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Analyzing Reward Management Framework with Multi Criteria Decision Making Methods

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Abstract

With the definition, reward is explained as “The return for performance of a desired behavior; positive reinforcement”. On the organization side, reward is one of the important key elements to motivate employees for having better and flexible performance. Rising performance of employees causes advance in both financial and non-financial side.

As a new and popular management topic; reward management consists of analyzing and controlling benefits including remuneration and development for the employees. The aim of reward management is to create an efficient reward structure to operate within the whole organization.

Objective of reward management is to reward employees fairly. Reward management used for motivating employees to work towards achieving the goals of the organization. The reward usually known as pay but Reward management is not only concerned with pay. It is concerned with employee benefits, non-financial rewards (training, development, and environment) to increase the organization flexibility and success.

The purpose of this paper is to examine the reward management as a framework in terms of four main criteria (Pay, Benefits, Learning and Development, Work Environment) and three sub-criteria for each main criterion. Within examining the criteria, the most important criteria for the study will be determined under using multi-criteria methods Analytic Hierarchy Process (AHP) and DEMATEL Method.

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1. Introduction

Reward management consists of analyzing and controlling benefits including remuneration and development for the employees. Reward management aim is to create an efficient reward structure to operate within the whole organization.

Reward management is a popular management topic. Reward management was developed on the basis of psychologists’ behavioral research. With the improvements in this research, psychologists tried to find what motivates people to do what they were doing. In Further researches, motivational theories emerged. When we look at these times, the motivational theories become a member of reward management (Latham, 2011).

Reward management deals with processes, policies and strategies, which are so important to the organization by means of the employees. Objective of reward management is to reward employees fairly and consistently in the organization. The reason of having reward system in an organization is to motivate employees to work towards achieving strategic goals through the organization.

Reward management is not only concerned with pay. It is concerned with employee benefits, non-financial rewards (training, development, and environment) to increase the organization flexibility and success (Armstrong, 2007).

2. Reward Management Framework

In the study, a simplified version of (Brown, 2001) total reward framework used as a reward management framework. Various categories of rewards used from employees look for in an organization. The upper two squares cover financial (Transactional) rewards and the lower two squares cover non-financial (Relational) rewards. The right hand side two squares cover public (Communal) rewards and the left hand side two squares cover personal (Individual) rewards.

Table 1: Framework of Reward Management

Transactional (Tangible)			
Individual	Pay/Reward	Benefits	Communal
	<ul style="list-style-type: none"> • Cash Bonuses • Base Pay • Profit Sharing 	<ul style="list-style-type: none"> • Perks • Healthcare • Flexibility 	
	Learning & Development	Work Environment	
	<ul style="list-style-type: none"> • Training • Performance Management • Career Development 	<ul style="list-style-type: none"> • Leadership • Work life Balance • Employee Voice 	
Relational (Intangible)			

3. Methods

3.1. AHP Method

AHP, developed by (Saaty, 1980), addresses how to determine the relative importance of a set of activities in a multi-criteria decision problem. The AHP method is based on three principles: first, structure of the model; second, comparative judgment of the alternatives and the criteria; third, synthesis of the priorities.

In this study we will use the first and the criteria part of the second step of this method for this AHP uses multiple pairwise comparisons are based on a standardized comparison scale of nine levels (Table 3).

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