

Application Analysis 15.3

Revising the Reward System at Lands' End (10<sup>th</sup> Edition)

David Kolmer

Fontbonne University

Conflict Management at Ross & Sherwin (10<sup>th</sup> Edition)

Summarize how this organization implemented reward systems and how these will or will not motivate employees.

The main concept that drives the culture at Land's end is "Doing the right thing." This idea guides employees and makes Land's End one of the most desirable places to work. (Pg. 465) Pay rates are defined by groups of internal employees who evaluate the market of similar jobs and designate the pay scale. This promotes the notion that these pay rates are accurate and fair. (Pg. 465)

Recently there has been a shift to rewarding a single employee for their increased performance as apposed to having an organizational wide bonus when the company did well. (Pg. 465) This shift will have a positive impact on the company because the employees will directly link this valued gain with increased performance. This will cause the employees to stretch them selves to meet goals that they previously could not (or would not try to) reach.

There is also a development in group-level rewards at Land's End. There are five operational departments that have implemented a bonus system to that group's performance. Each group has group-specific metrics based off of the tasks completed by that group. (Pg.465) It would be projected that this will have a positive result but this benefit will not be as great as the previous bonus for individual linked performance. On average, group-based bonuses have a lower development of desired behaviors and skill development because the bonus is less related to performing a task at a higher level.

An individual reward system has been implemented for hourly employees. It is a visible hierarchy of pay scales that an employee can progress through for their, service, quality, quantity

and reliability. (Pg. 465) In addition to meeting these goals on a consistent basis the employee is also graded by their supervisor on job responsibilities and competencies personal aspirations, business-unit objects and the Land's End principles of doing business. (Pg. 466) The fact that these measures are clearly defined and visible makes them a strong asset to the award system. There is a risk by having the direct supervisor create the performance-based evaluation of the employ. In order for this to be successful the criteria must be quantitative in nature so that the valuation is objective. If the evaluation contains the supervisor's feeling or interpretation's then this could be destructive.

The pay increases are giving automatically until the employee reaches the top of that pay grade for that year. (466) The automatic increase in real time is a strong positive action. This directly relates the increased performance with the valued prize. The act of having an annual cap is a neutral element that would tend to become a negative force when the employee reaches the cap. Once the employee has reached the highest level achievable for that year they could potentially diminish or halt their growth.

There also a transition in to offering benefits that better suit individual preferences. (Pg. 466) This *reward mix* will have a positive effect on the workforce because there is a better chance that the reward will be a desirable item or the employee. (Pg. 457)

There is a referral program that offers between \$35 and \$1,000 for refereeing an employee. (Pg. 466) This would be a beneficial reward and the benefit would increase as the amount rose to \$1,000. However, extrinsic monetary remuneration is not nearly as *durable* as intrinsic prizes of "increased autonomy" and "pride in workmanship". (Pg. 458)