REMUNERATION AND REWARD STRATEGIES AT

THE NELSON MANDELA METROPOLITAN UNIVERSITY

BY

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In accordance with Rule G4.6.3, I hereby declare that the above-mentioned treatise/dissertation/thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.

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DATE: _____________________________________________________________
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To be competitive, organisations need to ensure that all their resources are functioning at optimal level. The most important of these resources being its employees. This is because their commitment can guarantee the attainment of organisational goals. Commitment can be attained by an organisation through the payment of internally and externally competitive remuneration and reward packages, that communicate the value of the employees to the organisation.

Remuneration and reward strategies are a critical tool for organisations, as they can motivate, attract and retain high performing employees. The theories of motivation, such as, the equity theory, state that employees compare their compensation with that of others and that if they perceive inequity, can be de-motivated or leave an organisation. Therefore, it is imperative for an organisation to ensure that its remuneration and reward strategy is aligned with its business strategy, to ensure clear communication of goals. In order to prevent labour turnover and to ensure commitment and retention, the employer needs to offer total rewards, which include base pay, benefits, variable performance pay, recognition and an enabling work environment. These can be effective as they meet all employee needs as in Maslow’s hierarchy of needs and ensure the satisfaction of the organisation’s need for goal attainment.

To gain more insight, an empirical study was conducted at the Nelson Mandela Metropolitan University. The results of the survey indicated that the NMMU’s remuneration and reward strategy contained certain elements of the total rewards strategy. These are variable pay in the form of a service bonus and benefits plus based pay. This strategy seems to be ineffective to motivate and retain employees due to lack of clear communication and recognition. To motivate and retain its employees, the NMMU should improve its communication and engage employees and unions in defining remuneration and reward strategies through collaboration.
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CHAPTER ONE

INTRODUCTION AND PLANNING OF STUDY

1.1 BACKGROUND AND RATIONALE

An organisation’s employees provide an important basis for sustainable competitive advantage; this is because people-based resources are considered more durable and less susceptible to imitation than other types of assets. As a result, a firm’s compensation plan plays a prominent role in recruiting, motivating, and retaining employees and is thus central to building a durable advantage (Boyd and Salamin, 2001:77).

The problem of motivating people in organizations comes from the fact that their self-interest may not automatically lead them to act in ways that promote the organisation first. This divergence of interest arises because the individual members of an organisation typically do not bear all of the costs and benefits of actions they take and the decisions they make within the organisation. Companies try to manage this through five primary mechanisms:

- Developing and providing clear strategic direction;
- Implementing good organisational design;
- Creating a sense of shared purpose;
- Effective performance management; and
- Appropriate remuneration and reward systems (Olivier, 2006:47).

This study focused on the fifth mechanism, that is, appropriate remuneration and reward systems. These are the basis for how employees are remunerated or compensated and, as a result, can lead to motivated employees who will stay with the organisation. This is important as remuneration systems are not
changed as often as other business functions are changed in terms of organisational strategy.

In conjunction with an organisation’s recruitment and selection efforts, a total compensation system provides pay that is sufficient to attract the right people at the right time for the right jobs, and keep them motivated to perform these jobs to the best of their ability. Unless the total compensation programme is perceived to be internally fair and externally competitive, good employees are likely to leave (Schuler and Jackson, 2006:362).

According to Price (2004:529) the reward or compensation that employees receive for their contribution to an organisation can include monetary and non-monetary components. Price also states that remuneration does not simply compensate employees for their efforts; it also has an impact on the recruitment and retention of talented people. In other words, as the employer’s relationship with the employee is reciprocal, remuneration can also be used as a strategy to attract the best people available and to keep the best existing people.

According to Kaye (1997:46) compensation is a complex network of processes which are directed toward rewarding people for services performed and motivating them to attain desired goals of performance. Among the components of this process are wage and salary payments; the awarding of insurance and vacations; and the provision of essentially non-cost rewards such as recognition, privileges and symbols of status. Compensation policies have a profound effect on the recruitment, retention, satisfaction and motivation of employees.

The study was conducted at the Nelson Mandela Metropolitan University. This was important because the university had introduced the Excellence Development System as a reward strategy. This was needed as the university did not have a reward system in place as they were reliant only on the remuneration they give to employees to keep them motivated. The success and effectiveness of this strategy depends on the premise that it will reward employees through monetary rewards for performance. Further, it would provide
for non-monetary rewards as there would be opportunity for promotion, which could help in the retention of employees.

Good people management is core to an organisation’s performance and reward is at the heart of employee motivation. Consequently, organisations need regular re-examination of their existing reward systems. Reward strategies have traditionally been single, isolated interventions and it is imperative that they are aligned with the overall business strategy and that all elements of reward are used to drive the right behaviour (Kruger, 2003:32).

To succeed in attracting and retaining talent, companies have to consider the needs of organisation and individuals, as well as the environment in which the business operates. They must develop a strategic reward programme which incorporates pay and employee benefit strategies, as well as consideration of the individual’s personal growth and development and the work environment (van Schalkwijk, 2000: 5).

1.2 PROBLEM STATEMENT

The purpose of this study was to identify and analyse the remuneration and reward system as a source of motivation for Nelson Mandela Metropolitan University employees.

The sub-problems that need were addressed are:

a) What are the objectives of remuneration and reward strategies?

b) What remuneration and reward strategies can be used to motivate and retain employees?

c) What are the perceptions of employees regarding remuneration and reward strategies at the Nelson Mandela Metropolitan University?
d) What integrated model of remuneration can be used by the Nelson Mandela Metropolitan University to motivate and retain employees?

1.3 OBJECTIVES TO BE ACHIEVED

The objectives of the study were:

- To determine how the remuneration and reward strategy employed at the Nelson Mandela Metropolitan University concurs with theoretical guidelines;
- To conduct an interview with a key person in the Human Resources department at the Nelson Mandela Metropolitan University regarding the current remuneration and reward strategies.
- To evaluate financial and non-financial reward strategies that can be used in motivating and retaining employees as revealed in the literature study;
- To evaluate employee perceptions on the reward system utilised by the Nelson Mandela Metropolitan University, and
- To propose an integrated remuneration model that could be used to motivate the Nelson Mandela Metropolitan University employees.

1.4 SIGNIFICANCE OF THE RESEARCH

The objective of any reward system is to attract new employees to the organisation, to elicit good work performance and to maintain commitment to the organisation (Koala Consulting and Training, 2008:1). Most employees feel that they are worth more than they are actually paid; there is a natural disparity between what people think they should be paid and what organisations spend in compensation. When the difference becomes too great and another opportunity occurs, turnover can result (Phillips and Connell, 2003:184).
Often employers use remuneration and reward strategies as a tool to gain competitive advantage over others. They thus position themselves as the best and convince employees to stay within their employ. Organisations try to get the attention of talent by positioning themselves as an employer of choice. For instance, through their strategies an organisation can be viewed as an employer of choice by students at universities, and they would strive to be the best and to align their skills to the employer's strategies and vision.

This research was aimed to increase understanding on the area of remuneration and rewards, motivation and to find variation and connection with other research conducted on the subject. In addition, the research was aimed at proposing a total remuneration and reward model that is flexible, affordable and competitive.

The results of the study could be utilised by the Human Resource Department of the Nelson Mandela Metropolitan University to assist in the development of an effective model of their remuneration strategy and to assess the success of the Excellence Development System. The results could also be used by other universities in the development of their own remuneration and reward strategies. Scholars who are studying remuneration could also utilise the findings and results of the study in their research.

1.5 RESEARCH METHODOLOGY

This section describes the methodology that was used in this study. The proposed method of conducting the field research is described below.

1.5.1 Literature study

The literature study was conducted through reading secondary data in the form of textbooks, journals, newspaper articles, internet articles and company documentation on the topic. The focus of the study was on remuneration and reward systems and the impact they have on employee motivation.
Remuneration and reward systems were investigated and assessed against the criteria set out in the literature. In addition, an interview was conducted with the Deputy Director: Remuneration and Budgets to get information on the remuneration and reward strategies used at the Nelson Mandela Metropolitan University. The results from the interview are discussed in paragraph 2.3.1.

1.5.2 Empirical study

A survey was conducted according to the guidelines identified in the literature study. The questionnaire focused on the alignment of vision, strategic goals, performance goals and rewards (Section B), compensation and excellence (Section C), compensation and retention (Section D) and perceptions of the current remuneration system (Section E). The questionnaire is attached as Annexure B.

1.6 DELIMITING THE RESEARCH

Delimiting a research project makes it controllable and gives focus to solving the problem/issue researched. It aims to deal with only the areas that are essential to the problem and objects of the research project. The research was demarcated as follows:

- The study was conducted at the Nelson Mandela Metropolitan University.
- The study included Academic and Administrative employees that are employed on a permanent or on a long-term contract (period more than a year) at the organisation as these employees were directly involved in implementing organisational strategy. Employees on short-term contract were excluded from the study.
- The study focused on employees between salary grades 5 to 13.
The study focused on remuneration strategies used by organisations to motivate employees. Motivation theories were incorporated in the study. An in-depth study of motivation was not conducted.

1.7 DEFINITION OF CONCEPTS

To clarify the concepts used and establish the appropriate framework, the following definitions apply:

- **Remuneration**

  Remuneration is the monetary value of the compensation an employee receives in return for the performance of their contracted duties and responsibilities (Mackay, 1997:3).

- **Strategic remuneration**

  Remuneration strategy is how the organisation positions itself so that it can procure the level of skills necessary to effectively meet its strategic objectives (Blazing Solution, 2005:92).

- **Reward**

  Reward is remuneration and other tangible and intangible gains of value to the employee (Mackay, 1997:3). Reward refers to all of the monetary, non-monetary and psychological payments that an organisation provides for its employees in exchange for the work they perform (Analoui, 2007:234).

- **Motivation**
Dawson (1992) as quoted in Analoui (2007:222) defines motivation as the mainspring of behaviour; it explains why individuals choose to expend a degree of effort towards achieving particular goals.

1.8 ASSUMPTIONS

It was assumed that remuneration strategies have an impact on employee motivation and organisations can impact the performance of employees through integrated remuneration and reward strategies.

1.9 OUTLINE OF THE STUDY

Chapter One: The introduction of the study and its main and sub-problems were discussed. Key concepts were defined. The objectives of the research and the research methodology were discussed, followed by the outline of the study.

Chapter Two: Different remuneration and reward strategies are discussed and are further divided into financial rewards and non-financial intrinsic and extrinsic rewards. Different pay systems used for motivation, attraction and retention are also discussed. The discussion includes some theories of motivation to illustrate the relationship between remuneration and motivation.

Chapter Three: Research methodology used in the study is presented and discussed.

Chapter Four: Data collected by means of an empirical study is analysed. Results are presented in tabular and graphical form, followed by a discussion and interpretation of the results.
Chapter Five: The conclusions of the study and solutions to the main and sub-problems through the integration of the theoretical and empirical aspects are reviewed.

1.10 CONCLUDING REMARKS

In Chapter One, the main and sub-problems were discussed and an overview of the study was described. It was noted that organisational success is linked to the knowledge and skills held by employees. Remuneration and rewards are important in motivating and attracting employees, but inappropriate rewards are counterproductive to the success of an organisation.

To add perspective to the main problem and sub-problems, a brief outline of the Nelson Mandela Metropolitan University, the target organisation of the empirical research, was discussed. The remaining chapters will address the main problem and sub-problems as described in the chapter outline.
CHAPTER TWO
COMPENSATION STRATEGIES

2.1 INTRODUCTION

In Chapter One, the problem statement, sub-problems and significance of the research study were described. The purpose of this study was to analyse the remuneration and reward strategies used at the Nelson Mandela Metropolitan University.

In this chapter, the relationship between compensation and motivation, and compensation objectives and strategies are discussed, followed by a discussion of the alignment of reward strategies with overall business goals. The focus of this chapter is on the various pay systems used to attract, retain and motivate employees, and to improve company profitability. Money as a motivator is discussed in conjunction with selected theories of motivation.

Remuneration and reward systems are a critical part of any organisation's design. How well they fit with the rest of the systems in an organisation has an important impact on how effective the organisation is, and on the quality of life that people experience in the organisation. Remuneration and reward systems motivate employees to be committed and loyal to the organisation through performance and staying with an organisation. In order to achieve this level of commitment to the organisation the right combination of remuneration and financial and non-financial rewards has to be used.

According to Mackay (1997:3) managers often believe that employees work only for money and neglect the fact that there are two basic types of rewards, that is, financial rewards such as base pay, commission, bonuses and gain-sharing and non-financial rewards such as development opportunities, recognition, study time and travel opportunities. To be effective, remuneration and reward systems need to be based on a sound understanding of how people at work are
motivated. In the next section compensation, as a source of motivation in conjunction with various theories of motivation, is discussed.

2.2 COMPENSATION AND MOTIVATION

Organisations employ people to meet organisational goals. Employees are the source of an organisation’s competitive advantage, therefore organisations need to ensure that their employees are motivated so that they willingly exert the effort needed for the attainment of organisational goals. Employees, on the other hand, expect that remuneration and rewards received from the organisation will match their performance. This expectation plays a major role in an employee’s level of performance (Grobler, Wärnich, Carrel, Elbert and Hatfield, 2006:353-354). In order to attract and retain good, motivated employees, organisations need to ensure that their compensation strategies are fair compared with what is offered in the market and aligned to the organisation’s objectives.

Organisations often treat all employees the same and neglect the fact that employee motivation is sustained by different drivers. The source of employee motivation can be intrinsic or extrinsic. Intrinsic motivation is driven by an employee feeling that he/she is given exciting and challenging work, chances of growth and learning new skills, and feelings of accomplishment. Extrinsic motivation is driven by financial rewards such as pay increases, bonuses, pay level, job security and job titles (Hitt, Miller and Colella, 2006:217).

In an attempt to motive employees managers often make the mistake of overemphasising extrinsic rewards and underemphasising intrinsic rewards when trying to analyse and determine what motivates individual employees. This reliance on extrinsic motivators can cause employees to lose any natural interest they have in performing their jobs (Hitt et al, 2006:217). Motivating with money can be problematic, mostly because managers and employees may find it difficult to agree on a fair rate of reward, resulting in management losing control of the process (Ritchie and Martin, 1999:16).
According to Grobler et al (2006:354) if employees see that hard work and superior performance are recognised and rewarded by the organisation they will continue to increase their levels of performance and expect to obtain higher levels of compensation. If employees see little relationship between performance and rewards, they may lower their goals to a level where they will retain their job and will not see the need to perform beyond expectation. When employees feel that their compensation is not equitable to what they put in and what others are getting for the same job, they might leave the organisation.

Motivating employees is a complicated and difficult task for managers. It is important for managers to have a good grasp of various motivation theories so that they will be able to identify the many motives which influence employee behaviour and performance, and understand the role of remuneration and rewards in motivation. In this section, Maslow’s hierarchy of needs, Herzberg’s two-factor Theory, Equity theory and Vroom’s expectancy theory are discussed.

### 2.2.1 Maslow’s Hierarchy of Needs

Maslow’s hierarchy of needs is perhaps the most basic theory on motivation. It provides a useful framework for the understanding of employee needs and expectations (Nel, Werner, Haasbroek, Poisat, Sono and Schultz, 2008: 339). According to the theory, there are five levels of need: physical, security, social, self-esteem and self-actualisation. This theory is presented in Figure 2.1.

Physical needs are the primary needs for food, shelter and clothing, those which are directly satisfied by compensation. This means that employees that are adequately paid are able to provide for their basic needs.
Security needs are the primary needs for safety and shelter, and can be satisfied by increases in salary and benefits such as medical aid, pension and life insurance. Social needs refer to employee desires for social relationships inside and outside the organisation. Self-esteem needs include achievement and recognition. These can be satisfied by rewards such as merit awards or performance bonuses (Grobler et. al, 2006:217; Spector, 1996:195; Swanepoel et. al, 2008:326).

Self-actualisation needs are those necessary for development and realisation of one’s full potential, becoming everything that one is capable of becoming. These needs can be satisfied by an employee using their skills to the fullest and stretching their talents to the maximum. These needs are not necessarily a creative urge, and may take many forms which vary widely from one individual to another (Mullins, 2002:426; Newstrom and Davis, 1997:123).

Maslow’s theory indicates that needs that are satisfied will not motivate an employee as strongly as those needs that are not satisfied. This is because employees are motivated more by what they are currently seeking rather than by receiving more of what they already have. Therefore, remuneration and rewards do contribute to the satisfaction of employee needs. This applies from physiological to self-actualisation needs.
2.2.2 Herzberg’s Two-Factor Theory

Herzberg’s two-factor theory emphasises two sets of factors – those related to job satisfaction and those related to job dissatisfaction. The factors related to job satisfaction are called satisfiers or motivators. These factors lead to greater levels of satisfaction and include achievement, recognition and responsibility, opportunity for advancement, the work itself and potential for personal growth. The factors related to dissatisfaction are called dissatisfiers or hygiene factors. Hygiene factors include salary, status, security, technical supervision, company policy and administration, interpersonal relations and working conditions (Hitt et al, 2006:204-205; Knights and Willmott, 2007:50; Swanepoel et al, 2008:329).

Hygiene factors can cause dissatisfaction when they are deficient. When they are adequate, employees are not dissatisfied, but also not motivated. They merely reach a point where they feel neutral about their jobs – neither dissatisfied nor satisfied. Only motivators can inspire employees, and motivators only activate motivation when the hygiene factors are at an adequate level (Nel et al, 2008:340).

According to Herzberg, receiving a salary is a ‘mover’ not a motivator; it satisfies the need to avoid economic deprivation. It is also difficult to control effectively and does not provide long-term motivation. However, a salary or wage is necessary for preventing dissatisfaction. When a person is not paid adequately, he/she cannot focus on the satisfaction of higher level needs. The two-factor theory states that the more resources are poured into hygiene factors including fringe benefits to motivate employees; the more resources will be required to produce the same effect. This is illustrated in Figure 2.2.
Figure 2.2
Herzberg’s two-factor theory

Figure 2.2 shows the effect of hygiene factors and motivators on motivation. An increase in hygiene factors does not lead to motivation and over time, loses some effect in preventing dissatisfaction. On the other hand, an increase in motivators has a sustaining impact on motivation. This is reflected in the yearly requirements from employees for increased salaries and the dissatisfaction shown after salary negotiations (Grobler et al., 2006:219-220; Hollyforde and Whiddett, 2002:105).

Herzberg’s two-factor theory therefore indicates that though remuneration and rewards are contributors to the satisfaction of employee needs, the most important motivators are those that are intrinsically derived. This is because remuneration and rewards can only play a mover role in that they remove or satisfy physiological needs.

2.2.3 Equity Theory

The Equity theory asserts that employees compare their inputs and outputs with those of other employees. Employees therefore compare their salaries and fringe benefits with those of their colleagues. This comparison is not only
restricted to the workplace as it can also apply to family and friends. As a result of the comparison, employees might either perceive equity or inequity with their peers and this is what ultimately motivates them to do something: either to improve their productivity or to leave the organisation in order to reduce the inequity. Figure 2.3 illustrates the Equity theory and the actions that people can take if they experience inequity (Swanepoel et. al, 2008:333; Spector, 1996:204; Hollyforde et. al, 2002:63).

**Figure 2.3**

Equity theory of motivation


Figure 2.3 illustrates that employees experience tension when they perceive inequity and can react by changing their perceptions or the object of comparison, or leave the situation (for example, resign). According to Mullins (2002:445) the manager may also seek to remove the tension and perceived inequity among staff by either attempting to change a person’s inputs or encouraging a different object of comparison. The manager may have only two courses of action to change the behaviour, by increasing pay, offering additional perks or improving working conditions; or by instigating a person leaving the field through transfer, resignation or dismissal.
The implication of this theory for a compensation strategy is that organisations should not forget that employees work within several social systems where they may select a number of reference groups, both inside and outside the organisation, for their comparisons to the standard that is most favourable to them. For example, educated employees may want to be paid according to their education level, provided that this is going to earn them more income compared to being paid according to the level of their experience and vice-versa. Therefore, an organisation’s challenge is to measure employee assessments of their inputs and outcomes; identify their choice of reference and evaluate employee perceptions of inputs and outcomes.

2.2.4 Expectancy Theory

Vroom’s expectancy theory is based on the premise that people’s behaviour or their motivation at work depends on the expectation that a particular action will yield a positive outcome. This theory is illustrated in Figure 2.4. Such outcomes include pay, consideration given to them by supervisors, interaction with co-workers and task variety. Therefore, if an individual does not believe that their behaviour will lead to the rewards they want, or if they do not want the rewards offered, they will not be motivated to perform. For example, employees may be motivated by the expectation that if they meet deadlines and increase their productivity they may be promoted or receive a performance bonus (Hollyforde et. al, 2002:78; Mullins, 2002:436 and Spector, 1996:200).
According to Swanepoel (2008:335) the expectancy theory is entrenched on three expectancies that determine the motivational force of each individual. These are:

Valence (reward attractiveness) is the importance that the person attaches to the rewards that can be achieved by performing a task.

Instrumentality (performance-reward link) is the degree to which a person believes that performance at a given level will result in the desired outcome.

Expectancy (effort-performance link) is the degree to which a person believes that his/her efforts will lead to the performance necessary to achieve the desired result.

Hitt et al (2006:208) expressed criticism on how the components of the theory are measured, how they should be combined and the impact of individual differences. According to him, motivation is better predicted when all three components of the theory are considered together, rather than when any one component is examined alone as the components do not appear to have equal strength in affecting motivation.
Porter and Lawler developed Vroom’s expectancy theory, with their model going beyond motivational force and considering performance as a whole (Mullins, 2002:438). Their theory indicates that employees are motivated positively in their jobs if they have a reward that they value, and if they believe that there is a reasonable chance that their efforts will result in obtaining the valued reward (perceived effort-reward probability). They believe that effort does not directly lead to performance, but that it is mediated by individual abilities and traits and the person’s role perceptions. They further believe that rewards are an intervening variable between performance and satisfaction.

Porter and Lawler’s theory is illustrated in Figure 2.5. They see motivation, satisfaction and performance as separate variables. Porter and Lawler suggest that satisfaction is an effect rather than a cause for performance; therefore performance leads to job satisfaction (Mullins, 2002:438).

**Figure 2.5**

Porter and Lawler’s Expectancy Model

![Porter and Lawler’s Expectancy Model](source: Mullins (2002: 439))

With regard to rewards, Porter and Lawler believe that there is a direct relationship between performance and intrinsic rewards only if the job permits variety and challenge and people feel able to reward themselves. Extrinsic
rewards only serve as a motivator for higher performance if there is a direct link between performance and pay. They emphasise that the Expectancy Theory model applies only to behaviours which are under the voluntary control of the individual (Mullins, 2002:440).

According to Mullins (2002:442) Expectancy Theory draws attention to the complexities of work motivation. Managers should give attention to the following factors:

- Use rewards appropriate in terms of individual performance. Outcomes with high valence should be used as an incentive for improved performance.
- Attempt to establish clear relationships between effort-performance and rewards, as perceived by the individual.
- Establish clear procedures for the evaluation of individual levels of performance.
- Pay attention to intervening variables such as abilities and traits, role perceptions, organizational procedures, and support facilities, which although not necessarily direct motivational factors may still affect performance.
- Minimize undesirable outcomes which may be perceived to result from a high level performance or despite high level performance.

Considering the above motivational theories, it is clear that money can be both a motivator and de-motivator. Money satisfies various needs as reflected in Maslow’s Theory of needs, moves employees to do the basics and dissatisfies them if it is not adequate as postulated in Herzberg’s two-factor theory. The Equity theory emphasises fairness in the compensation system, while the Expectancy Theories emphasised the value of rewards for an individual and an individual’s belief that effort will lead to rewards. Porter and Lawler emphasise the role of intrinsic and extrinsic rewards, equity and linking rewards directly to performance outcomes. The next section focuses on compensation as an organisation’s strategy for motivating employees.
2.3 COMPENSATION STRATEGY

An organisation’s success is often measured or reflected by above-average profitability and financial performance. These are dependent on the ability of the organisation to set itself apart from its competitors through the use of strategic approaches such as cost-based competitive advantage, out competing rivals based on differentiation and developing expertise and resource strengths that give the organisation capabilities that cannot be imitated by competition (Hough et. al, 2008:6).

Commitment to a defined compensation strategy is one of the characteristics of high-performing organisations. Such commitment begins with a clear definition of expected financial performance and the understanding of key success factors for the organisation. It identifies people who impact the performance of the organisation on an annual and long-term basis, and becomes an element for ensuring commitment from management and employees to expected performance (Chingos, 1997:2).

According to Heneman (2001:22-33), the compensation strategy of an organisation can be subdivided into five segments, namely:

i. **Pay Philosophy** - this is where the organisation decides if its compensation strategy should be internally or externally equitable. This will determine its position as either a market leader or follower, and its effect on attracting and/or retaining employees. This is critical to the business as it communicates the organisation’s goals in terms of its compensation system and alignment to the business strategy.

ii. **Pay Assessment** - The organisation has to decide on how employees are going to be compensated. A decision should be make on whether compensation should be based on the job or person, results or behaviour, seniority or performance and lastly, education level or acquired skills. This
is dependent on what role compensation should play, such as to improve performance or influence behaviour.

iii. **Pay Form** - The organisation decides, depending on affordability, whether compensation should be monetary or non-monetary, and whether employees should be compensated on an individual or team basis.

iv. **Pay Delivery** - The organisation decides how employees are going to be compensated. This can be done by placing employees on pay bands and deciding on the degree of overlap between bands. A narrow pay band is effective when an organisation’s business strategy is focused on low cost. This can be dependent on how the competition’s pay is structured and delivered, and can assist the organisation in choosing which option is appropriate for their labour market.

v. **Pay Plan Design** - The organisation decides on the administration of compensation and the degree of involvement of employees and managers in the design of the compensation system. Aspects to be decided include the level, such as corporate level or at business unit level, at which the compensation strategy decisions are made, and the frequency of change or dynamism of the strategy.

It is believed that the compensation strategy should be linked to the overall business strategy, and that the compensation strategy formally represents the organisation’s position on the following:

- The level at which salaries will be positioned in relation to the market, that is, benchmarking.
- The basis on which salaries are structured, that is, total cost of employment or basic salary plus add-on benefits.
- Incentive schemes and other reward structures; benefits and annual salary increases and how these are determined (Blazing Solutions, 2005:91).
The approach that an organisation chooses to follow can have a positive or negative impact on organisational goals, depending on their alignment with the organisation’s business strategy. Compensation strategies need to be tailor-made to the needs of the organisation in order for them to be effective (Heneman, 2001:15). The following section focuses on the objectives of a compensation strategy.

2.4 OBJECTIVES OF A COMPENSATION STRATEGY

Compensation is often viewed as an expense when management is faced with a decision to reduce operating costs. The decision to reduce costs through the reduction of the labour force often does more damage than good, as the minimum cost of turnover represents a loss of more than 5 per cent of the total annual operating budget of an organisation (Waldman, Kelly, Aurora and Smith, 2004:2). This is because of the costs that the organisation can incur through the loss of productivity, customers and possible business. Further loss comes from losing their best employees to their competitors due to uncertainty. Compensation can also play a crucial role in improving an organisation’s objectives as an organisation with a stable compensation strategy, or the right mix of compensation levels, has the ability to control its costs and attract and retain good employees (Milkovich and Newman, 2005:186).

According to O’Connell (2007:21) and Heneman (2001:22), the formulation of a compensation strategy depends on the business strategy and internal and external forces such as the economy and the competitiveness of the industry. Whatever the approach, labour costs seem to be the only operating costs that the organisation has to attract the best employees and influence the behaviour of existing employees. The following are factors that have an impact on the design of the compensation strategy (Swanepoel et al 2003: 494).

Schedule 7 – all of which pertain to fringe benefit taxation have an impact on what compensation is paid, and should be taken into consideration when making decisions about compensation design.

**Labour Unions** - The unions have a direct influence on the compensation design and remuneration decisions by negotiating annual pay increases and other changes to conditions of service of their members by means of collective bargaining mechanisms. These are often brought about by changes in the economy such as inflation and recessionary conditions, which can increase labour costs for the organisation.

**The Economy** - Economic conditions such as high levels of inflation and recessionary periods can decrease pay levels because skills are in abundance due to employee lay-offs, resulting in employees having less bargaining power. In stable economic conditions, pay levels increase as employees can demand the same pay level as what is paid in the local and international market.

**Labour markets** - An economy with a shortage of skills can offer high pay levels where organisations compete with their offering of better pay in order to secure talent.

The following are internal factors that influence the compensation design:

**Ability to pay** – The organisation’s ability to pay its employees is influenced by conditions such as employee productivity, which can translate to more profitability as well as its ability to compete with competitors. An organisation that is not capable of raising sufficient revenue to pay its employees may not have the ability to pay competitive salaries.

**Employee needs** – Employee needs differ and an organisation cannot make decisions that will bind all employees to a compensation system that will not work for them. This could result in the organisation losing existing talent and not being able to attract new and young talent.
**Job requirements** – This has an impact on the decisions to be made regarding compensation levels. It may be that the job requires scarce skills, where the organisation would have to increase its pay levels to be able to attract and retain existing employees.

In the context of the factors discussed above, organisations would need to ensure that their compensation offering meets their compensation objectives. The following is a summary of remuneration objectives as discussed by Swanepoel et al (2003:490), Shields (2007:34-37) and Milkovich et al (2005:15):

- Maintaining internal and external equity.
- Rewarding good performance and providing incentives for desired behaviour.
- Maintaining cost effectiveness by improving performance and controlling labour costs.
- Need fulfilment, where the rewards should be of value to employees in satisfying relevant human needs.
- Supporting culture management that improves values and norms for performance.
- Strategical alignment with performance management and reward management to support the organisation’s objectives.
- Competing in labour markets by attracting, motivating and retaining high quality employees.

## 2.4.1 COMPENSATION STRATEGIES AT THE NELSON MANDELA METROPOLITAN UNIVERSITY – SYNOPSIS OF AN INTERVIEW WITH MRS B SAMPSON

Determining the right compensation for each person is critical to attracting and retaining a productive workforce. It is, however, made more challenging in many organisations because the systems and processes that support various types of compensation are diverse and complicated (Smith, 2008:4).
On 12 January 2011, an interview was conducted with Mrs Sampson, Deputy Director: Remuneration and Budgets at the NMMU. The purpose of the interview was to identify the remuneration and reward strategies employed at the NMMU.

According to Mrs Sampson, in 2011, the Nelson Mandela Metropolitan University discontinued a traditional pay increase system based on pay salary notches which offered across the scale adjustments. It was replaced with a performance management system called the Excellence Development System (EDS). The EDS is a competency-based system that makes provision for the identification of competencies related to specific job outcomes and makes provision for the development of those competencies that are lacking or that can be improved.

An Employee Value Proposition (EVP) which refers to positive employment experiences which can be expected within an organisation, including intrinsic and extrinsic satisfaction, values, ethics and culture (Brewster et al, 2008:132), was introduced as a strategy for the retention of employees. An EVP calculator (Annexure C) was developed to calculate the total monetary value that employees receive from the organisation. This includes values to which employees do not necessarily attach a figure, such as leave and study benefits that are also a cost-to-company. The value proposition illustrates ways in which normal expenses (such as study fees) are reduced and work life (such as leave arrangements) is improved. For example, the NMMU offered employees 30 leave days (20 days non-accumulative and 10 days accumulative), the accumulative leave can be accrued, to a maximum of 30 days, and paid out at retirement. Feedback from existing employees indicated that they were aware of what the EVP was aimed at (Sampson, 2011). The EVP shows the total monetary value that employees derive from the organisation, even if they do not physically receive the money.

With regard to the communication of remuneration and reward strategies, the NMMU discovered that communication was not sufficient as employees still had questions about basic concepts that should have been easily grasped. To remedy the breakdown in communication, the NMMU was, during the course of
this study, developing a strategic communication process document which would be used to empower line managers on how to communicate remuneration and other HR issues. Communication was also a challenge as some line managers were not perceived to be taking the responsibility for communicating issues affecting employees. They shifted the responsibility to HR (Sampson, 2011).

According to Sampson (2011) the alignment of the institution’s strategic goals, individual goals and rewards was an important aspect of the EDS. The organisational objectives were cascaded down from strategic to individual level. If individual goals were achieved, they would be linked to rewards. Employees would see the relationship between goal achievement and rewards after the EDS had been implemented.

Compensation objectives guide the design of such systems and serve as the standard for judging their success and effectiveness. If the organisation’s compensation objective is to attract and retain the best and the brightest and yet it still loses skilled employees to other organisations for higher paying jobs, then the compensation system may not be performing effectively and the reasons for turnover may not be related to compensation (Milkovich et al, 2005:16). The following section will be dealing with the alignment of an organisation’s compensation strategy with the organisation’s strategy.

2.5 ALIGNING COMPENSATION WITH STRATEGY

The principle of alignment is that every aspect of an organisation’s activities should be integrated to achieve corporate goals. Corporate goals reflect the organisation’s mission and objectives, which are translated into business strategy. Organisations expect the fulfilment of their strategy and vision by their employees. If excellent performance is required, there must be opportunities for employees to gain ownership and satisfaction from what they do. The opportunities for ownership include stock options, profit sharing, and gain-sharing schemes, except in the case of non-profit organisations (Holbeche, 2001:87).
In the absence of a meaningful compensation system based on performance or skills and competency, it is unlikely that employees would perform well and make the organisation successful. The ultimate goal of a compensation system is to align the goals and interests of employees with the goals and interests of the organisation. This is to make employees think, feel and act like owners of the business. For employees to feel like owners of the organisation, they must be included in the defining of business goals, and rewards must be provided to them for goal accomplishment (Heneman, 2001:5).

Compensation should be further aligned to the organisation’s culture. Organisational culture is dynamic and has to be adapted to the ever changing needs of the organisation and employees. For example, a base pay that is tied closely to a specific, individual job may have little relevance in an organisation that emphasises cross-functional teams, or where the organisation has a flatter and leaner structure which limits the opportunity for upward mobility or security for employees (Flannery et al, 1996: 84). This may affect the change process and commitment of employees to the organisation’s goals. For organisations to be successful, the reward strategy should change as the company evolves since the reward and compensation systems should communicate their new expectations and key messages. Compensation should be viewed as an investment linked to the long-term success of the organisation for employees’ performance and for accomplishing the organisation’s vision and values. (Flannery et al, 1996:4)

Zingheim and Schuster (2000:22) agree that a compensation system should attain both organisational and individual goals. A compensation system is seen as a powerful communicator of the direction of the company. Remuneration is a way to share the success of the organisation with the workforce. It communicates the value that people bring to the organisation and communicates fairly and honestly the company’s expectations of them.

Aligning business goals and compensation draws employee attention to key company goals through education, problem solving and meaningful
empowerment and accountability. Without strategy, the company has no control of the intended outcome, thus compromising its success. Strategy implementation helps the organisation to compete and produce intended results. Once aligned with business goals, rewards can add value to the organisation (Carrell, Elbert and Hatfield, 1995:9; Zingheim et al, 2000:6).

The non-alignment of compensation and business strategy can be problematic for an organisation. The business strategy cannot say one thing and the compensation strategy another. Management would lose credibility, as they would be asking the employees to do one thing but the organisation’s system would be reinforcing a different behaviour. This would result in the organisation’s strategy being neglected and employees continuing with what has worked for them in the past (Belcher, 1996:7).

Heneman (2001:7) presents a model for the integration of corporate business strategies with compensation objectives, as illustrated in Figure 2.6. The premise of the model is that the business strategy must be formed prior to the development of the compensation system. The business strategy forms the platform upon which compensation policies are developed and administered. Lawler (1995:14) as quoted by Morris and Maloney (n.d.:2) states that all organisational systems must start with a business strategy because it specifies what the company wants to accomplish, how it wants to behave and the kinds of performance and performance levels it must attain to be effective.
It is evident from the model that the compensation decisions, whether they are remuneration or reward systems, must be guided by the business strategy. Armstrong (2000:233) believes that for organisations to reap benefits from the reward strategy, the strategy should flow from corporate business goals and support the business and human resource objectives. It is important that organisations address the following questions before designing a reward strategy:

Source: Heneman (2001:7)
• Where is the organisation going?
• What sort of behaviour is wanted?
• How does the reward process promote and provide recognition for behaviour?

When the above questions are addressed, reward strategies aim to achieve the following corporate goals:

• Integrating the reward policies and processes with key strategies for growth and improved performance.
• Driving and supporting desired behaviour at all levels by indicating to employees how different types of behaviour are rewarded and how employee expectations will be satisfied.
• Rewarding practices that enable the organisation to obtain value for money.
• Providing the competitive edge required for attracting and retaining the level of skills that the organisation needs.

The above section confirms that the alignment of compensation to business strategy is important for varied reasons. Pay communicates the value that the organisation places on its employees, the value that people bring to the organisation and company’s expectations of them.

2.6 FINANCIAL COMPENSATION SYSTEMS

Organisations compete for talent, as finding and retaining qualified employees is a complicated task. Different combinations of compensation systems have been utilised to motivate existing employees and attract new ones. The compensation system of an organisation is made up of financial rewards and benefits (transactional) and non-financial rewards (relational). These are reflected in Armstrong’s Components of Total Rewards Model (Figure 2.7).
2.6.1 FINANCIAL REWARDS AND BENEFITS (Transactional Rewards)

For the purpose of this section emphasis is on transactional rewards. Relational rewards are discussed in Section 2.7.1.

Figure 2.7
Armstrong's Components of Total Rewards Model:
Financial Rewards and Benefits

Source: Armstrong & Murlis (2007: 13)

Shields (2007:231) believes that the following aspects need to be carefully considered when a remuneration system is designed:

- The relative role that each system will play in total remuneration;
- The practices that will be applied to configure each component of the system, and
- The target level of total remuneration for each position.

Remuneration, as previously defined in Section 1.7, is the money provided in exchange for some or other commodity or service deemed to be of equal value.
Therefore, the employee gets the remuneration that the employer deems equal to what the employee is expected to do. Remuneration covers a number of distinct types of financial rewards. These are typically categorised as follows:

2.6.1.1 Base Pay

Base pay is the foundational component of employee remuneration. The base pay is fixed according to the job or position occupied by an employee, with periodic across-the-board adjustments to compensate for increases in the cost of living. This is therefore pay for the job, rather than pay for the person in the job. The only opportunity for an employee to get an increase in their base pay is to be promoted to a senior position that is placed on a higher pay grade (Shields, 2007:33).

Organisations prefer base pay because it is cost effective, and its psychological implications play a role in attracting and retaining desired employees. It is economical in cases where there is a shortage of qualified labour, which would typically mean the escalation of compensation packages. The psychological implication is that it provides a guaranteed minimum level of income. This satisfies an employee’s need for security, which is essential for sustained task motivation and demonstrates the employer’s commitment to the employee which can be reciprocated by employee loyalty. It also allows the organisation to recognise work requirements that may be just as important as other results, such as skill and competency development (Shields, 2007:234-5).

Base pay has some drawbacks which might not support an organisation’s compensation objectives. Base pay is unlikely to discourage underperformance by employees as it commits the employer to fixed payments irrespective of performance. Underperformers are therefore unlikely to leave the organisation (Shields, 2007:234). Base pay represents a source of satisfaction for physiological and security needs in Maslow’s Hierarchy of Needs. Base pay on its own cannot sustain its motivational effect on employees if they do not perceive
it as being equitable to what their peers at competitive organisations are earning. To remedy this, base pay has been offered by employers as discussed below.

a) **Job Based Pay**

Job based pay refers to paying employees according to the job or position that they occupy and not according to their competencies. The base salary is determined by three factors:

- The specific job;
- The need to maintain a certain level of pay equity among employees in the organisation; and
- The need to pay salaries that are competitive with those paid by other employers in the marketplace, industry or region (Flannery et al, 1996:83).

According to Shields (2007:238), organisations that use the job based pay approach are able to motivate their employees as they can provide stable pay structures that are coherent, integrated and competitive irrespective of the size and complexity of the organisation because of the consistent criteria applied. This is then conducive to the motivation and retention of the organisation’s best employees as employees perceive their pay levels equal. The Equity theory, as discussed in Section 2.1.3, postulates that employees compare their salaries with those of their peers.

Job based pay however, has disadvantages for the organisation as its ability to attract new and younger high performing employees can be hindered by the perceived lack of opportunities for progression. This can also affect the organisation’s ability to motivate and retain existing employees as they might not see the need for improvement as they are not rewarded for acquiring skills and competencies that the organisation might need in future. This can disadvantage the organisation as the approach may be too slow and inflexible to accommodate rapid changes in technology.
Base pay on its own cannot sustain its motivational effect on employees as it might not be aligned with the dynamic business strategy. It is therefore important for organisations to introduce other compensations systems, such as competency based pay, in order to motivate employees to perform towards the attainment of organisational goals.

2.6.1.2 Skills and Competency Based Pay

The premise for the skills and competency based pay is that employees should be paid according to the work capacities that they possess, regardless of the particular job or role assigned to them at any point in time. Value is offered by the building of practical experience and know-how gained on the job over time. Progression is by either acquisition of further qualifications, or the perceived added value of additional years of experience, or both, and effective use of these competencies (Homan, 2000:287-8, Shields, 2007:236-7).

Lawler & Ledford (1985) and Lawler (1996) as quoted by Shields (2007:237) contend that there is no difference between skills and competencies, that the terms are interchangeable and that the emphasis should be on recognising and rewarding bundles of knowledge, skills and abilities that can be measured, built into training programmes and learnt. Therefore, for the purpose of this study skills and competency based pay will be used synonymously.

Thorpe et al (2000:288) identified the following objectives of the skills and competency based pay:

- To support some form of change initiative;
- To pursue flexibility, which is seen to offer the organisation the opportunity to work leaner, enable problem solving at lower levels and give better coverage during absence;
- To build a broader skills base within the organisation;
- To signal to employees the value that the organisation places on what the individual brings to the job, to aid retention, raise levels of job satisfaction and
minimise lay-offs, by moving people to other jobs within a wider range of capabilities;

- To manage poor-performers, and
- To delegate pay and performance management decisions to line management within the context of the changing role of the human resources function.

Inversely, though the above objectives seem to be favouring the development of an organisation that can be able to stand the test of changing times and technology, Shield (2007: 196, 242) has identified some pitfalls that can affect the effectiveness of the skills and competency based pay system:

- It encourages the acquisition of skills that employees may not necessary use;
- It is costly and complex, and
- It encourages the acquisition of skills that are not aligned with organisational goals.

The costs and complexity associated with competency based pay do not only include costs related to training programmes and a higher average pay, but also those related to lost productivity and other problems that may arise while more experienced employees are being trained (Nel, Werner, Hassbroek, Poisat, Sono and Schultz, 2008:292). Therefore, an organisation would need to design a system that would limit the potential abuse of the system by employees, while encouraging and rewarding skills development, provided they are aligned to the organisational goals.

Mackay (1997:5) suggests the following solutions to manage skills and competency based pay:
Option 1- Pay for skills acquired

This option focuses on equipping employees for the future and paying them a bonus upon completing a qualification. The qualification must have clear benefits for both the employee and the organisation.

Option 2- Pay for skills used

This is the least costly option. It focuses on paying employees for the skills and knowledge used in getting their assigned work done. It requires the effective use of job evaluation techniques and a sound link to current market rates for skills employed. Organisations should ensure that employees use these skills in the accomplishment of organisational goals.

Option 3- Pay for improvement in required skills

Under this option, an employee is recognised not only for work done, but also for the improvement demonstrated in the quality of the skills and knowledge applied to their work. To be effective, this option requires a framework of clearly identified competencies on which standards for improvement are set and work related outcomes are measured.

According to Lawler (1996:531) and Schuster and Zingheim (1992: 85) as quoted by Morris et al (n.d.:10), in the same way that reward systems can motivate performance, they can also motivate skill development. This is based on the acquisition of skills and knowledge that prepares employees to perform a wider range of duties and responsibilities which would add value to the organisation. This is also the case at the Nelson Mandela Metropolitan University, where a monetary reward is linked to each level of qualification that an employee acquires. For example, a R5000 reward is given to an employee that graduates with an Honours degree (NMMU Policy 601.22, 2010:7).
2.6.1.3 Performance Based Pay

According to Shields (2007:34) and Lawson (2000:303), pay for performance seeks to reduce the sphere of uncertainty associated with the nature of the employment exchange by specifying the basis of the transaction in more explicit terms. Performance related pay links additional payments over and above base pay and the cost of living increase to an assessment of an individual’s performance. For each employee, targets or objectives are set at the beginning of the year and employees are then assessed on them. Incentives are paid on the basis of either individual or collective performance delivered by employees or teams.

Performance related pay is determined as a percentage of the salary scale and is granted as long as the higher performances are realised. This percentage is sometimes paid as a bonus afterwards for extra effort during a certain. It is made on the basis of past performance in order to reinforce and enhance future performance (Poels, 1997: 220).

The rationale for performance related pay is to improve the performance of the organisation through motivating individuals to improve their performance. This is achieved by motivating all employees in an organisation to focus their attention on the key areas which will improve overall performance. However, according to Thorpe et al (2000:312), a link between the effective introduction of performance-related pay systems and improvement in productivity have not been proven.

Common problems with performance based pay

According to Swanepoel et al (2003: 519), performance based pay is associated with subjective performance assessments that result in pay differences that cannot be justified, tend to be difficult to eradicate and result in inconsistencies. The following problems are often responsible for the failure of the system:

- The lack of objective, quantitative performance measures for many jobs and the resulting reliance on subjective performance ratings;
• Poor perceived link between performance and pay, usually due to systems ignoring the principle of immediate reinforcement by linking performance to the reward only at the end of the year;
• Aspects of performance that are rewarded are not related to the overall strategic performance objectives, thus encouraging “wrong” kinds of behaviour;
• Inadequate communication about the objectives, procedures and benefits of the scheme;
• The level of the performance-based portion of pay not being perceived as proportionate to the additional efforts required, and
• Union resistance to performance based schemes and to change in general.

Performance related pay thus has to contend with the following employee and trade union perceptions (Thorpe et al, 2002: 312):

• Performance related pay fails to motivate (even those with high performance ratings) and may do more to de-motivate employees;
• Employees are negative or, at best, broadly neutral about the impact of performance related pay on organisational culture;
• Employees are unclear about whether or not performance-related pay rewards fairly, and
• Trade unions reject the idea that performance-related pay improves employee performance and that it is a fair system.

In order to help reduce the failure of pay for performance schemes, Shields (2007:348) suggested that organisations consider the following:

• What is being measured: behaviour, result or both?
• Whose performance is being measured: individuals, work groups or the whole organisation?
• Over what time frame is performance being measured and rewarded: over a short term or a longer term?
• What form does the contingent reward take: cash, company equity or non-monetary?

Performance based pay can be a motivator as employees may see recognition for their effort and improved organisational performance. Organisations should ensure that they do not lose employees to competitors as a result of a changing culture of expecting more money for performance or excellence, which might be stressful for employees in the long run.

2.6.1.4 Variable Pay

Nel et al (2008:284) define variable pay as a compensation system that pays cash bonuses to a defined group of employees based on predetermined measures of group or organisational performance. Organisations use this system because it becomes a motivating factor for the employee to re-earn the same percentage bonus previously earned, thus compelling employees to improve their performance. This system encourages a culture of work, instead of entitlement that is a result of base pay.

According to Wilson (1995:114), Zingheim et al (2000:53) and Swanepoel et al (2003:518), the purpose of variable pay programmes includes the following:

• To shift more compensation costs from fixed to variable expense depending on ability to pay;
• To provide additional pay to employees for extra achievements;
• To share both the risks and fortunes of the organisation;
• To increase the organisation’s competitiveness in labour markets to attract and retain talent, and
• To encourage employees to identify with the organisation’s objectives and values.

Flannery et al (1996:108) suggest different pay options that could be used by organisations and these should match the business and financial objectives of
the organisation. The variable pay for performance options includes any combination of the following:

**Profit sharing** - This is the most common incentive plan in use for employees below management level. Certain groups of employees share in a pre-determined percentage of the organisation’s profits. An organisation can get the cooperation and full engagement from employees as they will also receive a share in the organisation’s good financial performance and subsequent profit. On the other hand, when employees work in teams, this pay system does not change behaviour because of the inability to link individual effort to group performance. The advantage is that, because of its flexibility, it allows labour costs to fluctuate in line with the financial performance of the company.

**Gainsharing** - Employees share in the profits or monetary gains of the organisation tied to the achievement of specific goals on productivity, quality improvement and cost effectiveness. The advantage of gainsharing is that it is cost effective as it is funded from money that the organisation would not have saved or earned. The use of gainsharing has saved and revived declining companies, and has strengthened thriving companies by enabling them to share the benefits of success with their employees through improved performance and employee involvement. Employees can also see a link between performance and results. On the other hand, an organisation may not be able to measure the role of employees in the achievement of gains as it is difficult to establish how much gain was from employee effort, and how much was the result of technology (Flannery et al, 1996:109 and Bowey, 2000:331).

**Group or team pay** - The incentive programme is for specific groups or project groups that are temporary, lasting only until the group has completed its work or project. For these groups, the incentive is not only based on financial goals, but is also based on supporting non-financial issues such as productivity, quality and customer satisfaction (Flannery, 1996:111).

**Employee share ownership** - Employees are given the opportunity to purchase shares at fixed prices. The benefit from the organisation’s profitability is derived
from dividend and/or growth in share value. Ownership of the organisation is assumed to be a possible factor in driving improvements in work performance (Pendleton, 2000:342).

**Recognition** - This can be in the form of cash or a recognition award programme, paid after-the-fact for exceptional effort or outstanding performance. Appreciation can be shown in various ways, such as naming performing employees in the company’s newsletter, awarding employees with cash bonuses or allowing employees to go on vacation. To be effective, recognition programmes must be used timely and be highly visible. For example, a photo of the employee of the month in the reception area of the department or organisation can be motivating for the employee. Recognition programmes are effective in keeping key performers motivated as they recognise and communicate the value that the organisation places on good behaviour. On the other hand, it is not likely to motivate an organisation’s non-performers to work harder or better as it does not change employee behaviour (Flannery et al, 1996:114).

Flannery et al (1996:121) and Nel et al (2008:295) agree that, irrespective of whether the emphasis is placed on teams or individuals, drastically changing pay strategies can be confusing and leaders and managers can eliminate this confusion by understanding the following tenets of dynamic compensation:

- Pay is firstly a people issue; it is about motivating them, reshaping and refocusing their behaviours and accepting new values.
- Pay is a major organisational communication tool.
- There is no single pay strategy that is right for everyone since people and organisations are different and need different strategies.
- Pay must support and not lead the organisation’s vision, values and business strategies.
- Pay must be aligned with the organisation’s work culture.
2.6.1.5 Arguments against financial rewards

Financial rewards have been used by organisations as a motivational tool because of the belief that a person who contributes more towards the achievement of the organisation’s goals should be paid more. This is in accordance with the principle of distributive justice which, whilst it states that rewards should be provided equitably, does not require them to be equal, except when the value of contribution is equal (Armstrong, 2010:152).

Some arguments against financial rewards have been identified; however, only a few of them are mentioned because of their relevance to the study.

- Financial rewards may possibly motivate those who receive them, but they can demotivate those that don’t and the numbers who are demotivated could be much higher than those who are motivated.
- Schemes depend on the existence of accurate and reliable methods of measuring performance, contribution, competence and skill, which might not exist.
- Individuals are encouraged to emphasise only those aspects of performance that are rewarded.
- Schemes can create more dissatisfaction than satisfaction if they are perceived to be unfair, inadequate or badly managed. This is because the decisions are dependent on the judgement of managers who, in the absence of reliable criteria, can be partial, prejudiced, inconsistent or ill-informed.
- Financial rewards are based on the assumption that performance is completely under the control of individuals when in fact it is affected by the system in which they work.

Rubino (2010: 5) believes that for any compensation system to be successful and fair to employees, the criteria needs to be aligned with the organisation’s culture, yield financial returns to the employees and the company, involve managers and workers and set clear performance goals that are effectively communicated.
It is evident that there are many different types of pay systems, and each influences behaviour differently. Organisations should decide on which pay system will support the attainment of their organisational goals and strategy, while taking into account the financial realities of the organisation. They should also study the perception of employees on the reward system and its fairness. In the following section, benefits as a system for financial rewards will be discussed.

2.6.2 BENEFITS

Benefits are indirect forms of compensation that, like direct compensation are intended to attract, retain and motivate employees. Benefits include financial rewards, such as paid holiday leave and fringe benefits (employer-funded health care, life insurance, housing finance, provision for a company car and cell phone). Non-monetary examples of benefits include free or subsidised taxi, rail, bus or air fares, a pension fund and accumulated leave (Mondy, Noe & Premeaux, 2002:216, Swanepoel et al, 2003: 531 and Shields, 2007:34).

According to Hume (1995: 155), there are many reasons for providing benefits to employees:

- Employers believe that a competitive benefit package is a useful method of attracting and retaining employees, especially those with scarce skills.
- Employers believe that one method of motivating employees to increase their commitment to the organisation is through the provision of particular remunerative benefits. The belief is that if employees have a stake in the organisation through benefits such as share ownership, pension schemes or service rewards, they will become increasingly committed to the organisation and will be motivated to behave in a manner which will assist in the achievement of organisational goals.

Hume (1995: 156) believes that if employee benefits are to be effective as part of the remuneration strategy, they must hold value to the employee. According to
Brewster, Carey, Grobler, Holland & Wärnich (2008:132), the Employee Value Proposition includes everything an employee can experience within an organisation, including intrinsic and extrinsic satisfaction, values, ethics and culture. It is also about how well the organisation fulfils the employee needs, expectations and aspirations. The Employee Value Proposition specifies what employees will get from the organisation when they meet expectation (Ulrich and Brockbank, 2005:82). The NMMU introduced the Employee Value Proposition to its employees to reflect the total worth of their employment to the organisation as employees often do not calculate all the benefits. The NMMU’s EVP is presented as Annexure C.

According to Shields (2007: 319) benefits are aimed at upholding the objectives of equal opportunities. However, certain benefits may have eligibility requirements and some employees may not be able to enjoy these. For example, while the Nelson Mandela Metropolitan University offered subsidised medical aid, housing allowance, accumulative leave, sick leave, paid study leave, study benefits for both employees and their immediate family as well as other benefits to its employees, some employees might not gain from these. An employee and his/her family members, who did not qualify to study or preferred not to study at the NMMU, did not benefit from the study benefit.

In order to reduce the inequity that may be perceived by employees regarding their benefits, flexible benefit plans can be introduced. Dessler (1997:530) in Nel et al (2008:301) states that flexible benefits allow an employee to put together his or her own benefit package subject to two constraints: the employers must limit the total cost of the package and each benefit plan must include certain non-optional items such as unemployment insurance and compensation for injuries and diseases.

Benefits do not have a direct and immediate effect on performance and therefore cannot serve as a motivator. Benefits can, however, create more favourable attitudes towards the organisation, leading to increased long-term commitment and better performance. An organisation can use benefits to position itself as an employer of choice. Benefits can be made effective by tailoring them to different
individual needs, as confirmed by Armstrong and Murlis (2007: 444) and Blazing Solutions (2005:103).

2.7 NON-FINANCIAL REWARD SYSTEMS

Organisations want to attract and retain people that are fully engaged in the organisation. This implies that rewards must include more than just money. Employees consider reputation, career opportunities, training and development opportunities and the culture of the organisation. Therefore, an organisation has to position all those rewards in people’s minds to get them engaged in the business so that they can operate optimally (Ciucci, 2004:18).

Money will motivate some people all of the time or all people some of the time. It cannot be relied on to motivate all people all of the time. An organisation cannot rely on using money as the sole motivator for its employees. Financial rewards must be reinforced by non-financial rewards, especially those that provide intrinsic motivation to have a more powerful and longer-lasting effect on people. Non-financial rewards can be mutually reinforcing (Armstrong, 2010:161).

2.7.1 COMPONENTS OF NON-FINANCIAL REWARDS (Relational Rewards)

Armstrong et al (2007:13) identified various non-financial rewards in their model on total compensation. This model is presented in Figure 2.7 and is the same model that has been used in Section 2.6.1 as basis for discussing financial compensation systems.
The model postulates that financial rewards are not the only form of reward that can be used to motivate, attract and retain employees. Employees are motivated by different needs, some of which might not be financial but relational, such as the availability of career opportunities, quality of work life and work/life balance. Quality of work life refers to the feeling of satisfaction and well-being arising from the work itself and the way people are treated, while work/life refers to the organisation’s recognition of employee needs outside work, such as adopting family-friendly policies, including the provision of flexible working arrangements (Armstrong, 2010: 164-165).

The Hay Group (Armstrong et al, 2007:14) also agrees that non-financial rewards are central to having engaged and motivated employees. They have created a model which identified their own non-financial cluster, which includes quality of leadership as one of the most critical needs for organisations to achieve their goals of motivation, attraction and retention of quality talent. Their model differs to that of Armstrong et al (2007:13) by its inclusion of the importance of quality
leadership in organisations, arguing that leaders can be a reason for employees leaving an organisation.

The components of non-financial rewards, that arise from work itself and the work environment are reviewed below:

2.7.1.1 INSPIRATION / VALUES

a) Leadership

The leadership style and behaviour fostered in an organisation has a major impact on the values of the organisation and the way it behaves. For this reason, leaders play a vital role in total reward management as they have to ensure that employees achieve organisational goals and also maintain supportive and constructive relationships with employees. Leaders are the source of important rewards such as recognition through effective feedback, providing the scope to carry out meaningful work and providing opportunities for development and learning (Armstrong et al, 2007:16).

Leadership, as defined by DuBrin (2010:2), is the ability to inspire confidence and support among the people who are needed to achieve organisational goals. A leader is there to motivate employees, but they can also be a source of dissatisfaction for employees if they are perceived as not supportive. This can create an organisation that is filled with negative underachievers who ignore opportunities and high levels of employee turnover.

b) Recognition

Recognition is regarded as one of the most powerful methods of rewarding employees. This is because employees need to know that their achievements are appreciated. According to Maslow’s hierarchy of needs, as discussed in Section 2.2.1, recognition is linked to the need for esteem. This refers to the desire that an employee has for respect from other people manifested by attention and appreciation. The desire for recognition and appreciation can be
satisfied by managers who listen to and act upon the suggestions of their team members and acknowledge their contribution (Armstrong et al, 2007:17).

According to Zingheim et al (2000:196), recognition has an advantage over base pay and variable pay because it can immediately be used as a reward for something of importance that the organisation wants to reinforce. Recognition can be used to respond quickly to acknowledge things that were not planned, like the outstanding achievements that were not part of the individual’s or team’s goals. This can encourage employees to work beyond the scope of the task and to take initiative as they know that they will be recognised for such actions.

c) Communication

Throughout the marketplace, as companies work to balance retaining talent with controlling costs, they are giving more attention to communicating total reward programs. Mtazu (2009:45) defines communication as the transfer of information. Information cannot exist without people taking some form of action, thus, communication in an organisation is important for the following reasons:

- It gets people to be involved, thereby improving the organisation’s level of success and motivation to perform well.
- It increases commitment to the organisation.
- It helps people to understand the need for and management of change, and to reduce resistance to change.

Communication is the foundation of reward management and organisational success. It informs employees of organisational objectives as well as compensation strategies, what they are, their implementation and how they will be measured. In the previous section, communication was identified as one of the common reasons why compensation fails. Zingheim et al (2000:53) state that an organisation can use communication to get employee attention to critical measures, goals, priorities, skills and competencies that are essential for organisational success. The workforce can then be aligned to these values.
Employers are cautioned to educate employees on the reasons for implementing pay systems and to communicate the measures and goals used.

Compensation affects employees directly and personally. Therefore, it is important that employees fully understand the processes and personal responsibilities associated with it. Inadequate communication could easily result in employer and employee having different perceptions as to what has been contracted (Swanepoel et al, 2008:537). According to Mtazu (2009:46) lack of a specific communication system can result in employees under-valuing their rewards even if they are paid above the market value. Causes of this are as follows:

- Employers do not communicate the total value of rewards given to employees.
- Employees do not understand how pay decisions are developed.
- Performance measures against which employees are measured are not understood and tracked periodically.
- Pay is perceived as being either inequitable or not commensurate with performance.

Communication would help employees to understand that the rewards that they receive are worth having. This is because payment systems can sometimes demotivate even more effectively than they motivate if the employees do not get proper communication on what is being rewarded. The dissatisfaction can be the result of employee perception that their pay is unfair or is not commensurate with their performance. Employees need to be informed if they have been rewarded for doing well, and if they are going to get higher rewards for doing even better in future. This has to be communicated clearly and attractively (Armstrong et al, 2007: 595-596).

Armstrong et al (2007:596) state that the information to be communicated to staff should include the following points:
Staff in general

- The organisation’s salary policy: explaining the principles followed in setting pay and benefit levels.
- The pay and benefits structure: defining the salary range for each grade and the benefits available, including the details of the pension scheme.
- Methods of grading and re-grading jobs: If job evaluation exists, the details of the scheme should be given, including how evaluations are carried out and the right to appeal against a grading.
- Salary progression: explaining the method by which salaries are increased within grades or individually.
- Incentives or Bonus schemes: Details of incentives schemes available (such as profit sharing and bonuses) should be made clear to employees, especially how they are derived (calculated) and distributed.
- Reward systems and organisational change: How remuneration policy will be affected if there is a change in the corporate direction.

Individual employees

To individuals, the information to be communicated should include:

- How the pay grade has been determined and the rate at which they would progress through it.
- The criteria to be used for promotion, the behaviour that is needed to meet promotion objectives.
- The level of reward to be received and how they were derived.
- The reason for the level of reward granted, the value of the benefits the employee receives and what is in the value proposition for them need to be communicated so as to manage the individual’s expectations about the range of factors that affect his or her pay (Armstrong et al, 2007:596).

Successful communication is a two-way process and organisations need to recognise that their employees want to be able to communicate their ideas and raise any questions or concerns. Brown and Armstrong (1999:291) suggest that
employees often mistrust management because they make reward decisions behind closed doors, without any explanation of how or why they have been made.

Communicating total rewards is not solely the responsibility of the Human Resource Office. The first resource employees turn to is their managers. Managers at all levels should be trained to communicate the total reward package offered by the organisation and should take advantage of every opportunity to communicate total awards to their employees (OSP, 2008:1).

2.7.1.2 GROWTH AND CAREER DEVELOPMENT OPPORTUNITY

A reward system is not only concerned with money, but with other non-financial rewards such as training and career development. According to Armstrong and Murlis (2007:19), learning is a source of intrinsic motivation. Through growth initiatives such as sending people to workshops, mentoring and conferences, organisations can equip people for whatever level of responsibility they have the ability to reach. Employees are given an opportunity to be the best at what they do. It also can give employees reassurance for their career progression as they would have been skilled for positions that may be available in the future - succession planning. What is important for organisations is that they need to clarify career paths and what criteria will be used for making the necessary moves and promotions.

In Maslow’s hierarchy of needs, discussed in Section 2.2.1, the need for personal growth, which is represented by the need for self-fulfilment or self-actualisation, is regarded as the highest need of all, making it the ultimate motivator. This is reflected by employee need, at all levels, to continuously upgrade their skills for career progression. Opportunities for training and development have made access to training a key element in the overall reward package (Armstrong et al, 2007:70).
Mullins (2002:592) believes that the development of employees has the following advantages for an organisation:

- Employees will have the power to be innovative and improve performance.
- Decision making time will improve;
- Development can be a source of job satisfaction, motivation and commitment, and
- Development enables employees to gain a sense of achievement from their work, and reduces operational costs by creating flat organisational structures.

Zingheim and Schuster (2000:13) believe that total pay and a positive work environment are not enough. Individual growth has become an important component of a total reward system. Employees want to grow, learn and become increasingly valuable. This creates the need for organisations to provide growth opportunities to make employees feel increasingly valuable. Learning gives employees an opportunity to grow and to improve their future prospects within the organisation. Employees can give an organisation an advantage that cannot be imitated by competitors.

2.7.1.3 QUALITY OF WORK

According to Armstrong et al (2007:20), quality of work is dependent on employee’s perception of the value of the work they are undertaking, the challenges it offers, freedom, autonomy and the quality of work relationships. These are critical to the motivation of employees as people spend most of their time at work. According to Maslow’s hierarchy of needs, once lower-level needs have been satisfied, physiological and safety needs, giving more does not provide motivation. Individuals advance up the hierarchy as each lower-level need becomes satisfied. When applied to the work situation, this means that other areas of life also need to be satisfied (Mullins, 2002:428).

An employee that has a negative perception about the value of his/her work may believe that the work effort is channelled to a job that has no meaning and not
appreciated in the organisation. People need to know that what they are doing can contribute towards the attainment of organisational goals and that their manager appreciates what they have done. This is also related to the perception that employees might have that their work is not challenging because of its repetitive nature. Employees can get satisfaction and motivation from their work through the implementation of job design, where employees can be given more responsibility (Armstrong et al, 2007:21).

Research shows that frequent interaction with other employees, office friendships and emotional support were also strong predictors of job satisfaction and increased employee morale. It was noted that employers could not always use job redesign to make work less boring, or to allow more autonomy for employees. However, they could encourage changes in the social environment by encouraging employee interaction and teamwork. Social support was found not only to predict satisfaction beyond task and knowledge characteristics, but that it was unrelated to training and compensation requirements, thus making it cost effective for the organisation (Meyers, 2007:14).

2.7.1.4 AN ENABLING ENVIRONMENT

It is increasingly difficult for organisations to remain competitive. Rising competition, emerging technologies and shifting workforce patterns make it harder to attract and retain talented employees. The challenge for most organisations is to create a working environment that employees find stimulating, supportive and rewarding. According to Armstrong et al (2007:23), an enabling environment is that where an employee’s physical environment and availability of tools and equipment enable him/her to feel valued by the organisation. A working environment communicates the organisation’s value for its employees and sets the standards that it expects of them. These attributes make a significant difference on how employees feel about their work.

A positive work environment can also be a source of competitive advantage for an organisation. Employees talk to each other about the new technologies that
are available, and what their organisations are offering. If an organisation is perceived as supporting their employees by giving them the latest equipment, people will be attracted to work for it and those that are already there would not want to leave. Accordingly, organisations need to ensure that they offer their employees all the necessary support available in order for them to carry out their jobs. If this cannot be done, employees need to be informed of the reasons (Armstrong et al, 2007:23).

According to Herzberg’s two-factor theory discussed in Section 2.2.2, managers do not motivate employees by giving them higher wages, more benefits, or new status symbols, but rather by their own inherent need to succeed at a challenging task. The manager’s job then is not to motivate people to get them to achieve; instead, the manager should provide opportunities for people to achieve so they will become motivated (Herzberg 1987:30, as quoted by Marchington and Wilkinson, 2005:368).

It is evident that non-financial rewards are an integral part of remuneration and rewards as they reinforce what the organisation wants to achieve, such as motivating, attracting and retaining employees. Inspirational values such as leadership, recognition, communication, the quality of work and an enabling work environment are important in motivating and retaining employees. They can also be tools to attract employees as they are often cited as reasons for leaving an organisation. In the next section, integrated compensation models are discussed.

2.8 INTEGRATED COMPENSATION MODELS

The aim of this research study was to develop an integrated remuneration and reward model that is flexible, affordable and competitive. Employers need a model for how they can direct and reinforce desired behaviours in an organisation. The literature study revealed that such a model should have a financial and non-financial component to honour high performers. The proposed model should provide a framework for developing total remuneration and reward,
and illustrate how the various reward options can be aligned with the organisation’s strategy. Two proposed models are presented and discussed. Olivier’s Model is used as the framework for guiding the pay principles, values and objectives of reward systems. The first model is Wilson’s Remuneration and Reward Model (Figure 2.9).

Figure 2.9
Wilson’s remuneration and reward model

![Wilson’s remuneration and reward model]


Wilson (1995: 52-53) suggests that there are three primary types of reward programmes, which together form a secure and a stable compensation system for employees. Base pay is given in order to get employees to show up for work and satisfy their primary needs. Variable pay is received as an addition to base pay and varies depending on the performance of individual, team and organisation. Performance management is a systematic process of measurement, feedback and reinforcement that represents appropriate consequences for a person’s actions. It is executed between the periods in which base pay is adjusted or variable pay is awarded.

Wilson’s model is a starting point for implementing a remuneration and reward system. It concentrates on the use of financial rewards as a base for a total reward strategy and illustrates how the three components relate to and are dependent on each other. Financial rewards are used mainly in this model because remuneration is instrumental to satisfying all basic needs such as food.
and shelter. Variable pay is aimed at motivating employees, aligning remuneration with organisational performance, rewarding and reinforcing good behaviour and attracting and retaining high quality employees.

The model includes benefits and non-financial rewards. These are important as drivers of motivation for people. Benefits and non-financial rewards are also a source of competitive advantage for an organisation. Armstrong et al (2007: 13) state that monetary values are not the only factors in the reward package and that financial rewards are too easy to replicate but non-financial rewards are difficult to emulate. The discussion in the previous sections showed that all remuneration and reward systems should be aligned with the business strategy.

The ultimate goal of pay systems is to align the goals and interests of employees with the goals and interests of the organisation. A remuneration and reward model should include the factors that were discussed through the chapter. Employers should understand the role of total compensation on motivation, attraction and retention and, business success. The next model for discussion is Olivier’s remuneration and rewards model (Figure 2.10).
Figure 2.10
Olivier's remuneration and reward model

ORGANISATIONAL STRATEGY

Identification
- Organisation
- Values
- Image

Direct Financial
- Base salary
- Short-term incentives
- Long-term incentives
- Performance measures

TOTAL REWARD STRATEGY

Job content
- Meaning and challenge
- Freedom
- Decision rights

Work systems
- Rank order of jobs
- Teams
- Competencies/Skills
- Performance management

Indirect Financial
- Benefits
- Recognition

Career
- Development
- Training
- Opportunities
- Competencies

EMPLOYMENT BRAND

SOURCE: Olivier (2007:16)
The main problem statement of this study was to analyse the remuneration and reward systems used at the Nelson Mandela Metropolitan University as a tool to motivate and retain employees. The model in Figure 2.10 is used as a framework that guides the pay principles, values and objectives of remuneration and reward systems. The different elements listed above, such as career, work systems, indirect financial, job content and direct financials, show different approaches used to motivate and retain employees as discussed in Chapter Two. For talented employees to remain with the organisation, growth and decision making opportunities should be available, in addition to financial reward.

The model shows that the remuneration and reward system should be aligned with organisational strategy and employment brand. It indicates the use of financial and non-financial rewards as a strategic tool in the identification of the organisation’s values and selling of the brand as the employer of choice to prospective employees thus improving its ability to attract the best talent in the market.

Olivier’s model encompasses all the theoretical aspects of compensation. All remuneration and reward strategies should stem from the business strategy as shown in the model. The business strategy assists organisations to implement appropriate compensation systems that satisfy their objectives. Strategy is defined as a game plan adopted by an organisation in order to be successful in a competitive environment (Swanepoel et al, 2003:169).

Nel et al (2008:306) state that pay strategies must add value to the organisation, but one must understand how they work, what values and behaviours they support, how they must be administered and communicated, and what their limitations are. The variety of pay and reward systems shown in the model (direct and indirect financial, career, work systems and job content) should communicate the value and success that the organisation wants to share with its employees. The rewards should communicate, fairly and honestly, the company’s expectations concerning people as this may affect the organisation’s image.
Non-financial rewards should also satisfy employee goals and objectives. Non-financial rewards are affected by type of leadership and communication, as these hold together all remuneration and reward systems. These include the performance appraisal system, which identifies the training and career needs of employees; and employee involvement, which gives employees decision rights and freedom in setting their performance goals that are linked to the organisational objectives. All the factors in the model are important and should be made available to employees. Employee needs differ, thus organisations should create an environment that motivates, retains and improves the organisation’s profitability.

Lawler (1981:15) states that to satisfy people’s needs, individuals must receive both intrinsic and extrinsic rewards. This indicates that money, as the sole motivator, will not motivate employees particularly when the job is boring and repetitive, while an interesting job will not necessarily motivate employees if pay is low. Both financial and non-financial rewards, as shown in the model, should be present for organisational success, employee motivation and retention.

According to Flannery et al (1996:4), compensation is often misunderstood and misapplied. It is more often not aligned with the rest of the organisation’s values and processes. This is because organisations do not change their compensation strategies as often as the organisation’s needs change. Compensation thus loses its alignment with the organisation’s evolving structure, work cultures, values and business strategies.

2.9 CONCLUDING REMARKS

The focus of this chapter was identifying the types of remuneration and reward systems that are available for organisations to implement for the attainment of their objectives. Money as a source of motivation was discussed in terms of relevant motivation theories. Compensation strategy, its objectives and the importance of aligning compensation with strategy were also discussed.
Financial rewards, which are known as total pay and which include traditional base, skills and competency, performance pay as well as benefits were discussed. The importance of each pay system in motivating, retaining and improving organisational success was reviewed.

Non-financial rewards are also used to motivate, retain and improve organisational success. Non-financial rewards include inspiration, quality of work, a positive work place and individual growth (Zingheim et al, 2000:13; Armstrong et al, 2007: 16). Inspiration included aspects such as leadership and communication, as these are central to the modelling and communication of the organisation’s values. The quality of work and individual growth were also identified as the source of motivation and retention, as the quality of work can lead to job redesign. This can identify and help to put corrective measures to skills gaps that may exist in the organisation. These can also assist the organisation’s succession plan.

The chapter concluded with a remuneration and reward model that indicated the importance of aligning total pay with organisational strategy, and included financial and non-financial rewards that could be used to motivate, retain and improve the success of the organisation. In Chapter Three, the research design and methodology used in this study are discussed.
CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

In the previous chapter a theoretical overview of compensation strategies was presented. The role that money plays in the motivation of employees was considered from the perspective of various motivational theories. The objectives of a compensation strategy, as well as financial and non-financial rewards, were discussed. Various compensation models were presented and, based on these models as well as the theory, the importance of aligning total pay with the organisational strategy was evaluated. This included financial and non-financial rewards that could be used to motivate, retain and improve the success of the organisation.

In this chapter, the research methodology utilised for this study is discussed. Research methodology is reviewed, followed by an overview of different approaches to research, the various sources of data used in research, the data collection and analysis process.

3.2 RESEARCH DESIGN

Collis and Hussey (2003:1;55) define research as a process of enquiry and investigation which is systematic and methodical to increase knowledge and research methodology as the overall approach to the research process. Research methodology is concerned with the following issues:

- Why is certain data collected?
- What data is collected?
- From where is the data collected?
- How is the data collected?
• How is the data analysed?

Therefore, issues discussed under research methodology offer an explanation and the logic behind the selection of research methods and techniques used in this study. The following are the different types of research design and methods that can be used to undertake research:

a) Positivistic and Qualitative paradigms

There are two main paradigms or philosophies to research, the positivistic paradigm and the qualitative paradigm. The qualitative approach is subjective in nature and involves examining and reflecting on perceptions in order to gain an understanding of the subject being researched. The positivistic approach is objective in nature and concentrates on measuring phenomena (Collis et al, 2003:13). In this study, the positivistic approach was adopted; knowledge from the literature study was tested through the use of statistical tests to find out if it was in agreement with the reality at the NMMU.

b) Inductive and deductive research

Inductive and deductive research methods are the two main ways of approaching theory and empirical observation. Inductive research is developed from observation of empirical reality; this means that the study is conducted without having theoretical knowledge on the subject. Deductive research is a study in which a conceptual and theoretical structure is developed and then tested by empirical observation; this means that the theoretical study is conducted and structured and then tested by empirical observation (Collis et al, 2003:15). The approach adopted in this study was deductive. The theory pertaining to the research problem was collected to create a research questionnaire, and the facts received from the survey were then compared with theory.
c) Explanatory, exploratory and descriptive research

Exploratory research is undertaken when not much is known about the situation at hand, or when no information is available on how similar problems or research issues have been solved in the past. These studies are undertaken to better comprehend the nature of the problem, since very few studies might have been conducted in that area. The data might reveal some pattern regarding the phenomena of interest, development of theories and formulation of hypotheses for subsequent testing (Sekaran, 2000: 123-4).

Explanatory research is an approach to research that is used to test, explain or compare phenomena. On the other hand, descriptive research is undertaken in order to ascertain and describe the characteristics of the variables of interest in a situation. The aim of a descriptive study is to offer a profile or to describe relevant aspects of the phenomena of interest to the researcher from an individual, organisational, industry-oriented or other perspective. In this study, a descriptive study was used in order to obtain information on the characteristics of the problem.

3.3 ACTIONS TAKEN TO ADDRESS THE SUB-PROBLEMS

The following sub-problems were developed from the main problem:

a) What are the objectives of remuneration and reward strategies? This sub-problem was addressed in the theoretical study.

b) What remuneration and reward strategies can be used to motivate and retain employees? This sub-problem was addressed in the theoretical study, and by means of an interview with the Deputy Director: Remuneration and Budgets at the NMMU in order to identify the strategies used at the Nelson Mandela Metropolitan University.
c) What are the perceptions of employees regarding remuneration and reward strategies at the Nelson Mandela Metropolitan University? This sub-problem was addressed by means of a survey. The responses gave insight into the perceptions of employees at the NMMU of the impact the remuneration and reward strategies had on their motivation levels.

d) What integrated model of remuneration can be used by the Nelson Mandela Metropolitan University to motivate and retain employees? The sub-problem was addressed by investigating various theoretical remuneration and reward models and developing an integrated remuneration and reward model based on the results from the theoretical and empirical study.

Data refers to known facts or things used as a basis for inference or reckoning. By organising the data in some fashion, analysing them and making sense of the results, we find useful information where answers to the research problem can be derived. In both positivistic and phenomenological research, the researcher’s interest is on collecting data about the variables under study (Sekaran, 2000: 395; Collis et al, 2003:160).

a) Primary and secondary data

The sources used in the research process are divided into primary and secondary data. The primary data is collected from interviews, field work and unpublished documents and adds richness and credibility to a qualitative research paper as it is unique to the particular research investigation. Secondary data refers to any data which has been gathered from previously published books, newspaper articles and journal articles, and the Internet (Myers, 2009:122).

To broaden knowledge in the area of study, the researcher used a combination of secondary data and primary data. To gather primary data, the researcher conducted an interview with the remuneration specialist at the Nelson Mandela
Metropolitan University as an inductive strategy in order to gain knowledge and perspective on the subject.

b) Qualitative and quantitative data

Qualitative data is concerned with qualities and non-numerical characteristics; surveys are often done through observations and interviews. Quantitative data is all data that is collected in numerical form; this takes the form of numerical values which represent the total number of observations or frequencies for the variables under study. Questionnaires are often used for surveys.

In this study, a quantitative approach was adopted by using a survey to obtain information related to the objectives of the research problem. The advantage of this method is that it is possible to analyse data with statistical methods. The researcher assumed that the method would give more objective results than the qualitative method which tends to be subjective.

For this study, primary data was collected through a survey with a questionnaire as data collecting tool. A survey involves acquiring information about people’s opinions and attitudes and tabulating and summarising the responses using percentages and more sophisticated statistical indexes (Leedy and Ormrod, 2010: 187). According to Kumar (2005: 118), data can be gathered first-hand by collecting it through observations, interviews or questionnaires. In this study, the questionnaire was emailed to respondents by means of an email link to the NMMU Intranet.

3.4  EMPIRICAL STUDY

In order to gather information about the specified target group, the researcher did a descriptive survey. A descriptive survey is a technique used for gathering statistical information about attributes, attitudes or actions of a population by administering standardised questions to some or all of its members (Collis et al,
2003:66). Different methods are such as interviews, questionnaires and observations are used to collect the empirical data (Preece, 1994:96).

3.4.1 Population

Respondents are an integral part of research as they are the source of information required to answer a research problem or question. The population is defined as the total membership of a defined class of people, objects or events under consideration for research purposes. The ultimate purpose of research is to be able to gather data from every element within a population (O’Leary, 2010:161; Collis et al, 2003:156).

The exception is conducting in-depth research into a very small, defined and accessible population. This is because a population can be too large or have elements that cannot be simply identified or accessed in its entirety (O’Leary, 2010:161). The population for this study was employees of the Nelson Mandela Metropolitan University. It included both academic and support staff (administrative and technical employees) that were employed permanently and on fixed-term contract and between salary grade 5 - 13.

3.4.2 Sampling

A sample is a selected and chosen group upon which research is carried out, and is a small part that represents the population. Sampling is, therefore, a process of selecting elements of a population for inclusion in a research study (O’Leary, 2010:162; Wisker, 2001:139). The parameters within which one can select a sample are that it must be:

- broad enough to allow the researcher to speak about a population;
- large enough to allow the researcher to conduct the desired analysis, and
- small enough to be manageable (O’Leary, 2010:162).
According to Leedy et al (2005:198), when the population is large, a sample of the population can be studied and the results obtained can be used to make generalisations about the entire population, but only if the sample is truly representative of the population. A sample should contain all the characteristics of the entire population. According to Collis et al (2003: 156), a good sample must be:

- chosen at random (every member of the population must have a chance of being chosen);
- large enough to satisfy the needs of the investigation being undertaken, and
- unbiased.

There are two approaches to drawing any sample group. These are non-probability and probability sampling methods (Wegner, 2000:111; Welman & Kruger, 2001:46).

**Non-probability sampling methods** are used when a criterion other than random selection is used to choose the sampling units from the target population. The non-probability sampling methods are:

- Convenience Sampling – the sampling units are selected to suit the convenience of the researcher, that is, respondents are included in the sample if they happen to be in the right place at the right time. Convenience sampling is the least expensive and time-consuming of the sampling techniques. However, it is not generally representative of the target population and therefore the findings cannot be validly generalised to the broader target population.

- Judgement – the best sampling units or respondents to be included in the sample are selected by the researcher.

- Quota sampling – the target population is divided into segments and a quota of sampling units is selected from each segment. The cost for quota sampling
is lower but its main drawback is that the data can be unsuitable for inferential analysis.

- Snowball sampling – the sampling method is used to reach small target populations where the sampling units are difficult to identify. Each respondent interviewed is asked to identify other sampling units that belong to the same target population. The issues under investigation are usually confidential or sensitive in nature.

**Probability sampling method** units are selected from the target population on a random basis. Probability sampling methods ensure that every member of the target population has a chance of being included in the sample. Probability sampling reduces the likelihood of selection bias into the study findings and makes the measurement of sampling error possible. This allows for inferential statistical methods to be validly applied to the sample data (Wegner, 2000: 113). Probability sampling methods are:

- Simple random sampling – this method is used when it is assumed that the target population is relatively homogenous in terms of its response profile on the random variables under study. Each member of the target population has an equal chance of being selected for the sample.

- Systematic random sampling – this method uses a sampling frame to select the respondents randomly. The selection process starts by randomly selecting the first unit from the sample frame. Thereafter, subsequent sampling units are selected at a uniform interval relative to the first sampling unit.

- Stratified random sampling – this method is used when the target population is assumed to be heterogeneous in terms of the random variable(s) under study. The population is divided into segments so that the sampling units within each segment are relatively homogeneous. Thereafter, simple random samples can be drawn from each stratum.
• Cluster random sampling – this method is used when the target population is large and geographically dispersed. Clusters are groups of sampling units where each cluster is similar in profile to every other cluster. Cluster sampling starts by identifying all clusters and then randomly selecting a subset of clusters.

For purposes of this study, a simple random sampling method was used as it was assumed that the target population was relatively homogeneous in terms of their response profile to the variables being investigated.

3.4.3 Questionnaire development and design

A questionnaire is a series of questions designed to provide accurate information from every member of the sample. The questionnaire should be clear and unbiased, easy to understand and should maintain the respondent’s interest and motivation (Charlesworth and Morley in Lancaster, 2005:139).

According to Collis et al (2003:177) when researchers are conducting a positivistic study, they must have substantial knowledge about their subject before they start designing questions. According to Lancaster (2005:138) the researcher must consider the following aspects of questionnaire design and implementation:

• The range and scope of questions to be included;
• Question types, for example open or closed questions;
• Question structure;
• Question wording, and
• Question order.

Charlesworth and Morley in Lancaster (2005:139) and Collis et al (2003:177) advise that the questionnaire should:

• Be as short as possible;
• Have a logical structure;
• Have questions which are simple wherever possible (for example avoid using jargon, complex language and question structure);
• Avoid ambiguous questions (for example linked questions in the same statement);
• Avoid leading questions (questions which anticipate a particular response), and
• Use a specific choice of answers where possible.

For the purpose of this study, the questionnaire (Annexure B) was designed as follows:

• Section A – This section contains biographical questions designed to provide a relevant profile of the respondents. The questions were closed, and the respondents had to choose the correct alternative in a multiple choice type approach.

• Section B – This section contains questions aimed at assessing the extent vision, strategic goals, performance goals and rewards were aligned at the NMMU. The questions were designed using a five-point Likert type scale ranging from strongly agree to strongly disagree.

• Section C – This section contains questions aimed at assessing the extent to which NMMU employees perceive compensation as a motivator towards excellence. The questions were designed using a five-point Likert type scale ranging from strongly agree to strongly disagree.

• Section D - This section contains questions aimed at assessing the factors influencing employees’ decision to stay with the NMMU. The questions were designed using a five-point Likert type scale ranging from strongly agree to strongly disagree.

• Section E – This section contains questions aimed at assessing the perception of respondents of the remuneration system at the NMMU.
questions were designed using a five-point Likert type scale ranging from strongly agree to strongly disagree.

- The last question was an open invitation to respondents to add anything else that they wanted on the remuneration and reward strategy at the NMMU.

Reliability and validity are serious considerations when developing a measuring instrument. These concepts are presented below and discussed in terms of this study.

3.4.4 Reliability

Reliability refers to the quality of a measuring instrument that would cause it to report the same values in successive observations of a given case, provided the phenomenon being measured has not changed. Therefore the test of reliability is whether respondents would give the same answers repeatedly if the measurement could be made in such a way that their situations had not changed and they could not remember the answer they gave before (Lancaster, 2005:72; Babbie, Halley, Wagner and Zaino, 2011:16).

According to Collis et al (2003:186) there are three common ways of estimating the reliability of the responses to questions in questionnaires:

- **Test re-test method**: where the questions are asked of the same people, but on two separate occasions. Responses for the two occasions are correlated and the correlation coefficient of the two sets of data is computed to provide an index of reliability.

- **Split-halves method**: where the questionnaires or interview record sheets are divided into two equal halves, perhaps by putting the responses to the odd numbered questions in one pile and the responses to the even number
questions in another. The two piles are then correlated and the correlation coefficient of the two sets of data is computed to provide an index of reliability.

- **Internal consistency method**: where every item is correlated with every other item across the entire sample and the average inter-item correlation is taken as the index of reliability.

Hardy and Bryman (2004:23) mention Cronbach’s alpha as another method of estimating reliability.

- **Cronbach’s alpha** is equivalent to the average of all possible split-half reliability coefficients for a scale and if the alpha comes out below 0.8, the reliability of the scale may need to be investigated.

For the purpose of this study, Cronbach’s alpha method was used to estimate the reliability of the responses to questions in the questionnaire. The reliability of the questions was proven with each section having a Cronbach’s alpha of higher than 0.8 as reflected in Table 3.1:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Alpha</th>
<th>Aggregate Mean</th>
<th>Aggregate Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision, Mission and Goals</td>
<td>0.81</td>
<td>3.07</td>
<td>1.07</td>
</tr>
<tr>
<td>Compensation and Excellence</td>
<td>0.88</td>
<td>3.58</td>
<td>1.18</td>
</tr>
<tr>
<td>Compensation and retention</td>
<td>0.93</td>
<td>3.61</td>
<td>1.26</td>
</tr>
<tr>
<td>Remuneration System</td>
<td>0.85</td>
<td>2.61</td>
<td>1.22</td>
</tr>
</tbody>
</table>

It is evident from the above table that the items in each section of the questionnaire had internal reliability as Cronbach’s alpha scores of each section were higher than 0.8. This is also reflected in the aggregate standard deviation values which were consistent with Cronbach’s alphas of the different sections of the questionnaire.
3.4.5 Validity

Validity relates to the extent to which the data collection method or research method describes or measures what it is supposed to describe or measure. If a research method or instrument does not measure or describe what it is supposed to, the study becomes meaningless and misleading (Lancaster, 2005:7; Babbie et al, 2011:15).

According to Maree (2007:217), there are a number of different ways to measure validity, namely:

- **Face validity** refers to the extent to which an instrument “looks” valid. For instance, does the instrument appear to measure what it is supposed to measure? This type of validity cannot be quantified or tested, but any instrument should be scrutinised by experts in the field to ensure a high degree of face validity. In this case, the questionnaire was submitted to two experts in the academic field as well as the Deputy Director: Remuneration and Budgets at NMMU who determined that, on face value, the questionnaire did measure the construct under investigation.

- **Content validity** refers to the extent to which an instrument covers the complete content of the particular construct that it is set out to measure. To ensure the content validity of an instrument, the researcher usually presents a provisional version to experts in the field for their comments before finalising the instrument. The questionnaire was developed based on a thorough theoretical study to ensure that the content was relevant to the construct being investigated.

- **Construct validity** is needed for standardisation and has to do with how well the constructs covered by the instrument are measured by different groups of related items. Construct validity of an instrument should first be examined and shown to be present before it can be said to be a standardised instrument.
**Criterion validity** tests whether an instrument measures what it is supposed to measure. To be able to measure the degree of criterion validity of an instrument, scores on an existing instrument (criterion) which is known to measure the same construct should be available to the sample of subjects. The correlation between the instrument and criterion is an indication of the criterion validity of the instrument. A high correlation indicates a high degree of validity and a low correlation indicates a low degree of validity.

Pietersen and Maree (2007:218) identified the following factors that are threats to the validity of an instrument and that should be seriously considered by the researcher:

- The reliability of the instrument – if the instrument is not reliable, it cannot be valid;
- Some respondents may tend to agree or say “yes” to all questions – to guard against this, formulate some items positively and some negatively;
- Social desirability (respondents answer in a manner they think is expected), and
- Item bias (some groups systematically score items higher or lower than others due to external factors such as language or cultural differences) cultural differences occur frequently since the meaning of items is not the same for different cultures.

For this study, the questionnaire was checked for content and construct validity to ensure that the items in the questionnaire reflected the main concepts as revealed in the theory, and also as to whether the concepts used in the instrument were clear and concise.

3.4.6 Pilot study

According to Jankowicz (2005:250) a pilot study is done by asking the questions that are intended for the study, in the form they are intended to be asked to a
small number of people taken from the same population as the sample. The answers are analysed to see if the results are likely to give the kind of information that the researcher is seeking. The pilot study reveals the following to the researcher:

- That the design will address the research question;
- That the techniques are suitable – especially how a researcher will handle the practicalities of the techniques used, such as the partiality of the respondent’s memory, their ability and willingness to respond and the sheer volume of data to be processed.
- That the wording of the questions, the steering information and the instructions on the answer format are appropriate;
- That the researcher’s plans for the analysis of the data from each question are likely to give the kind of information that is needed, and can be expressed in a table, bar-chart or pie-chart, and
- Whether the findings will be informative to the readers.

According to Oppenheim (1992:64) pilot work may be costly but it saves time and money in the end. Studies that have been inadequately piloted or not piloted reveal that a great deal of effort can be wasted on unintelligible questions producing unquantifiable responses and un-interpretable results. A pilot study ensures the production of effective questions which researchers can use and embody the purpose of the study.

Before conducting the pilot study, the questionnaire was submitted to one of the lecturers at the NMMU’s Department of Business Management for comment on the clarity and conciseness of the content and structure of the questionnaire. The questionnaire was found to be clear and concise.

The questionnaire was distributed to a pilot sample of ten respondents who were asked to indicate any difficulties associated with answering the questions. The research questions were subsequently modified, taking into account concerns raised by these individuals. The time taken to complete the questionnaire was also confirmed to be less than 10 minutes.
3.4.7 Administering the questionnaire

According to Lancaster (2005:138), a researcher has to consider the following in terms of the implementation and administration of the questionnaire:

- Method of administering the questionnaire, for example, face to face versus non-personal;
- Method of distributing/returning questionnaires, for example telephone, mail or computer-based, and
- Methods of recording responses.

For this study, the following procedure was used in administering the questionnaire:

The covering letter containing the link to the questionnaire were e-mailed to all employees of the Nelson Mandela Metropolitan University who were eligible to participate in the study. The respondents were given ten days in which to complete the questionnaire.

3.4.8 Data analysis

The questions were coded and the researcher assigned one as the code for the lowest ranked variable (strongly disagree) and five for the highest ranked variable (strongly agree). The data retrieved from the respondents was analysed in three ways. First, the reliability and overall validity of the results were analysed. Second, an assessment of the internal consistency of the measuring instrument was conducted using Cronbach’s alpha coefficient analysis. Third, descriptive statistics were used as a method of analysis: the mean and standard deviation was calculated using the statistical programme Statistica. The findings were summarised using tables and graphs to highlight the frequency and spread of responses. The results are presented in Chapter Four.
3.4.9 Response rate

The link to the questionnaire was distributed via email to all eligible employees of the NMMU. After 10 days, one hundred and thirty six responses were received and were, in the analysis of the results, taken as the final number of participants. The response rate for the study was considered good as it was within the 50 and 200 range required for viability. The results for Section A are presented and interpreted below.

3.5 ANALYSIS OF SECTION A: BIOGRAPHICAL INFORMATION

In this section, the respondents were asked to give information pertaining to their gender, age, racial group, employment type and job category, length of service in years and highest qualification obtained. This information is reflected in Table 3.2.

<table>
<thead>
<tr>
<th>Demographic Variable</th>
<th>Category</th>
<th>Number (N)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>78</td>
<td>57.35</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>58</td>
<td>42.65</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>136</td>
<td>100</td>
</tr>
<tr>
<td>Age</td>
<td>20 – 24</td>
<td>2</td>
<td>1.47</td>
</tr>
<tr>
<td></td>
<td>25 – 35</td>
<td>42</td>
<td>30.88</td>
</tr>
<tr>
<td></td>
<td>36 – 45</td>
<td>33</td>
<td>24.27</td>
</tr>
<tr>
<td></td>
<td>46+</td>
<td>59</td>
<td>43.38</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>136</td>
<td>100</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>Black</td>
<td>20</td>
<td>14.70</td>
</tr>
<tr>
<td></td>
<td>Coloured</td>
<td>22</td>
<td>16.18</td>
</tr>
<tr>
<td></td>
<td>White</td>
<td>90</td>
<td>66.18</td>
</tr>
<tr>
<td></td>
<td>Indian</td>
<td>4</td>
<td>2.94</td>
</tr>
<tr>
<td>Total</td>
<td>136</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>-----</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td><strong>Employment type</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-term contract</td>
<td>30</td>
<td>22.06</td>
<td></td>
</tr>
<tr>
<td>Permanent</td>
<td>106</td>
<td>77.94</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>136</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td><strong>Job category</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Academic</td>
<td>55</td>
<td>40.44</td>
<td></td>
</tr>
<tr>
<td>Professional</td>
<td>72</td>
<td>52.94</td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td>9</td>
<td>6.62</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>136</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td><strong>Highest qualification</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matric</td>
<td>10</td>
<td>7.35</td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>20</td>
<td>14.70</td>
<td></td>
</tr>
<tr>
<td>Degree</td>
<td>22</td>
<td>16.18</td>
<td></td>
</tr>
<tr>
<td>Post-graduate degree</td>
<td>84</td>
<td>61.77</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>136</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td><strong>Length of Service in years</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1</td>
<td>10</td>
<td>7.35</td>
<td></td>
</tr>
<tr>
<td>1 – 5</td>
<td>48</td>
<td>35.29</td>
<td></td>
</tr>
<tr>
<td>6 – 10</td>
<td>33</td>
<td>24.27</td>
<td></td>
</tr>
<tr>
<td>11 – 15</td>
<td>16</td>
<td>11.77</td>
<td></td>
</tr>
<tr>
<td>16+</td>
<td>29</td>
<td>21.32</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>136</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The sample population included more males (57.35%) than females (42.65%), but both genders were adequately represented. The age of the respondents ranged from 20 to 46+ years, with the largest category being the 46+ years bracket (43.38%) followed by the 25 – 35 years bracket, with 30.88 per cent of the respondents.

In terms of race, 14.70 per cent were Black, 16.18 per cent Coloured, 66.18 per cent White and 2.94 per cent Indian. The response rate of Black respondents was not an accurate reflection of the staff composition at the NMMU and was therefore not reflective of the population, which could perhaps skew the results.
of the study. Of the respondents 77.94 per cent was permanently employed and 22.06 per cent was on fixed term contract.

With regard to the job category, 52.94 per cent of the respondents were professional employees, 40.44 per cent academics and 6.62 per cent technicians. Of the respondents 61.77 per cent had postgraduate degrees, 16.18 per cent degrees, 14.7 per cent diploma studies and 7.35 per cent matric. Of the respondents 7.35 per cent had been employed at the NMMU for less than a year, 35.29 per cent for 1 – 5 years, 24.27 per cent for 6 – 10 years, 11.77 per cent for 11 – 15 years and 21.32 per cent for 16+ years.

It can therefore be summarised that the respondents in this study were evenly spread in terms of gender and length of service, mostly White, academics and professional employees, with most of them having postgraduate degrees.

### 3.6 CONCLUDING REMARKS

In this chapter, the research methodology used to address the sub-problems was discussed. It was noted that a good response rate was achieved, and that the reliability and validity of the questionnaire was also good as reflected in Cronbach’s Alpha coefficient scores of more than 0.80. The chapter concluded with the presentation and discussion of the demographic information of the respondents that participated in the study. In Chapter Four, the empirical findings of the survey are presented and interpreted.
CHAPTER FOUR
ANALYSIS AND INTERPRETATION OF SURVEY RESULTS

4.1 INTRODUCTION

In the previous chapter, an outline of the research design and methodology was provided. A positivistic paradigm was adopted, and the data was collected through a survey with a questionnaire. This tool was used to get knowledge and information about the research problem. The findings from the questionnaire were analysed through Statistica. Frequency tables were used to analyse data from Sections A to E of the questionnaire.

In Chapter Four, the results of the survey are presented. The results will be presented in the same sequence as they appear in the questionnaire, starting with:
Section B: Alignment between vision, strategic goals, performance goals and rewards
Section C: Compensation and excellence
Section D: Compensation and retention
Section E: Current pay system and perception

The results of Section A were presented in Chapter Three.

4.2 ANALYSIS AND INTERPRETATION OF SECTION B: ALIGNMENT BETWEEN VISION, STRATEGIC GOALS, PERFORMANCE GOALS AND REWARDS

High-performing organisations rely on employee expertise and commitment to gain a competitive advantage (refer to Section 2.2). A properly designed compensation strategy identifies employees that make the biggest annual and long-term impact on the organisation and ensures commitment from management and employees to organisational goals (Chingos, 1997:2; Hough et al, 2008:6).
Table 4.1 presents the results of Section B of the survey: Alignment between vision, strategic goals, performance goals and rewards.

Table 4.1 Alignment between vision, strategic goals, performance goals and rewards

<table>
<thead>
<tr>
<th>ALIGNMENT</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 I am familiar with the NMMU’s vision and strategic priorities</td>
<td>3%</td>
<td>5%</td>
<td>18%</td>
<td>53%</td>
<td>21%</td>
</tr>
<tr>
<td>2 My department consciously works towards achieving the NMMU’s vision and strategic priorities</td>
<td>4%</td>
<td>8%</td>
<td>21%</td>
<td>41%</td>
<td>26%</td>
</tr>
<tr>
<td>3 My job is designed in line with the NMMU’s vision and strategic objectives</td>
<td>4%</td>
<td>16%</td>
<td>24%</td>
<td>36%</td>
<td>20%</td>
</tr>
<tr>
<td>4 My goals are aligned with the organisation’s goals</td>
<td>5%</td>
<td>10%</td>
<td>18%</td>
<td>46%</td>
<td>21%</td>
</tr>
<tr>
<td>5 There is a clear link between excellence and remuneration</td>
<td>38%</td>
<td>26%</td>
<td>19%</td>
<td>12%</td>
<td>5%</td>
</tr>
<tr>
<td>6 I am rewarded for successfully accomplishing organisational goals</td>
<td>45%</td>
<td>32%</td>
<td>15%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>7 The pay I receive reflects the competencies and skills that I bring to the organisation</td>
<td>37%</td>
<td>35%</td>
<td>12%</td>
<td>14%</td>
<td>2%</td>
</tr>
<tr>
<td>8 I know the five values of the NMMU</td>
<td>4%</td>
<td>5%</td>
<td>13%</td>
<td>29%</td>
<td>49%</td>
</tr>
<tr>
<td>9 I consciously integrate these values with what I do.</td>
<td>6%</td>
<td>6%</td>
<td>27%</td>
<td>35%</td>
<td>26%</td>
</tr>
<tr>
<td>10 I am rewarded for upholding the values of the NMMU</td>
<td>46%</td>
<td>31%</td>
<td>19%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>11 My performance agreement supports the attainment of the strategic goals of the NMMU</td>
<td>13%</td>
<td>14%</td>
<td>31%</td>
<td>28%</td>
<td>14%</td>
</tr>
</tbody>
</table>
Table 4.1 and Chart 4.1 illustrate the respondents’ perceptions regarding the compensation system and its alignment with the organisation’s goals. The analysis showed that 74 per cent of the respondents were familiar with the vision and strategic priorities (statement 1).

Sixty seven per cent of the respondents strongly agreed/agreed that their department consciously worked towards achieving the NMMU’s vision and strategic priorities (statement 2). Respondents also strongly agreed/agreed (56% - statement 3) that their job was designed in line with the NMMU’s vision and strategic objectives and that their goals were aligned with the organisational goals (67% - statement 4).

Of the respondents, 78 per cent strongly agreed/agreed (statement 8) that they knew the values of the NMMU and 61 per cent strongly agreed/agreed (statement 9) that they consciously integrated the values into their activities. However, responses showed a tendency towards strongly disagree/disagree (between 64% and 77%) in terms of a clear link between excellence and remuneration (statement 5), being rewarded for successfully accomplishing organisational goals (statement 6), their pay reflecting the competencies and
skills they brought to the organisation (statement 7) and being rewarded for upholding the values of the NMMU (statement 10). Only 42 per cent of the respondents strongly agreed/agreed that their performance contracts supported the strategic goals of the organisation (statement 11).

In conclusion, the results reflect that the respondents believed that there was alignment between the vision, strategic goals, values, departmental goals and job goals, but that these were not aligned with personal rewards. The results obtained for statement 11 also reveal that the respondents were not convinced that their performance contracts were aligned with the strategic goals of the organisation.

Chart 4.2 illustrates responses given to the statements in Section B based on length of service. Length of service was probed in Section A, statement 7.

Chart 4.2 Responses to Section B based on length of service

Chart 4.2 illustrates that respondents with less than one year of service (7.35% of the total number of respondents) did not give any strongly disagree or disagree responses. The group with a length of service of between two and five years gave, of all the respondents, the most disagree responses. However, this group represented 35 per cent of the total number of respondents. This group also had the most agree and strongly agree responses. Based on this graph, one cannot draw significant conclusions with regards to responses given to statements in this section and length of service.
According to Zingheim et al (2000:22), a compensation system is aimed at sharing the success of the organisation with the workforce, communicating the value those people bring to the organisation and communicating fairly and honestly the organisation’s expectations concerning people. Therefore, if excellent performance is required, there must be opportunities for employees to gain ownership and satisfaction from what they do (Holbeche, 2001: 87). In the case of the NMMU, satisfaction could be gained by acknowledging employees that strived to meet the organisational goals and values by compensating them through appropriate means.

Section B of the questionnaire was based on the significance of the business strategy for organisational success as it defines and directs organisational activities. The ultimate goal of compensation systems is to align the goals and interests of employees with the goals and interests of the organisation. For employees to feel like owners of the organisation, rewards must be provided for goal accomplishment (Heneman, 2001:5).

4.3 ANALYSIS AND INTERPRETATION OF SECTION C: COMPENSATION AND EXCELLENCE

Motivation has been defined as the drive behind the satisfaction of basic needs and that such drives are specific to the individual (Ritchie et al, 1999: 257). Organisations, therefore, have to ensure that they meet employee needs in order for them to get the required performance levels. Table 4.2 and Chart 4.3 reflect the perceptions of respondents in terms of the factors that motivate them towards excellence.
### Table 4.2  Compensation and excellence

<table>
<thead>
<tr>
<th></th>
<th>COMPENSATION AND EXCELLENCE</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The goals and values of the NMMU</td>
<td>7%</td>
<td>9%</td>
<td>35%</td>
<td>35%</td>
<td>14%</td>
</tr>
<tr>
<td>2</td>
<td>Being proud to work for the NMMU</td>
<td>6%</td>
<td>9%</td>
<td>26%</td>
<td>37%</td>
<td>22%</td>
</tr>
<tr>
<td>3</td>
<td>Monetary rewards</td>
<td>16%</td>
<td>18%</td>
<td>26%</td>
<td>27%</td>
<td>13%</td>
</tr>
<tr>
<td>4</td>
<td>Being part of a high performing team</td>
<td>3%</td>
<td>10%</td>
<td>21%</td>
<td>38%</td>
<td>28%</td>
</tr>
<tr>
<td>5</td>
<td>Being fairly rewarded in comparison to other people</td>
<td>20%</td>
<td>18%</td>
<td>14%</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>6</td>
<td>Being able to apply my expertise</td>
<td>2%</td>
<td>9%</td>
<td>8%</td>
<td>29%</td>
<td>42%</td>
</tr>
<tr>
<td>7</td>
<td>My opinions being taken seriously</td>
<td>4%</td>
<td>9%</td>
<td>21%</td>
<td>29%</td>
<td>37%</td>
</tr>
<tr>
<td>8</td>
<td>Recognition from my manager</td>
<td>7%</td>
<td>10%</td>
<td>20%</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td>9</td>
<td>Recognition from my peers</td>
<td>2%</td>
<td>5%</td>
<td>24%</td>
<td>38%</td>
<td>31%</td>
</tr>
<tr>
<td>10</td>
<td>Clear performance goals</td>
<td>7%</td>
<td>13%</td>
<td>20%</td>
<td>36%</td>
<td>24%</td>
</tr>
<tr>
<td>11</td>
<td>Recognition from internal stakeholders</td>
<td>7%</td>
<td>12%</td>
<td>23%</td>
<td>27%</td>
<td>31%</td>
</tr>
<tr>
<td>12</td>
<td>Recognition from external stakeholders</td>
<td>4%</td>
<td>13%</td>
<td>22%</td>
<td>37%</td>
<td>24%</td>
</tr>
<tr>
<td>13</td>
<td>Knowing that I will be rewarded for my performance</td>
<td>20%</td>
<td>16%</td>
<td>16%</td>
<td>23%</td>
<td>25%</td>
</tr>
</tbody>
</table>

### Chart 4.3  Compensation and excellence

![Chart showing responses to compensation and excellence questions](chart.png)
Table 4.2 and Chart 4.3 show the respondents' perception towards factors that motivate them towards excellence. Forty nine per cent of the respondents indicated that they strongly agreed/agreed that the organisation’s goals and values (statement 1) motivated them towards excellence and 35 per cent indicated that they were uncertain about what motivated them towards excellence. In contrast, 59 per cent of the respondents strongly agreed/agreed that they were motivated by being proud to work for the NMMU (statement 2) and 26 per cent gave an uncertain response to the statement.

With regards to statement 3, forty per cent of the respondents strongly agreed/agreed that they were motivated by monetary rewards, 26 per cent were uncertain and 34 per cent strongly disagreed/disagreed with this statement. In contrast, 71 per cent of the respondents strongly agreed/agreed that they were motivated by their ability to apply their expertise (statement 6) and 66 per cent strongly agreed/agreed that they were motivated by their opinions being taken seriously (statement 7). This indicates that as much as employees needed money to meet their basic needs, money was not the only factor motivate employees to excellence. This is also evident with statement 4 where 66 per cent of the respondents indicated that they strongly agreed/agreed that being part of a high performing team motivated them towards excellence. In terms of statement 10, sixty per cent of the respondents indicated that they strongly agreed/agreed that clear performance goals motivated them towards excellence and in terms of statement 13, forty eight per cent of the respondents also strongly agreed/agreed with the statement that they would be motivated towards excellence knowing that they would be rewarded for their performance.

In terms of statement 5, forty eight per cent of the respondents indicated that they were motivated by being fairly rewarded in comparison to others, and 38 per cent disagreed/strongly disagreed. This indicates the respondents were divided in their view of the fairness of rewards. According to the theory on equity and motivation, employees compare their salaries with those of their peers and if they perceive inequity, are likely to reduce their work input and may leave the organisation (Swanepoel, 2003: 333).
Recognition has been clearly identified as a motivating factor as the responses for all statements (statements 8 - 9; 11 - 12) relating to recognition were consistent, with strongly agree/agree responses ranging from 58 to 69 per cent. This is indicative of the fact that recognition is one of the most powerful tools for motivating people as it can be used to respond quickly to employee contributions that were not part of the individual or team goals (Zingheim et al, 2000:196).

Analysis of Section C of the questionnaire shows that the respondents did not experience a link between monetary award received and their motivation towards excellence (statements 3, 5 and 13). This is in line with responses given in Section B, where the majority of respondents strongly disagreed/disagreed that there was a link between personal excellence, skills and competencies and rewards. The respondents indicated that they were motivated by other forms of rewards, such as recognition, being part of high performing work teams and the opportunity to apply expertise. On many statements (statements 1-4 and 8-12) uncertain responses were given (ranging from 20% - 35%), indicating that respondents were uncertain of the factors that motivated them towards excellence.

4.4 ANALYSIS OF SECTION D: COMPENSATION AND RETENTION

People are to be considered one of an organisation's sources of competitive advantage through their expertise, which may be difficult to imitate (Boyd et.al, 2001: 77). Organisations, therefore, have to ensure that employees are motivated and that high performing employees are retained. This is because of the high costs that are involved in attracting and training new employees.

Table 4.3 presents responses to Section D of the questionnaire. For this section, respondents were asked to indicate the importance of various factors that contributed to their continued employment with the NMMU.
Table 4.3 Compensation and retention

<table>
<thead>
<tr>
<th>Factors influencing your decision to stay with the NMMU</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Job security</td>
<td>5%</td>
<td>4%</td>
<td>9%</td>
<td>31%</td>
<td>51%</td>
</tr>
<tr>
<td>2 13&quot; cheque</td>
<td>7%</td>
<td>4%</td>
<td>22%</td>
<td>23%</td>
<td>44%</td>
</tr>
<tr>
<td>3 Medical Aid</td>
<td>10%</td>
<td>4%</td>
<td>11%</td>
<td>29%</td>
<td>46%</td>
</tr>
<tr>
<td>4 Study benefits for self and family members</td>
<td>9%</td>
<td>6%</td>
<td>17%</td>
<td>25%</td>
<td>43%</td>
</tr>
<tr>
<td>5 Long service award</td>
<td>21%</td>
<td>14%</td>
<td>21%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>6 Challenging work</td>
<td>4%</td>
<td>4%</td>
<td>8%</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>7 Sufficient recognition and rewards for excellence</td>
<td>11%</td>
<td>11%</td>
<td>15%</td>
<td>27%</td>
<td>36%</td>
</tr>
<tr>
<td>8 Relationships with others across organisational levels and departments</td>
<td>2%</td>
<td>6%</td>
<td>29%</td>
<td>35%</td>
<td>28%</td>
</tr>
<tr>
<td>9 Opportunities for flexitime</td>
<td>6%</td>
<td>10%</td>
<td>17%</td>
<td>26%</td>
<td>41%</td>
</tr>
<tr>
<td>10 Development opportunities</td>
<td>4%</td>
<td>9%</td>
<td>14%</td>
<td>32%</td>
<td>41%</td>
</tr>
<tr>
<td>11 Promotional opportunities</td>
<td>15%</td>
<td>18%</td>
<td>18%</td>
<td>18%</td>
<td>31%</td>
</tr>
<tr>
<td>12 A professional environment</td>
<td>1%</td>
<td>7%</td>
<td>16%</td>
<td>38%</td>
<td>28%</td>
</tr>
<tr>
<td>13 Housing allowance</td>
<td>14%</td>
<td>15%</td>
<td>21%</td>
<td>22%</td>
<td>28%</td>
</tr>
<tr>
<td>14 Scarce skills allowance</td>
<td>26%</td>
<td>14%</td>
<td>18%</td>
<td>15%</td>
<td>27%</td>
</tr>
<tr>
<td>15 Travel allowance</td>
<td>30%</td>
<td>21%</td>
<td>15%</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>16 Leave system</td>
<td>7%</td>
<td>10%</td>
<td>16%</td>
<td>34%</td>
<td>33%</td>
</tr>
<tr>
<td>17 Private work-time allocation</td>
<td>20%</td>
<td>20%</td>
<td>24%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>18 Future leader opportunities</td>
<td>18%</td>
<td>15%</td>
<td>26%</td>
<td>20%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Table 4.3 and Chart 4.4 illustrate the respondent’s perceptions towards factors that help the organisation to retain employees. Statements 1 and 6 of Table 4.3 show that 82 per cent of the respondents indicated that they remained in the employ of the NMMU because of job security and challenging work. These were closely followed by 75 per cent of respondents indicating that medical aid was one of the factors keeping them at the NMMU and 73 per cent that indicated that development opportunities were a factor in their retention (statement 10).
The responses above illustrate the importance of both intrinsic and extrinsic motivation for the retention of employees. Intrinsic motivation is driven by satisfaction from being given challenging work and opportunities for growth and learning, whilst, extrinsic motivation is driven by financial rewards such as job security (Hitt et al, 2006:217).

A professional work environment (statement 12) was also perceived as a retention factor, 66 per cent strongly agreed/agreed responses. This is closely related to the 63 per cent of respondents that indicated they would stay with the organisation because of sufficient recognition and rewards for excellence (statement 7) and relationships with others across organisational levels and departments (statement 8).

Sixty eight per cent of the respondents strongly agreed/agreed with the statement that they would stay with the NMMU because of the study benefits for self and family members (statement 4) and 67 per cent indicated that they would stay for the flexitime opportunities (statement 9). In terms of statement 13, fifty per cent of the respondents strongly agreed/agreed that they perceived the housing allowance as a retention factor and 67 per cent strongly agreed/agreed that they would be retained by the NMMU because of the leave system (statement 16).
Mixed responses were received for the long-service awards (statement 5), promotional opportunities (statement 11), scarce skills allowance (statement 14), travel allowance (statement 15) and future leadership opportunities (statement 18). This is because not all employees at the NMMU qualified for scarce skills allowance or travel allowance. Private work-time allocation was not perceived as a retention factor, 40 per cent of the respondents strongly disagreed/disagreed and another 24 per cent being uncertain about its importance to their retention (statement 17).

Table 4.4 illustrates the factors that were important to the respondent's continued employment with the NMMU, as revealed through the use of mean scores and t-tests.

<table>
<thead>
<tr>
<th>Table 4.4 Most important factors for retention of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sample</strong></td>
</tr>
<tr>
<td>Job security</td>
</tr>
<tr>
<td>Challenging work</td>
</tr>
<tr>
<td>Professional work environment</td>
</tr>
<tr>
<td>Medical Aid</td>
</tr>
<tr>
<td>Development opportunities</td>
</tr>
<tr>
<td>Relationships</td>
</tr>
<tr>
<td>Recognition and reward</td>
</tr>
</tbody>
</table>

Table 4.4 reflects the factors that have been identified by the respondents as most important for their retention at the institution. These were ranked in order of importance based on the percentage of responses received for each, where one is the most important and seven the least important of these seven factors. Job security has been identified as the most important factor for the respondents, with only 9 per cent not regarding it as an important factor for their retention at the institution. It is evident that job security, challenging work and a
professional work environment, with mean scores of more than four, were the most important factors responsible for continuing employment at the NMMU.

The responses above illustrate that the employee needs at NMMU were being met as both satisfiers and hygiene factors seemed to be sufficiently satisfied, as illustrated in Herzberg’s two-factor theory. The motivators relate to recognition, potential for personal growth and the work itself, whilst the hygiene factors relate to security, interpersonal relations and working conditions (Hitt et al, 2006: 204-205; Knights et al, 2007: 50; Swanepoel et al, 2008: 329).

4.5 ANALYSIS AND INTERPRETATION OF SECTION E: PERCEPTIONS OF THE CURRENT REMUNERATION SYSTEM

The purpose of this section was to analyse the perceptions of the employees of the NMMU regarding the remuneration system and the remuneration and reward strategies that were in place. The remuneration and reward strategy indicates how employee remuneration is positioned in relation to the market and the basis on which remuneration is structured. The responses received to the statement in this section are summarised in Table 4.5 below.

<table>
<thead>
<tr>
<th>Perceptions</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 I have a good understanding of how pay increases are determined</td>
<td>24%</td>
<td>23%</td>
<td>16%</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td>2 I know how pay grades are determined</td>
<td>29%</td>
<td>25%</td>
<td>16%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>3 I know the criteria used for promotions</td>
<td>29%</td>
<td>24%</td>
<td>21%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>4 The criteria used for promotions enhances excellence</td>
<td>33%</td>
<td>21%</td>
<td>32%</td>
<td>10%</td>
<td>4%</td>
</tr>
<tr>
<td>5 The criteria used for promotions is fair</td>
<td>35%</td>
<td>23%</td>
<td>31%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>6 The benefits offered by the NMMU compare well with those of other organisations</td>
<td>25%</td>
<td>20%</td>
<td>30%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td>I have a say on how my remuneration package is put together</td>
<td>58%</td>
<td>25%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------------------</td>
<td>-----</td>
<td>-----</td>
<td>----</td>
<td>----</td>
</tr>
<tr>
<td>8</td>
<td>I would like a remuneration package more tailored to my own personal needs</td>
<td>7%</td>
<td>8%</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>9</td>
<td>The pay I receive is competitive when compared to other organisations</td>
<td>38%</td>
<td>24%</td>
<td>26%</td>
<td>7%</td>
</tr>
<tr>
<td>10</td>
<td>I have access to salary surveys and other internal and external job information.</td>
<td>31%</td>
<td>20%</td>
<td>26%</td>
<td>17%</td>
</tr>
<tr>
<td>11</td>
<td>I am satisfied that my pay is fair in comparison with that of other people doing similar work in the organisation</td>
<td>44%</td>
<td>25%</td>
<td>18%</td>
<td>9%</td>
</tr>
<tr>
<td>12</td>
<td>I feel that my pay does reflect my performance</td>
<td>18%</td>
<td>15%</td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td>13</td>
<td>I think the organisation’s pay policy does not require a revision</td>
<td>56%</td>
<td>22%</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td>14</td>
<td>Grade decisions are made fairly</td>
<td>34%</td>
<td>27%</td>
<td>32%</td>
<td>5%</td>
</tr>
<tr>
<td>15</td>
<td>I would like more choice about the benefits I receive</td>
<td>4%</td>
<td>10%</td>
<td>23%</td>
<td>28%</td>
</tr>
<tr>
<td>16</td>
<td>The benefits package compare well with those in other organisations</td>
<td>24%</td>
<td>21%</td>
<td>32%</td>
<td>17%</td>
</tr>
<tr>
<td>17</td>
<td>I understand the pay policies of the organisation</td>
<td>21%</td>
<td>26%</td>
<td>29%</td>
<td>11%</td>
</tr>
<tr>
<td>18</td>
<td>The new EDS system is aimed at rewarding excellence</td>
<td>34%</td>
<td>11%</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>19</td>
<td>The supervisor gives me adequate recognition for my contribution</td>
<td>17%</td>
<td>16%</td>
<td>32%</td>
<td>26%</td>
</tr>
<tr>
<td>20</td>
<td>My peers give me adequate recognition for my contribution</td>
<td>10%</td>
<td>10%</td>
<td>37%</td>
<td>35%</td>
</tr>
<tr>
<td>21</td>
<td>The NMMU gives me adequate recognition for my contribution</td>
<td>31%</td>
<td>24%</td>
<td>33%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Closer examination of this table shows that the responses vary with regard to the statements in this section. Outstanding responses were a total of 83 per cent of respondents who strongly disagreed/disagreed that they had a say in how their remuneration packages were put together (statement 7) and 78 per cent who strongly disagreed/disagreed that the remuneration policy did not require a revision (statement 13). Most of the respondents (66%) strongly agreed/agreed that they would like a remuneration system more tailored to their needs (statement 8) while 63 per cent indicated that they would like more choice in the benefits they received (statement 15).

Table 4.5 and Chart 4.5 indicate the respondent’s perceptions of the organisation’s current remuneration system. The analysis showed that 47 per cent (statement 1) and 54 per cent (statement 2) of the respondents did not have a good understanding of how the pay increases and pay grades were determined. Thirty seven per cent of the respondents indicated that they understood how pay increases were determined (statement 1) and 30 per cent of the respondents indicated that they knew how pay grades were determined (statement 2). In statement 14 (grade decisions are made fairly) 61 per cent of the respondents indicated that they strongly disagree/disagreed with the statement.
Fifty three per cent of the respondents indicated that they strongly disagreed/agreed that they knew the criteria used for promotions (statement 3). With regard to statement 4, fifty four per cent of the respondents strongly disagreed/disagreed that the criteria for promotions enhanced excellence. Fifty eight per cent of the respondents indicated that they strongly disagreed/disagreed with the statement that the criteria used for promotions was fair (statement 5).

In Chapter Two, it was noted that employees compare the salaries they receive to those received by their peers in and outside the organisation (Equity theory). When asked about their perception of the benefits offered by the organisation compared to other organisations (statement 6), 45 per cent of the respondents indicated that they strongly disagreed/disagreed that there was equity between the benefits offered by the NMMU compared to those of other organisations. Sixty two per cent of the respondents strongly disagreed/disagreed that the salaries they received were competitive compared to other organisations (statement 9) and 45 per cent of the respondents strongly disagreed/disagreed with statement 16, that the benefits package compares well with those in other organisations. When asked about their perception of the comparison of their pay with that of others doing similar work in the organisation (statement 11), 69 per cent of respondents indicated that they strongly disagreed/disagreed that their compensation was fair in comparison to that of others doing similar work at the NMMU.

The NMMU’s Employee Value Proposition was discussed in Chapter Two and is attached as Annexure C. In terms of statement 7, only 10 per cent of the respondents indicated that they had a say in how their remuneration package was put together and 83 per cent of the respondents strongly disagreed/disagreed with the statement. Sixty six per cent of the respondents indicated that they would like a remuneration package that was tailored to their individual needs (statement 8). In terms of statement 15, sixty three per cent of the respondents strongly agreed/agreed that they would like more choice about the benefits they received.
In Chapter Two it was noted that the NMMU had introduced the Excellence Development System (EDS) and that the system would have financial rewards attached to it. Fifty two per cent of the respondents strongly agreed/agreed with the statement that their pay reflected their performance (statement 12). In terms of statement 18, forty five per cent of the respondents strongly disagreed/disagreed that the EDS system’s aim was to reward excellence. Thirty three per cent of the respondents indicated that their supervisors did not give them adequate recognition for their contribution (statement 19), with 32 per cent being uncertain and 35 per cent strongly agreeing/agreeing with the statement.

In contrast, 20 per cent of the respondents indicated that their peers did not give them adequate recognition for their contribution (statement 20), with 37 per cent being uncertain and 43 per cent strongly agreeing/agreeing with the statement. When asked whether the NMMU gave them adequate recognition for their contribution (statement 21) 55 per cent of the respondents strongly disagreed/disagreed with the statement.

In terms of statement 10, fifty one per cent of the respondents strongly disagree/disagreed with the statement that they had access to salary surveys and other internal and external job information. Forty seven per cent of the respondents indicated that they did not understand the pay policies of the organisation (statement 17). Of the respondents 78 per cent strongly disagreed/disagreed with the statement that the organisation’s pay policy does not require revision (statement 13).

4.6 CONCLUDING REMARKS

The aim of Chapter Four was to present the data collected from the survey using graphical illustrations and frequency tables that showed the ratings of each variable in question. The empirical results were compared with the literature
study covered in Chapter Two to find variation and to link empirical results with the concepts discussed in those chapters.

In Chapter Five, final conclusions will be drawn and recommendations given which can be considered for adaptation to the current remuneration and reward system at the NMMU.
CHAPTER FIVE
CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In the previous chapter, the results from the survey were analysed and presented. In this chapter, information obtained from the literature study and empirical results is used to draw conclusions and make recommendations. The objective of the study was to identify and investigate the remuneration and reward strategies at the Nelson Mandela Metropolitan University and to resolve the sub-problems as stated in Chapter One. The main problem and sub-problems will be recapped in this chapter and conclusions will be drawn from the empirical findings.

5.2 OBJECTIVES OF THE STUDY

The significance of the study as discussed in Chapter One was derived from the fact that finding talented, motivated employees is important as this can improve the employee’s ability to meet organisational goals, reduce the costs of employee turnover and ensure retention of key talent. The purpose of the study was to investigate the remuneration and reward strategies to motivate and retain employees at the NMMU.

The objectives of the study were as follows:

- To determine how the remuneration and reward strategy employed at the Nelson Mandela Metropolitan University concur with theoretical guidelines;
- To conduct an interview with a key person in the Human Resources Department at the Nelson Mandela Metropolitan University regarding the current remuneration and reward strategies;
• To evaluate financial and non-financial reward strategies that can be used in motivating and retaining employees as revealed in the literature study;
• To evaluate employee perceptions on the current reward system utilised by the Nelson Mandela Metropolitan University, and
• To propose an integrated remuneration model that could be used to motivate the Nelson Mandela Metropolitan University employees.

In order to form a base from which to address the objectives, the main problem was raised and sub-problems were identified. The solution to the main problem will be examined in relation to the sub-problems.

5.3 CONCLUSIONS

The main problem was stated as follows:

To investigate the remuneration and reward strategies used by the Nelson Mandela Metropolitan University.

5.3.1 Sub-problem one

What are the objectives of remuneration and reward strategies?

In Chapter Two, a comprehensive literature study was undertaken to identify the objectives of an organisation’s remuneration and reward strategy. The objectives of such a strategy are to maintain internal and external remuneration equity, reward good performance and provide incentives for desired behaviour. This enables the organisation to get employee buy-in, as employees will be satisfied by the fact that the compensation received is equal to that received by their peers. A properly designed remuneration system is also a way to motivate underperforming employees by changing their attitudes.
and behaviour. Motivated employees reduce the organisation’s operating costs through improved performance and reduced labour costs.

Employees form one of an organisation’s sources of competitiveness. In order for the organisation to retain high performing employees, they have to ensure that employees needs are met by offering them rewards that they value. These needs can be met by the organisation through financial and non-financial means. Employees can be recognised for good performance by giving them more responsibilities that will add value to their career path.

Another objective of the remuneration and reward strategy of an organisation is to align its business goals and objectives with that of their employees. The integration and alignment of goals, therefore, ensures the effectiveness of the organisation’s strategies for performance and reward management to support its objectives as employees would also own the need for attainment of organisational goals.

The results in Chapter Four, Table 4.1 showed that more than 70 per cent of employees at the NMMU were familiar with the organisation’s vision and strategic priorities and 56 per cent recognised that their jobs were aligned to its goals. This clearly indicates that the organisation has to improve its communication strategies and that open communication between employees and their immediate supervisors had to be developed. The communication of the alignment of employee jobs to organisational goals could be improved as communication helps employees to understand the need for their functions in meeting organisation goals and thus increasing their commitment to the organisation.

One of the objectives of an organisation’s remuneration and reward strategy is to reward good performance and provide incentives for desired behaviour. According to the findings in Table 4.1, 64 per cent of the respondents indicated that there was no alignment between their performance and their remuneration. Seventy seven per cent indicated that they were not rewarded for accomplishing organisational goals. This was concerning as there was a
perceived disconnect between the communication of goals, and the rewarding of the attainment of such goals. This misalignment is counter effective as employees know what is expected of them, but would not be motivated to achieve it due to the evident lack of recognition.

In conclusion, a properly designed remuneration and reward strategy that is aligned with organisational goals and cascaded to individual goals serves to attract, motivate and retain employees. This is dependent on the effective communication of the organisation’s vision and strategy, as well as the remuneration system and rewards linked to the attainment of goals.

5.3.2 Sub-problem two

What remuneration and reward strategies can be used to motivate and retain employees?

In order to solve this problem, a comprehensive literature search was conducted to identify the different financial and non-financial reward strategies that could be used for the motivation and retention of employees. Financial rewards such as job based pay, skills and competencies based pay, performance based pay, variable pay and benefits were described. Non-financial rewards such as inspiration/values, which were divided into leadership, recognition and communication; growth and career development opportunity; quality of work and an enabling environment, were also described.

In Chapter Two, it was revealed that organisations prefer base pay for its cost effectiveness and psychological implications, which include the guaranteed minimum level of income that plays a role in attracting and retaining desired employees. Base pay is useful in that employees can measure and compare the remuneration offered by different organisations. Base pay has some drawbacks as identified in Chapter Two. It is unlikely to discourage underperformance by employees as it commits the employer to fixed payments to the employee irrespective of performance, thus organisations
end up with underperforming employees. In order to remedy this, organisations may introduce other compensation systems such as competency based pay in order to motivate employees to perform towards the attainment of organisational goals.

Skills and competencies based pay is payment aimed at recognising and rewarding knowledge, skills and abilities that can be measured, built into training programmes and learnt. The payment of skills and competencies based pay is important in organisations affected by changing customer needs and technology as it builds a broader skills base among employees, enabling them to perform a wide range of duties and responsibilities that add value to the organisation. Adversely, the skills and competencies pay system is costly and complex, and may encourage the acquisition of skills that are not aligned with organisational goals. To solve this problem, organisations can adopt the performance based pay system, which pays individuals or teams on the basis of performance delivered.

Performance based pay involves additional payments over and above base pay, in the form of bonuses paid to employees who meet targets and objectives set by the organisation. The purpose is to improve the performance of the overall organisation through motivating individuals to improve their performance. However, a link between the effective introduction of performance-related pay and improvements in productivity has not been proven (Thorpe et al, 2000: 312).

Variable pay is a system of paying for performance based on predetermined measures of group or organisational performance. One of the purposes of using this system is to shift compensation costs from fixed to variable expense depending on the ability of the organisation to pay its employees. The purpose is to also increase the organisation’s competitiveness in the labour market by attracting and retaining talented employees who identify with the organisation’s objectives and values. With the variable pay system employees are compensated through profit sharing, gain sharing, group or
team pay, employee share ownership and recognition through financial awards.

From the discussion above, it is evident that there are different pay systems that influence employee behaviour. It is important that organisations remember that for any compensation system to be successful and fair to employees, the criteria needs to be aligned with the organisation’s culture, yield financial returns to the employees and the organisation, involve managers and employers, and sets clear performance goals that are communicated through effective communication.

In the empirical study, 60 per cent of respondents indicated that they were not motivated by money (Table 4.2). Instead, they believed that they were motivated by their ability to apply their expertise, have their opinions taken seriously, being proud to work for the organisation and getting recognition through feedback from the manager, colleagues and stakeholders.

The factors that motivated the employees of the NMMU, as stated above, require excellent leadership skills from managers. This is because leaders are a source of important rewards such as recognition, done through effective feedback, providing the scope to carry out meaningful work and providing opportunities for development and learning (Armstrong et al, 2007:16). The NMMU should therefore ensure that they have adequately skilled leaders in their organisation. Leaders can also be a source of dissatisfaction for employees if they are perceived as being not supportive, resulting in high levels of turnover.

When asked about the factors that would ensure their retention at the NMMU, job security was ranked the number one reason for staying, followed by challenging work, a professional work environment, medical aid, development opportunities, relationships with others across organisational levels and departments and recognition and rewards (Table 4.4).
From the responses above, it is clear that, as much as people are motivated by their need to satisfy their basic physiological and safety needs through financial rewards, the most important needs for employees are those that are satisfied by non-financial rewards. Herzberg’s two-factor theory states that managers do not motivate employees by giving them higher wages, more benefits, or new status symbols, but rather by their own inherent need to succeed at a challenging task. The manager’s job then is to provide employees with opportunities to achieve, so they will be motivated rather than trying to motivate them to achieve (Marchington et al, 2005:368). This sounds like a paradox, but it implies that people are already inherently motivated, but that their motivation only gets activated when goals are challenging and meaningful.

A working environment communicates the organisation’s value for its employees and sets the standard it expects of them. This can be an environment where one’s ideas are valued, expertise effectively utilised, needs for challenging work recognised and an opportunity for development afforded. Organisations should pay attention to the needs of the employees as these are the important drivers of organisational success and profitability through the retention of motivated employees.

5.3.3 Sub-problem three

What are the perceptions of employees regarding remuneration and reward strategies at the Nelson Mandela Metropolitan University?

Information regarding the perceptions of employees at the NMMU on the current remuneration and reward strategies was acquired through section E of the survey. Before the compilation of the questionnaire, an interview was conducted with the Deputy Director: Remuneration and Budgets to gain more insight into the remuneration philosophy and strategies of the NMMU. The objective of the empirical survey was to gain more insight into employee perceptions towards the compensation system and to determine whether the
compensation system concurred with the theoretical guidelines in Chapter Two.

The research findings indicated that at the Nelson Mandela Metropolitan University, job based pay and the pay scales were influenced by the job or position that an employee occupied. The survey results confirmed that the strategy used by the NMMU was base pay plus benefits. The strategy used by the NMMU concurred with the theoretical guidelines, as it contained certain elements of a total rewards strategy such as variable pay in the form of a service bonus and benefits. The performance management element was introduced, but at the time of the study was not linked to financial benefits for the employees.

Shields (2007:238) believes that the use of job based pay can be conducive to the motivation and retention of the organisation’s best employees as they perceive their pay levels equal. Based on the results of the survey in Table 4.5, it is evident that the employees of the NMMU did not perceive equity as 69 per cent said that their pay was not fair compared to other people doing similar work in the organisation. This misperception regarding the fairness of pay when compared to others within the organisation is a result of the employees not understanding how pay grades are determined within the organisation, with 54 per cent indicating that they did not know how the pay grades were determined. This could be due to lack of clear communication of the organisation’s compensation strategy to employees.

From the findings of the empirical study, it is evident that the respondents did not know how pay packages were put together and that the respondents did not understand the pay policy of the NMMU. It is also important to note that the respondents wanted more say in how remuneration and the benefits package were compiled and that they were not convinced that the current EDS system ensured excellence. The feeling also prevailed that performance was not broadly recognised and rewarded.
5.3.4 Sub-problem four

What integrated model of remuneration can be used by the Nelson Mandela Metropolitan University to motivate and retain employees?

The fourth sub-problem was resolved by integrating all the sub-problems into a total remuneration and reward model. To attain this goal, various theoretical models were presented and discussed in Chapter Two. These were Wilson’s remuneration and reward model (Figure 2.9) and Olivier’s remuneration and reward model (Figure 2.10). A summary of these models is offered below and a proposed model developed from these models and from the empirical study is also presented.

Wilson’s remuneration and reward model speaks to the importance of an organisation having a compensation strategy that is built on three pillars of remuneration and reward that an organisation can use to attract, motivate and retain high performing employees. These pillars of remuneration and reward are the employee’s remuneration - base pay; variable pay – in the form of bonuses and performance management, which reinforces the behaviour that the organisation expects in order attain its goals. The short-comings of the model are that it concentrates only on direct financial rewards, without considering the use of indirect financial and non-financial rewards. The lack of consideration for all remuneration and reward strategies can affect employee morale and result in organisational goals not being met.

Olivier’s remuneration and rewards model encompasses financial and non-financial strategies that an organisation can use to motivate and retain employees. The model also shows the importance of communicating the organisation’ strategy and employment brand through integrated systems that include financial rewards, non-financial rewards, the work itself through meaningful and challenging work, performance management, training and development and the involvement of the employees in decision making. These aspects had been identified by the respondents as being important
aspects for motivating them into excellence and retention within the organisation.

The following model is closely tied to the main problem statement of this study, which seeks to identify the current remuneration and reward strategies that are currently being used at the Nelson Mandela Metropolitan University. The recommended model is a framework that guides the pay principles, values and objectives of reward systems and developed from the theoretical and empirical insights gleamed from this study.

**Figure 5.1**

**Proposed integrated remuneration and reward model for the NMMU**
The model shows that the employment brand should form part of the organisational strategy, as employees are a key resource in an organisation, especially at the university, that rely on expertise and knowledge to achieve excellence. The model emphasises the role of communication and collaboration (highlighted in the model) in all organisational functions related to vision, strategy, job content and skill development, but here specifically with regards to remuneration and rewards. The model illustrates that interrelatedness between the remuneration and rewards system and organisational functions is highly desirable and the remuneration and rewards system should speak to every aspect in the organisation.

The model also highlights other aspects that should get more attention at the NMMU, namely recognition and the role of leadership in aligning departmental and employee goals with NMMU goals, and their role in recognising and appreciating the performance of employees.

For an organisation to be successful in its pursuit of goal attainment and profitability, it needs to ensure that it has defined its business strategy, compensation objectives and remuneration and reward strategy. These strategies should be aligned as the compensation objectives and the remuneration and reward strategies are guided by the business strategy. The NMMU has identified the need for alignment in its remuneration and reward strategies and has introduced the Excellence Development System, which is a competency-based system.

The answer to sub-problem two and three is found in the proposed integrated remuneration and reward model (Figure 5.1). From the interview with the NMMU Deputy Director: Remuneration and Budgets, it is evident that the NMMU’s model for remuneration and reward is closely tied to the recommended model, with certain aspects still requiring work for the compensation objectives to be realised. This is related to the NMMU’s Employee Value Proposition (Annexure C), which includes considerations for direct financial and indirect financial rewards, career opportunities for training.
and development that are available to employees and recognition with the introduction of the Excellence Development System.

The components of total rewards that need to be improved at the NMMU is the concept of improving the level of communication. The organisation's attempt to improve its remuneration and reward strategies to be relevant to market standards is not recognised by the employees. Remuneration and reward strategies communicate the value of the employees to the organisations and when this tool is not properly exercised then the organisation fails to meet its objectives.

5.4 RECOMMENDATIONS

According to the findings of the survey, the NMMU had successfully communicated its organisational objectives, strategic priorities and values to its employees. This is reflected by employee understanding of these priorities and values and their effort to work according to them. More care should be taken with translated strategic goals into departmental and individual goals.

The communication of the remuneration and reward strategies was. However, lacking and needed improvement. This could be done in a number of ways:

- Through communicating to all employees the current strategies undertaken by the organisation, for example, by continuous communication of employee’s value proposition to the organisation. The HR department should steer the communication drive and various communication channels, such as the Intranet, email and meetings;
- Through continuous collaboration with employees and communication of new strategies by involving trade unions and employee representatives before the new strategies are implemented, so that all employees can get the necessary understanding before strategies are implemented;
- Through training and development of managers so that they can communicate and integrate the organisation’s remuneration and reward
strategies to their respective departmental objectives. Training sessions should include the importance of recognition, communication and ensure that the managers/supervisors understand the remuneration policy and strategies. Training should also emphasise the importance of non-financial rewards, recognition (Excellence awards and public recognition), and

- Through the alignment of the remuneration and reward strategies of the organisation with employee objectives.

From the findings of the survey, it was also revealed that the organisation’s employees were highly skilled irrespective of job category with 61.77 per cent of the employees in possession of post graduate degrees, as revealed in Table 3.2. In order to motivate and retain such a highly skilled workforce, the NMMU would need to ensure that they put strategies in place to recognise the skills and expertise in their workforce, other than those currently available for the scarce-skills. This can be done by:

- Introducing a percentage increase to an employees’ salary for obtaining a qualification that would add value to the organisation;
- Introducing job enlargement strategies that can enable an employee to use their acquired skills and add value to the organisation;
- Implementing a promotion policy for professional and technical employees that can recognise the employees that have acquired and use their skills to the benefit of the NMMU.

With regard to the organisation’s implementation of the Excellence Development System, employees felt that the system would not result in the recognition of performance as they felt that the managers were not adequately skilled to oversee the system without bias. As a result, the organisation should ensure that all stakeholders receive continuous training so as to avoid misunderstandings between employees and managers. This can result in employees being de-motivated and cause an increase in employee turnover. Alternatively, senior management should rethink the EDS and decide if there are not alternative mechanisms in addition to it that could improve excellence in
the organisation. Knowledge workers have proven that they are able to manage themselves, set challenging goals and engage in continuous renewal, and an organisation should create a culture and environment, which would include a motivating remuneration and reward system, that would recognise and reinforce such behaviours.

In the findings, presented in Table 4.5, it was found that 66 per cent of the respondents would like a remuneration package that was tailored to their own needs. The NMMU would have to consider offering remuneration and reward packages that can speak to the employee needs. This is a result of the difference in age in the composition of the staff, with a majority of the employees being above the age of 45 years. Understanding employee reward preferences will therefore influence the reward strategy and, in turn, the total reward framework (Bussin, 2011: 8). This can ensure that the reward offered by the organisation adds value to the employees and ensures motivation and retention.

Organisations such as the NMMU should realise that remuneration and reward strategies are not only used as a currency of exchange for effort, time and skill. They are increasingly used to attract, retain and motivate employees. They should ensure that all strategies are effectively communicated to employees to realise their objectives.

5.5 CONCLUDING REMARKS

Effective reward strategies positively influence employee behaviour by incorporating extrinsic and intrinsic motivators. Employees receive tangible and intangible rewards in return for their performance, while making a meaningful contribution to the organisation. As a result, as the organisation succeeds, so does the employee. Furthermore, a sound reward framework positively influences the Employee Value Proposition, enhances the employer brand, and builds the organisation’s reputation as an employer of choice for current and prospective employees (Bussin, 2011:4, 8).
REFERENCES


Belcher, J.G. 1996. How to design and Implement a result-oriented variable pay system. New York: Amacom


Kaye, B.L. 1997. Up is not the only way: a guide to developing workforce talent. 2nd ed. Davies-Black Publishing


Rubino, J. 2010. Use variable pay to promote success in the workplace. HR Focus, Vol 87 (7), p5


Dear Respondent,

I am a postgraduate student studying towards my MBA at NMMU. The topic of my research project is Remuneration and Reward Strategies at the Nelson Mandela Metropolitan University. The aim of the study is to evaluate employee perceptions of the remuneration and reward strategies at NMMU.

It will be appreciated if you could answer a few questions in this regard (it takes less than 10 minutes). Please note that the questionnaire is completed anonymously. This questionnaire has been approved by the Research Ethics Committee (Human) of the NMMU.

Please submit the completed questionnaire by 14 August 2011.

Should any clarification be needed please do not hesitate to contact me Lungiswa.Thoba@nmmu.ac.za.

Yours sincerely

Lungiswa Thoba
Researcher
ANNEXURE B
PRO-FORMA SURVEY

SECTION A: DEMOGRAPHIC INFORMATION

Please supply the following information by making an ‘X’ in the appropriate block.

1. Gender
   Male [ ] Female [ ]

2. Age bracket
   20 – 24 [ ] 25-35 [ ] 36-45 [ ] 46+ [ ]

3. Racial group
   Black [ ] Coloured [ ] White [ ] Indian [ ]

4. Employment type
   Fixed term contract staff member [ ]
   Permanent staff member [ ]

5. Job category
   Academic [ ] Professional [ ] Technical [ ]

6. Highest qualification
   Matric [ ] Diploma [ ] Degree [ ] Post-graduate Degree [ ]

7. Length of service
   Less than a year [ ] 2– 5 years [ ] 6 – 10 year [ ] 11 – 15 years [ ] 16 + years [ ]
Indicate the extent to which you agree with the following statements by making an ‘X’ in the appropriate box.

<table>
<thead>
<tr>
<th><strong>ALIGNMENT</strong></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>I am familiar with the NMMU’s vision and strategic priorities</td>
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<td>2</td>
<td>My department consciously works towards achieving the NMMU’s vision and strategic priorities</td>
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<td>3</td>
<td>My job is designed in line with the NMMU’s vision and strategic objectives</td>
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<td>4</td>
<td>My goals are aligned with the organisation’s goals</td>
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<td>5</td>
<td>There is a clear link between excellence and remuneration</td>
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<td>6</td>
<td>I am rewarded for successfully accomplishing organisational goals</td>
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<td>7</td>
<td>The pay I receive reflects the competencies and skills that I bring to the organisation</td>
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<td>8</td>
<td>I know the five values of the NMMU</td>
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<td>9</td>
<td>I consciously integrate these values with what I do.</td>
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<td>10</td>
<td>I am rewarded for upholding the values of the NMMU</td>
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<td>11</td>
<td>My performance agreement supports the attainment of the strategic goals of the NMMU</td>
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Indicate the extent to which you agree with the following statements by making an ‘X’ in the appropriate box.

<table>
<thead>
<tr>
<th>COMPENSATION AND EXCELLENCE</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>1 The goals and values of the NMMU</td>
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<td>2 Being proud to work for the NMMU</td>
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<td>3 Monetary rewards</td>
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<td>4 Being part of a high performing team</td>
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<td>5 Being fairly rewarded in comparison to other people</td>
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<td>6 Being able to apply my expertise</td>
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<td>7 My opinions being taken seriously</td>
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<td>8 Recognition from my manager</td>
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<td>9 Recognition from my peers</td>
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<td>10 Clear performance goals</td>
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<td>11 Recognition from internal stakeholders</td>
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<td>12 Recognition from external stakeholders</td>
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<tr>
<td>13 Knowing that I will be rewarded for my performance</td>
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SECTION D: COMPENSATION AND RETENTION

Indicate the extent to which you agree with the following statements by making an ‘X’ in the appropriate box.

<table>
<thead>
<tr>
<th>Factors influencing your decision to stay with the NMMU</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
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<tbody>
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<td>1 Job security</td>
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<td>2 13th cheque</td>
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<td>3 Medical Aid</td>
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<td>4 Study benefits for self and family members</td>
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<td>5 Long service award</td>
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<td>6 Challenging work</td>
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<td>7 Sufficient recognition and rewards for excellence</td>
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<td>8 Relationships with others across organisational levels and departments</td>
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<td>9 Opportunities for flextime</td>
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<td>10 Development opportunities</td>
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<td>11 Promotional opportunities</td>
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<td>12 A professional environment</td>
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<td>13 Housing allowance</td>
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<td>14 Scarce skills allowance</td>
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<td>15 Travel allowance</td>
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<td>16 Leave system</td>
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<td>17 Private work-time allocation</td>
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<td>18 Future leader opportunities</td>
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</table>
SECTION E: PERCEPTION OF THE CURRENT REMUNERATION SYSTEM

Indicate the extent to which you agree with the following statements by making an ‘X’ in the appropriate box.

<table>
<thead>
<tr>
<th>Perceptions</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 I have a good understanding of how pay increases are determined</td>
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<td>2 I know how pay grades are determined</td>
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<td>3 I know the criteria used for promotions</td>
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<td>4 The criteria used for promotions enhances excellence</td>
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<td>5 The criteria used for promotions is fair</td>
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<tr>
<td>6 The benefits offered by the NMMU compare well with those of other organisations</td>
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<td>7 I have a say on how my remuneration package is put together</td>
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<td>8 I would like a remuneration package more tailored to my own personal needs</td>
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<td>9 The pay I receive is competitive when compared to other organisations</td>
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<td>10 I have access to salary surveys and other internal and external job information.</td>
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<td>11 I am satisfied that my pay is fair in comparison with that of other people doing similar work in the organisation</td>
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<td>12 I feel that my pay does reflect my performance</td>
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<td>13 I think the organisation’s pay policy does not require a revision</td>
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<td>14 Grade decisions are made fairly</td>
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<td>15 I would like more choice about the benefits I receive</td>
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<td></td>
<td>16</td>
<td>The benefits package compare well with those in other organisations</td>
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<tr>
<td>17</td>
<td>I understand the pay policies of the organisation</td>
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<td>18</td>
<td>The new EDS system is aimed at rewarding excellence</td>
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<td>19</td>
<td>The supervisor gives me adequate recognition for my contribution</td>
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<td>20</td>
<td>My peers give me adequate recognition for my contribution</td>
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<tr>
<td>21</td>
<td>The NMMU gives me adequate recognition for my contribution</td>
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Is there anything else that you would like to add in terms of the remuneration and reward strategy at the NMMU?

........................................................................................................................................
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Thank you for your assistance. It is appreciated.

Lungiswa Thoba
Researcher
### Employee Value Proposition

#### Compensation
- Annual Basic Salary: NMMURF
- Annual Basic Salary: NTRF
- Annual Housing: NMMURF
- Service Bonus: NMMURF
- Service Bonus: NTRF

#### Allowances
- NPA
- Scarce & Critical Skills Allowance
- DOS/HOD
- Cell phone
- Travel Allowance

#### Benefits
- Annual Pension Contribution: NMMURF
- Annual Pension Contribution: NTRF
- Annual Group Life Cover: NMMURF
- Annual Group Life Cover: NTRF

#### Medical Aid
- Annual Medical Aid contribution

#### Total cost of employment

#### Leave
- Non Accumulative
- Accumulative
- Research Leave: Academic
- Research Leave: Professional Staff
- Study Leave

#### Study Benefit
- Self
- Spouse
- Children

#### Work Life
- Private Work Time Allocation: Academic
- Private Work Time Allocation: Professional Staff
- Health and Wellness Programmes

#### Recognition: Performance, Career and Personal
- Performance Bonus

#### Individual Development and Career Opportunities
- Future Leaders Programme

**Total Reward Calculation**