



**BHARATHIDASAN UNIVERSITY**

**Tiruchirappalli-620024**

**Tamil Nadu, India**

**Programme: M.A., HUMAN RESOURCE MANAGEMENT**

**Course Title : Compensation Management**

**Course Code : 22HRM2CC11**

**Unit-V**

**Incentive Systems**

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# Incentive Systems

Developing an effective compensation strategy is crucial for attracting, retaining, and motivating top talent. This involves carefully designing a mix of base pay, incentives, and benefits that align with the organization's goals and values.



# Productivity-Oriented Incentive Schemes

## Sales Commissions

Reward employees based on their individual sales performance, incentivizing them to drive revenue growth.

## Team Bonuses

Encourage collaboration and collective performance by tying bonuses to group-level metrics.

## Profit-Sharing

Distribute a portion of the company's profits to employees, aligning their interests with the organization's success.



# Premium and Group Bonus Schemes

## Premium Bonuses

Reward exceptional individual performance or contributions that go above and beyond standard expectations.

## Group Bonuses

Incentivize teamwork and collaboration by tying bonuses to the collective achievements of a department or business unit.

## Spot Bonuses

Provide immediate recognition and rewards for specific, timely accomplishments that align with the organization's priorities.

## Skill-Based Bonuses

Encourage employees to develop critical skills by rewarding the acquisition and application of key competencies.

# ESOP (Employee Stock Ownership Plans)



## Ownership Stake

Employees become partial owners of the company, aligning their interests with long-term success.



## Wealth Creation

ESOPs can enable employees to build significant wealth as the company's value increases over time.



## Increased Loyalty

ESOPs can foster a stronger sense of belonging and commitment among employees.



## Improved Motivation

The opportunity to share in the company's success can be a powerful motivator for employees.



# Compensation Strategy - Incentive Payment Plans

## Rowan

Based on time saved by exceeding the standard.

## Halsey

Combines time and output. Workers receive a percentage of the time saved.

## Taylor

Focuses on maximizing output through efficient work methods.

## Gantt

Based on achieving or exceeding target production.



# Profit Sharing

## 1 Definition

A system where employees receive a share of company profits.

## 2 Merits

Promotes teamwork and financial alignment.

## 3 Demerits

May not be effective in motivating individual performance.



## Why Incentives Fail?

### Lack of Clarity

Ambiguous targets and unclear performance criteria can lead to confusion.

### Unrealistic Expectations

Setting unattainable goals can demotivate employees.

### Ineffective Communication

Failing to communicate the goals, benefits, and procedures effectively can lead to misunderstandings.





# Productivity-Oriented Incentive Schemes



## Piece Rate

Employees are paid based on the quantity of output they produce.



## Production Bonus

An additional payment is offered for exceeding production targets.



# Premium and Group Bonus Schemes

1

## Premium

A one-time payment for achieving a specific performance goal.

2

## Group Bonus

An incentive shared among a team or department based on collective performance.



# Effective Incentive Schemes

1

## Clear Goals

Specific, measurable, achievable, relevant, and time-bound.

2

## Fair and Transparent

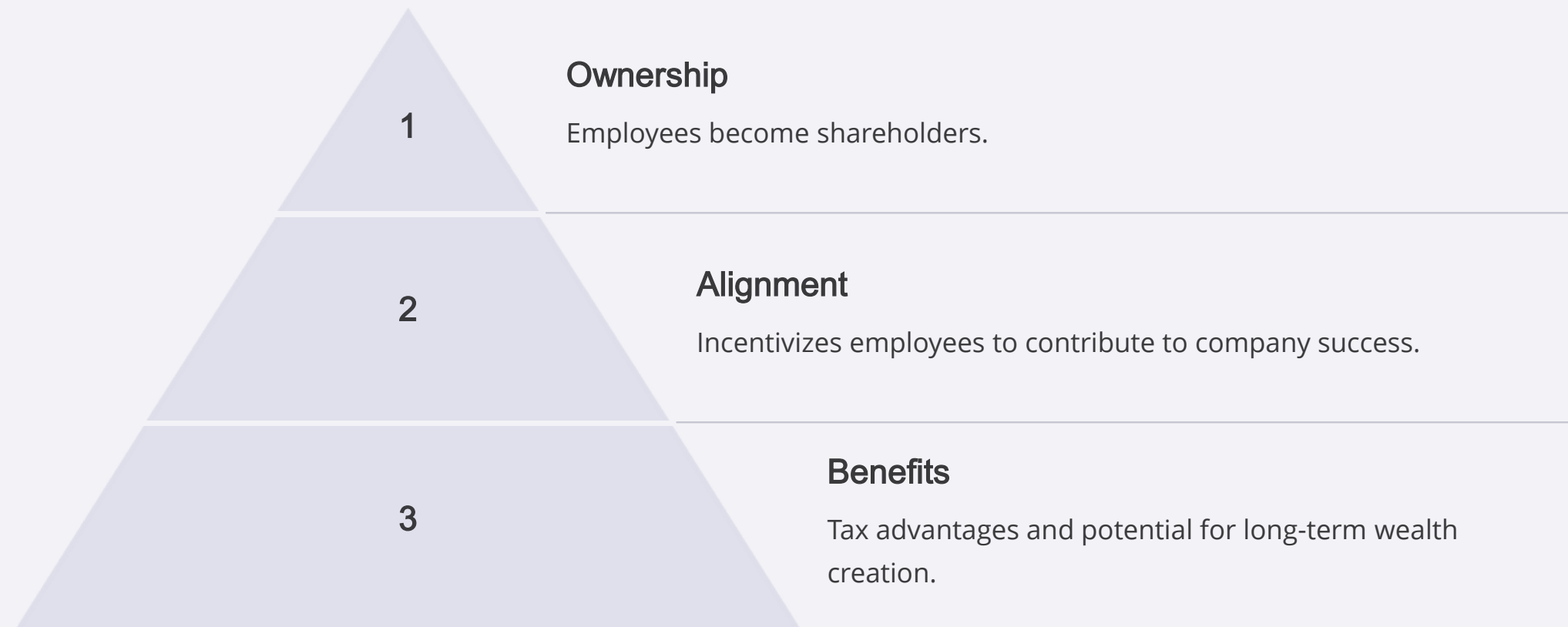
All employees should understand the criteria and procedures.

3

## Regular Feedback

Provide consistent updates on progress and performance.

# ESOP (Employee Stock Ownership Plans)



# Advantages and Challenges of ESOP

1

## Advantages

Increased employee motivation and retention.

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2

## Challenges

Complexity of administration and potential for financial risk.



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# Conclusion

1

## Tailored

Incentive schemes should be tailored to specific goals and company culture.

2

## Transparent

Clear communication and understanding are crucial.

3

## Evaluate

Regularly review the effectiveness of incentive programs.