

# Strategic Reward Management

## Introduction

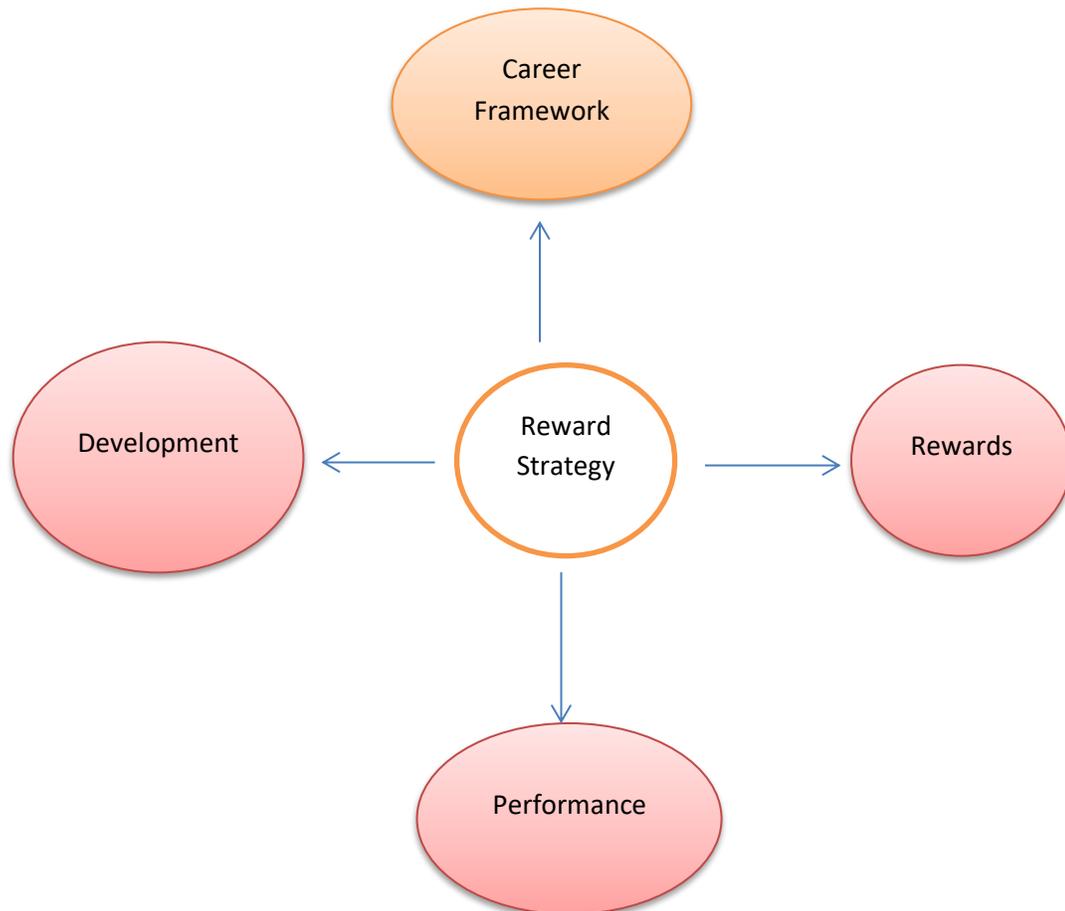
Strategic reward management refers to the procedure of development, design, and implementation of a scheme to reinforce and support anticipated behavior in an organization. It is the process of formulating and implementing guiding principles, philosophies, and strategies of rewards. The decision that the management makes gives a clear outline the organization will utilize to enhance productivity through rewards in the future, and how the rewards will be administered effectively. The British Airways is the largest airline in the Great Britain worth 52,000 employees. It has a strategic management that links to its business strategies. It has eight principles that ensure the employees remain motivated. In the current business environment that is characterized by stiff competition, strategic reward management is very significant. It helps the human resource management and the management in general to think of effective ways of using rewards to motivate the employees so that they can work together towards achieving the organizational goals. Strategic reward management should be utilized even during recession when the business cycle slows down. During recession, the business has to struggle to maintain customers and its reputation for it to rise again. Thus, customer motivation is crucial; hence the reward strategy is vital. Organizations require proper property management to ensure the employees have the right space and equipment to perform their duties. In this case, property management system (PMS) is a key factor in strategic reward management. Pay costs and other expenses in an organization have to be considered when adding another item in the budget that requires finances. Thus, Management Accounting System (MAS) must be considered properly to

ensure the strategic reward program is executed effectively. A simple practice such as offering coffee to the employees makes them feel appreciated. Embracing a Kopi Gank culture works wonders in organizations. Even if the British Airline has succeeded in its strategic reward system, there are recommendations that can make it more excellent. Strategic reward management requires keen consideration during recession, in its property management system (PMS), Management Accounting System (MAS), and a positive simple culture such as Kopi Gank culture to maintain a motivated team of employees and achieve organizational goals.

### **Recession**

British Airways has not escaped the recent economy recession that has affected many parts of the world. The company was founded in 1974 by the national government, but was privatized in 1987. It has enough experience in the field, but it cannot evade the recession that is affecting all other parts of the world. As an international transport company, BA has faced recession that has negatively affected it in several ways. There has been inflation in the world, with petroleum products that the company uses being the most affected. The prices of petroleum products have been unstable, making products and services to fall and rise without prior warning. The transportation industry is directly affected by the recession in the world, thus making British Airway among the most affected companies because of its size, complexity and international image. For instance, the company made a profit of £8002 million in 2001. However, in 2002, it experienced a net loss of £516 million as a result of the recession in the world. Similarly, in 2004, the company operated with £883 million profit, which was followed by £397 million loss in 2005. This indicated that the company, like many other organizations in the world, is suffering from recession. As a result of the recession, BA adopted a strategic reward management that

would ensure that its employees remain motivated so that they work with the right morale, treat customer properly and help the organization recover. The BA Strategic Reward Structure can be summarized in Figure 1.



**Figure 1: British Airways Reward System Summary**

The reward system consists of both the financial and employees benefit. Apart from benefiting financially, the employees are equipped so that they can treat the customer with utmost care. The two elements form the total remuneration that enhances production at the work place. On the same note, the reward system has the non-financial components which include personal growth, responsibility, recognition, achievement and praise. The British Airways management understood that the financial aspects could not achieve the desirable goals during

recession. In this case, the organization focused on increasing the non-financial components so as to reduce the cost during recession.

The decision of British Airways was informed by the Expectancy Theory. According to this theory, employees must work extra hard for them to gain a salary increases. In this case, BA sets targets for every employee. Those who worked smartly managed to achieve the target and go beyond the set standards. They worked extra hours and gave their work the commitment it deserves. They served the customers with respect so that the company could continue making profits and give them the rewards. The company applied the three major factors in the expectancy theory which are valence, instrumentality and expectancy to ensure that it did not sink in recession.



**Figure 2: Expectancy Theory Diagram**

### **Property Management System (PMS)**

The efficacious construction, promotion and realization of a strategic reward management decisions requires complex decisions especially when dealing with assets. Companies value their assets as they understand that apart from employees, the assets are the next in the hierarchy. The company cannot run without the premises, equipment and money. The

properties ensure that the companies run smoothly and the organizational goals are achieved. There is need to ensure that the employees understand perfectly how the company property works so that they will be motivated to use the property in the right way. According to Lee, Park, and Lee, employees fear using equipment that they are not sure how it works. They are afraid that they might mess with the equipment and end up paying for the damage. In this case, therefore, the strategic reward management must ensure that employees are continuously taught and reminded how the company property should be used.

British Airways has many machines and tools that operate on daily basis. The management understands the importance of Property management in Reward Strategies. Thus, there are continuous workshops and refresher courses in every department to make sure that the employees are taught and reminded how to operate or take care of the property. Strategic reward management is a process that thinks about today while considering the future of the company in a great way. It ensures that the company will be in a stable condition in the present time, and be in a better position in the future. Since properties are costly, it is practically impossible to purchase new property every time because of carelessness and ignorance. British Airways came up with philosophies that had guiding principles to ensure that all employees have the same culture as indicated in Table 1.

**Table 1: Reward Guiding Principle and Philosophy**

Reward Philosophy	Principle
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Every employee should take care of the property as it is what is used in enhancing performance.	Property management at individual level.
After using a property, it will be returned to the right place so that the next user will not waste precious time searching for it.	The principle of order.
Whenever a property is damaged during the line of duty, employees will communicate to their supervisors so that the property can be repaired or replaced immediately.	The principle of effective communication.
Reward will be shared among all employees if the profit is high, and the damages are as minimal as possible.	The Principle of Equality

### **Management Accounting System MAS**

The reward system has to be controlled using the management accounting system to prevent cases of misuse of finances that should be used for other purposes. As much as the company requires to have motivated employees, the accounts should not be deprived the extent of making losses. British Airways has an effective Management Accounting System that offers the management a chance to execute the rewarding process in logic and organized manner that will be in line with the mission, vision and spirit of the company. There are many factors that can motivate the employees which do not require money. In this case, BA holds motivational

meeting every month where the best performers are praised. They are given small tokens such as T-Shirts with the Company name. Such practices are used to ensure the M.A.S is in order. The best employees receive encouragement and are uplifted to higher heights. They feel respected and appreciated for the good work they have done for the company. When performers are positively recognized, the other employees work hard so that they can be in that position in the coming months. Those who top their departments for six months continuously are rewarded with a prize with monetary value. Thus, there is less use of monetary rewards, but once its done, it has an overwhelming impact to the entire department.



**Figure 3: A T-Shirt Sample Used as a Reward**

An effective Management Accounting System (MAS) ensures that the strategic reward management system has rational programs that will benefit the company in the long-run. The MAS oversees every policy the Human Resource department puts in place. There should be a working platform that will enable the employees to increase productivity after getting the reward.

Further, the reward system should not use a lot of money and fail to deliver as this would make the organization to incur unnecessary losses. British Airways has embraced a culture of MAS in its strategic reward management. The MAS controls the rewards and ensures the company benefits from the initiative. As a result, the strategic reward management comes as a perfect chance for strategic planning which enhances continuity in the system.

### **Kopi Gank Culture**

Employee motivation is influenced by minor things that no one could imagine. Employees are comfortable to work in an organization that makes them feel at home. They enjoy a sense of belonging at the workplace because they use most of their active hours of the day there. In this case, therefore, the strategic reward management should have initiatives that will have such little things that will delight every employee. Surprisingly, coffee is one of the most loved drinks in the world. People from all walks of life enjoy the coffee, its aroma and the energy it provides. Research indicates that drinking coffee together is one of the best ways of team building. When people have time to take a cup of coffee together, they share a lot about their experiences in an informal setup. This is the best opportunity for the management to pick points from the subordinate staff, and vice versa.

British Airways understand the power of the Kopi Gank Culture. The company has an employee canteen that offers coffee throughout the day. The employees as well as the customers are allowed to take a cup of coffee whenever they need it. In addition, the company has gone an extra mile to create a coffee mug with the company logo. The initiative encourages the culture of taking coffee together at the workplace. Employees are rewarded with the mugs for good performance, while other mugs are available for use at the canteen. To extend the hand of

hospitality, employees are allowed to carry the mugs to their loved ones at a small fee. In this case, they feel that the company values their work and relationships. This is an effective strategy in the strategic reward management that attracts and satisfies every individual. It makes the employees to feel part and parcel of the BA community. They gain the right morale every moment they take coffee at the workplace.



**Figure 4: British Airways Coffee Mug**

Source: <https://airlineemployeeshop.com/collections/coffee-mugs/products/british-airways-a380-11-oz-coffee-mug>

### **Summary**

Strategic reward management provides a holistic approach towards execution of intrinsic rewards as well as extrinsic ones. It describes the plans the organization has in enhancing motivation of employees from the outside forces such as financial development, and also from within the employees. It assists in ensuring that the cost of rewards does not interfere with the

future vision of the organization. The management plans how to link the reward processes with the other organizational policies, and how the relationship will be maintained. Sometimes it is practically impossible for organizations to evade economic occurrences such as Recession. The British Airways has been affected by recession that is affecting the global economy. Fortunately, the company has a strategic reward management that ensures that the employees are happy and satisfied. Consequently, they work hard and perform beyond the set standards. It is important for companies to adopt rewards systems that will help them rise again even during hard economic times such as depression and recession. Also, property management system (PMS) is a crucial factor in strategic reward management. The assets that a company has must be protected as they are used in accomplishing the organizational dream. Employees should know how to use the property effectively and carefully. British Airways' strategic reward management has a philosophy and principle guideline that ensures employees are part of property management system. They have learned to protect and care for the property which makes sure they receive rewards for good performance. Management Accounting System (MAS) provides a control platform for the HR department. It ensures that the reward system does not over-utilize resources that should be used in other programs. British Airways has an active Management Accounting System that evaluates the reward system so that it provides logic and rational results. A strategic reward management does not have to be all complex. It can include a simple practice that can change the attitudes of the employee. A little effort such as providing employees with coffee can perform wonders. British Airways has embraced the Kopi Gank culture. The management provides an open platform for employees to take coffee from the workplace premises. It has also provided coffee mugs for employees, a practice that has made the workplace home to all employees. They have a positive attitude and work happily to achieve the organizational goals.

In this case therefore, a combination of recession plan, PMS, MAS, and Kopi Gank culture has made British Airline Strategic Management to be exceptional and to bear positive fruits.

### **Recommendations**

Reward Theories indicate that it is significant for line managers to be productive for the strategic reward management to work properly. According to Herzberg 2-factor Theory, favorable working conditions and salary increment are the most important factors in motivating employees. However, this theory argues that there are hygiene factors that demotivate the employees if they are not properly considered. They include unhealthy working relationships, salary deductions and diminishing policies. British Airways has invested heavily in the working conditions, but seems to have forgotten the second factor as described in Herzberg's theory. The company should engage all stakeholders to brainstorm ideas that are potentially and hygienic. BA management should understand that as much as they have invested in the strategic reward management, they should continuously look for errors that might strengthen the unhealthy factors. According to Lazaroiu, whenever a problem associated with motivation is realized on time, the damage margin is reduced. The company should not rest on the basis that the reward system is successful. Rather, it should continually check and consult the line managers so that they highlight any issue they feel is demotivating the employees. The line managers should be directly involved in selection of alternative approaches that are realistic, using the available resources and have positive impacts in the long run.

Secondly, most of the companies find it easy to formulate a strategic reward management system, but maintaining it becomes challenging. In fact, most of the rewards systems end up increasing conflicts among employees. When people are disturbed, they have no peace. The

disharmony demotivates them instead of creating morale. British Airways should be cautious so that the well-established reward system does not become a source of conflict to the employees. The company awards performing employees several times in a year as per the strategic reward management. Sometimes it happens that the same people are rewarded every time. The other employees feel that there is favoritism in the system. Instead of appreciating the performing employees, they hate them and start fighting them internally. In this case, BA has to keep searching for weaknesses within the system so that they can be corrected before escalating into negative conflicts. In British Airways, there are many line managers to supervise the 52,000 employees. However, they should formulate procedures and policies that will hinder the line managers from selecting their friends and family members to get the reward as this could destroy the work done so far in executing the reward system. There is a gap in this section which should be filled urgently to mitigate employees' conflicts.

The reward scheme in British Airways has succeeded because the senior management has been committed. However, there is need to involve the junior management in decisions concerning the reward system. The junior managers and supervisors are the ones who deal directly with employees. They supervise them at the station and select the best performers. In this case, they should be involved in decision making of the program is needed to last long. According to Zubir, the power of motivation is in the junior managers. If they feel that they have been ignored, they will have a negative attitude which will easily spread to the employees. They will not motivate the junior, instead they will discourage them through words and actions. In this case, as much as the senior management is the one to fund, implement and monitor the reward system, the juniors should not be ignored. If the junior managers conceptualize the reward system, they spread it to the employees and it is easily embraced as a culture in the organization.

The senior managers do not have enough time to influence such actions. Thus, they should give the people on the ground a chance to do that.

The recruitment stem which is part of an effective strategic reward management involves interviews in most organizations including British Airways. During the recruitment services, the candidates are asked questions that are related to their qualifications, politics, personalities and current affairs. The organizations should ensure that the new employees that are added into the system do not demotivate those who are already in the system. British Airways should keenly look at the way it recruits new members of the staff. Considering the fact that BA is an international organization, there is a need to consider other factors apart the few questions asked during the interviews. For instance, the candidates should be properly vetted so that they do not become a burden to the system that has BA has spent many years to streamline. The airline industry requires companies to have effective recruitment and selection processes that are acceptable to all people. In this case, British Airline has to adjust and include new strategies when outsourcing and selecting employees.

Lastly, there is need for British Airways to consider checking its quality performance measurement. It should have a policy that will include a measure that even the customers can identify. The policies should include an approach where the employee knows that the customer feedback counts into their performance. In this case, the customers will know how they should be treated, and they will report any employee who mistreats them. British Airways should make sure that all employees understand the quality cost. Thus, the quality cost factors such as external failures, appraisal costs, prevention costs and internal costs are clearly comprehended by all employees. This can be achieved through workshops, seminars, team building activities and

refresher sources. The Company should never get tired of reminding the employees to do the right thing. Even if the customers are not part of the team, they should be sure that they will receive the right services. This does not only help in quality control but also in enhancing the reputation of the company. British Airways has successfully implemented an admirable Strategic Reward System, and should use all the possible means to ensure that it benefits the current status of the organization, and more so, the future of BA.