
  - b) Recognition of work practices
  - c) Recognition of dedication of work
  - d) Recognition of results
5. State true / false for each of the statements given below:
  - a. Every incentive is suitable for every situation and all employees.
  - b. One of the main reasons of leaving jobs now a days, is lack of recognition and praise in the organization for the efforts done.
  - c. Financial rewards are extrinsic rewards that are tangible.
  - d. Work councils are to be consulted while taking any decision that relates to or affects such employees.
  - e. Employee involvement refers to treating employees with respect and dignity, and making them self-directed and self-controlled, so that they are more responsible and loyal towards the organization.

### Short Questions:

1. What do you understand by empowerment?
2. What is employee recognition?
3. List the four main categories of employee recognition.
4. What is employee involvement?
5. What are the forms of employee involvement?
6. What are the two types of representative management?
7. What are quality circles?
8. What is an employee stock ownership plan?
9. What is an organizational reward system?
10. What are the two main categories of employee reward system?
11. List the types of financial rewards.
12. List the types of non-financial rewards.

### Long Questions:

1. Describe employee recognition and the forms of employee recognition programs.
2. Explain employee involvement and the forms of employee involvement programs.
3. What is an organizational reward system? Discuss the types of rewards an organization gives to its employees.

## Role of Empowerment and Incentives in Organizations

4. What is the relevance of employee empowerment and involvement in the organizations? Does it have any impact on the quality management?
5. How is employee recognition different from rewarding an employee? What purposes do they serve?

(Answers to Objective Type Questions:

1-c; 2-d; 3-b; 4-b.

5. True False: a- False; b-True; c-True; d-True; e-False)

### Glossary:

- **Affiliation:** It refers to a legal relationship between two entities.
- **Delegation of authority:** It refers to dividing the work among people or entrusting a part of work to other individuals and giving them the authority to use resources to accomplish it.
- **Gala night:** It refers to a ceremony in which a variety of entertaining performances are held.
- **Human resource:** It refers to the people in the organization that makes up the workforce of the entity.
- **Job design:** The aims of job design are to improve job satisfaction, to improve throughput, to improve quality and to reduce employee problems (e.g., grievances, absenteeism), rotating their jobs or hours of work according to their comfort.
- **Self-esteem:** It refers to the judgment of a person own worth. In other words it is the self-evaluation that a person does for oneself and describes it as low or high.
- **Stimulus:** It refers to some agent, action or object that cause a response or elicits a behavior, action or thought.
- **Trust (with reference to ESOP):** Trust here refers to the trust fund that is created to manage all the employee stock option transactions, including banking, accounting, and general administration.

### References:

#### 1. Work Cited:

- <http://timesofindia.indiatimes.com/business/india-business/India-Inc-rewards-staff-to-tide-over-slowdown/articleshow/15099031.cms>
- [http://www.preshstore.com/index.php?route=product/product&product\\_id=85](http://www.preshstore.com/index.php?route=product/product&product_id=85)
- <http://www.salutare.ee/files/ettekanded/Empowerment%20at%20Work.pdf>
- <http://www.iveybusinessjournal.com/topics/the-workplace/the-four-intrinsic-rewards-that-drive-employee-engagement#.Ugp-G9I3DAR>
- [http://www.tutor2u.net/business/gcse/people\\_motivation\\_financial\\_rewards.htm](http://www.tutor2u.net/business/gcse/people_motivation_financial_rewards.htm)
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- <http://www.strategic-workplace-solutions.com/services/articles/leveraging-total-rewards-fixed>
- <http://www2.uwstout.edu/content/lib/thesis/2001/2001verar.pdf>

#### 2. Suggested Readings:

- Stephen P. Robbins, Essentials of Organizational Behavior, 14<sup>th</sup> edition, Pearson Education.
- L M Prasad, Organizational Behaviour, Sultan S. Chand & Co.
- Luthans, Fred Organizational Behavior, Publisher: MGH
- Aswathappa, K, Organisational Behaviour, Himalaya Publication

#### 3. Web Links:

## Role of Empowerment and Incentives in Organizations

- Visit the link <https://www.youtube.com/watch?v=TbqIReIGUq8> to view a video on empowerment through engagement and development that is aligned with business strategy.
- Visit the link <https://www.youtube.com/watch?v=j7jXdFZvecE> to hear a talk on empowering employees to peak performance.
- Visit the link <http://www.emeraldinsight.com/journals.htm?articleid=841961&show=html> to know how employee involvement leads to quality management and better business performance.
- Visit the link <http://info.ibs-us.com/blog/bid/46344/Quality-101-Employee-Involvement-and-Empowerment> to read about the benefits of employee involvement and empowerment.
- Visit the link <https://www.nceo.org/articles/esop-employee-stock-ownership-plan> to read about how employee stock ownership plan (ESOP) works.
- Visit the link <http://www.strategic-workplace-solutions.com/services/articles/leveraging-total-rewards-fixed> to know about the total reward strategy.

