

A Study on Compensation Management with Reference To Bank Employees Working in Hyderabad

I. Vamshidhar Reddy

Medipally, Uppal,
Hyderabad-500098, India.

ABSTRACT:

The study aims to find out the impact of the Compensation on the employee productivity and the employee perception and satisfaction levels towards the Compensation. The study Compensation management gives the brief information about the employee Compensation in the organization and it explains employee reward system and it determine the performance of employee on their work. The Rationale for the study is to design the suitable Compensation package for employees which is Cost Effective and at the same time provides Job Motivation to Employees.

The study is done at Hyderabad in banks. The sampling technique used was convenience sampling. The respondents were asked to fill the questionnaires and thus the primary data is collected. Secondary data was collected from various sources like books, survey reports, web etc. The study is based on the hypotheses that the employee production and retention are not related to the Compensation in an organization.

The data collected from the primary source and the secondary sources was analyzed using appropriate research tools like graphs, tables etc. From the study, it was found that the employees are satisfied with the Compensation and the salary administration policy and they feel that their Compensation is worth the value of their position. And the employees agree that the Compensation policy in their organization helps employees and their families achieve improved quality of life and financial security.

Key words:

Compensation Management, Banking employees, employee productivity.

1. INTRODUCTION:

Compensation represents an exchange between the employee and the organization. Each gives something in return for something else. In the past, the Compensation issue was often confidential and governed by individual employer's preference and choice. However, in today's competitive world, Compensation issues are more transparent. Different scholars in different countries have defined the world Compensation from different perspectives. Globally, almost every country views Compensation as a measure of justice. Also, some countries (particularly developed ones) consider Compensation as a means of protection against potential job loss. Compensation should be fair, irrespective of economic consideration. Many scholars believe that Compensation is the outcome of productivity. In India, right from Vedic Age, the volume of work and the time required to perform the work were considered to decide Compensation [1]. The modern definition of Compensation, however, considers both intrinsic and extrinsic components of Compensation. While extrinsic Compensation covers both monetary and non-monetary rewards, intrinsic Compensation covers both monetary and non-monetary rewards; intrinsic Compensation reflects the employees' mental satisfaction with their job accomplishments.

Cite this article as: I.Vamshidhar Reddy, "A Study on Compensation Management with Reference To Bank Employees Working in Hyderabad", International Journal of Research in Management Studies, Volume 2 Issue 11, 2017, Page 33-38.

2. LITERATURE REVIEW:

The role of human resource management in gaining competitive advantage has been discussed in the western literature since the early eighties. Schuler and MacMillan (1984) discussed how companies can strategically utilize their infrastructure requirements to gain competitive advantage, particularly through their human resources and human resource management practices. Although there are many ways by which companies can gain a competitive advantage, as MacMillan (1983) has suggested, one way often overlooked is through their human resource management practices. HRM practices enable companies to gain competitive advantage in two major ways: one is by helping themselves and the other is by helping others. There appears to be a significant benefit from having HRM considerations represented in strategy formulation stage rather than only in the complementation stage. Schuler (1992), proposed the 5-p model of strategic HRM which melded various HR activities with strategic needs [2].

These five P's (HR Philosophy, Policies, Programmes, Practices and Processes) according to him can be categorized into strategic on the basis as to whether they are systematically 3 linked to the strategic needs of the business. One benefit of the 5-P model is that it shows the interrelatedness of activities that are often treated separately in the literature. This separate focus perhaps necessary for research purposes tends to understand the complexity of how HR activities influence individual and group behaviour. Thus by using the 5-P model we may gain greater understanding of this complex interaction. Roy Massey (1994) explored the reasons as to why strategic HRM is a critical issue facing NHS trusts in U.K. He identified the risk associated for not taking a strategic approach. According to Roy organizations that do not adopt a strategic approach are easily recognized by a fragmented and ad-hoc approach to the development and implementation of human resources activities [3].

In those organizations that do not adopt a strategic approach, existing approaches often act as barriers to the implementation of strategy rather than as levers to support or facilitate it, they are at risk of reacting to somebody's agenda. Failure to have a strategic approach to HRM will directly impact on the performance of the organization, however it is measured. Critically, failure to take a strategic approach will have implications for costs, efficiency, productivity and quality. Rozhan bin Othman (1996), examined the relationship between strategy and HRM practices in the Irish Food Industry. The main focus of the study was to examine the relationship between competitive strategy and HRM practice. The study utilized a sample from the Irish Food Industry. Firms with more than 25 employees were selected for the study that gave a sample of 497 firms. A questionnaire addressing two key areas of HRM practice and strategy was developed and marked to the personnel / human resource managers of all these firms. The findings of the study did not support any of the hypothesis forwarded [4].

This suggested that the impact of strategy on HRM practice is less pervasive, if it exists at all, than suggested in HRM literature. Instead, the evidence showed that when controlled for employment size, none of the strategies associated with HRM practice can be considered distinct. Other variable, specially the presence of a HRM department, appear to exert more influence over the form of HRM practices of the organization. Othman, R and Ismail Z (1996) undertook an empirical examination of the relationship between HRM practice and strategy in the service and manufacturing sectors in Malaysia. The study was based on the assumption that given the certain characteristics of the service firms, they should develop a more strategic HRM practice than manufacturing firms. In the above study 545 firms from the four industries representing the manufacturing sector (electronics / electrical, textile, food and plastic) were selected [8].

A total of 367 firms from the two industries (Banking and Financial Services) representing the service sector were selected, thus the total number of firms involved in the study were 912. The findings of the study did not show much support that the HRM practices of organizations are distinctly related to their strategy. The difference between the manufacturing and service firms perusing these strategies did not indicate that service firms exhibited stronger fit between HRM practice and strategy [5]. Denise S, and Christopher M (1997)⁷, investigated how human resource strategies are conceived, designed and implemented in organizations as perceived by the managers involved. The data for the study was collected through a questionnaire from 723 managers studying the Open University MBA programme, Northampton. The study conducted showed that most HR changes are organization wide and are intended to enhance organizational performance and support the achievement of primary business objective. There was a clear board level involvement at initiation and planning stages, the responsibility for implementations was unclear.

It appears that organizations were not effective in managing strategic HR change and continued to make the same mistake, despite the availability of theories in the literature. Although such a “glorifying” and sometimes simplistic approach to learning is probably necessary for implementing a learning organization, there are of course a number of criticisms (Fenwick, 2006). We group these critiques into the fourth approach, the “critical” approach. This approach often highlights the other side of the coin by discussing, for example, discourses, power aspects, unplanned and unintentional learning at workplaces or even learning gaps. The hidden curriculum of workplace learning includes the ongoing process of qualifying, selecting, adapting and shaping the attitudes of employees with regard to organizational culture, workplace tasks and occupational health conditions: this is sometimes a process that is on the verge of indoctrination and

manipulation (Gerhardi and Nicolini, 2000; Ahl, 2006) [9]. This form of learning is sometimes discussed as socialization, as a part of the process of becoming a full member of an organization (Wenger, 1998) or a sub-group. People learn very quickly what counts in the organization and adapt accordingly. Members of an organization create, consciously or not, ideas, opinions, attitudes and actions together – for good and for bad. Sometimes this can mean reproducing the status quo (Abrahamsson, 2006) and be in direct conflict with intentional and planned learning at the workplace. Examples of negative aspects that are learned are subordination, passivity and helplessness or accepting a worse work environment than what is appropriate or needed [6].

3. RESEARCH METHODOLOGY:

A pilot study was collected from among the 100 Banking employees working in Hyderabad using charts, graphs and percentage analysis.

a) SCOPE OF THE STUDY:

The study focuses on Compensation management of the employees working in public and private banks in Hyderabad. It gives the detail information on employee Compensation based on their performance and employee levels in Banks. The study focuses on the Compensation management strategies & to evaluate the behavior & performance of employee on their work [7].

b) OBJECTIVES OF THE STUDY:

1. To Study the impact of Compensation management on performance level of banking employees in Hyderabad.
2. To know the various types of Compensations provided by the company.
3. To identify the satisfaction level of employees of their Compensation.
4. To Study the problems related to Compensation faced by Banking employees and bring out suitable measures to solve them

Data was collected from the employees working in any of the five banks such as SBI, ICICI, HDFC, AXIS and Karur Vyasa Bank form part of 100 Sample units randomly using well-structured questionnaire and the results were analyzed using charts and graphs.

4. DATA FINDINGS:

1. Compensation available in the organization

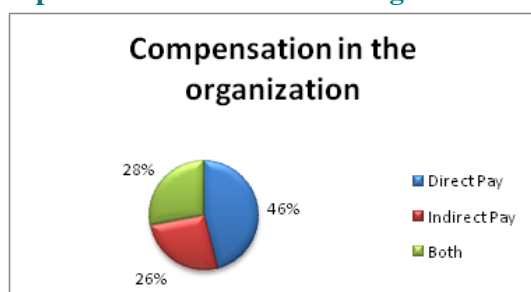


Figure 1

2. Basis of providing Compensation to the employees

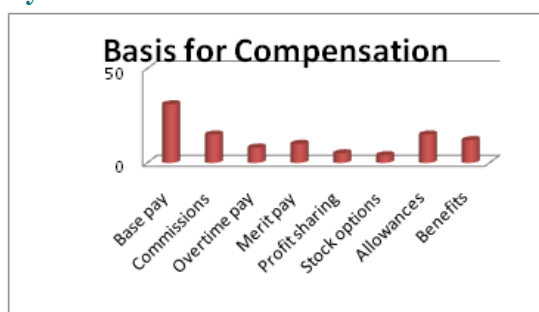


Figure 2

3. Kind of Compensation do employees prefer

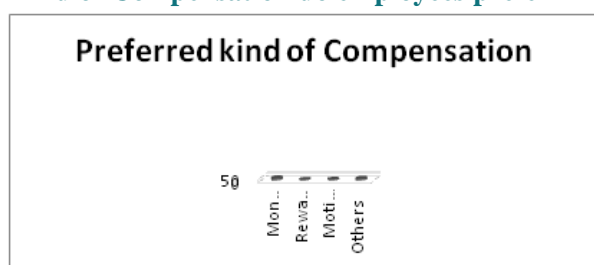


Figure 3

4. The level of satisfaction with the Compensation received

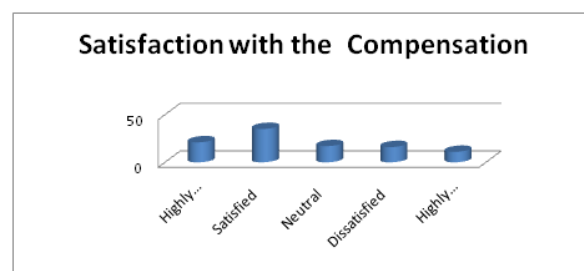


Figure 4

5. The level of satisfaction with the Compensation policy in your organization.

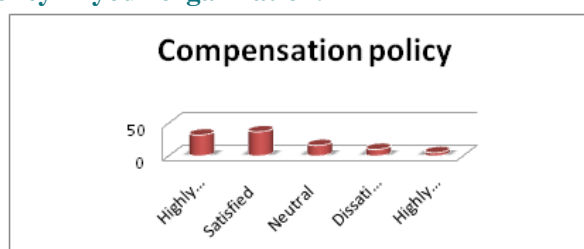


Figure 5

6. The Compensation package provided to the employees working in Banks

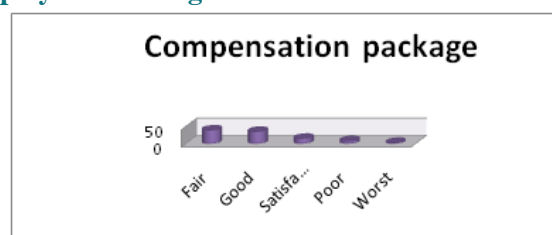


Figure 6

7. Compensation fit with the value of your position

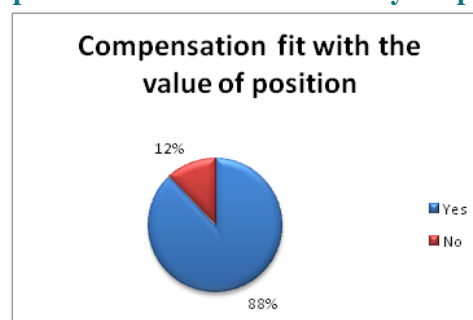


Figure 7

8. The wage policy able to retain employees



Figure 8

9. The dependency of the employee productivity on the employee salary

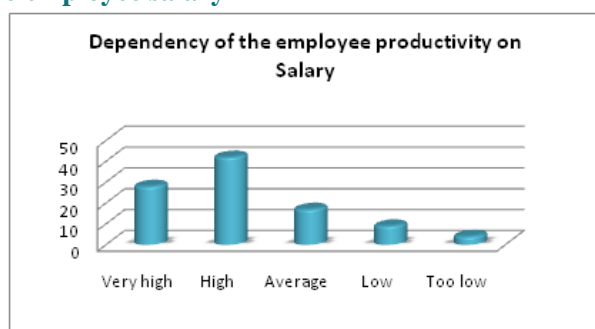


Figure 9

DATA FINDINGS:

- 46% of the respondents are compensated with direct Compensation and 26% of the respondents are compensated with indirect Compensation and the remaining are compensated with both.
- The majority of the organizations are providing Compensation on the base pay, commissions, overtime pay, merit pay, profit sharing, stock options, allowances and other benefits.
- Most of the respondents prefer financial Compensation followed by other types of Compensations.
- Half of the respondents are satisfied with the salary administration policy, salary and Compensation which they receive from the organization.
- 46 respondents feel that the cash is king in terms of employee Compensation to a certain extent, 18 respondents feel to a great extent and 36

respondents feel that cash is king in terms of employee Compensation to a little extent.

- 88% of the respondents agree that the salary package fit with the value of position in the organization.
- 76% of the organizations conduct salary survey and are conducted annually.
- Above half of the respondents are unaware of the market value of salaries compared with the present salaries in the organization.
- Only 18% of the organizations are unable to retain the employees with the wage policy in the organization.
- Almost all the employees feel that their productivity depends upon the Compensation.

SUGGESTIONS:

- Nearly half of the employees are not satisfied with their Compensation which calls for an immediate redesigning of the salary structure or hikes. The salary administration policy should also be taken proper care.
- The management should not consider the salary as the sole factor for getting the maximum output from the employees. Apart from Compensation, importance should also be given to the other issues like autonomy, authority, work environment, motivation etc.
- The organization should also conduct salary surveys regularly in order to have up to date information of the salaries in the market and should in par with the market so that the employees do not get disappointed or intend to switch to other companies.
- The employees should be clearly communicated and encouraged to participate in the Compensation management programs.
- The Compensation policy and the salary administration should be revised regularly in order to keep the Compensation system effective.

CONCLUSION:

In the Organizations in the work force there are still workforce that have a very strong work ethic, and continue to stay motivated regardless of the Compensation package provided. On the other hand, there are also employees that need constant increases in pay, better benefits, more work-life balance, etc., in order to perform well on a consistent basis. In both of these cases, Compensation is irrelevant and individuality is more important. The Performance of the employees depends on the existing Compensation and performance management programs at an individual company. Typically, most employees respond to increases in pay and benefits with a positive and more productive attitude.

However, the opposite is true as well. Sometimes, employees only notice rewards of a salary increase the day the increase is communicated to them, and the day they receive the first paycheck that includes the salary increase. In the long run, the effects of Compensation and benefits diminish as employees begin to feel a sense of loyalty and organizational commitment. When employees begin to feel they are an indispensable part of the organization, they often become dissatisfied with their Compensation and benefits. Finally, when employees feel they are a superior part of an organization, they typically believe that the organization owes them much more than what they are already receiving.

At this point, Compensation is simply the glue which holds many dissatisfied employees in place. Furthermore, it does not mean that there is a positive correlation between better Compensation and better performance. On a final note, employee work ethic, loyalty, and good character far outweigh the effects of Compensation and benefits. Highly competitive Compensation packages do not make for talented employees. Rather, good employees make highly competitive Compensation possible.

REFERENCES:

- [1] Barney, J.B. "Organizational culture: Can it be a source of sustained competitive advantage?" *Academy of Management Review*, Vol.11, 1986, pp. 802-835.
- [2] Pfeffer, J. "Putting People First for Organizational Success", *Academy of Management Executive*, Vol.13, No.2, 1999, pp. 37-48.
- [3] Lado, A. & Wilson, M. "Human Resource Systems and Sustained Competitive Advantage: Competency-based Perspective", *Academy of Management Review*, Vol.19, 1994, pp. 699-727.
- [4] Pérez P. D. S. and Falcón J.M.G, "the influence of human resource Management Savings Bank Performance", *The Service Industries Journal*, 2006, p. 53.
- [5] Dessler, G. "Human Resource Management" Prentice-Hall, Englewood Cliffs, NJ, 1994.
- [6] Huselid, M. "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance", *Academy of Management Journal*, Vol.38 No.3, 1995, pp. 635-672.
- [7] Becker, B. & Gerhart, B."The Impact of Human Resource Management on Organizational Performance: Progress and Prospects", *Academy of Management Journal*, Vol.39, 1996, pp. 779-801.
- [8] Lado, A. & Wilson, M., op. cit. pp. 699-727. Anna Baines, (1995) "Work measurement – the basic principles revisited", *Work Study*, Vol. 44 Iss: 7, pp.10 – 14.
- [9] Shirley Daniels, (1997) "Back to basics with productivity techniques", *Work Study*, Vol. 46 Iss: 2, pp.52 – 57.