

**An Investigation into the Effectiveness of the Reward  
System in the Government Sector in the Sultanate of  
Oman and the Potential for Introducing  
a Total Reward Strategy**

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## **Dedication**

### **In the name of Allah, Most gracious, Most Merciful**

Your majesty, you have made a promise and fulfilled it, you have turned the shadow of the tree of education into extended shadows that spread throughout the country. Thus, you have removed the darkness of ignorance and backwardness from this blessed land, and enabled the light of education and progress to shine on it. It trembled, gave birth, and with its people's arms, brought great glory.

Your majesty, May Allah preserve you and safeguard your prosperous reign. I am truly honoured to dedicate my modest scientific work to your great dignity, and I pray to Allah almighty that it will be a brick in the education edifice that your majesty has built on this precious homeland, and will make some small contribution to our nation's march of progress, prosperity and pride. May Allah almighty bless your majesty with long life to build and safeguard our country, and to be a national inspiration and a wise sultan who guides us to achieve noble goals.

May Allah preserve you and direct your steps to the right path.

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## **ABSTRACT**

### **AN INVESTIGATION INTO THE EFFECTIVENESS OF THE REWARD SYSTEM IN THE GOVERNMENT SECTOR IN THE SULTANATE OF OMAN AND THE POTENTIAL FOR INTRODUCING A TOTAL REWARD STRATEGY**

The problem of the migration of talent from developed countries is not a new one, and essentially it is understood that the reward systems of the countries involved are at fault in not providing individuals with rewards that they value. In the Sultanate of Oman, such a brain drain is not yet a problem, but over the last few years there has been an increasing departure of talented people from the Omani Government Sector, as the private sector has more to offer. Such a phenomenon is wasteful in respect of the training investment which might have been made in these people, but it is also damaging to the government sector as a whole since the aim of providing quality services to the nation is made more difficult to achieve as employees of high calibre leave.

Consequently, this thesis explores the issue of why people resign from the government sector to work elsewhere, and in so doing it focuses on the current reward system within the sector. Through a comprehensive literature review, it considers both academic and practitioner perspectives on the issue of reward, concentrating particularly on the concept of Total Reward which embraces the notion of a mixture of wide-ranging tangible and intangible rewards that are designed with employee involvement to ensure their attractiveness, and to ultimately secure loyalty and reduce employee turnover.

The study then conducts an empirical exercise in which a large sample of government employees from the full range of ministries where resignations are taking place, participate in a questionnaire survey, seeking to establish their views on the current reward system and the potential for the introduction of a Total Reward strategy. Additionally, a number of in-depth interviews are held with employees, and focus groups are also conducted, as a means of securing a third source of empirical information. The data obtained is triangulated to establish a detailed employer perspective, and then considered in the light of the literature.

The finding is that the reward system in its current form is not appropriate since it does not cater for employees' needs. It is characterised by a lack of rigorous and transparent criteria on which to assess employees' eligibility for various rewards, and consequently, has allowed favouritism and nepotism to creep into a system that was intended to be operated on the basis of merit. This is dispiriting for employees who have no faith in their managers to determine their individual performance, and hence offer rewards on a fair basis.

It is concluded that a Total Reward strategy is a desirable way forward since this would stem the flow of talented people from the government sector, but it is also acknowledged that there are critical success factors associated with the implementation of such an initiative and that for these to be in place, a culture change within the government sector would need to occur.

# CHAPTER ONE

## INTRODUCTION

### 2.1 Statement of the Problem

Evidence that the business environment is becoming increasingly competitive is commonplace, and in a rapidly globalising world, good performance is the aim of all organisations (e.g. Lawler, 2003; Spherion, 2005; Towers Perrin, 2007; Gilbert, 2007; CIPD, 2007; WorldatWork, 2007). However, abundant research has recognised the fact that organisational effectiveness and prosperity are contingent upon the actions of employees at all levels, and hence, it is essential that organisations be staffed with motivated and talented people if they wish to survive (e.g. Holbeche, 2004; Spherion, 2005; Echols, 2006). The fact that competitive edge is gained by the efforts of high calibre staff is well understood; talented people are known to place their organisations ahead of stiff competition.

However, the main present and future challenges to employers, as recognised by many agencies like the CIPD (2007) and WorldatWork (2007), are persistent skill shortages, which lead to a very tight labour market, such that now the public and private sectors compete for scarce skilled individuals who are capable of making a difference to organisational performance. This competition within the labour market continues to increase, but the public sector with its traditional reward system is no longer in a favourable position because talented people do not want rewards based on service and entitlement, but rather based on the value they add (Zingheim and Schuster, 2008).

Historically, there have been different views about the nature of rewards that are seen as satisfying by workers, but one commonly-accepted idea is that the relationship between employee and employer has begun to evolve. Lawler (2003) argues that treating people properly is fundamental to the creation of organisational effectiveness and success in the twenty-first century, and that caring for employees is not an option, but a necessity. Thus, it is important to create a 'virtuous spiral' in which both employers and employees gain. Therefore, as noted by Roath and Schut (2009:3), "*it is important to understand how best to use rewards as a means to meet the needs of both the organization and employees*".

On the theme of the management of reward, Armstrong and Murlis (2005:1) observe that: "*[r]eward management deals with the formulation and implementation of*

*strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization*". Additionally, Armstrong (2009:747) argues that "[r]eward strategy provides a sense of purpose and direction and a framework for developing reward policies, practices and process". In recent years, the idea of Total Reward (TR) has become increasingly more popular, not least because as Manus and Graham (2003:1) argue, it involves "[a]ll types of rewards indirect as well as direct, and intrinsic as well as extrinsic". And adding to this conceptualisation, WorldatWork (2007:2) observes that "these can expand to encompass everything that is rewarding about working for a particular employer or everything employees get as a result of their employment".

Moreover, Pontier (2008) notes that year on year, organisations operating in the private as well as the public sectors are facing greater competitive pressure, requiring them to search for ways of reducing their costs whilst retaining or improving their levels of quality, therefore changing the perspective on reward away from the narrow focus on payment towards the broader conceptualisation of TR. It is clearly evident, that TR is definitely perceived by its proponents (e.g Wilson, 1998; Lucy et al, 2006; Towers Perrin, 2007; Bau and Dowling, 2008; Pontier, 2008; Hay Group, 2009; Jiang, 2009; Randall, 2009; Armstrong, 2009-2010) as a very powerful tool that enables organisations to realise the best return on their investment of time, effort and money. The approach is considered as one that reflects the ways in which employers can attract, motivate, retain and engage talent, to gain competitive edge, and generate good business outcomes.

However, the development and implementation of a TR system cannot happen overnight; what is required is a long-term commitment to a holistic approach to managing and engaging the workforce (Kao and Kantor, 2004; CIPD, 2005; Buchenroth, 2006). Furthermore, TR is not a panacea, since like other reward systems, it may also fail to motivate employees as a result of a lack of strategic consideration in its management (Crowe, 1992). In addition, there is no one-size-fits-all model in this respect, and each organisation needs a tailor-made system to address its particular needs, with effective implementation being the key to its success (Thompson, 2002; Greene, 2007; Roath and Schut, 2009).

Moreover, some employers still do not agree on whether a TR approach has been appropriate for their organisations since they consider it to be too broad, which in itself



causes confusion. The question of intrinsic rewards also presents a challenge to these employers, since the evidence is that their employees care in the main, about extrinsic rewards (Kantor and Kao, 2004; Giancola, 2008).

The notion of TR clearly then, does not fit easily in all organisations and with all types of employee, and bearing this in mind, the question presents itself as to how readily it will transfer to the developing country context, since the concept originated in the West where different imperatives prevail in the work environment. In this connection, the position of the Sultanate of Oman is one to be considered, since the country prides itself on its modernity, yet simultaneously has cultural factors that might militate against the principles involved in TR.

Oman is an Arab and Islamic country occupying the south-eastern corner of the Arabian Peninsula in the south-western part of the Asian continent. The Sultanate has a long and glorious history, whose written and narrated history, in addition to its historical and archaeological treasures, provide evidence that the country has flourished for centuries (Oman 2007-2008, Ministry of Information).

The modern renaissance of Oman has been linked with the visionary leader, his Majesty Sultan Qaboos bin Said who, coming to power on 23 July 1970, and in a speech delivered to senior state officials in 1978, referred to the government sector, declaring that:

*“the state consists of three branches: the civil branch, the security branch, and the military branch, These three branches need to work closely together and liaise at all times and forget the formal distinctions, they also need to remember that all the branches of this state exist to serve this dear nation and its loyal citizens” (1978:64-66).*

Additionally, His Majesty stressed the expectation that all employees in the government sector should perform their duties diligently, as a result of which they would be appropriately rewarded, saying:

*“There is no place in our society for anyone who steps out of line or fails to perform his duties in the manner required of him. At the same time, all those who work hard and faithfully will receive their fair share of rewards, respect and appreciation” (ibid).*

This philosophy has been sustained for over 40 years, the Omani government having adopted various managerial strategies and policies to modernise and improve the government sector for the sole purpose of earnestly serving the country and its people. Indeed, Oman has been rated 56<sup>th</sup> in respect of human resources development (UNDP Report on HRD, 2009).

That said, the Omani government sector faces a number of problems in relation to its current reward system because there has been little progression in this respect and most units are still implementing traditional approaches, which include the lack of any written reward strategy or performance management principles (Al-Hosni, 1992; Shaiban, 1994; Shafei, 1999; Fatah, 2000; Al-Sheedi, 2002; Al-Farsi, 2006; Al-Mugbli, 2006; Al Azizi, 2007).

The consequence of this is lack of morale in the workplace, lack of motivation or commitment, and a failure to retain high quality people in the sector, since the development of Oman's private sector has provided alternative means of employment that were once absent from the Sultanate. The failure to retain talented individuals has been noticeable over the past few years with increased resignations among government sector employees, especially those working in managerial, technical and engineering departments. Figures from the Ministry of Civil Service that clearly evidence this phenomenon, indicate the number of those resigning in 2005 to be 207, whilst in 2009 that number had risen to 698. The conclusion can be drawn that the current reward system within that sector is not as effective as it should be.

From the foregoing discussion, it seems apparent that TR has something to offer to alleviate such situation, but the development and implementation of a TR strategy (TRS) is not an easy task, and it demands effort and commitment on the part of top management, line managers, and human resource (HR) personnel. Nonetheless, the concept does allow for tailoring to suit the particular situation, and that means that there is a chance it could work in different cultural contexts. Hence, this research study seeks to add to the existing literature in this field by exploring whether TR concepts from New Public Management (NPM) can be completely applicable to the Omani government sector, and might, therefore, represent a solution to the problems of the migration of staff to private enterprises. Additionally, the study considers the problem of how to create an approach that reinforces business objectives, and finally it explores the critical success factors that are required for the creation of a successful TRS.

## **2.2 Previous Studies**

Many studies have investigated the effectiveness of reward systems, but most have taken western countries as their contexts for research (e.g. Scott et al, 2003; Weinberger, 2005; Chiang and Birtch, 2006; Scott et al, 2006; Watson Wyatt Worldwide and WorldatWork, 2006/2007). This section reviews such studies.

In their study, Scott et al (2003) confirmed that effective reward programmes do indeed foster overall organisational effectiveness, and that conversely, this effectiveness can be severely impaired by ineffective reward strategies. And, Weinberger (2005) indicated one aspect of such a programme where ineffectiveness might arise. Another programme element known to influence effectiveness is the actual reward on offer, in which respect Chiang and Birtch (2006) using a sample drawn from 60 companies from Finland and China (Hong Kong), showed the

benefits of adopting a TR management approach which includes a mix of financial and non-financial rewards.

Interestingly, it emerged in another study by Scott et al (2006) that despite the known benefits of an effective reward strategy, most organisations do not formally evaluate either the effectiveness of their reward programmes or the return on investment (ROI) which they bring. And on the same theme of evaluation of effectiveness, Scott et al (2007) in just the following year, confirmed the findings of Chang and Birtch (2006) that non-financial rewards are important elements of effective reward strategies and should be included. Furthermore, in another recent attempt to explore the effectiveness of reward programmes, the Watson Wyatt Worldwide and WorldatWork study conducted in 2006/2007 reveals that there is much ignorance among companies regarding what is valued by employees, the result being less committed employees. The report documents that disappointment with pay, promotional opportunities and work/life balance is a cause of key employees taking their labour elsewhere, and argues that employers must learn and focus upon what it is that employees are motivated by if they wish to attract and retain top talent in a cost-effective way.

A Malaysian study undertaken by Wan (2007), within the context of the chemical industry, reported the need to formulate a well-drawn remuneration package of which employees are well aware since their knowledge of the attractiveness of such package is known to enhance employee satisfaction. Similarly, in a study on the influence of reward on the turnover intentions of employees in the Pakistan Telecom Sector, conducted by Butt (2008), it emerged that the right compensation has a direct positive impact on employee retention, consequently reducing turnover intentions.

According to Giancola (2008), in a report evaluating the current status of TR, there is a long way to go in integrating TR with the business strategy and employee communication. Making a suggestion in this connection, he suggests that the adoption and implementation of TR might be facilitated by efforts to simplify the concept and contain it within traditional HR areas.

Clearly, from these studies conducted in Western contexts, the main findings indicate a strong relationship between reward programmes and organisational effectiveness, such that effective programmes promote organisational effectiveness whilst ineffective programmes foster demoralisation, lack of commitment, and general organisational malaise. Moreover, these studies go so far as to predict how to achieve effectiveness, that being by ensuring both financial and non-financial rewards are on offer.

Additionally, however, the findings are also definite that whilst the success of a reward strategy requires that strategy to be properly evaluated, most organisations fail to do this, and this knowledge gives a strong pointer to organisations on the brink of introducing TR since without

robust assessment of the strategy it is quite possible that the rewards available for workers are not valued by them. This particular aspect features strongly in previous studies which show a great deal of ignorance by managements concerning what employees actually value, and therefore, want to receive in their reward package. The need for companies to investigate what employees want is emphasised in the findings of the studies so far in the western context, since the evidence is clear that employees will leave for better reward if the opportunity presents itself. Communicating the reward strategy to employees also emerged as a major need, in which connection the research to date also argues for clarity and some simplification of the concept of TR so that it remains within the boundaries of HRM. (e.g. Scott et al, 2006; Giancola ,2008).

The few studies that have covered the reward system applied in the civil service sector conclude this system to be less effective than desired in sustaining its objectives, and have therefore, demanded the expedition of certain improvements to the same.

For example, Al-Hosni (1992) in his study of Oman's Civil Service, reported that rewards granted to employees were not consistent with efforts they made in conducting their duties. In fact, 49.74% of his sample believed the incentives they received to be insufficient considering the effort they put into their jobs.

Additionally, Shaiban (1994) in her study concerning the use of labour in Oman's government sector, found very low levels of job satisfaction among workers, largely because there was no career management and development, nor financial or non-financial incentives available to them as motivators. Moreover, the methods of work were cited as demotivating. As a result, the study recommended more attention be paid to employee needs, and the introduction of more incentives into the system.

In particular, Shafei (1999) researching primarily into productivity problems in Oman's government sector, found that the reward system was not sufficiently effective to improve and develop human productivity, subsequently recommending an upheaval of the reward strategy to become attractive and thereby enable the government sector to reach its goals.

In the same vein, Fatah (2000) stressed the weakness of reward systems in being unable to distinguish between those who work efficiently and those who are negligent in this respect. Additionally, in his comprehensive study of all public sector units in Oman, Al-Sheedi (2002) found that the reward system was used mundanely, with the result that employees were complacent, and suffered from low morale. Moreover, the allowances were not sufficient to cover the continually-increasing living expenses. Hence, a major reformation of the Civil Service law regarding administrative work and particularly the reward elements, was recommended.

Likewise, a study by Al-Farsi (2006) confirmed that the issue of reward did not attract much attention, and that only monetary rewards were given, and these were only given to those who were believed to deserve them. In addition, the policies were considered to lack objectivity, and it was concluded that a general overhaul was needed of the incentive approach in order to achieve impartiality and equality towards employees.

Furthermore, Al-Mugbli (2006) in his study of administrative training in Oman's public sector revealed that only 36% of administrators considered the reward system to be acceptable and fair, compared to over 51% who were completely dissatisfied, which indicates that the majority wanted the system to be changed.

Researching into exactly the same theme, Al Azizi (2007) confirmed these outcomes, emphasising the need to re-engineer the reward system and create a clear fixed policy for material and moral incentives.

These earlier research studies of government sector employees in Oman all indicate that some problems exist in the implementation of the reward system in the government sector, in particular the absence of justice and equality in the operation, which seems to ignore the issue of whether a worker merits a reward, and functions instead on more subjective criteria. Hence, the researcher suspects that a TRS is one that would be welcomed within the Omani government sector, and that there is potential for its introduction.

### **2.3 Rationale for the Research**

Having discussed the background to this study, this section provides a rationale for studying TR in Omani context. The justification for embarking on this research is based on several factors, as follows:

Firstly, there is a problem that has been articulated in the previous two sections, this being the migration of government sector workers in Oman. Unfortunately, there is no previous research that has been undertaken in this area in Oman, from which to learn, or to turn to for an answer. Hence, there is a need to fill a gap and begin a body of knowledge that will contribute towards the management literature relating to the Arab World, and in particular to the strand of TR, and specifically in relation to Oman.

Secondly, Oman is one of the most peaceful countries in the Gulf and brings stability to the Middle East which is important for world security. It is important, therefore, that change brought about by the development of its private sector should not jeopardise the Sultanate's infrastructure, which is essentially supported by the work of the government sector. Hence, it is crucial to ensure that the government sector is managed by the most capable personnel the country can produce, and that demands efforts to obtain the commitment of these people and

provide them with a level of job satisfaction that does not provoke their resignation from public organisations.

Thirdly, the opening up of Oman's economy to foreign investment, with the promise of greater development for the nation, is a direct result of Oman being one of the highest on the Index of Political Stability and Absence of Violence. Additionally, Oman was placed second out of all the Arab countries in respect of its public administration (World Bank Report, 16 September, 2006 - Rule of Law Index). These are reputations that the Sultanate must safeguard, and hence, threats to the internal management of the country should be taken seriously, and solutions found.

Finally, the reputation of the government sector as a desirable employer of choice has been tarnished and young talented and qualified people no longer consider this sector as a place where their dreams and aspirations can be realised. This image must be reversed in order to stem the brain drain to the private sector, and possibly out of the country, not least because the vast majority of these young graduates have been supported by the Sultanate throughout their education and training, and their migration represents a waste of resources.

Clearly, the rationale for a serious exploration of how best to reward Oman's human capital in the government sector, is strong, and can be summarised by referring to a pioneering piece of research that will begin the creation of a corpus of knowledge in this field in the Gulf countries, and by reference to its intention to preserve the internal stability, through effective management, of the country's administration, thereby having a positive effect not only on the development of the nation, but also on security in the Gulf/Middle East area.

## **2.4 Research Aim and Objectives**

The aims of the study are twofold. They are to examine the effectiveness of the reward system (RS) in the government sector in the Sultanate of Oman, as determined by the sector's ability to retain talent, and to explore the feasibility of introducing the TR concept into that sector as a means to motivate employees and secure their loyalty. In order to achieve this aim, five objectives are proposed as follows:

- To explore the concept of TR as conceived and practised in western environments.
- To critically analyse the RS in the Omani Government Sector (OGS).
- To investigate the impact of the RS on the achievement of organisational objectives in the OGS.
- To investigate the impact of the RS on the achievement of employee objectives.
- To determine whether a TR strategy would be appropriate for the cultural context of the OGS.

## **1.5 Structure of the Thesis**

### **Chapter One: Introduction to the Study**

This chapter has provided a statement of the problem, and indicated the rationale for exploring it. Additionally, it has presented the aim and objectives of the study.

### **Chapter Two: Reward Management and Total Reward - A Review of the Literature and Best Practice**

This chapter provides a detailed analysis of the concepts of Reward Management and Total Reward (TR), beginning with an introduction to Reward Management as a concept, and then exploring the notion of a Reward Strategy before moving on to introduce Total Reward as a particular strategic approach that has emerged in more recent years. The TR concept is then explored in depth, in the context of its importance to employers. Its perceived benefits are highlighted in detail in an attempt to demonstrate its interest to employers. The chapter concludes by considering some well-known TR models.

### **Chapter Three: Implementation Challenges in Respect of a Total Reward Strategy (Critical Success Factors)**

This addresses some of the criticisms levelled at the TR approach and then seeks to explain the many challenges facing most organisations in its implementation. The chapter considers the problem of how to create an approach that reinforces business objectives, and then explores the critical success factors that are required for the creation of a successful TRS. Finally, it presents the theoretical framework generated for the study, derived from some of the research to date which has functioned as a means of enabling the research framework to be formulated.

### **Chapter Four: Reward Management in the Omani Government Sector**

This introduces the Omani government sector as an employer and considers the reward systems as they currently exist in the sector, and why. Some information regarding the country's politics, geography, population and economy is provided before progressing to a discussion of human development in Oman, the development of the Omani Civil Service, and the character of the current reward system.

### **Chapter Five: Research Methodology**

This discusses the approach to the study, considering triangulation approaches, sampling issues, the particular research instruments chosen for this study, and the method of data analysis. It then documents exactly how the study was conducted, pointing out the problems that occurred and how they were managed. It also considers ethical aspects of the fieldwork.

### **Chapter Six: Presentation and Analysis of Quantitative Data**

This chapter presents the data obtained from the questionnaire survey with employees from the full range of ministries where resignations have taken place. The data are analysed using descriptive statistics and regression techniques.

### **Chapter Seven: Presentation and Analysis of Qualitative Data**

This chapter presents the data obtained from the in-depth interviews, and focus groups conducted with employees from the same ministries involved in the questionnaire exercise. The data are analysed using a thematic approach, picking up on the issues identified in the questionnaire survey.

### **Chapter Eight: Discussion and Study Findings**

This chapter provides a discussion of the problem faced by the Omani government sector in relation to its loss of trained talent to the private sector. The discussion is underpinned by the literature reviewed in Chapters Two, Three, and Four, and the findings from the empirical exercise reported in Chapters Six and Seven.

### **Chapter Nine: Conclusion and Recommendations**

This chapter draws a conclusion to the research study and offers recommendations for the Omani government sector, in a bid to help it retain educated and trained personnel for the good of the nation. It addresses the contribution to knowledge made by the study, and points to further avenues that should be explored in connection with the implementation of TR in a developing context.



## CHAPTER TWO

### REWARD MANAGEMENT AND TOTAL REWARD: A REVIEW OF THE LITERATURE AND BEST PRACTICE

#### 2.1 Introduction

As indicated in Chapter One, the purpose of the study is to examine the strategic concept of Total Reward (TR) and its applicability and adaptation to the public sector in Oman. In order to achieve this aim it is first necessary to conduct a review of the literature on TR, since this will reveal current best practice, and the environmental and cultural contexts within which this is observed. This review will facilitate the design of the empirical study, and specifically the research instruments, to investigate the impact of reward on the migration of talent from the Omani Government Sector (OGS) to the Private Sector.

The chapter provides a detailed analysis of the concepts of Reward Management and Total Reward (TR), beginning with an introduction to Reward Management as a concept, offering several definitions before discussing the aims and various components of this practice (Section 2.2). The chapter then explores the notion of a Reward Strategy (Section 2.3), and moves on to introduce Total Reward (Section 2.4) as a particular strategic approach that has emerged in more recent years. The concept of Total Reward is then explored in depth, in the context of its importance to employers (Section 2.5), and the perceived benefits it brings (Section 2.6). Following this Section 2.7 considers four well-known TR models, before Section 2.8 discusses the issue of integrated reward management and talent management. The chapter finishes with a short summary of the discussion thus far (Section 2.9).

#### 2.2 The Concept of Reward Management

The concept of *reward management* underpins TR, the focus of this study, and hence, must be considered first. The idea of managing reward in organisations is crucial to all employers, and consequently, many definitions have been proposed, which are now introduced.

It is necessary here to clarify exactly what is meant by reward management, According to a definition provided by Bratton and Gold (2000:238), reward management is “*central to the regulation of the employment relationship and is one of the central pillars of human resource management*”.

Writing almost twenty five years ago, Armstrong and Murlis (1988:1) stated that *“[r]eward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably and consistently in accordance with their value to the organization”*. More recently, Armstrong and Stephens (2006:3) produced a very similar definition, but adding that the ultimate aim is for the organisation to be assisted in the realisation of its strategic goals: *“Reward management is concerned with the formulation and implementation of strategies and policies the purposes of which are to reward people fairly, equitably and consistently in accordance with their value to the organization and to help the organization to achieve its strategic goals”*.

Many consultants in the field of reward believe that a major shift has occurred in strategic direction and that strategic reward management has become more sophisticated in turn, it now being considered as the process of planning the future development of reward practices based on a reward philosophy and incorporating the concept of TR to achieve organisational objectives as well as employee aspirations (Armstrong, 2010; CIPD, 2011). Moreover, as Jiang (2009) confirmed, modern reward management is effected through TR management which includes more attractive tangible and intangible rewards, thereby being a popular modern approach in a variety of organisations. Moreover, it is an approach with credibility in this highly developing world.

The sophistication of reward management is also emphasised by White and Drucker (2000:219) who observe that *“the management of reward is a complex and perplexing task”*. Likewise, Bratton and Gold (2000:237) assert reward management to be *“the most difficult HRM task for the general manager”*. Strategy is now a key focus of reward management, as *“[t]o be successful, companies must be especially attentive to a number of important issues related to human capital, and these issues, must be strategic ones”* (Hitt et al, 2006:10).

### **2.3 Reward Strategy**

According to Armstrong (2004:79), *“[r]eward strategy is concerned with what the organisation wants to do about reward over the next two or three years”*. Shuster and Zingheim (1993:20) claim that *“reward strategies provide a road map from where the organisation is presently to where it wants to be in the future”*.

Armstrong (2009:739) notes that the reward strategy *“sets out what the organization intends to do in the longer term to develop and implement reward policies, practices*

*and processes*”, and Armstrong and Stephens (2006:25) note that it gives answers to two basic questions: “(1) *where do we want our reward practices to be in a few years’ time, and (2) how do we intend to get there?*” Hence, as Armstrong and Brown (2009:9) indicated, it “*deals with both ends and means*”.

Kaplan (2005) states that a sound reward strategy defines the objectives of the reward programmes, their elements, and how they inter-relate to fulfil their objectives. It describes the philosophy behind the programmes, providing the foundation for future plan design. This contention finds support from Armstrong (2004:83), who considers reward strategy to be “*a business-focused statement of the intention of the organization concerning the development of future reward processes and practices which are aligned to the business and human resource strategies of the organization, its culture, and environment in which it operates*”. Wilson (2003) describes this concept as a process by which a firm translates its competitive business strategy into a series of programmes and initiatives that will have a positive impact on human behaviour. When the strategy defines what new behaviours are needed and builds systems and practices to reinforce these behaviours, the desired changes become real.

More recently, reward strategy has been defined by Armstrong (2010:72) as “*pathways that link the needs of the business and its people with the reward policies and practices of the organization and thereby communicate and explain these practices*”. However, Armstrong and Cummins (2011:31) do stress that “*the reality of reward strategy is that it is not such a clear cut process as some believe. It evolves, it changes and it has sometimes to be reactive rather than proactive*”.

Emerging from the notion of *reward strategy*, is the concept of TR, which reflects the fact that a whole raft of changes in the business environment bring about dramatically different views concerning the nature of rewards. This concept is now analysed in detail.

## **2.4 The Concept of Total Reward (TR)**

According to Silverman and Reilly (2003:2), “[t]he concept of total reward is based on the assumption that people work for more than money”. Jiang (2009:177) supports this interpretation, stating that “[w]hat once was ‘compensation’ or ‘total compensation’ has evolved into an interdependent triad of total rewards”.

Armstrong (2010:40) highlights that the first person to refer in effect to TR was Adam Smith in 1776, who identified several components of what he called ‘total net advantage’ besides pay, namely: *“agreeableness or disagreeableness of work, difficulty and expense of learning it, job security, responsibility, and the possibility of success or failure”*.

The new concept of TR was used to describe a specific HR resource strategy in the United States in the 1990s, and interest in this approach increased substantially in the early 2000s, spreading globally, becoming particularly prevalent in Western countries, and catching many scholars’ attention (i.e. Armstrong and Brown, 2005; Jiang, 2009; Corby et al, 2009, Giancola, 2009). Tracing the historical development of the approach, O’Neal (2005:20) states that *“in the mid 1950s, total reward was a concept on the far horizon, but was a concept that was to form the basis of the WorlDatWork mission for the 21st century”*.

There is keen debate on the concept of TR (Richard and Kao, 2004), it having received considerable attention as an approach for developing an organisational reward strategy. However, while the calls for HR professionals to consider TR may be fashionable, many employers remain confused as to its true meaning (Giancola, 2008).

WorlDatWork (2007:4) notes that two prevailing camps have emerged, those being concerned with a narrow definition on the one hand, and those interested in a broader definition on the other. These camps can be defined as follows:

*Narrow definitions: “these virtually always comprise compensation and benefits, and sometimes include other tangible elements (e.g. development). This is sometimes referred to as total compensation or total remuneration”.*

*Broad definitions: “These can expand to encompass everything that is rewarding about working for a particular employer or everything employees get as a result of their employment. Sometimes terms such as value propositions or total value are used interchangeably with Total Rewards”.*

Richard and Kao (2004) and WorlDatWork (2007) also observe that much of the current activity in TR involves companies moving to a broader definition. Several possible reasons for this exist: the erosion of the core elements of a company’s package, pressure for effectiveness, or simply the need to reinforce the business strategy are all factors that are usually considered when structuring TR packages. By aligning all the components of TR with their overall business vision, organisations are moving to a much wider concept of TR.

This broad notion receives support from many writers. Fuehrer (1994:35), for example, defined TR as *“a myriad of (sic) creative reward vehicles available that include cash and non-cash, intrinsic and extrinsic, and short and long-term approaches”*. Likewise, Manus and Graham (2002:6) note that TR includes *“[a]ll types of reward indirect as well as direct, and intrinsic as well as extrinsic. Each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole”*.

Armstrong and Murlis (2004b:5) express similar views, suggesting that the TR concept emphasises the importance of considering all aspects of reward as an integrated and coherent whole, when they state *“[a] total reward system approach is holistic; reliance is not placed in a few mechanisms or levers operating in isolation”*.

Total Reward is defined by the Cabinet Office (2007:4) as something which *“draws together all the financial and non-financial investment an employer makes in its workforce”*. Bau and Dowling (2008) add to this definition the fact that TR includes all monetary and non-monetary rewards and incentives the organisation provides. Armstrong (2006:627) agrees that *“TR is a combination of financial and non-financial reward available to employees”*. Gonzalez (2008:68) states that TR includes *“the monetary and non-monetary returns provided to employees in exchange for their time, efforts and results”*, and Reilly and Brown (2008:46) explain that TR captures *“a firm’s entire employee value proposition, including direct and indirect financial rewards, positive characteristics of the work itself, career opportunities in the firm, social activities associated with the workplace, and a variety of other conveniences and services provided by the employer”*.

Essentially, the concept of TR involves more than tangible money or benefits, and as Armstrong and Stephens (2006c:17) point out, *“the conceptual basis of total reward is that of configuration so that different reward processes are inter-related, complementary and mutually reinforcing”*.

Other writers place greater emphasis on the idea of reciprocity in the concept, highlighting that the various types of reward in the TR package must be attractive to employees. O’Neal (1998a:14) for instance, explains TR as embracing *“everything that employees value in the employment relationship”*. Likewise, WorldatWork (2000:53)

states that TR is *“all of the employer’s tools available that may be used to attract, retain, motivate and satisfy employees”*.

An equally wide definition of TR is offered by Segal (2002:1) who states that TR should *“integrate all aspects of what people get from their job”*. Manus and Graham (2002:1) suggest that TR *“refers to everything the employee takes away from his or her relationship with an employer”*; Richard and Kao (2004:10) define it as *“everything an employee gets as a result of working for the company”*; while Gilbert and Turner (2004) say the concept of rewards has expanded to include the overall value proposition the employer offers to the employee. Jantz (2005:1) considers it as *“the value proposition the employer provides to the employee in exchange for his or her investment in the organization”*, and Rumpel and Medocof (2006) believe that TR encompasses all the rewards available in the workplace.

More recently, TR has been used by Stoskopf (2009:38) to refer to *“anything and everything that employees value as part of the work experience and employer/employee relationship”*. Armstrong (2010:40) argues in similar vein, saying TR refers to *“all aspects of the work experience of value to employees”*.

This idea of what motivates workers to perform and of what they value in return for their efforts, is prevalent in the literature, as seen in the definition of TR given by Silverman and Reilly (2003:1) who perceive it as *“embracing a whole range of mechanisms that aim to attract, retain and motivate staff”*. Wright (2004:27) similarly describes TR as *“an approach to providing a package of reward to employees in ways that optimise employee satisfaction with reward from their work, and which does this such that the employees’ contribution to the employer is optimised at an acceptable cost”*. The Hay Group (2003:55) similarly describes TR as *“all the investments an organisation makes in its workforce and everything that the employees value in working for the employer”*. Armstrong and Murlis (2005:23) argue that TR is *“essentially focused on understanding what elements of the work environment employees themselves regard as rewards for their work in addition to traditional pay and benefits, and which they find most motivating and engaging”*.

Hence, it can be seen from these many contributions, that most writers and researchers in the management field view TR as addressing everything about the workplace, thereby providing the formula for success and a means of providing competitive advantage in the marketplace. This may be because TR potentially makes an organisation more

attractive to top talent, creates affordable and sustainable costs, connects with business strategy to create a high performance culture, generates maximum return on the reward programme investment, and influences employees' behaviours and attitudes (*Zingheim and Schuster, 2000; Wilson, 2003; Kaplan, 2005; O'Neal, 2005; Corby et al, 2009; Armstrong, 2010*).

From the previous definitions TR can be categorised into narrow, median and broad camps, as seen in Table 2.1.

**Table 2.1: The Definitions of Total Reward**

No	Category	Definition
1	Narrow	TR is comprised of compensation and benefits, and sometimes development and training.
2	Median	TR is a combination of all monetary (financial, tangible, extrinsic cash, transactional) and non-monetary (non-financial, intangible, intrinsic non-cash rationale) rewards that the organisation provides to employees.
3	Broad	TR is anything and everything that employees value as part of the work experience and employer/employee relationship

*Source:* compiled by the author

What is clear throughout the many definitions presented is that TR depends upon both employees and employers. It is not simply a strategy that can be implemented by employers without consultation with their staff, since it is absolutely necessary to know what staff value, and hence, what they will be motivated to work for.

In this respect, a word of caution must be raised since what people value in one context, be it economic, political or cultural, may not necessarily equate with what people in similar environments consider to be worthy of their labour. As the concept of TR has evolved in western industrialised countries, therefore, it may have little or no relevance to developing countries, where individuals' priorities may be different.

## **2.5 The Benefits of Total Reward**

Academics and practitioners believe distinct advantages can be gained by employers implementing TR strategies, and this section illuminates those benefits.

Writers on reward management (e.g. White, 1999; Bratton and Gold 2003; Armstrong and Stephens, 2006; Armstrong and Brown, 2009) argue that a TR strategy is beneficial for employers as it: helps to develop strategies to achieve and pursue business goals, allows the design and alignment of organisational strategy with cultural goals and outcomes, brings diversity into the culture of the organisation, identifies and addresses

value and vision to reinforce performance management towards the organisation's culture, and provides the tools to develop a favourable culture which customers value, and creates total reward processes which recognise the importance of both financial and non-financial rewards. Furthermore, it operates in ways which are fair, equitable, consistent and transparent, it has a sustainable cost structure, and complies with legal regulations.

Rumple and Medcof (2004) add that a TR system's main value is that it enhances competitive advantage. And the Hay Group (2003) documents another benefit as being the creation of an employer brand that differentiates the organisation from other employers.

Scholars and other research agencies focus on different aspects of the above benefits. For instance, CIPD (2006) research has repeatedly demonstrated links between the way employees are managed, their attitudes, and business performance. Hence, according to Corby et al (2009:5), a major benefit is that total rewards are *"becoming [a] more sophisticated way to influence employees' attitudes, behaviour, and performance"*.

Armstrong and Murlis (2005) believe the main benefit of an effective TRS to be success in the battle for talent: namely that relational rewards help to deliver a positive psychological contract, serving as an effective brand and differentiator in the recruitment market which is much more difficult to replicate than individual pay practices (Brown and Armstrong, 1999). Indeed, the Mercer European TR Survey (2007) shows that attracting and retaining the right talent represents the most significant rewards challenge. By using relational rewards, the organisation can become an employer of choice and a great place to work, thus attracting and retaining the talented people it needs.

The CIPD (2006) adds more advantages that flow from a TR strategy as: lowering the potential waste arising from staff turnover, and elevation of the reputation of the company as an employer of choice. Two further benefits are heightened visibility in a tight labour market and increased flexibility to meet individual needs (Worldatwork, 2007).

Brown (2001) believes that reward management aims to achieve a win-win situation, which Armstrong (2010:72) articulates as *"to provide the organization with a sense of*



*purpose and direction in delivering reward programmes that support the achievement of business goals and meet the needs of stakeholders”.*

Finally, it is evident that many experts believe a TR strategy, properly designed and implemented, can bring benefits for organisations, employees, and as Mercer (2006) includes, customers, because it is seen that a robust TR approach can increase workforce motivation and engagement, that in turn prompt demonstrably higher standards of customer service.

## **2.6 Employer Interest in the Concept of Total Reward**

Whilst many benefits can clearly be gained by organisations adopting well-designed TR strategies, the precise reasons why employers should feel the need to obtain those benefits have not yet been explored. This is the subject of this section, which addresses the evolving nature of work, resulting from global challenges.

Commenting on the changes in the business environment, Lawler (2003:5) reports that:

*“There can be no doubt that the world is changing more rapidly and has become more chaotic, demanding, and competitive than ever before. These starkly contrasting sketches of business environment are the result of four major changes: the globalization of competition, the rapid development of scientific and technical knowledge, the death of the loyalty contract, and the scarcity of skilled employees”.*

Mercer (2005) demonstrates that the top global business challenges include, in order of importance: generating top-line revenue growth, globalising business operations, continuously improving processes, controlling costs and managing risks, engaging employees, and changing working demographics.

In addition, in the current economic environment, organisations are facing multiple headwinds, such as dealing with the impact of the financial crisis, a global recession, volatile capital markets, and a continuous war for talent among sought-after workforce segments (Stoskopf et al, 2009). But according to Latta (2006), the major influence on the future business environment is the shortage/surplus of critical talent.

Holbeche (2004) believes that no organisation is immune to these problems, predicting that organisations must be creative, innovative, and continuously renew themselves in order to survive and be successful. Brown (2001) emphasises that the source of sustained competitive advantage in the current rapidly-changing environment has shifted from technology to human capital. As noted by Capelli (1995), there have been many changes over recent decades in the nature of work and in the management of the

relationship between employers and employees. Ulrich and Brockbank (2005) suggest the need for companies to treat their employees as internal customers, awarding them the same respect and service as their external customers.

Echols (2006:117) agrees on the importance of human capital in a competitive business environment, stating that: *“[o]ver the two decades between 2005 and 2025, a dramatic reduction in the availability of people with the required talent and skills relative to demand will occur. These shifts create the potential for successful competitors to secure significant competitive advantage from a strategy of investing in their human capital”*.

Heneman et al (2000) observe that the rapidly changing nature of work typically brings a renegotiation of the employment relationship in which the move from permanent to contingent employment, from bureaucracies to virtual environments, and from strict to more flexible role definitions is evident. These ideas are affirmed by Lawler (2003:1) who notes:

*“We are entering a new era in the relationship between organizations and their employees. In the past, few organizations have treated employees as the most important asset, while most of them treat them as replaceable parts and add little value. But in the twenty-first century, people are the primary source of a company’s competitive advantage, and treating them right is not option; it is a necessity.”*

Cascio (2003) makes the point that employers who consider their people as assets, tend to treat them well, and that some such companies are recognised as the best places to work. Indeed, it is accepted that organisations do substantially benefit from attention to their employees, a sentiment echoed by Lawler (2003:16), who also argues that *“[a]chieving the competitive advantage needed today requires both great people and great organizational practices”*. He is adamant that *“[o]rganizations that do not attempt to treat people right and initiate a virtuous spiral are susceptible to the opposite result, the death spiral. A death spiral occurs when an organisation mistreats its human capital, and as a result, its performance declines, causing repercussions that lead to further declines and in many cases death”*.

These investigations highlight a significant difference between the classical and modern relationship between employers and employees. In the ‘old deal’, workers tended to spend their lives in the same organisation, effectively owning their jobs. This meant that entitlements were common and a company typically looked after all members of staff without specifically examining individual performance or company needs. Few workers lost their jobs and the balance was, therefore, in their favour: in return for their labour,

they could expect a high degree of job security and a relatively slow but steady increase in expected total compensation, along with financial support in their retirement years (Tulgan and Greene, 1999; Milkovich and Jennifer, 2000; Zingheim and Schuster 2000; Aselstine and Alletson, 2006).

In contrast, the ‘new deal’ emerged in the 1980s and 1990s, with the realisation that people are essential to growth. Significant changes occurred: long-term security with a single employer was replaced by a focus on employability, permanent employees became core workers and external contractors, merit or seniority-based pay shifted to a greater emphasis on performance, and one-size-fits-all benefits were changed to flexible packages that permit choice (Tulgan and Greene, 1999; Milkovich and Jennifer, 2000; Zingheim and Schuster, 2001; Aselstine and Alletson, 2006).

Attitudes toward reward programmes have gradually evolved, such that whilst once they were considered primarily as a necessary evil to attract and retain competent employees, now they are acknowledged as important in contributing to business success.

In the early 1990s, compensation experts such as Lawler (1990), and Schuster and Zingheim (1996), introduced the concept of ‘new reward’. The main features of this system were to completely shift the focus of job evaluation plans from the job to the person, and from internal equity to external market compatibility (Sullivan 1991-1992). Under this method, base pay is adjusted to reflect only market worth, not performance or contribution, and variable pay ties employee contribution to organisational performance (Hawk and McAdams, 1992). Reward philosophies derive from internal strategic direction, and skill- and competency-based pay, and shift employee expectations from what the organisation will give them to what they can earn (O’Neal, 1998; Milkovich and Jennifer, 2000; Zingheim and Schuster, 2001; Stoskopf et al, 2009).

The approach has evolved since its emergence in the 1990s (Graham et al, 2005). Poster and Scannella (2001:28) describe the evolution of reward strategy, noting its progression *“from the days of setting pay as a few dollars more than competitors, to designing multifaceted pay programs that support business strategy and shareholder value creation within the parameters of competitive advantages”*.

Introducing a better deal in which a workforce and the organisation both benefit requires shared responsibility between the two parties. The majority of studies in this field confirm that people work for more than just pay; hence, many writers and researchers (Brown, 2001; Wilson, 2003; Zingheim and Schuster, 2003; Kaplan, 2005; Scott et al, 2007; Bau and Dowling, 2008) state that a TR approach is the most suitable and effective way to attract, retain and motivate employees.

Supporting this position, Heneman and Schutt (2002:495-504) observe that *“as we move into the twenty-first century reward systems must move from a strict compensation only viewpoint to total reward philosophy ... in the absence of a shift to total rewards, it is more unlikely that managers will be able to successfully align the interests of employees with the interests of employees with the interests of the organization”*.

As John (2007) argues, it is imperative to create this overall ‘big’ idea about reward. Brown (2001) similarly stressed that organisations must broaden their focus when attempting to follow a TR approach, and think about rewards from a higher, more strategic perspective. Likewise, Scott et al (2007) observed that rewards more broadly defined, are deemed important contributors to reward effectiveness and represent an area where organisations need to improve.

According to Armstrong (2010), therefore, employers must be prepared to deploy a TR strategy, thereby making their organisations more attractive to talent; and Mercer (2008) notes that such an approach will also encourage employee engagement, while White (2005) argues that it facilitates the improvement of accountability and flexibility, and Kaplan (2005) believes that organisations implementing a TR strategy will be uniquely positioned to win in the marketplace.

Research suggests that a more limited view of rewards will not create value and can indeed be more costly, because organisations tend to respond to every situation with cash. Moreover, the more broadly rewards are defined, the more employers can truly distinguish themselves in the labour market from competition and earn employee commitment (Manus and Graham, 2002; Kantor and Kao, 2004; Heneman, 2007; Giancola 2009). Regarding costs, Wilson (2003) comments that an effective broad and strategic total reward package creates affordable and sustainable costs, connects with business strategy to create high performance culture, generates maximum return on the reward programme investment, and influences employees’ behaviours and attitudes.

Summarising the increasing importance of a TR approach in the modern work environment, WorldatWork (2007) document that it: addresses modern business needs for managing costs and growth, meets the evolving needs of modern employees, and helps redefine a compelling and differentiated offer in the market for talent.

Essentially, an effective TR strategy enables “*organisations to deliver the right amount of reward, to the right people, at the right time, and for the right reasons*” (Gross and Friedman, 2004:8). The fundamental principle here is one of meritocracy, where people are rewarded for what they do. Again, it is necessary to register a slight caution in this respect, that being that in western environments the concept of meritocracy is well-understood and supported. In some developing countries, where tribal and kinship affiliations operate, reward is not traditionally based on effort. Hence, for those employers who are interested in TR, there are wider issues to consider than merely deciding what is to be included in the TR programme.

#### **2.7.3.2.1 Total Reward Models**

Given the interest in the concept of TR as has been discussed earlier in this chapter, it is unsurprising to learn that consultants and researchers have developed various TR models. A consideration of these shows that while each presents a unique viewpoint, they all acknowledge the importance of leveraging multiple programmes, practices and cultural dynamics to satisfy and engage the best employees, contributing to improved business performance and results.

This study categorises these models into three groups: narrow, middle and broad, which are discussed in detail in the following sub-sections.

#### **2.8.2 The Narrow Models of Total Reward**

These kinds of model comprise compensation and benefits, and some include other tangible elements (e.g. development). The Fischer et al (2003) model comprises four components: base pay, overtime pay, benefits, and wealth accumulation. Meanwhile, Dolmat-Connell’s (1999) model includes three components: base compensation, variable compensation, and recognition management. These two models are called the model of total compensation or total remuneration.

#### **2.8.3 The Median Models of Total Reward**

Mukherjee’s Total Reward Model (2002) focuses on two kinds of reward: *contractual*, which comprises base salary, health insurance, allowance (transportation, housing,

meals, travel) and pension, and *non-contractual*, comprising job security, prestige, privileges, trips abroad, training, reputation, and re-employment after retirement. Other models, like that proposed by Mercer (2007), describe: *compensation* including base pay, allowances, short-term and long-term incentives, recognition; *benefits* including medical, life assurance, retirement, end-of service, payments; and *careers* including training and development, lateral career movement, stretch assignments, career incentives.

The Total Reward Model of Perkins and White (2009) has three main categories: *rewarding* including cash compensation, special recognition, and long-term equity; *benefits* (health, welfare, security, etc.) measuring performance, performance planning, assessment and management, organisation and work design, and *learning*, including training and development, leadership development, and career development.

The Armstrong and Brown Model (2001) concentrates on two kinds of reward: *transactional* (financial or total remuneration) and *relational* (non-financial). The former is concerned with tangible rewards arising from transactions between the employer and employees, and concern pay (base and variable) and benefits, while the latter deals with intangible rewards, and is concerned with recognition, opportunities to develop skills, career opportunities, and the quality of working life.

#### **2.8.4 The Broad Models of Total Reward**

The Total Reward Model of Zingheim and Schuster (2000) involves the following elements of TR: *Compelling future*, which includes vision and value, company growth and success, company image and reputation, stakeholder ship, win-win over time; *Individual growth*, which comprises investment in people, development and training, performance management, and career enhancement. *Positive workplace*, which encompasses people focus, leadership, colleagues, work itself, involvement, trust and commitment, open communication. And *Total pay*, which includes base pay variable pay benefits or indirect pay and recognition and celebration.

The Hay Group Model (2005) has five elements. The first, *Inspiration and Values*, combines quality of leadership, organisational values and behaviour, reputation of the organisation, risk sharing, recognition and communication. *Future growth and opportunity* is concerned with learning and development beyond the current job, career advancement opportunities, performance improvement and feedback. *Quality of work* refers to value of work, challenge/interest, achievement, freedom and autonomy,

workload and quality of work relationships. *Enabling environment* refers to the physical environment, tools and equipment, job training, information and processes and safety/personal security. *Work/Life balance* refers to the presence of a supportive environment, in which there is recognition of the life-cycle, security of income and social environment

The WorldatWork Total Reward Model (2007) offers these key elements: *Compensation*, including fixed pay (base pay) and variable pay (pay at risk). It also includes several forms of variable pay including short-term incentive pay and long-term incentive pay. *Benefits*, include traditional programmes such as social security, medical and dental insurance, but also non-traditional programmes such as identity theft insurance. *Work-Life*, refers to any programmes that help employees to perform their jobs effectively, such as flexible scheduling, telecommuting, or child-care programmes. *Performance and Recognition*, is a way for employers to pay special attention to workers for their accomplishments, behaviour, and successes. *Development and Career Opportunities* includes tuition assistance, professional development, sabbaticals, coaching and mentoring opportunities, succession planning, and apprenticeships.

The Towers Perrin Total Reward Model (2007) integrates four major categories of reward: compensation, benefits, development, and work environment *Compensation* includes base salary, variable pay (such as performance incentives) and bonuses (such as gain-sharing awards). *Benefits* include health insurance, paid time-off (PTO) policies, retirement benefits, life insurance, and disability coverage. *Career Opportunities* (personal development) include skills development and performance management. *Work Environment* encompasses organisational culture, organisational climate, leadership, non-financial recognition, relationship with colleagues, work design, work/life balance, and communication,

As is evident from these models, TR is understood by all scholars to combine two main areas: financial and non-financial rewards. The core elements of these are summarised in Table 2.2.

**Table: 2.2: The Main Elements of Total Reward Models**

<b>Financial Rewards</b>	<b>Non-financial Reward</b>
Base pay Variable pay Benefits	Organisation reputation, organisation values, leadership, relationship with colleagues, quality of work, training and learning, career path, performance management, recognition, enabling environment, work/life balance.

*Source:* Compiled by the Author

Each of these elements is now briefly discussed.

### **2.7.3.1 Financial Rewards**

Money is often the catalyst for the implementation of TR reviews. Regardless of other factors, the vast majority of employees place great emphasis on the financial compensation (sometimes called tangible, transactional, monetary, extrinsic, cash rewards) for their jobs, and the successful management of this is an effective motivational tool that helps to maximise productivity and competitiveness. Extensive research has shown that monetary rewards are crucial in attracting and retaining talented employees and in aligning staff behaviour with business goals (O'Neal, 1998; Trahan and Yearout, 2005/2006; Schuster, 2008; Duchon, 2007; Zingheim et al, 2009).

Armstrong (2010:23) highlights that the tangible components of a compensation programme are of two general types. With the direct type of compensation, monetary rewards are provided by the employer and *base pay* and *variable pay* are the most common forms. Indirect compensation commonly consists of employee *benefits*. Surveys such as that conducted by the CIPD (2011), have shown that *base pay* is believed to be the element that attracts individuals to an organisation, whilst *benefits* help to retain them, and *variable pay* motivates them in their work. However, Armstrong (2010) cautions that the situation is not so clear-cut, and that thought must be given to how to ensure that these three elements of reward work together.

#### **2.7.3.2.1 Base Pay**

According to Armstrong (2010:23), many organisations use two base pay categories, *hourly* and *salaried*. *Hourly* pay is the most common means of payment based on time; employees who are paid hourly are said to receive wages, which are payments directly calculated on the amount of time worked. In contrast, people who are paid *salaries* receive payments that are consistent from period to period despite the number of hours worked.

Base (or 'basic') pay is intended to provide a normal living requirement for the employee, and is usually calculated on three criteria: "(1) *the skills and competencies needed by the company and used by the individual to generate results*, (2) *the individual's consistent performance over time whether by individual contributions or contributions to team results*, and (3) *the individual's value relative to the labour market*" (Zingheim and Schuster, 2000:38).



Base pay should be value-added and competitive with the market in general, for which it is common to use individual rates, ranges, spot rates and broadbands. When setting pay levels, ability to pay is paramount, supported by an examination of market rates, which may also be supported by a job evaluation database (Aquila, 2007; Greene, 2009; Armstrong, 2010). Among public sector employers, for example, job evaluation is an important tool for setting pay rates, whereas market pricing tends to be more influential in driving private sector salary levels (CIPD, 2011).

According to Greene (2009:12), “*pay rates must be equitable and competitive*”. *Internal equity* refers to the pay relationships among jobs within a single organisation.

This is translated into practice by the basic techniques, job analysis, job evaluation, and performance appraisal. *External competitiveness* refers to comparisons of the organisation's pay relative to the pay of competitive organisations (Bratton and Gold, 2000:247).

Equitable and competitive base pay is seen as a key requirement if key talent is to be recruited and turnover reduced (Gross and Nalbantian 2000; Zingheim et al, 2009).

However, as Parker (2008) notes, the determination of what is equitable and competitive in this respect is not straightforward, and three factors must be considered, these being: *Accountability*: What are the major areas, employee groups and budgets the employee oversees? *Authority*: What is it that the person and job influence and what is the level of decision-making? *Responsibility*: What are the primary activities, tasks and objectives for the employee?

The process of pay level starts with job analysis which demands a consideration of both the job description and job specification. The information obtained from these two exercises is then combined with data from salary surveys to define pay grades for each position. Heneman (2007:9) notes that “*two specific methods can be used to determine pay grades: skill-based pay and broadbanding*”. Skill-based pay is set solely on the basis of the qualifications required for a job and the description of what the job entails. Broadbanding establishes large pay ranges and gives organisations maximum flexibility in assigning pay grades to jobs (Roath and Schut, 2009).

According to the CIPD (2010), pay progression may be regarded as ‘real’ growth in pay, that is, in addition or separate to ‘cost of living’ (or inflation-linked) increases

and/or the attainment of formal promotion to a higher grade or band. The most common criteria used by employers to manage pay progression include: individual performance, market rates, competency, and organisational performance. Findings of CIPD research with UK employers show that service-related pay is used as the basis for progression.

However, common in the public sector, many private sector companies now use performance-based pay to progress individuals along their pay band CIPD (2008:11), while 50% of US organisations use merit increases for top-performing employees. (Hay Group, 2009:7).

#### **2.7.3.2.2 Variable Pay**

In contrast to base pay, variable pay changes relative to the performance level or results achieved, making it a more flexible and responsive method that rewards key measures of success. Many companies have moved to variable pay to reward different contribution, impact on profit, and increased performance based on the premise that what is measured and rewarded is likely to be demonstrated in greater amounts by employees (O’Neal, 2005; Greene, 2007; Aquila, 2007; Cotton, 2008; Zingheim and Schuster, 2008).

According to Zingheim and Schuster (2007), variable pay is a nimble instrument that allows employers to pay for results they want by giving money to those who are fully contributing to the business objectives. Buchenroth (2006:31, cited in Wilson, 2006:14) refers to this incentive policy as one that rewards “*those who make significant contributions to results that build the long-term value of the corporation – to their shareholders and customers*”. In short, variable pay is a critical tool in the reward strategy of any organisation that wishes to remain competitive and still control costs (Handshear and O’Neal, 1993; Buchenroth, 2006). Zingheim and Schuster (2008:26) report that “*80% of US organisations, including non-profits, have some form of variable pay*”.

However, variable pay does not look the same in every organisation, and the way it is structured and operates is heavily dependent upon the organisation’s culture and the relationships between it and other elements of the reward programme (Hay Group, 2010). Thus, variable pay comes in several forms: *Individual performance-related pay* - increases in base pay or cash bonuses are determined by performance assessment and rating; *Competence-related pay* - this is determined by the level of competence achieved

by the individual; *Contribution-related pay* - this relates pay to output and input; *Skill-based pay* - the skill level achieved by an individual determines the pay compensation; *Service-related pay* - pay is increased depending on the service in the job. Other types include 'short-term variable pay' which focuses on, and rewards performance over a period of a year or less; and 'long-term variable pay' which calculates rewards based on a period longer than one year (Zingheim and Schuster, 2000; Jantz, 2005; Aquila, 2007; Zingheim et al, 2009; Greene, 2009).

Moreover, other kinds of variable pay are: *Team performance pay* which links pay increases to an assessment of performance at team level, and aims to encourage collaborative working. *Organisational performance pay* which links performance to its highest levels, with increased emphasis in better aligning with the business strategy as well as performance metrics. The most popular kinds of such are profit sharing and stock sharing. *Profit sharing* is based on employee earnings and organisation profits, while *stock sharing* allows all employees to share in the risks and success of the organisation (Singh, 2002; Heneman, 2007; Haygroup, 2009; CIPD, 2010).

#### **2.7.3.2.3 Benefits**

Benefit packages for employees are integral to the financial reward package, and for many organisations, the employer brand determines the type of benefits offered, which turn, support the messages to be delivered via the employer brand. McMullen et al (2009:10) note that "*employee benefits, especially health care, are considered a basic and important foundational element in attracting or retaining talent as competitors for talent also offer employee benefits*". And Zingheim et al (2009:31) observe that "*from a strategic standpoint, benefits should be viewed as an integral component of a total rewards package and as an investment in human capital*". Roath and Schut (2009) mention the related costs, considering these as requirements to embed and support organisational goals.

While benefit programmes vary among companies, they typically include traditional benefits such as social security, medical and dental insurance, vacation pay, retirement pensions, life insurance, shopping discounts, childcare vouchers, and staff. More recently, however, they have has expanded to include non-traditional advantages such as identity theft insurance (Milkovich, 2000; Jantz, 2005; Wilson 2006; Greene, 2007; McMullen et al, 2009, Zingheim, et al, 2009).

Of course, what is attractive to one employee may have no appeal for another. Indeed, the CIPD (2007) has predicted that over the next two decades, the labour market will become increasingly diverse, aged and demanding. Consequently, there is a move towards encouraging employers to give their staff more freedom and choice, in order to secure their contribution to the success of the company as a whole. When flexible benefit programmes (also known as ‘cafeteria benefits’ or ‘flex plans’) take into account individual needs and wants, and particularly when they offer choice to employees, they have the greatest chance of achieving staff integration and motivation (Segal, 2002; Silverman and Reilly 2003; Richards, 2006; Cotton et al, 2008; CIPD, 2010).

### **2.7.3.2 Non-financial Rewards**

Given the amount of time spent at work, it is unsurprising that people want more than pay from their job. Hence, the importance of non-financial rewards (sometimes called intangible, relational, and/or non-monetary) is growing. Intangible rewards are *“crucial in helping an organization stand out as a top employer, and also have the dual impact of increasing engagement among employees”* (McMullen et al, 2009:10). Consequently, they have been highlighted as a vehicle to improve the effectiveness of reward programmes (Scott et al, 2007), and empirical research supports their usefulness in this respect, for instance the Hay Group (2009:30) study consistently shows that intangible benefits play a vital role in employee engagement. Similar findings emerge from the most recent research (CIPD, 2011), indicating that employees place great emphasis on non-financial rewards when deciding where to work and the level of commitment to give to their work.

According to Hay Group research (2009:13), *“organizations are recognizing this, especially in light of limited financial resources, and are increasing their focus on intangible rewards to improve employee retention and engagement”*. In fact 60% of the sample demonstrated a future focus on career/development opportunities, and 52% revealed a future focus on non-financial recognition. A similar result was obtained from the Deloitte study (2008:8) which reports that *“more than two-thirds of survey respondents (68 percent) plan to undertake a redesign of other rewards programs within the next year. The most commonly identified programs stated for an overhaul were learning and development programs (51 percent), and flexible work arrangements (39 percent)”*.

But non-financial rewards are more difficult to implement, since as Armstrong (2010) argues it is not a matter of introducing ‘quick-fix’ initiatives. Employers, therefore, find it difficult to develop workable methodologies to measure the value of non-financial rewards (Deloitte, 2006).

The following section provides a brief overview of the most important elements from this category of rewards, based on the models explained above.

#### **2.7.3.2.1 Organisational Reputation**

Being an employer of choice, or having a brand with which people identify, is important to organisational success. People are keen to work for financially viable companies that are innovative and care for their staff. Effectively, working for a company with a good reputation has a positive influence on staff simply by association (Woodruffe, 2006; Armstrong and Murlis, 2005; Graeme Martin, 2007; WorldatWork, 2007).

According to Lawler (2008:75) *“decades of research show that unrealistic expectations about what an organization is like is one of the most common causes of expensive turnover and poor employee performance”*. Hence, in today’s tight labour market, organisations face a tough challenge in introducing themselves as employers of choice for key talent. However, by delivering a broader TR strategy which includes both tangible and intangible rewards, organisations acquire strong potential to enhance their reputation as employers of choice and join the ranks of high performers (Gherson, 2000; Greene, 2007; CIPD, 2011).

#### **2.7.3.2.2 Organisational Values**

Organisational values provide the basis for creating a positive and rewarding work environment that creates sustained performance and flexibility. Several components are commonly found in the values of successful companies, in particular, honesty, trust, openness and justice (Purcell, 2003; CIPD, 2007). Specifically, the reward agenda concentrates on *“emotional, intellectual, social and spiritual rewards that recognize different aspects of the whole person. It seeks to inspire staff through its values of service and quality, to empower them to deliver the best customer service and to show appreciation when they do so”* (Armstrong and Brown, 2008:46).

Value management is concerned with the administration of rewards (Deloitte, 2005:2, and consequently, to be effective, a TR strategy must ensure that employees recognise the corporation’s genuine desire for fairness (Jiang, 2009). Additionally, it must ensure

friendly competition; and as noted by Singh (2002:32), “*the criteria for winning and the judging process must be clear and effectively communicated to all employees*”. This is important because ample evidence exists to demonstrate the link between positive values in HR policies and staff satisfaction, motivation, commitment, and overall organisational performance (Watson, 2003; Woodruffe, 2006; Armstrong and Murlis, 2005; Cornish, 2007; Armstrong, 2009-2010).

#### **2.7.3.2.3 Quality of Leadership**

Organisation leaders play a crucial role in TR management and in enhancing high levels of employee engagement (Cornish, 2007; Gentry et al, 2007; Diez, 2009; Zingheim et al, 2009; Scott et al, 2010; Khanuja and Harvey, 2010; Sejen, 2011). They should do this by: giving employees a sense of direction, reflecting their values, aspirations and beliefs, providing effective feedback, allowing workers scope to conduct their work, providing opportunities for development and learning, ensuring that performance management succeeds, increasing the frequency of communication, and creating a sustainable community and fairer world (Armstrong and Murlis, 2005; World at Work, 2007; Randall, 2009; Verma, 2009; Blades and Fondas, 2010). As a result, leadership is critical to high-performance working (CIPD, 2006:4) as well as being “*essential to drive the concept of employer branding*” (McMullen et al, 2009:10).

However, in reality the picture is totally different as Lawler (2008:74) confirms in his observation that “*management and leadership skills are always in short supply*”, a fact supported by the CIPD (2006) that notes the shortage of skilled leadership in all organisations (public and private sector), at the levels of the board, directors, middle management, and teams. Likewise, the Hay Group (2007:4) reveals that “*80% of companies believe they do not have enough of the right qualified internal candidates to meet the increased challenges in their senior executive roles, and nearly three quarters reported a similar issue at middle manager level*”. Thus, leaders do not appear to promote talent-management initiatives and assume little, if any, responsibility for creating a talent pool (Verma, 2009).

Organisations must, therefore, make a strenuous attempt to narrow the gap between demand and supply, and to guarantee that the correct number of appropriately qualified people are available when they are required by the organisation both in the present and in the future (Hay Group, 2007). Leaders must be in place who are capable of understanding that rewards go far beyond compensation and benefits, and who are able

to build the core organisation messages, such as the value placed upon employment effort and what constitutes TR (Scott et al, 2010). To sum up, it is fair to say that an organisation with strong leadership possesses a key source of competitive advantage (Day, 2007; Lawler, 2008).

#### **2.7.3.2.4 The Quality of Relationships with Colleagues**

While the role of leadership in effective work practices has already been discussed, the role of relationships with colleagues should not be understated and should be a key goal for HR management, with potentially significant gains in performance. Reward systems should be implemented to encourage co-operation, by rewarding everyone who meets a pre-determined level of productivity. Employees who trust each other and work towards a shared goal are more likely to feel useful and valued within an organisation, resulting in increased loyalty to the company (Bragg, 2000; Armstrong and Stephens, 2006; World at Work, 2007; Armstrong, 2009).

Effective relationships emerge as an important factor in explaining job satisfaction (CIPD, 2006). Colleagues' recognition is especially meaningful as colleagues have a genuine appreciation of others' routine responsibilities, how those individuals are feeling, and what they are achieving (Roath and Schut, 2009). Consequently, organisations need to develop a sense of community and build trust among people at every level, because when trust is high, work proceeds smoothly and efficiently. Conversely, when trust is low, there is a break down in efficiency and an escalation of costs as individuals focus on protecting themselves rather than on the work in hand (Towers Perrin, 2009). Trust is a key driver of employee loyalty and engagement, When employees lack trust, productivity decreases, morale sinks and an 'us versus them' culture emerges, undermining an organisation's health and future. Most people leave their jobs because of a lack of trust and appreciation (FLEX EXECE, 2003; Losey et al, 2005; Pinnington et al, 2007; Randall, 2009).

#### **2.7.3.2.5 Quality of Work**

Achieving high quality work requires the effective targeting of job design and distribution to meet organisational needs. The roles played by employees usually develop their competences, and these jobs and roles should be allocated and shaped to optimise the use of talents and provide optimal levels of intrinsic reward (Lawler, 2003).

According to many writers (Heneman, 2007; McMullen et al, 2009; Greene, 2009; Armstrong, 2010; Scott et al, 2010), positive work content leads to higher employee motivation and engagement. CIPD (2006:4) research has indicated that *“people who have reasonable autonomy in doing their job, sometimes called ‘elbow room’, and who find their job challenging, are likely to have high levels of job satisfaction and experience less work-related stress”*.

In order to do this correctly, jobs must be allocated such that they provide opportunities to engage in tasks which are satisfying, challenging and developmental. It has also been shown that roles considered to be well-designed are those which provide the following: meaningful and challenging tasks with a clear identity, autonomy, the opportunity to use a variety of skills, a chance to make a difference, and ongoing measurement and feedback (Armstrong and Murlis, 2005; Cunningham, 2007; Scott et al, 2007; Greene, 2007; World at Work, 2007; Parker, 2008, Roath and Schut, 2009).

In contrast, according to Hay Group research (2009:7), *“work-related stress is the harmful physical and emotional responses that occur when the requirements of the job do not match the capabilities, resources or needs of the employee”*. The principal antecedents of such stress are poor job definition, unclear or conflicting performance expectations, excessive workload, and inadequate training, as identified by 70% of the sample companies. Work-related stress continues to be a major reason why employees consider leaving an organisation, since the jobs that cause it produce low job satisfaction and commitment (Allen, 2008). Furthermore, as noted by Greene (2009:50), *“how well designed the roles are will also have a major impact on employee satisfaction and performance”*.

#### **2.7.3.2.6 Recognition**

According to Heneman (2007:14), increased global competition, and the need to keep labour costs to a minimum, mean that *“employers today are placing as much emphasis on recognition as financial incentives because they can exert a powerful impact on employee performance and may influence organizational effectiveness as much as financial incentives do”*. Gentry et al (2007) argue that failure to gain employer recognition is a prime reason why individuals leave their jobs. In this respect, the Hay Group (2009:7) reveals that *“recognition programs are an important, high-return-on-investment component of the organizational total rewards portfolio”*. Roath and Schut (2009:7) also provide evidence of this need, drawing attention to research by the



Jackson Organization “*based on ten years of research and interviews with 200,000 managers and employees around the world [that] found that 79 percent of employees that voluntarily terminate their job cite lack of appreciation as their key reason for leaving*”.

In order to recognise workers’ (both as individuals and teams) successful efforts, it is necessary to offer rewards that have personal meaning for those receiving them (Wilson, 2006), so that it is clear that these are given in acknowledgement of the personal actions, efforts, accomplishments, behaviour and successes of individuals. This is an extremely effective method of rewarding people. Employees need to experience such appreciation which has the dual effect of making them feel happy about their work, and informing them that they have achieved their work objectives. Means of providing recognition are through immediate feedback and praise where it is deserved, and/or listening to and acting upon the suggestions of staff. Promotion or enlargement of job duties are also effective means of recognition (Armstrong and Murlis, 2005; Armstrong and Stephens, 2006; World at Work, 2007; Parker, 2008; Roath and Schut, 2009; Sejen, 2011).

#### **2.7.3.2.7 Learning and Training**

Training and learning opportunities represent enough value for individuals to result in their work satisfaction, engagement, and loyalty (Roath and Schut, 2009). Hence, this is a “*leading area for increased reward investment*” (Mercer, 2005:6). Furthermore, many employers who are Investors in People consider their learning and training processes more strategically (CIPD, 2008) as a means of ensuring that they have the required skills among their workforce (Greene, 2009).

One reason why employees place such value upon the opportunity to learn new skills is that this personal development not only allows them to progress in their organisations, but it also promotes their competitiveness and employability in the labour market (Verma, 2009). In order to stay marketable and thus employable, workers must acquire both skills and experience. The skills normally fall into one of the categories of job management, career management or technical skills. There are a variety of strategies by which employers are able to provide these requirements, some of the more effective of which are: corporate universities, assistance with tuition or outside seminars and conferences, educational sabbaticals, training packages dealing with new technology,

virtual education, or a variety of self-development tools (O’Neal, 1998; Armstrong and Stephens, 2006; Aselstine and Alletson, 2006; Schuster, 2008; Verma, 2009).

The majority of organisations have experienced change over the last few years in delivering learning and development; for example, the CIPD (2010) research into learning and development in the UK reveals that 47% of learning, training and development professionals believed coaching by line managers to be one of the most effective learning and development practices. Although only 7% of respondents deem e-learning to be one of the most effective learning and development practices, 42% reported they have actually used it more in the last two years.

#### **2.7.3.2.8 Career Path**

According to the Mercer Survey (2005:8), career progression plays a key role “*in the employee value proposition. Therefore, career guidance is the mirror image of succession development*”. Cunningham (2007) emphasises that workers should be aware of the length of time it will take for them to progress to the next rung up the career ladder; and that people should be made aware of the potential career paths open to them so that they can develop their current capabilities and skills to guarantee their entry to those paths. Consequently, companies themselves must be clear about available career paths, as well as the criteria for making lateral and diagonal moves (Armstrong and Murlis, 2005; Cunningham, 2007; Larsson et al, 2007; World at Work, 2007; Diez, 2009; Zingheim et al, 2009). Indeed, many companies accelerate the careers of particular individuals as those individuals are recognised as adding value, and hence, capable of taking on new accountabilities and responsibilities (Zingheim et al (2009).

Plateau (2006:5) observes that “*by supporting employees in their personal career plans, and by providing learning opportunities, companies will reduce attrition and conserve their knowledge capital*”. According to Kantor and Kao (2004:13) “*most data show that career opportunities are drivers in employee engagement and retention*”, and Day (2007:31) confirms that the chance “*to grow and develop as part of one’s work is a factor that can attract and retain talent*”. Indeed in a survey of 242 city employees, over half (52%) cited better career development potential as the main reason for remaining with the same company. To conclude, in order to foster worker engagement, it is necessary for employees to think positively about the future of their work organisations, and their own personal futures (careers) within them (Scott et al, 2010).

#### **2.7.3.2.9 Performance Management**

According to Ellig (2008:50) *“performance consists of drivers and metrics. Drivers are the objectives, standards and desired outcomes; they are the focus of attention of those with the objectives. Metrics are the measurements of the results compared with the objective, determining the degree of success.”*

The management of employee performance is an effective means of providing TR, serving as the basis of a talent management framework (White, 2005). Blass (2007:8) observes that *“performance management concentrates on employee development in those competencies that are necessary for organisational success”*, and the Hay Group (2009) confirms that it provides employers with the vehicle to implement performance-related pay. It is, therefore, essential for organisations to implement effective performance management for all employees (Uzategui and Diez, 2007; Zingheim and Schuster, 2007; World at Work, 2007; Cotton et al, 2008).

However, as Greene has identified (2011), rewards strategists frequently do not possess a full appreciation of performance management and the importance of ensuring its proper implementation. In this respect, Zingheim and Schuster (2008) emphasise that improvements in performance management demand much more than the design of new forms and procedures. This, however, does not seem to be readily understood, since as Crawley (2007:6) highlights, the global 2006/7 Towers Perrin survey into reward-management policies and practices of *“more than 650 organizations in 21 countries reveals only 25 percent think their performance management programs equip managers to identify, develop and reward high performers ... even fewer (14 percent) think performance management creates line of sight to business results”*.

Therefore, to be effective, performance management requires a comprehensive and structured approach (Scott et al, 2007; McMullen et al, 2009) in which both the organisation and the employee believe that *“what is being defined as performance is both reasonable and relevant, and agree that it is rewarded equitably, competitively and appropriately”* (Greene, 2011:48).

More specifically, such a system requires the organisation to establish goals that align individual objectives with those of the company and business unit, to identify expectations in respect of behaviour and results, and to provide important feedback on performance to support career development (White, 2005). Furthermore, Buchenroth (2006:34) argues that *“employers must provide the support and tools that line managers and employees need to reach their goals as well as guidance along the way to help*

*promote success*". This entails ensuring that employees have full knowledge of all the available rewards (2006), and rewarding results achieved (Sejen, 2011).

#### **2.7.3.2.10 Enabling Environment**

Research has shown that many employees have a positive attitude towards working in an environment that is both safe and equipped with modern, appropriate tools. Such working conditions, particularly when an area is well-designed, well-organised and pleasant to spend time in, result in significant improvements to workers' attitudes towards their jobs (Armstrong and Murlis, 2005; Armstrong and Stephens, 2006; World at Work, 2007).

According to the CIPD (2007), without some fun and excitement, the well-being approach is doomed. Heneman (2007:14) argues that *"a positive work environment can be an important component in an organization's total rewards strategy"*. And the CIPD (2008:1) reports that *"appropriately designed physical working environments are key to engage and retain an ageing workforce"*. These observations all echo those of Zinghiem and Schuster (2000) and Allen (2008) who stress the importance of employers providing a positive work environment such that people enjoy coming to work, and the Hay Group (2010:10) makes the point that in order to *"proactively manage retention, organizations must monitor and adjust key aspects of the work environment that influence employees' desire to stay or leave"*. According to the CIPD (2006), increasingly more employees are looking for an environment in which they feel they can contribute positively to something larger than themselves, and when employees are in such situations their overall retention is improved.

#### **2.7.3.2.11 Work/Life Balance**

Work-life balance is one of the most important aspects of TR and a necessary ingredient for organisational success. Such balance makes an organisation a good place to work, increasing employees' inclination to stay, and/or recommend the company. It increases productivity, reduces costs associated with turnover and absenteeism, and contributes greatly to job satisfaction (Heneman, 2007; Roath and Schut 2009). Commenting on a survey of ninety US employers, Blades and Fondas (2010:47) said that *"66% stated flexible programmes increased employee engagement, 64% said they improved employee retention, and another 49% cited enhanced recruitment"*.

This term describes specific organisational ideology, manifested through various practices, policies and programmes, which support employees in balancing and

achieving success at home and at work. A number of systems exist to enable this, including flexible scheduling, covering job sharing, part-time working, home working, flexible hours and compressed workweeks, telecommuting, additional vacation and paid time-off, and caring for dependents (Giancola, 2005; Armstrong and Stephens, 2006; Heneman, 2007; World at Work, 2007; Cotton et al, 2008; Parker 2008).

## **2.8 Integrated Reward Management and Talent Management**

Khanuja and Harvey (2010:23) use the term ‘talent’ to refer to *“people who possess capabilities and experience that significantly impact the success of the acquiring company and are critical to its continued success”*. Conrad (2009:38) notes that *“talent management is based on the idea that employees are an organization’s most valuable asset”*, and with this in mind, Blass (2007:10) argues that *“it is important that any talent management system is integrated across all aspects of human resource management”*.

The Deloitte (2005:8) survey states that irrespective of the size of an organisation or the industry it operates in, talent management initiatives can only succeed if they are built upon TR strategies that are capable of attracting, retaining, and motivating key talent. On the same theme, Armstrong and Brown (2005:44) comment on the general belief that reward is strongly linked to the creation of *“compelling employment opportunities”*, attracting and retaining talent and ensuring that the organisation is *“a great place to work”*. The point is more recently stressed by Armstrong (2010:16) that *“human capital management is about creating value through people”* and this is a prime purpose of reward management.

Therefore, *“it is very important to match the reward strategy to the talent management strategy. Once an organization has chosen its talent strategy, it should buy into the corresponding reward system”* (Lawler, 2008:74). According to the 2008/2009 Global Strategic Rewards Survey conducted by Watson Wyatt Worldwide and WorlDatWork, which represented a total of 1,389 organisations across 24 countries, an integrated approach to reward and talent management correlates not just with improved attraction and retention results but also with stronger financial performance. No single reward or talent management programme alone demonstrates the same level of improvement in business or human capital results. The Hay Group (2009:7) reports that companies that adopt an integrated approach to reward and talent management are: *“Less likely to experience problems attracting critical-skill employees (20 percent less likely) and top-*

*performing employees (25 percent less likely), Less likely to report having trouble retaining critical-skill employees (33 percent less likely) and top-performing employees (18 percent less likely), Eighteen percent more likely to be high performing organizations*". The report did also, however, document that less than 8% of the sample have actually implemented this type of approach.

According to Conrad (2009), the absence of integration across strategic HR functions generally precipitates poor quality talent management initiatives. Lawler (2008) comments that it is not easy to implement an integrated approach, but nonetheless confirms that the effort involved in doing this is worthwhile (2008:75).

As mentioned earlier, the most important goals of an integrated approach are to recruit, retain and motivate high-performers, rewarding them effectively in order to achieve business objectives. The following section discusses these goals.

### **2.8.1 Attraction of Talent**

Companies worldwide, regardless of their field, require the right kind of talented workers and skill-sets in order to achieve success, to survive, to flourish in the modern marketplace, and to gain a competitive advantage (Cornish, 2007; Scott et al, 2007; Greene, 2009; Verma, 2009). Extensive research by specialist organisations in the field of reward confirms that most employers are struggling to attract critical-skill employees and top-performing employees (Towers Perrin, 2007; CIPD, 2008; Lawler, 2008; WorldatWork, 2007/2008). For example, Hay Group research (2009) reveals that the attraction of critical-skill employees remained a problem for employers in early 2008. Sixty-six percent of US organisations reported difficulty attracting critical-skill employees. According to CIPD (2010) research, a similar problem has faced UK organisations, 81% of which still experience recruitment difficulties. The key reasons for such problems are cited as a lack of necessary specialist skills in candidates (73%), and candidates having insufficient experience (39%). Many argue that this is because the 'talent war' is real and the competition for scarce-skilled talent continues to increase (Greene, 2007; Zingheim and Schuster, 2008).

Regardless of whether an organisation is unsure of the type or future supply of workers required for success, contingencies should be implemented to manage the inevitable shortages that some companies will face (Greene, 2007; Zingheim and Schuster, 2008). Therefore, any organisation in either the public or private sector must take steps to get

ahead of the challenge and be proactive in developing solutions (Zingheim and Schuster, 2008).

Research has shown that traditional payment and reward practices are no longer sufficient to recruit workers with specialised or desirable skill sets, as these people have many choices available to them. Such individuals want to be rewarded for their performance and skills, and see this reward in the form of competitive pay and opportunities for personal and professional growth through career opportunities. This 'better work deal' requires companies and employees to co-operate to achieve a win-win situation (Wilson, 2001; Zingheim and Schuster, 2002; Towers Perrin, 2007).

The implication is that employers should take a more holistic view of their workers and the rules which govern them, developing a distinctive employer brand. This also requires employers to develop honest TRSs, which include intrinsic and extrinsic rewards in order to differentiate themselves in a highly competitive recruitment environment (Hale, 1998; Poster and Scannella, 2001; Vázquez and Frocham, 2000; Kaplan, 2005; Vogel, 2006; Greene, 2007; Koala, 2008; Zingheim and Schuster, 2008; Verma, 2009).

Clearly, there are many elements to TR, but some are considered more effective than others. O'Neal (2005:23) confirms the top five elements that attract employees as being: *"competitive health care benefits, competitive base pay, work-life balance, competitive retirement benefits, and career advancement opportunities"*. Hale (1998:41) offers a similar list, though it contains some key differences: *"paying above market average, training and development opportunities, flexible work schedules, sign-on bonuses, and group incentives"*.

### **2.8.2 Retention**

Retention is the ability of a company to keep valued employees who contribute to organisational success for as long as the relationship is mutually favourable. Therefore, the retention of employees is very important for any employer, because *"when retention rates are low, extra time and money are spent on recruiting, selecting, and training new employees. Additionally, organizations may experience a decrease in performance, efficiency, and morale"* (Gentry et al, 2007:1006). There is no easy solution to the problem of establishing employee commitment, and effectively managing retention (Allen, 2008). Vázquez and Frocham (2000) state that reward professionals worldwide

are being challenged to develop performance management and reward programmes that improve employee retention. According to the Deloitte survey (2006:10) the “*workforce retention priority will be especially difficult for human resources professionals*”, and similarly the CIPD (2008) reports that most UK organisations confirm their difficulties in retaining staff, with only 31% being spared such problems in 2008. Likewise, the Hay Group (2009) confirms the problem met by 47% of employers in early 2008 in respect of their ability to retain critical-skill employees.

Scott et al (2007) argue that poorly-designed or badly-executed reward programmes can cause skilled employees to leave the organisation, as well as disrupting the effort of those who remain. Hence, researchers have endeavoured to discover the secret to effective reward programme design and execution, and the identification of areas which are particularly in need of improvement.

The initial steps in developing an employee retention strategy, according to Lough and Mackay (1994), are to discover why employees are leaving from groups that are difficult to recruit for and what this turnover costs the organisation (Taylor, 2008). Generally speaking, research has shown that employers should focus on what employees value, in order to improve employee commitment and reduce turnover (Kaplan, 2005).

Some researchers and writers believe that certain elements are more effective than others in a retention strategy. For example, according to the “*theory of organizational equilibrium* *an individual will stay with an organization as long as the inducements it offers (such as satisfactory pay, good working conditions, and developmental opportunities)*” (Allen, 2008:3) are better than those of other organisations. Hale (1998:41) argues that “*the top five most effective retention methods are: flexible work schedules, training and development opportunities, paying above market, stock option, and group incentives*”, while O’Neal (2005:23) believes that the top five elements that retain employees are: “*career advancement opportunities, retention of high calibre people, overall work environment, skills development, and resources to get the job done*”. One of the most recent views comes from WorlDatWork (2007/2008). That argues that employers should concentrate on lessening stress-related turnover by ensuring that organisational design, job design and performance expectations are realistic, as well as ensuring productivity.



In the more recent CIPD (2010) survey, it is indicated that the most frequently cited actions taken by organisations to address retention include: increasing learning and development opportunities (47%), improving the induction process (45%), increasing pay (42%), and improving selection techniques (42%). Improving line management HR skills was reported to be an effective method of improving retention (72%) but only 39% of employers said they used this method.

Meanwhile, Taylor (2008) suggests that the following elements play a key role in staff retention: ensuring that new workers have realistic expectations of their job and sufficient training during their induction programmes; making line managers responsible for turnover within their teams; creating skill development and career progression opportunities for individual employees; ensuring that the work is as interesting as possible; putting consultative bodies in place to ensure that employees have a voice; meeting individual working preferences on hours, wherever possible; evaluating commitment based on results achieved rather than hours worked; maximising job security; and treating staff fairly. Taking measurements of the costs of employee turnover is crucial in the preparation of effective staff retention practices, but the success of these programmes should be checked regularly to ensure that they are contributing to overall organisational success (Zingheim and Schuster, 2008).

### **2.8.3 Motivation**

The issue of what motivates individual workers to exert effort on behalf of their employers has been raised by several researchers as noted in this chapter, since TR relies completely on being able to provide compensation which workers consider to be attractive and appealing to them. As the literature also shows, however, workers are driven by different considerations, expectations and needs, even within the same cultural context, so that it is difficult if not impossible to predict how a particular reward or incentive will affect individual behaviour (Armstrong and Murlis, 2005).

Kressler (2003:11) has asserted that *“in today’s working world people need the ability to work as an individual and as a team member with high creativity, initiative, responsibility, applying and developing talents, continuing to learn and being willing to offer and adapt to innovation. Motivation and performance are thus decisive variables that can determine success”*.

Hence, it is appropriate to explore the subject of human motivation. According to Hit et al (2006:226), motivation refers to *“forces coming from within a person that account*

*for the wilful direction, intensity, and persistence of the person's efforts toward achieving specific goals that are not due to ability or to environmental demands".* Essentially, the study of motivation is concerned with why people behave in a certain way (Mullins, 2006), and what motivates employees to perform effectively (Watson, 2003).

But these questions are difficult to answer, and *"the reasons why people work for specific types of organizations are part of the huge subject of human motivation"* (Roath and Schut, 2009:4). Additionally, motivation theory *"explains how motivation works and the factors that determine its strength"* (Armstrong, 2010:21).

Many researchers (e.g. Hollyforde and Whiddett, 2003; Hit et al, 2006; Mullins, 2006; Armstrong and Stephens, 2006; Payne et al, 2011) distinguish between two main types of motivation in the workplace: extrinsic and intrinsic. The former is what is done to and for people to motivate them; it arises when management provides such rewards as increased pay, praise, or promotion. The latter is derived from the content of the job and the factors that affect it such as responsibility, freedom to act, scope to use and develop skill and responsibility, meaningful work, and opportunities for development and advancement.

Many theories attempt to explain motivation at work, but they are generally categorised as being either 'content' or 'process' (Mullins, 2006; Armstrong, 2010). Content theories emphasise the factors that motivate, and provide guidance on what needs should be satisfied by a reward system, and include Maslow's Hierarchy of Needs, Herzberg's Two-factor theory, and McClelland's achievement theories. Process theories focus on the means by which such factors interact to produce motivation, such as equity, expectancy, goal and attribution theories. The application of motivation theories to practical settings is conducted to improve the work environment in terms of the incentives that encourage motivation (Hollyforde and Whiddett, 2003).

According to Armstrong and Stephens (2006), motivation theory conveys two important messages. Firstly, there are no simplistic solutions to the problem of poor motivation. Secondly, the significance of expectation, goal-setting, feedback and reinforcement as motivating factors should not be under-estimated. Therefore, motivation theories suggest that organisations should handle the motivation intentions of any reward strategy with care (Hollyforde and Whiddett, 2003).

According to Hit et al (2006:227), *“motivation theories support the use of several managerial practices to increase associates’ motivation, these being: (1) find meaningful individual rewards; (2) tie rewards to performance; (3) re-design jobs through enlargement or enrichment; (4) provide feedback; and (5) clarify expectations and goals”*. Roath and Schut (2009:4) observe that *“each of the motivational theories contributes to the understanding of how total rewards can motivate the workforce”*, and Lawler (2003:41) argues that the *“greatest amount of motivation is present when people perform tasks that are both extrinsically and intrinsically rewarding”*. Extrinsic/financial rewards provided by employers in the form of pay help to attract and retain employees and, for limited periods, may increase effort and minimise dissatisfaction. In contrast, intrinsic/non-financial rewards related to responsibility, achievement and the work itself, may have a longer-term and deeper impact on motivation. Reward systems should, therefore, include a mix of extrinsic and intrinsic rewards (Armstrong 2004, 2010; Armstrong and Murlis, 2005; CIPD, 2011).

According to the IES survey (2009:7), the top four motivators were: wanting to provide a good service, having pride in one’s work, wanting to make a difference, and job satisfaction. In contrast, the three major demotivators were: poor communications, poor change implementation, and bureaucracy. However, the key to understanding employee motivation, according to a survey conducted by the IMR Research Group Inc. (2008) of more than 1,900 full-time employees in the United States, lies *“in an analysis of both what employees say is important in the workplace as well as what drives employee loyalty”* (Randall, 2009:40).

Lundy and Cowling (1996:300) argue that *“[e]ffort will be exerted which will achieve a high level of performance if they (employees) perceive: (a) that their effort will result in high performance; (b) that high performance will lead to rewards; (c) that the rewards available are rewards which they desire”*. In short, *“a rewards system that ‘gets things right’ by providing rewards that motivate your employees”* Candrilli et al, 2009:17).

#### **2.8.4 Employee Engagement**

In recent years, literature on employee engagement has increased, but no consensus yet exists about its meaning. For Smithson-Abel (2009:77), employee engagement is *“a broad term that refers to an amalgamation of employee commitment, satisfaction and loyalty”*. Scott et al (2010:35) disagree, however, arguing that there should be no confusion between this concept and employee satisfaction, since *“[t]he focus of*

*engagement initiatives is not on making employees happier but rather on creating the conditions that encourage high levels of organizational commitment and a willingness to invest maximum effort in achieving key goals and objectives”.*

According to Reilly and Brown (2008), employee engagement can be distilled into three aspects: *Rational*, defining the level of understanding that workers have of their jobs and responsibilities; *Emotional*, a measure of the passion that employees bring to their work and their organisations; *Motivational*, the willingness of workers to invest effort in their roles without being explicitly told to do so.

Therefore, employee engagement occurs when employees know what to do to help their organisations succeed, perceive their work as meaningful, interested and exciting, expend high levels of discretionary effort on the job, prepare themselves to go the extra mile and remain with their organisation, and exhibit long-term loyalty (Lucy et al, 2006; Smithson-Abel, 2009; Armstrong, 2010; Sejen, 2011).

The successful engagement of employees helps companies to generate more marketplace power than their competitors and has been shown to be critical to business performance (Towers Perrin, 2007; WorldatWork, 2007/2008; CIPD, 2008). Employee engagement is an active state that drives discretionary effort, productivity, retention, customer satisfaction and ultimately, competitive advantage (Lingle 2005; Reilly and Brown, 2008; Smithson-Abel, 2009; Scott et al, 2010). Towers Perrin (2009:2) analysed the data from 40 global companies, concluding that companies with a highly engaged employee population produced significantly better financial performance.

Thus, it has recently become a high priority for many public and private sector organisations, to try to engage employees (CIPD, 2009). Indeed, Hay Group research (2009:9) reveals that *“[f]orty per cent of organizations indicated they currently focus on employee engagement measures, while fifty seven per cent reported they would pay more attention to this in the future”.*

However, employee engagement is not easily achieved by any organisation, and Hay Group research (2010) shows that many organisations are still struggling in this matter because the commitment from both employers and employees is not strong enough, it demanding a tremendous effort from both parties. The CIPD survey (2009) has identified major barriers to engagement as being: inconsistent management style, lack of fluidity in communications and knowledge sharing, and poor work–life balance.

Many experts in the field (e.g. Vogel, 2006; Candrilli et al, 2009; Reilly and Brown, 2008; Armstrong, 2010; Khanuja and Harvey, 2010) believe that a TR system (tangible and intangible rewards) can secure higher employee engagement by being tailored to meet individual needs. However, many researchers and agencies argue that intangible rewards have the most potential to boost employee engagement as well as to create brand champions (McMullen et al, 2009; Hay Group, 2010; Scott et al, 2010).

Thus, employers can best increase engagement by administering an employee engagement survey to discover what drives employees' preferences for rewards and talent management, and to identify which of these preferences are the most important. Sejen (2011:34) observes that one effective approach used by many organisations to enhance engagement levels is *"to include improving engagement scores among the annual performance objectives of line managers"*. As the Towers Perrin (2009:3) research confirms, *"relationships between employees and their direct supervisors play a key role in the system of factors that drives engagement"*. Finally, employers must communicate the value of the overall rewards, the value of each element, and how everything fits together (Candrilli et al, 2009:16).

#### **2.8.5 Effective Management of Cost**

Employers seek ways to reduce costs and they, therefore, require a strategy that emphasises low cost and less expensive pay and benefits programmes (Giancola, 2008). Hence, reward systems are designed with the aim of controlling costs to what can be reasonably achieved (Bratton and Gold, 2000). As indicated already, TR is an approach that emphasises the provision of a package of reward to employees to optimise satisfaction and improve contribution levels (Armstrong, 2010). However, Zingheim and Schuster (2000:17) note that *"as workers are expensive and essential to company success, pay and reward mistakes are potentially very negative in terms of failed strategy and bottom line profit"*. Because of this, companies should manage reward costs to ensure that TR packages support performance and business strategy, thereby giving value to the organisation (Kaplan, 2005; Towers Perrin, 2007).

TR is principally concerned with managing costs and investment. Successful employers in this respect are more likely to achieve their financial, corporate and human resources objectives, therefore maximising the return on their rewards investments. However, research by Worldatwork (2007/2008) reveals that *"most companies ignore this fact and keep rewards as a back office staff function"* (Platt, 2000:27). Also research by the

Hay Group in 2009 (2009) confirms its previous research findings that most organisations still do not evaluate the return on investment (ROI) from their reward initiatives. And similar results were obtained in Crawley's (2007) study, which reveals that a majority of companies (72%) stated they had no formal mechanism for assessing the return on their reward spend. Because of this, Towers Perrin (2009) advises organisations to systematically evaluate the impact of rewards costs on both the risk profile and overall financial performance of the business as a whole.

When employers want to effectively manage cost, an examination should be conducted into what motivates employees, which should then be acted upon. Simultaneously, the company should attempt to move away from a paternalistic relationship by emphasis on performance-related pay (Scott et al, 2007). Therefore, based on measures of TSR effectiveness, organisations following the prospector strategy are seen to have a positive relationship with performance. The Worldatwork (2009) research indicates that the majority of respondents attempt to "*align business units and subsidiaries around a common strategic business vision*" and to a lesser degree, centralise operations to achieve cost advantages.

Moreover, a carefully planned and executed TR programme can "*increase the return on existing programmes, better control costs, and function as a major source of competitive advantage*" (Hay Group, 2009:10). Essentially, "*the right reward strategy produces a rich return on your investment in people*" Candrilli et al, 2009:16-17).

#### **2.8.6 Improvement of Performance**

Performance means both behaviour and result (Brumbach, 1998). According to Armstrong and Brown (2009:43), "*one of the prime objectives of total reward strategy is to create a high performance organisational culture in order to improve individual and organisational performance*". Many management scholars (Scott et al, 2007; Allen and Helms, 2001; Allen and Helms, 2001; Rumpel and Medocof, 2006; Christofferson and King, 2006, Greene, 2009) state that a well-crafted TRS contributes to overall organisation effectiveness and that an ineffective reward strategy can cause damage to the success of an organisation. This is because an effective TRS enables organisations to offer rewards that fully differentiate themselves and that enhance their ability to competitively attract, retain and motivate workers who are able and willing to contribute to the strategic objectives of the organisation.

However, Bragg (2000) states that it is frequently hard to predict the impact of a reward, and consequently short-term trials are necessary to evaluate reward programmes to establish whether they work in the desired way. If the programme works, then it can be extended, whereas if it does not fulfil its intended function, it can be replaced with another system. Towers Perrin (2008) highlight several opportunities for companies to improve their performance, and Worldatwork (2009) found higher levels of organisational performance when the following occurred: organisations utilised a defined competitive business strategy and followed a quality defender or prospector strategy; the competitive business strategy was aligned with HR and compensation strategies; the organisation adopted more centralised policies and programmes across business units and was team-based; there were accurate measures of performance, higher levels of pay variability and use of non-cash rewards; and there was a consistent business strategy across business units (Scott et al, 2007).

According to Hay Group research (2009), organisations are focusing on creating a link between their reward programmes and organisational achievement. However, it is argued that organisations are missing a key opportunity to influence their performance if they do not take a TR approach to reward strategy design (OpenSymmetry, 2009).

## **2.9 Summary and Conclusion**

In providing the first of two chapters investigating the literature on TR, this one has given some historic information by firstly considering the concept of *reward management* and what that entails in an organisational context. It has sought to demonstrate that rewards do not necessarily have to be purely financial, and that for organisations to be effective in their staff recruitment and retention, they should adopt a reward strategy that embraces a number of benefits which are of potential value to employees.

The concept of TR is generally seen to have emerged as a response to this need and also to the rapidly-changing business environment brought about by technological advances and the resulting globalisation. This altered environment has brought increased competition and the requirement to satisfy talented staff with innovative reward packages. Hence, employers are now very interested in what TR can offer. The chapter has concluded by exploring the characteristics of an effective TR strategy and how such an approach should be designed. In the following chapter the specific challenges facing

organisations in their efforts to implement a TRS are identified, and the critical success factors in this respect are highlighted and discussed in depth.



# **CHAPTER THREE**

## **THE CHALLENGES OF TRS IMPLEMENTATION AND CRITICAL SUCCESS FACTORS IN RESPECT OF AN EFFECTIVE TRS**

### **3.1 Introduction**

Having considered the historical development, concept, benefits and current appeal of TR in the previous chapter, this chapter explores the challenges facing TRS implementation and the conditions that must be satisfied for the successful operation of such a programme. The chapter is divided into four sections: Section 3.2 discusses the criticisms made of TR, and Section 3.3 explains the challenges facing most organisations in its implementation. It discusses the problem of how to create an approach that reinforces business objectives, whilst simultaneously motivating employees by offering suitable rewards based on their needs and desires. This is followed by Section 3.4, in which the critical success factors associated with TR are highlighted, together with a discussion of the importance of sound analysis and strategy in creating a TR strategy rather than using more general techniques. Finally, section 3.5 provides a short summary of the chapter.

### **3.2 Criticisms of Total Reward Strategy**

Despite the many potential benefits of TR, Giancola (2008:56) states “*some organizations still do not agree on whether total reward was the right approach for their organization, because they believe that it is too broad and their employees mainly care about pay and benefits*”.

The various criticisms of the TR approach, are mainly twofold, as Brown (2001) observes, these being:

- In practice, it is not easy or straightforward to make changes to pay and reward systems
- In reality, therefore, the business strategy is not the main influence on pay and reward schemes

While many companies like the idea of TR, they often fail to implement such a strategy and some struggle in knowing how and where to start. In this respect, the CIPD survey entitled *Reward Management 2007* reveals that employers believe that they are better at

integrating the tangible rewards (pay and benefits) into a TR approach than the intangible rewards (learning and development, work-life balance and so on).

Likewise, Giancola (2008) believes that despite the TR concept being fairly simple to understand, operationally it can be very complex, a sentiment echoed by the Mercer European Total Rewards Survey 2007 reporting that only 17% of employees considered their TRS to be ensuring employee satisfaction.

On this theme, Brown (2001:13) writes that *“despite the greater incidence of written reward strategies, there are still many examples of organizations suffering because their reward practices conflict with what the business strategy requires of their employees”*. Furthermore, Armstrong and Brown (2005:44) note the comment from some commentators that TR is just another *“flavour of the month”*, the importance of intrinsic rewards having long been recognised. Moreover, Giancola, (2008:52) believes that *“some organizations may view a total reward strategy as a HR strategy and see nothing new in the concept that would require a change”*.

Within a TRS there are several inter-related and mutually reinforcing processes. As Armstrong (2009:743) states *“TR is holistic; reliance is not placed on one or two reward mechanisms operating in isolation, account is taken of every way in which people can be rewarded and obtain satisfaction through their work”*.

That said, Reilly and Brown (2008:46) argue that *“most empirical research demonstrates that many organizations take a view of TR which is too narrow, and consider only the programme’s competitiveness from a total cash compensation or total remuneration standpoint, or focus only on the total monetary value delivered to employees”*.

And according to a CIPD (2009) Survey of Reward Management, only one-fifth of the sample had adopted a TR approach, while a further 22% planned to do so in 2009. These findings may be due to the sample itself or because employers are unsure whether what they are following is truly a TR model. A smaller number of employers compared to the previous year intended to create a TR approach.

It is accepted as a major disadvantage of TR that it does not offer a ‘quick-win’ solution to the problems of reward and that it is not easy for organisations to know how to balance the element of employee personal choice and the business needs (Brown, 2005).

Nonetheless, despite this criticism and the potential difficulties facing organisations in implementing a TRS, many scholars believe that organisations that broadly define TRs achieve success (Scott et al, 2007). Indeed, Manus and Graham (2002:4) argue that organisations will *“truly distinguish themselves in the labour market from competition and earn employee commitment”*, and Zingheim and Schuster (2003:24) suggest that TR provides the best way to attract and retain the top talent that organisations need.

Additionally, it is claimed that TR creates a high performance culture, generates maximum return on the reward programme investment, and influences employees' behaviour and attitudes (Wilson 2003). Furthermore, O'Neal (2005:23) offers the opinion that the benefits that the employer will gain from implementing a TR approach *“are difficult or impossible for competitors to duplicate”*.

It is believed by many experts in the field (e.g. Shields, 2007; Bau and Dowling, 2008; Armstrong and Brown (2009) that it is imperative for employers to deploy a broad range of reward elements. Wilson (2003) stresses that if TR is limited or a minor element of a firm's strategic plan, efforts to enhance the reward system will not be considered to create value. And Manus and Graham (2002:1) argue that the *“more limited view of reward is also a more costly view, as organizations may tend to respond to every situation with cash”*. Therefore, organisations must implement TR approaches that cost less but still motivate and engage employees (Heneman, 2007; Giancola, 2009).

Whilst the strategic and holistic TR concept is easily understood, it is very difficult to implement, primarily because it does not offer simple tasks, quick-fix solutions or instant rewards, and is a much greater challenge than simply setting competitive pay levels. It also has wide-reaching implications for approaches to reward management and for cultural change in organisations; hence, it requires courage and patience (see for example, Zingheim and Schuster, 2002; Graham, 2005). Additionally, Reilly and Brown (2008:46) stress that *“badly designed or executed rewards can hinder any benefits that employers gain from this approach”*.

Against this background appreciation, Armstrong and Murlis (2005:c11) explained that TR requires the use of the key competency levers of *“self-management, self-awareness, social awareness and relationship management in an organizational context as a part of the approach needed to secure leadership excellence in pursuit of significantly raised performance”*. Moreover, Towers Perrin (2007) confirms that implementing an

effective TRS relies mainly on gaining management information from which insights into job descriptions, worker expectations, and changes to workforce demographics can be gained.

Mercer (2005) believes that there are decision support tools available today that allow companies to store and access all internal job and employee data as well as external rewards market information. Such a data base of accessible information enables a company to conduct tasks such as market pricing, job evaluation, data analysis, and reporting, and with knowledge of these, managers can manage rewards more effectively and efficiently.

However, Towers Perrin (2007:67) reports that *“few organizations have the tools and metrics to accurately identify and assess the contributions of the various segments of their workforce”*. Clearly, companies need to decide how broadly they want to define TR, how they will tailor rewards to meet the diverse needs of their workforces, and manage cost effectively according to what they can adequately measure and manage (Zingheim and Schuster, 2000; Greene, 2009). As noted by Thompson (2001:1-6) *“we need to rethink what is and what is not reward”*.

Giancola (2008:59) supports this assertion, saying *“much work apparently needs to be done to improve and facilitate its adoption and implementation in the future”*. The next section therefore discusses that work under the banner of the main challenges facing most organisations in implementing a TRS.

### **3.3 Challenges to the Implementation of an Effective TRS**

Lawler (1990:22) perceives the challenge as being *“to develop pay programmes that support and reinforce the business objectives of the organization and the kind of culture, climate and behaviour that are needed for the organization to be effective”*, but also believes that *“it is entirely possible to design a reward system that motivates people to excel and satisfies them while at the same time contributing to organizational effectiveness”* (2003:58). This raises the issue of whether employers actually know and understand what motivates their employees.

According to Kantor and Kao (2004:11) *“[t]here are three main sources of chaos in the TR approach: Disagreement on the usefulness of total rewards; Vague total rewards strategies; Poor and ineffective communication”*. Likewise, the CIPD reward management survey of 2007 identifies the most common challenges as: the lack of line

management skill and ability to implement the strategy as intended; the lack of support from top managers, front-line managers, staff and unions; and poor communication and/or lack of support systems.

Moreover, Worldatwork (2007) states that organisations can find it difficult to balance the needs of employees with those of the business. Indeed, Uzcatogui and Diez (2007) believe that many companies are facing numerous challenges such as: trying to operate a balancing act between skills shortages and profit generation; remaining profitable whilst still being flexible; and driving desired behaviours and business outcomes.

Furthermore, according to Giancola (2008:50) “*several surveys indicate an uneven record of adoption and difficulty in being integrated with business strategy*”, whilst the CIPD survey (2009) added budget constraints to the list of challenges, reporting these to be the biggest inhibitor to the successful operation of a TRS, followed by line management skills and abilities, line management attitudes, and staff attitudes.

Clearly, there are problems associated with the effective implementation of a TRS. Indeed, the 2008 Thomson Survey of Employee Rewards Watch which studied 755 UK employers, found that a third of all respondents believed that their reward strategy was either not very effective (23.11%) or they didn’t know whether it was effective or not (8.59%). Therefore, as Zingheim and Schuster (2000) confirm, without a clear understanding of these challenges, the chances of success in making reward effective are weakened. The main challenges currently facing organisations are now explained.

### **3.3.1 Misalignment of the TRS with Business Strategy**

It is emphasised that today’s business environment demands that rewards strategies be tightly linked to business strategies – what is known as “*vertical integration*” (see for example, Lawler, 2003; Gross and Friedman, 2004; Armstrong and Brown, 2009), and that increasingly, employers are acknowledging the important role played by reward programmes in achieving their organisations’ business goals. Ultimately, the organisation’s business strategy needs to drive the reward strategy.

Some authors (see, for example, Kantor and Kao, 2004; Brown, 2005; McMullen et al, 2009) have stressed that in order to have a well-developed business strategy, an organisation must create a reward strategy that will encourage the kind of behaviour necessary to make that business strategy work – if one of the strategies changes, then the other needs to also change.

The Mercer European TR Survey (2007) shows that although it is a high priority to link TR to a business's strategy, many organisations are not benefiting from an improved competitive advantage. In the absence of a well-developed business strategy, no reward strategy will be successful, therefore indicating that failure may result in both these strategies unless they are aligned correctly.

According to Pfau and Kay (2002), a lack of alignment may be the result of a lack of planning rather than being due to any specific mistake, since the business and reward strategies may have been created by two different groups of people and not necessarily at the same time. Another possibility is that the reward system is simply an ad hoc system for paying people, rather than a means of supporting or communicating strategy. Irrespective of the reason for a lack in linkage, the organisation should work on it immediately in order to solve this problem and to achieve its objectives.

Moreover, according to Armstrong (2010:82) *"it is difficult to determine precisely how reward strategies could help in specific ways to support the achievement of particular business objectives"*. Giancola (2008) confirmed that more effort must be made to connect the TR and business strategies. In a later section, an explanation of the steps required of an organisation to avoid this misalignment and to gain benefit from consistency between the reward and business strategies is provided.

### **3.3.2 Lack of Appropriate Line Manager Skills**

According to Armstrong and Brown (2005:43), line managers represent the "Achilles heel" in the delivery of reward strategies. Indeed, the lack of appropriate line manager skills is agreed by many researchers as the main challenge to many organisations wishing to implement an effective TRS (e.g. Brown, 2001; CIPD 2007).

This indicates that line manager support and commitment in respect of TRS implementation is essential for its success (McMullen and Stark, 2008), yet Brown and Perkins (2007:87) cite the CIPD research, stating that less than 50% of organisations involve line managers in the development of their reward strategies, and a Hay Group study (2009:8) reports that only 28% of respondents "believed their managers manage the pay-for-performance relationship effectively". Moreover, Towers Perrin research (2009:4) reveals that "more than 40% of respondents gave neutral or negative responses regarding their trust of supervisors". Hence, employers must develop line management capability, and provide appropriate tools to ensure that managers offer intangible rewards like coaching and assessing employee performance, giving feedback,

recognising achievement, and providing meaningful work (Armstrong and Brown 2005; Towers Perrin, 2007; Armstrong, 2010; Scott et al, 2010; CIPD, 2011).

### **3.3.3 Employee Resistance**

Sejen (2006) argues that rewards will only work if they are meaningful to employees and influence their affiliation with the organisation, and according to the CIPD Total Rewards factsheet (2008), TR should enable all employees to have some say in the operation with the employer receiving more engaged employee performance in return. Likewise, McMullen et al (2009:10) also stressed that involving employees in the decision-making process can help them believe their contribution is being recognised.

However, Brown (2001:13) suggests that reward practices conflict with what the business strategy requires of employees. Hence, for many organisations there is a substantial challenge to re-orient their culture to allow the involvement of employees in reward matters (Towers Perrin, 2007). This echoes the findings of the Mercer 2005 survey on TR which indicated that best practice and external benchmarking are most commonly used to develop reward strategy rather than employee surveys. Watson Wyatt's 2005 strategic rewards survey found that only 38% of employers factored employee preferences into the rewards design process. Consequently, many organizations are foregoing the opportunity to understand whether investments in different rewards plans are valued by employees and support their attraction, motivation and retention goals (Sejen, 2006).

Moreover, according to Starzmann and Baca (2004:70) *"one of the more challenging issues today's professional faces is overcoming resistance from employees who claim that total rewards is simply hiding the further erosion of benefits and paltry salary increases"*. As mentioned before, the increasingly diverse workforce generates different expectations of rewards, but as Thompson (2004:45) states *"if these different aspirations are to be met, they first need to be identified and understood"*. Employee involvement in the formulation, implementation, and evaluation of the TRS is crucial, and most authors (e.g Lawler, 2003; Manas and Graham, 2003; Vallas, 2006) agree that it brings benefit by helping to create worker identification with the organisation, subsequently leading to improved performance. Writers have stressed that people cannot be treated merely as a factor of production and that their values must be translated into specific and practical action. In this respect, the CIPD (2006)

recommended that employee representatives be involved as early as possible in the design, choice and implementation phases of a TRS.

Lawler (2000) highlights that involving employees in the design of their rewards system increases the level of acceptance and understanding of it once implemented, thus improving its survival chances. Most experts agree that employees will help the organisation make TRS work best when associated with high involvement in its development, because *“people most readily accept change they are helping to create, so involving them can make communication, understanding and acceptance much easier in both the short and long run”* (Schuster and Zingheim, 2002:25).

Furthermore, programmes should be owned by employees so that organisations have a better chance of implementing reward approaches that meet the needs of all employees, irrespective of aspects such as age, gender and aspirations (Zingheim and Schuster, 2000; Brown, 2005; Caird and Aranwela, 2008; CIPD, 2008).

In this context, the CIPD (2008) states that a number of employers have already introduced a financial education programme, in order to ensure that employees have a better understanding of the type of behaviour, values, performances, and attitudes the organisation is rewarding and why. It is noted that when organisations pay greater attention to the involvement of employees in implementing and managing changes in rewards, they are ensuring long-term adaptability and sustainability (CIPD, 2006; Brown and Perkins, 2007).

### **3.3.4 The Introduction of Intangible Rewards**

One challenge in implementing a TRS is to ensure that it provides a range of rewards (CIPD, 2008; Reilly and Brown, 2008). Indeed a Deloitte survey (2006) reveals that only 12% of respondents said that they used a defined methodology to factor non-financial rewards, such as work/life balance programmes into their programmes.

Similarly, Christofferson (2007) and (Giancola 2008) believed that TR is an extremely challenging concept when defined broadly, including the intrinsic work- environment factors, and other intrinsic factors. The tangible elements of total (financial reward) are quite clear cut but intangible or non-financial rewards are more difficult to measure.

As seen in the previous chapter, most scholars in the area of motivation and employee satisfaction, agree that non-financial rewards like training and development, career paths, work environment, work/life balance and other intrinsic work factors are crucial



in attracting and retaining employees, gaining employee commitment and positioning the organisation for growth (e.g. Kressler, 2003; Armstrong and Murlis, 2005; Hit et al, 2006; Mullins, 2006).

In this vein, a recent Hay Group (2009:8) survey *reported that “[h]alf of the firms in this study define rewards as more than just pay and benefits; and say that intangible rewards are the drivers in the company employer of choice platform and the primary vehicles in attracting and retaining talent”*.

However, when trying to explain why the majority of employers find difficulties in including such rewards in their overall strategies, some researchers argue that to do this would require significant top management effort, and they would need to encourage and guide the human resources personnel since these people depend upon management to provide the lead by having a clear idea about rewards (e.g. Armstrong and Stephens, 2006; Giancola, 2008; Reilly and Brown, 2008).

The Hay Group (2009:7) provides the further explanation that *“managers play a significant role in fostering the work climate of an organization ... Getting reward programs to work is increasingly the job of line managers”* and the Hay Group retention studies, have continually found that in many situations of voluntary employee turnover, people tend to leave bad bosses rather than bad organisations (Hay Group, 2009:8).

Moreover, during the 2007 WorldatWork Total Rewards Conference, selected panel of experts in the various areas of TR (Longnecker, Greene, and Daly) were asked to consider some of the current challenges facing TR professionals, particularly what they believed were the reasons why some companies seem not to understand TR. *Longnecker* said it was easier to deal with the external financial issues, like compensation and benefits since many people struggle in trying to understand the whole package, which just adds more complexity. *Daly* believed that elements of intangible rewards are the hardest to deliver well because they rely most on line managers, and TR professionals have the least control over them. And *Greene* said that it was difficult to measure the results. However, they all agreed that *“breaking down the traditional silos of compensation, benefits, work-life, performance and recognition, and development and career opportunities was the key to making the most of any TR programme”* (Workspan, 2007:21-22).

### 3.3.5 Ineffective Communication

According to the Watson Wyatt European TR survey (2005), and the CIPD (2007), companies believe more targeted communication is the most critical factor for successful reward delivery. That said, the 2008 Thomson survey of Employee Rewards Watch found that 36.07% of respondents reported their reward strategy was not well communicated to them.

As Keys (2008:1) states, *“developing a reward plan is only half the battle. How you sell it is going to be a key in getting your message to employees”*. According to Mercer (2005), an important challenge facing HR executives is communicating the value of rewards. Gonzalez (2008:68) agrees that *“the absence of communications can erode the effectiveness of even the best-designed reward programs and poor communication will limit the success of even the most sophisticated and strategic total rewards offerings”*. Basically, employees need to understand what is being offered before they can estimate its value. Lack of understanding may lead to poor decisions to accept and/or continue employment, disengagement, poor performance and ultimately, a suboptimal return on investment in TR; therefore, TR communication must be compelling. Starzmann and Baca (2004:71) state that any strategy not communicated will probably not survive.

Unfortunately, Greene (2009:76) confirms that *“employees often do not fully understand why their reward packages are what they are and often misunderstand how programs actually work”*. Moreover, Scott et al (2008) note that compensation professionals believe employees’ understanding of organisational reward strategies and philosophy to be limited, less than 40% of employees appreciating the fundamental details of their TRS and philosophy. Similarly, the Hay Group (2009:8) found that less than 40% believe their managers are effective at communicating reward programmes. Therefore, *“the communication of a rewards strategy and philosophy, in general, is an area that needs greater attention in many companies”* (Giancola, 2008:57).

Zingheim and Schuster (2002:25) noted that *“that strong and consistent communication is essential”*, and Vallas (2006:25) concurred saying *“effective employee communication can make a big difference when it comes to implementing a total reward strategy such as higher employee engagement, lower turnover and, ultimately stronger financial performance”*. The Hay Group (2009:10) believe that regularly communicating the total value significantly improves the effectiveness of reward

programmes, and suggests that employers “*consider key messages, messengers, communication media and audiences, develop a course of action that weaves reward program messages into the fabric of the organization, ensure core messages are clearly communicated and reinforced*”.

Therefore, organisations must be open about how they manage and administer reward. In this respect, many agencies (e.g. Mercer, 2006; CIPD, 2007; Towers Perrin, 2007) suggest that operating a reward scheme secretly can often cause more disadvantages than advantages, due to the fact that people often make inaccurate judgements about the fairness of the reward system, and hence precipitate problems with morale.

To be effective, communication with employees about reward strategy and philosophy must be easily understood, but this continues not to be the case in many organisations (Giancola, 2006).

### **3.3.6 Flexibility to Satisfy Variation within Personal Needs**

According to Healey (1998), employees value their employers’ attempts to understand their personal needs, but currently, some debate within the TR field exists about where to draw the line over choices related to personal needs (e.g. life assurance, computer choice, etc.) as it is extremely difficult to meet all employees’ requirements, even if they are prepared to sacrifice other benefits (Petruzzellis et al, 2006; Worldatwork, 2007).

The Hay Group (2009:5) reports that organisations wanting to introduce an effective TR approach must firstly “*develop a ‘line of sight’ between what an employee does and business results*”. However, a commonly-accepted major disadvantage of TR is that it is not easy for organisations to know how to balance the two elements of employee personal choice and the business needs (Giancola, 2008).

On this theme, Schein (1992:76) argues that “*TR programmes must be driven by the intrinsic needs of the employee. All employees have personal needs that are distinguished from their basic financial needs. To address those needs organizations must offer work-life programmes that help employees cope with their personal lives and the daily grind of the workplace.*” Clearly, it is not easy for organisations to know the personal needs of their employees and a substantial challenge to employers is to explore what will act as motivators and what will not.

Cotton et al (2008) explain that there is a need for employers to take a holistic approach to their TR packages to identify how what they offer will meet the different needs of

their employees. This entails finding out what employees' needs and preferences are and linking their TR strategies to them.

The CIPD (2008) has claimed that during the next 20 years the labour market will become increasingly diverse. Despite this, few companies have considered whether their reward packages are appealing to all employees regardless of their age, gender and caring responsibilities. Research CIPD (2007), for example, revealed how few employers have actively considered how attractive their TR packages are to older workers as well as to younger and middle-aged ones.

All the studies and surveys undertaken indicate the need for employers to be increasingly flexible in their arrangements (in terms of flexible working and benefits) in order to stand out more in the marketplace and meet the needs of their employees.

### **3.3.7 Ineffective Performance Management**

Performance management plays a critical role in the delivery of reward strategy. Cotton et al (2008) stated that effective performance management for all employees is essential, and the 2008/2009 Global Strategic Rewards Survey, conducted by Watson Wyatt Worldwide and WorlDatWork (representing a total of 1,389 organisations across 24 countries), revealed that the power of performance management extends beyond after-the-fact assessment of employee contributions. By linking reward outcomes to individual performance, effective performance management allows employers to deliver on the reward promise.

According to WorlDatwork (2007/2008), to fully realise the power of rewards, it is necessary for employers to measure the effectiveness of performance management by multiple criteria, including: growth, profitability, building customer loyalty, building human capital, and operational excellence. Furthermore, they need to have clear, understandable and challenging performance measures, but these must also be realistic and achievable (Kantor and Kao 2004; Latham 2007). According to Sejen (2006), one way to strengthen the connection between performance management and rewards is by investing in formal training for managers.

### **3.3.8 Poor Implementation of TRS**

Armstrong and Brown (2009:160) note that “[a]ll too frequently there is a say/do gap between the reward strategy as designed and the strategy is implemented”. And Giancola (2008) has the same idea, observing that while many companies agree with the

idea of TR, they often fail to implement such a strategy and some struggle in knowing how and where to start. That fact is confirmed by the study conducted by McMullen and Stark (2008) of 1,200 organisations in 80 countries, which shows that the majority of organisations fail in effectively implementing their reward programmes, with only 30% being successful in this respect. Indeed, as Armstrong (2010:55) comments, *“while planning a total rewards programme may be hard, implementing it can be even more difficult”*.

Gonzalez (2008:68) states *“most organizations fail to achieve the real benefits of this approach, because most organizations make their total reward decision based on incomplete and sometimes inappropriate data”*.

The common reasons for implementation problems according to Armstrong and Brown (2009:161), are *“poor project management, inadequate attention to managing change and neglecting to ensure that supporting processes such as performance management are in place ... failure to achieve acceptance, understanding of and commitment to the strategy by involving the line manager, staff and their representatives in the design and testing of processes”*. Moreover, the key challenge to reward systems is being able to align them with the drivers in an organisation’s success. In this respect, Thomas (1998) believes that many organisations are missing opportunities to add better value to business performance because their TR management is faulty (also see Cotton et al, 2008).

However, the evidence is that organisations are increasingly turning to TR. In its survey, Towers Perrin (2008) found that a TR approach had been adopted by one-fifth of the sample, with a further 22% planning to follow this approach in 2009; and in the latest CIPD (2011) annual reward management survey, one third of employers overall were shown to have adopted a TR approach, with significant interest additionally recorded in introducing such approaches in the future among employers. The key to effective implementation would seem to be as noted by Brown (2005:10) that strategic HR partners and leaders should not copy the implementation strategies of the many other organisations known to have introduced TR, but to differentiate themselves by tailoring design arrangements to suit the goals and character of their businesses, thereby delivering a ‘best fit’. That advice is confirmed by Hay Group research (2009:8) which reveals that best practices are not about sophisticated design but rather what works best for organisations given their strategies, business priorities, values and work cultures.

### **3.4 Critical Success Factors in Respect of an Effective Total Reward Strategy**

As indicated in Chapter Two, an effective TRS leads to the creation and sustenance of a high performing organisation with corporate agility, and which employees regard as a great place to work. However, although it is noted that the rhetoric of the TR concept is definitely compelling (Armstrong and Stephens, 2006), it is commonly agreed that to develop such a strategy, an organisation needs to adopt a holistic approach to all aspects of the reward relationship, from the financial to the non-financial, so that the total reward offering is greater than its various parts (CIPD, 2008).

Moreover, it is necessary for companies to base their strategy on sound analysis and strategy, rather than using more general techniques such as benchmarking and best practice (The Future of Work, 2008). For that reason, the increasing importance of critical success factors (CSFs) to government organisations and industrial companies, and how these phenomena extend effectiveness in the TRS, will now be considered.

Critical success factors are those attributes, assets, or skills that are required for the creation of a successful TRS. Rochart (1979:70) was the first to define the concept of critical success factors as being *“the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization”*. Boynton and Zmud (1984:62) also took this line, defining CSFs as the *“few things that must go well to ensure success for a manager or an organization”*.

In terms of creating an effective TRS, they can be viewed as those activities and practices that should be addressed in order to ensure its successful implementation and according to Moreen and Steven (2006) and the Towers Perrin study (2007/8) five CSFs should be borne in mind when attempting to create an effective TRS, these being that: the strategy needs to address the entire employment value proposition; the different sections of the plan should fit together and complement each other; the plan must be designed to support the organisation’s business strategy; the strategy is based on hard facts and quantitative analysis; and that there is effective communication, administration and monitoring of the strategy.

Recently, McMullen et al (2009) highlighted the main CSFs in respect of implementing creative TRSs. They argued that: the employer must firstly focus on ensuring there is excellent execution of reward packages; companies must ensure their rewards programmes are fully aligned with the organisation’s goals, strategy and culture; there must be a promotion of the TRS across the organisation and intangible rewards must be

effectively leveraged; managers' skills must be used in the implementation of the rewards strategy; and HR needs to support and help the managers in operationalising the reward strategy.

Hence, it is of the utmost importance to determine those aspects of an organisation that are significant to its operation so that they can be taken into consideration at the beginning of any project, since if they are neglected in the decisions, the project will not be successful. From his survey of the literature in the field, the researcher has found the following key CSFs.

### **3.4.1 Good Philosophy of Reward Strategy**

According to Towers Perrin (2009) the key elements of an effective TR strategy include a robust overall philosophy - a TR philosophy that represents "*the broad values and beliefs that an organization holds about rewards*" (Fuehrer, 1994:54). Armstrong (2004:73) has also defined reward philosophy as that which "*provides the guiding principles and sets out the beliefs and values upon which reward strategies, policies and procedures are based*". However, Blackburn and Bremen (2003) claimed that the TR philosophy needs to reflect the company's goals as well as reinforcing its desired culture. Moreover, Kantor and Kao (2004) stress that there is a need to recognise unifying core values and principles, when thinking about making choices in defining a TR strategy.

The organisational reward philosophy is addressed by several TR experts who provide advice regarding what it should look like. Armstrong and Brown (2006) suggest that the system should support the achievement of business objectives, as well as being able to attract, retain and motivate excellent employees. And the Wilson Group (2005) believes that organisations should develop principles to provide guidance for their TR programmes, and thus provide a framework for future reward programme decisions. Guiding principles should contain: scale of emphasis, competitive position, cost efficiency, flexibility/consistency.

According to Armstrong (2010:71) the UK Civil Service reward principles are based upon business and workforce needs, recognizing and reflecting workforce groups, and the continuing value and the sustained contribution of employees and their performance. They include all aspects of the 'employee deal': tangible and intangible elements of what is offered. Competitiveness covers each element of TR. There is no discrimination between direct and indirect reward, reward systems and structures are perceived by staff

to be reasonable and transparent, and they are periodically evaluated and updated to ensure that they continue to meet the requirements of legislation.

According to Towers Perrin (2005), the criteria and rules (formal or informal) must be clearly applied to all employees to achieve fundamental values like “*transparency, equity and fairness in operating the reward system*” (Armstrong and Stephens, (2006:6)

#### **3.4.1.1 Transparency**

According to Mercer (2007), transparency is one of the guiding principles for improving reward management. Armstrong and Brown (2009:17) state transparency to mean “*that people understand how reward processes operate and how they are affected by them*”. Lawler (2003) stressed that organisations need to be more open about how rewards are managed and administered, in addition to recognising that employees are knowledgeable consumers of company reward information and practices.

Therefore, advice on communicating the TRS within organisations comes from the following sources: WorldatWork (2007), Scott et al (2008), and the CIPD (2009). Their advice includes creating a communication plan and talking to employees to identify what motivates them. With regards to methods of communication, they suggest a wide range should be used, including: road shows and open days; Intranet/ Internet; bulletin boards; videos, CD-ROMs; newsletters; individual letters to employees at their home addresses; meetings with HR reward professionals and line management; Q&A sessions; focus groups; demonstrations with computer modelling; telephone and e-mail help lines; one-to-one consultations and reward/benefits statements.

Furthermore, Towers Perrin (2007) points out that communication must be frequent, effective and consistent, reinforcing key messages and the context for change. Berchermann (2007) believes the communication should be brief and easy to understand. And Aquila (2007) surveyed several studies which demonstrated that an organisation achieves greater productivity and profitability when its workforce understands what behaviour and performance is required of them. Hale (1998:46) states that “*strongly communicated reward strategies appear to have a profound effect on overall retention and company performance, because when people understand reward strategy they do a better job of encouraging the company's culture and behaviours*”.

Therefore, “*it has become imperative for organizations to keep an eye on the morale of their workforce and work to keep it positive through effective communication*” Randall



(2009:43). The Hay Group survey (2010:28) showed that many organisations recognise that reward is not always well understood by their people, and are hence, investing in communication tools such as TR statements to ensure that employees have a clear picture of the overall value of their reward package. Additionally, many companies have implemented electronic TR statements, which allow employees to access the information online throughout the year (Sejen, 2011:38).

#### **3.4.1.2 Equity**

*“Equity is achieved when people are rewarded appropriately in relation to others within the organization”* (Armstrong and Brown, 2009:17). According to Armstrong and Stephens (2006) equity theory states that people will be better motivated if they are treated equitably and de-motivated if they are treated inequitably. In the same vein, Lawler (2003) observed that for employees to be satisfied with their rewards there needs to be equity in the way in which rewards are distributed. Several factors contribute to the perception of equity and consequently employees’ feelings of satisfaction. These factors are: an open decision-making process; having the right people involved in the decision-making process; clear distribution criteria; and individual employees having the right to safely challenge a decision that they believe to be unfair, uninformed, or unreasonable.

Moreover, equity theory refers to the social comparisons that influence how employees evaluate their reward. Employees make external comparisons between the rewards they believe are received by employees in other organisations for similar effort, and such comparisons may have consequences for employee attitudes and retention (Miner, 1980). O’Neill (1995) and Lower (2000), both agree that organisations can achieve competitive rewards by focusing on the labour market, and the company’s ability to reward.

#### **3.4.1.3 Fairness**

According to Armstrong and Brown (2009:16), fairness means that reward management processes operate in accordance with principles of distributive and procedural justice. Ledford and Hawk (2000) believed that management must ensure that rewards are fair and that people perceive them as such. As Bragg (2000:39) explains *“people perceive a reward as fair if they believe that everyone has equal chance of qualifying for it. People think rewards are unfair if only a few can obtain the reward. The reward will not motivate people who believe that someone else has an unfair advantage in getting it”*.

Greene (2009) argued that fairness and procedural justice are both crucial to positive employee attitudes. According to Cahill (2002) a measurement of *fairness* can only be found by comparing it to something else, typically internal and external treatment, including reward treatment. According to a CIPD factsheet (2008) written by Palmer entitled “*Market pricing: approaches and considerations: Equity and fairness*”, employees’ perceptions of their intrinsic value is related to the extent to which they believe their qualifications, experience and performance are ‘fairly’ rewarded. And that will produce greater employee satisfaction, engagement and productivity (CIPD, 2006).

### **3.4.2 The Alignment of the TRS with the Business Strategy (Vertical alignment)**

Various scholars (e.g. Lawler; 2000; Thompson, 2004; Gross and Friedman, 2004) have demonstrated that a reward system’s primary purpose is to decide how that system can help to achieve organisational objectives. An organisation can only succeed in this way if its reward strategy emits from the business strategy and goals.

According to Armstrong and Brown (2006:152), vertical alignment means “*that business and reward strategy are in harmony*”. Gross and Friedman (2004:8) said “*for many years, reward programs were viewed primarily as a ‘necessary evil’ to attract and retain competent employees. Today, organizations acknowledge the important role reward programs play in achieving business goals*”. Thompson (2004:4) on the same theme says “*one of the cardinal rules of reward is that the reward system should be ‘vertically integrated’ - it is supposed to support an organization’s strategy and core value*”. Therefore, as noted by Gross and Friedman (2004), the reward strategy must closely fit the organisation’s strategy. The purpose of a reward strategy, according to Armstrong (1991:23) “*is to provide the basis for deciding how the reward system can help to achieve the objective of the organization and how the system should be designed and managed*”.

Ultimately, an organisation’s business strategy needs to drive the reward strategy. Gilbert and Turner (2005) stated that increasingly employers have come to acknowledge the important role which reward programmes play in achieving business goals. Hence, it is clear that in order to create a suitable reward strategy, there must be a clear understanding of the business goals. Kaplan (2005:32) highlighted the fact that “*the overall business strategy should provide the foundation for any reward strategy*” and reward strategy should “*encourage behaviour that helps your organization succeed*”.

Scott et al (2007) agreed that aligning business objectives with reward strategy is very important. This alignment, however, is not an easy process and the following key steps should be included: providing a clear definition of both business and reward strategies; and identifying which rewards are most likely to reinforce the achievement of desired goals and strategies. Moreover, Worldatwork (2009) suggests that specific research questions must be asked by employers to make sure that alignment will be successful, these being: How do organisations define the linkage between business strategy reward strategies and programmes? What are the specific actions that organisations adopt to secure this alignment? How does this alignment affect organisational performance?

The Towers Perrin study (2007/8) found it was widely believed by managers, academics and consultants, that competitive advantage is derived from optimally aligning the organisation's reward programme with its business strategy. According to the Hay Group survey (2010:18), many organisations are working to align their reward and business strategies, which in practical terms means ensuring that: the right performance metrics are in place; reward programmes are closely tied to metrics; performance and rewards are appropriately differentiated; supporting management processes are in place; and leaders have the capability and commitment to implement reward programs effectively. In summing up this factor, it can be said that a *"reward system that is tied to the firm's strategic objectives is more effective than one that is not"* (Aquila, 2007:11).

### **3.4.3 The Alignment with the HR Strategy (Horizontal Integration)**

Reward strategy is a critical component of an integrated and aligned HR strategy. According to Thompson (2004) a key theme that shines through the TR literature is the need for a *'horizontal fit'* or so called *'internal consistency'* and other human resource policies. Authors (e.g. O'Neil, 1995; Brown, 2001; Manas and Graham, 2003; Wilson, 2003; Friedman, 2004; Gilbert and Turner, 2005) have argued that reward strategy must be closely linked with human resources because appropriate rewards are essential in order to attract, retain and develop employees. Clearly, aspects of HRM are mutually supportive, and consequently, a competitive reward strategy can help to solve recruitment and retention difficulties. Performance appraisals of employees provides the evidence necessary to distribute rewards, which in itself might improve employees' capability and competence, enabling them to perform better.

According to some writers (e.g. O'Malley et al. 2003; Gross and Friedman 2004; Brown, 2005; Caird and Aranwela, 2008; Armstrong and Brown, 2009, and others

mentioned previously), the aim is to achieve coherence. This necessitates a holistic approach that provides an important basis for helping to solve the recruitment and retention difficulties in return. They stress that only by integrating all these key areas in a strategic way, is it possible to deliver attractive rewards to employees that they actually want. As mentioned previously, performance appraisals form the basis of reward distribution. Development is one form of reward and this can be used to improve employees' capability and competence to perform better. From this it can be seen that a TRS has the potential to be a powerful motivational tool, encouraging employees to enhance their capabilities and increasing both organisational commitment and positive behaviour.

#### **3.4.4 Customising Rewards to Meet Employers' and Employees' Needs**

In today's business environment the case for TRS that can deliver value to both employers and employees is stronger than ever (Starzmann and Baca, 2004; Armstrong, 2009). And as already mentioned, Lawler (2003) believes it is possible to implement a reward strategy that motivates employees to excel and satisfies them while simultaneously contributing to organisational effectiveness.

Poster and Scannella (2001:23) have a similar opinion, stating that TR *"embodies the needs and values of the company's target employees and at the same time supports the company's business strategy"*. Similarly, Petruniak et al (2003:39) believed that TR that considers the balance between both the employer and employee needs can deliver a *"compelling employment deal at the right cost"*, and likewise (Richards 2008) stresses the great benefits of a TRS for organisations and their employees. For employees, these are: job satisfaction, better training and career development opportunities, a good and supportive working environment, and increased responsibility and involvement. For employers, the benefits are: greater profits and outputs, improvement and quality initiatives, customer satisfaction, and positive publicity for the organisation.

According to Kantor and Kao (2004) and Aselstine and Alletson (2006), in order to develop TRS, organisations must appreciate both what they expect/require from their workforce, and equally, what employees expect from their employer. With this knowledge, they can customise a strategy that matches the strategic needs of the business and meets employee expectations.

The Watson Wyatt European TR survey (2005) confirmed the need to provide employees with flexibility in their reward programmes since this can be a significant,

positive influence on employee behaviour. However, two years later, the Mercer European TR survey (2007) reported that increasing the flexibility and choices in TR preferences was still a relatively low priority, although it was expected to increase as the design of TR packages became more innovative. Hence, the 2007 Towers Perrin report recommended asking employees to identify and rank their reward preference, since such an approach will have the greatest impact. Additionally, Brown (2001:182) emphasises that *“the key to meeting both business and employee needs successfully is the definition and delivery of a positive psychological contract, defining the mutual obligations, contributions and rewards for each party”*.

According to Jantz (2005), the TR initiative is the result of an improved relationship between employer and employee over the past decade. Zingheim and Schuster (2001) have argued that organisations must develop a win-win partnership from which both employers and employees gain. In a perfect world, the employment relationship is in equilibrium, where employer and employee goals are aligned

To conclude, Christofferson and King (2006:27) suggest that *“regardless of each organization's unique total rewards approach, the desired end result is the same: employee satisfaction and engagement on one hand, and business performance and results on the other, these are critical outcomes that depend upon one another”*.

### **3.4.5 Providing Tangible and Intangible Rewards**

Organisations must broaden their focus when attempting to follow a TR approach, and consider rewards from a higher, more strategic perspective (Kaplan, 2005; Combs et al, 2006; Hutcheson, 2007; Armstrong, 2009, 2010). Employee performance in organisations that broadly define TRs as a combination of financial and non-financial rewards, is much better, and those organisation are more attractive in the marketplace. Therefore, it is recommended that organisations integrate all their rewards under a TR umbrella.

Petruniak et al (2003:39) write that *“companies with reward programs that offer the right mix of rewards will find it easier to increase their return on their investment in people today, tomorrow, and beyond”*, a sentiment confirmed by the CIPD (2008) that reports the need to recognise that pay is not the only motivator, and to acknowledge the importance of both tangible and intangible rewards within the wider work experience context. Lawler (2003:41) observes that the greatest amount of motivation is present when people perform tasks that are both extrinsically and intrinsically rewarding, saying

*“organizations that offer a very attractive mix of rewards will find many individuals want to work for them”, and O’Neal (2005:23) holds a similar opinion, stressing that “when transactional and relational rewards work in concert, they promote employee commitment and enhanced engagement”.*

Confirmation of this comes from the Watson Wyatt European TR survey (2005:3) which documents that *“over 80% of companies intend to take a broader approach to managing their reward programmes in the future, with a greater focus on the entire reward package”*. Likewise, Dambisya (2007:52) in his study entitled *A review of non-financial incentives for health worker retention in east and southern Africa* demonstrates that *“the evidence from regional experience suggests that countries should design schemes that combine financial and non-financial incentives”*. Brown and Perkins (2007:89) also commented on the fact that companies placed in *The Sunday Times’* 100 Best Companies to Work For listing during the past five years have all provided a range of financial and non-financial rewards for their staff, and Armstrong (2010:57) reports that the TR approach adopted by the UK Cabinet Office in the form of a toolkit for government departments emphasises all aspects of reward as an integrated and coherent whole, from pay and benefits, and flexible working to learning and development, and the quality and challenge of the work itself.

Therefore, it is imperative to create this all-encompassing notion of reward because as Towers Perrin research (2007) shows, employers must be prepared to deploy a broad range of reward elements. However, Gross and Friedman (2004) observe that the development of a holistic reward system that involves all potential elements provides organisations with a challenge of much greater magnitude than simply establishing competitive pay scales.

Nonetheless, as Wilson (2003) stresses, TR that is limited or not a significant part of a company’s strategic plan, is unlikely to help a company in adding value to its operation, and the imperative is to build an effective broad and strategic TR package since this *“creates affordable and sustainable costs; connects with business strategy to create high performance culture; generates maximum return on the reward program investment; and influences employees’ behaviours and attitudes”* (Friedman, 2004:8).

According to Towers Perrin (2007), the specifics of an effective reward strategy vary from organisation to organisation, but typically cover the key components. Allen and Helms (2001:74) believed *“[i]t seems logical that some rewards are more effective than*

*others, but there is disagreement on what type of rewards best influence firm performance*". Brown (2005) claims that research confirms there are no universally successful reward strategies or schemes and that organisations must tailor their approach to their own goals, needs, characteristics and circumstances. Additionally, Rumpel and Medocof (2006:27) point out that *"every organization is unique and there is no one-size fits all framework for reward management"*, a feeling which is also expressed by Jantz (2005). Clearly, organisations face different challenges and may decide based on their workforce to offer more compensation and less benefits in TRs, whilst others may do the opposite or achieve a more balanced approach.

### **3.4.6 Effective Implementation of Total Reward Strategy**

Implementing a TRS is a large-scale organisational intervention (WorldatWork, 2007), but generally, the process is one of continuous improvement than wholesale change (Armstrong and Brown, 2009). An effective reward strategy is a living process, not simply practices and principles, and it is essential to tailor this process to the needs and goals of organisations. Brown (2001:205) explains that strategy *"is a systematic process; first we think, then we act; we formulate, then we implement"*; and that this process of developing and implementing the strategy is therefore critical to the effectiveness of the reward policies and practices.

To implement TRS successfully, organisations must follow a disciplined process (Ledford and Mohrman, 1993). Many authors (e.g. Fuehere, 1994; O'Neill, 1995; Brown, 2001; Armstrong, 2004; Wilson, 2006) have agreed that there is no blueprint for designing and implementing a reward strategy, but certain techniques and tools that are consistently effective, and as the Wilson Group (2005) noted, a holistic approach can have a major impact on human resources decisions, leading to improved results.

O'Neill (1995), in his framework for developing a TRS, divided the process into three phases: assessment, design, and implementation. Later, Brown (2001) and the CIPD (2005) articulated the process of TRS as one that should be conducted in four phases: initial diagnosis and direction-setting, detailed design work, preparatory, and implementation and ongoing review.

WorldatWork (2007) identified six stages through which TRS formulation and implementation should pass, asserting that planners needed to: analyse and assess, design, develop, implement, communicate, and evaluate and revise. In the present study,

the process is divided more simply into the three phases of; formulation, implementation, and evaluation.

#### **3.4.6.1 Formulation**

According to Sejen (2006) the majority of organisations now understand the importance of total rewards. However, not surprisingly, since the design of a TRS is a complex task, the data reveal that many organisations are struggling with implementation and delivery. Fortunately, HR planners can use a tool for handling the design process that ties structure to strategy and minimises the chances for error Giancola (2005).

The first step starts with an evaluation of the current TRS, and involves defining the current state, current rewards, assessing the current total rewards mix and listening to what the current and potential employees regard as important (WorldatWork, 2007). This requires *“a compressive assessment of internal business factors, outside environmental and market issues and analysis of how the current reward components meet these internal and external demands”* (O’Neill, 1995:110).

Armstrong (2004) suggests that there should be three areas of analysis in any assessment: (1) the way the internal environment operates: the nature of the organisation, the business strategy, the HR strategy, critical success factors, employers’ and employees’ needs, organisational structure and culture; (2) the external environment – [PESTLE and SWOT analysis]; and (3) the present reward strategy: reward philosophy, reward policies, levels and structure of pay, equal pay, employee pensions and benefits, and non-financial rewards. The overall assessment requires the gathering of accurate and wide-ranging information from a variety of sources such as top management discussions, workshops, focus groups, employee opinion surveys, salary survey data, industry surveys, benchmarking, interviews, government statistics, etc. (WorldatWork, 2007).

The reasons for conducting an assessment of the present situation are to build an understanding of the key factors both outside and the inside the organisation that influence internal business and human resources decisions (Wilson Group, 2005), and to avoid incomplete information and to review existing reward practices to identify any areas where change or improvement is required (Armstrong, 2004). Furthermore, a gap analysis is required to compare and contrast the current and desired reward characteristics in organisations, to help to build a real understanding of what is going well and where the organisation needs to adjust policies to meet employee needs and



expectations (Armstrong and Murlis, 2005). Finally, assessment is needed in order to increase credibility with management, assure compliance with the law, provide critical clues that will help identify a framework for building a TRS that best suits an organisation, and show how to use a RS to gain full competitive advantage (WorldatWork, 2007).

The next step involves the actual planning and design of the TRS to meet the organisation's objectives. Ideally, this process will do three things: it will develop a clear statement of the organisation's reward or philosophy, articulate the objectives that each reward component is expected to achieve, and formulate a comprehensive reward structure that meets the philosophy and objectives as defined (O'Neill, 1995).

The first step is to establish a TR philosophy that includes broad values, beliefs and guiding principles to achieve transparency, fairness, equity, consistency, and flexibility as mentioned earlier in this chapter.

The second step is to turn the philosophy or principles into a set of operational statements that support the reward structure. Ultimately, the TR philosophy and strategy are incorporated within the HR philosophy and strategy (WorldatWork, 2007). It is then up to companies to create a proposed plan which includes a timeframe for the improvement of person plan, main communication activities, and associated management considerations. The plan also needs to include financial statement estimates to finish these tasks (Wilson Group, 2005).

Five factors are determined by WorldatWork (2007) to be important in the formulation of a TR strategy, these being: the desired level of external competitiveness (i.e., market leading, market competitive, or market following), the programmes that will be offered to various employee groups to achieve organisational objectives while also maintaining appropriate internal equity, how strategy will support the achievement of key organisational objectives, ensuring that all elements developed or enhanced comply with regulations, and the need for effective communication.

Finally, before implementation, the proposed plan must be audited. One way to do this is to include a systematic evaluation of the role of each key reward element in meeting the objectives of reward strategy. This is useful for examining the combined effect of total strategy and identifying gaps where the proposed programme does not meet key

corporate objectives. The last step is to finalise the design of the plan prior to implementation (e.g. O'Neill, 1995; Steven et al, 2002; Blackburn and Bremen, 2003).

Several authors (e.g. Brown, 2001; Armstrong, 2004; Manas and Graham, 2003; WorldatWork, 2007) stress that the most important point in his phases is for the TRS designer to take into account the need to communicate what is being considered in a clear and honest way. This means canvassing the opinions of the dominant coalition, middle managers, team leaders, professionals, and technical staff, employees generally and their representatives, about what they believe to be the key reward issues to be addressed in a reward strategy. The designer should also discuss the proposed reward strategy with top management and other interested parties, and amend it in the light of comments and suggestions, as well as setting out and communicating the reward strategy and preparing plans for its implementation.

Educating managers and employees and linking the TRS to the business strategy will result in a direct contribution to the company. Wilson (2003) demonstrates that a TRS helps employees know what to do and why they should do it, and that at the same time it helps an organisation to marshal the resources of its people to create a win-win experience for all.

To conclude, Armstrong and Brown (2009) have identified five basic considerations that should be borne in mind when reviewing and rethinking existing rewards, which are as follows: focus on the context of the organisation, evaluate rather than revalue, achieve the right balance between all things that can be included in the strategy, keep the strategy simple, and think about how it is going to be implemented.

#### **3.4.6.2 Implementation**

According to Petruniak et al (2003:41) *“most total reward project implementation is complex and multi-faceted, and often represents a longer journey”*. And Gonzalez (2008:67) cautions that *“a well-developed total rewards strategy is important, but insufficient to drive return on investment unless it is well implemented”*. Also, the Hay Group (2009:8) states that *“[b]est practices are not about sophisticated design; but what works best for organizations given their strategies, business priorities, values and work cultures”*.

Moreover, the implementation of TR is concerned with actions rather than merely contemplating what needs to be done (Armstrong, 2010). And unfortunately *“most*

*organizations are paying much greater attention to setting a clearer and simpler reward direction rather than creating detailed master plans”* (Brown and Perkins, 2007:86), as reflected in the recent Hay Group study (2009) of 1,200 organisations, that reveals only 30% view themselves as effective at implementing reward programmes.

This phase is the ‘action’ of the process and plan, and according to the Hay Group (2009:4), *“there is no magic answer or universal set of best reward practices for achieving results”*. However, in the UK in recent years, more attention is being directed to how organisations can put into practice what they say they do (Armstrong and Brown, 2008). Indeed, many authors and agencies (e.g. O’Neal, 1996; Steven et al, 2002; WorldatWork, 2007) have documented that effective implementation requires the development of integrated TR solutions and the practice of integrated decision-making in communication and management actions – that is, the what, why, how and who to deliver to, in respect of the reward strategy. This step also involves employees in management support system itself (Wilson Group, 2005). Furthermore, *“it is the phase when employers should move toward processes which: recognize contribution; are transparent, are owned by line managers and staff; reinforce leadership, accountability, teamworking and innovation; are flexible and fair”* (Brown and Perkins, 2007:87). As a final comment, Armstrong’s (2010) latest guidelines for the effective implementation of reward strategy are to: define the strategy’s objectives and how these will be measured, create a project plan, decide what supporting processes are required, ensure that those involved know what is happening via communication, involvement and training, establish a change management programme, and identify and solve any delivery problems.

#### **3.4.6.3 Evaluation**

In this phase organisations should compare and contrast the actual results of the implemented TRS against the desired outcomes. Armstrong and Brown (2006) observed that during the formulation of a TRS it is essential to specify both the objectives and success criteria by which the strategy can be measured, since as noted by WorldatWork (2007), a strategy must be shown to work and make a difference, in order to be considered complete; this is likely to involve careful monitoring and evaluation after its implementation (WorldatWork, 2007). Unfortunately, this assessment stage is the most often overlooked phase of TR evolution (Henemen, 2007). A similar realisation recently came from Hay Group research (2009:8), which found that organisations do not *“generally seem to be examining their total rewards packages in a joined-up sense”*.

This suggests that many organisations are missing opportunities to add better value to business performance through good TR management.

Evaluating and revising the TR strategy is the final, ongoing step in the development process. The Wilson Group (2005) believes that an organisation becomes what it rewards and that there is a necessity to examine the progress of particular programme design changes and related business results in order to ensure that the organisation does what it sets out to do. Ongoing monitoring could include a core scoreboard approach to measure key workforce and reward metrics on a regular basis, and provide for ongoing follow-up and measurement. Therefore, regular reviews of the progress of reward programmes should include: information about goal achievement; financial reviews; comparison of expected and actual results; feedback on the perceptions of managers, employees, and plan designers regarding the plan, and continuous improvement; and renewal of ideas and communication (Wilson, 2003; Manas and Graham, 2003).

According to Blackburn and Bremen (2003), the right TR solution will evolve over a series of iterations, requiring periodic assessment to ensure the company has struck the proper balance. Towers Perrin (2007) states that measurement is critical; the organisation must put processes in place to assess a TR programme's effectiveness and determine whether it is achieving its objectives and the desired changes are taking hold as planned. Berchermann (2007) stresses the importance of evaluating the success or failure of the strategy, determining what worked, what was unsuccessful, and what can easily be modified or improved for better results. However, according to Sejen (2006) only 35% of employers formally measure the cost effectiveness of their TR to a moderate or great extent. Also Crawley (2007) found in his survey that 72% of companies had no formal way of evaluating the return on their reward investment. Actually, Starzmann and Baca (2004:71) state that "*determining the value of a total reward strategy is not an easy thing to accomplish*". And in the absence of evaluation, an organisation will suffer from a lack of information, meaning that opportunities to make changes to boost programme performance are missed (Sejen, 2006).

Many authors like O'Neal (1998) have tried to explain the three kinds of outcome measurements that employers should take into account in deciding whether a TRS has made a difference. These include: *Direct performance* outcomes, such as reduced turnover and recruiting acceptance rates; *Evaluative outcomes* such as the organisation's

competitive market position, and *Indirect performance* such as revenue per employee, profit per employee, productivity, customer retention and various ratio measures.

According to a Mercer (2005) survey entitled *Measuring the Return on Total Rewards*, the top three *success measures* associated with effective reward investment decisions are: retaining high performers, attracting the right talent, and differentiating rewards better. With the right TRS in place, an organisation can expect both improved business results and a positive move in employee behaviour and contributions (O'Neal, 1998).

### **3.4.7 Roles and Responsibilities**

According to Greene (2009:48), an organisation must have “*the right people on board, in the right roles, with the right skills, with the right motivation and the right mindset*”. These people must also be committed to the right goals; therefore, several scholars (e.g. Armstrong, 2004; Giancola, 2005; Heneman, 2007; WorldatWork, 2007) confirm that having clearly defined roles and responsibilities is essential to ensuring that one does not come into conflict with the other and that the strategy addresses both the ‘wood’ and the ‘trees’ of reward management.

Towers Perrin (2009), emphasises the importance of having a clear definition of roles and responsibilities and effective ongoing monitoring, all closely aligned and working together. The most effective global approaches are marked by management and oversight structures that: involve leaders at all levels; provide clear lines of responsibility for programme design, financing, implementation, ongoing management and monitoring; and ensure high-level global oversight and ownership of key decisions.

In this respect, Bremen and McMullen (2010:59) believe that “*in the coming years, the real focus will shift from merely defining total rewards and getting comfortable with the concept to making these programs real and engaging line management to make it happen*”. In this scenario, HR professionals and specifically those involved in TR, will be crucial in their ability to enable and gain support from senior leadership.

#### **3.4.7.1 Senior Management**

The responsibility of senior management is to set the strategic direction of defining and implementing TRS (Manas and Graham, 2003; Scott et al, 2007). Therefore, senior management must be able to establish an appropriate organisational climate that

supports, recognises and rewards people's management behaviour (Ledford and Hawk, 2000; CIPD, 2009).

Aselstine and Alletson (2006) state that employees currently express a fair amount of skepticism about senior managements' visions, ability to inspire, and interest in employee well-being. Therefore, Towers Perrin (2007) stress that the TRS must be owned and sponsored by senior management, who communicate the rationale for change and remove barriers to change introduction and reinforcement of the TR reward. In this context. Scott et al (2007) stress the importance of recognising the contribution made to reward programme effectiveness by senior management, an argument supported by Hay Group research (2009) showing that TR implementation effectiveness requires senior leadership to first model the behaviour change and then offer it for acceptance by others.

#### **3.4.7.2 Reward and HR Professionals**

According to Jantz (2005) and based on findings and practical experience, Reward and HR professionals can substantially improve the effectiveness of their reward programmes. By recognising the uniqueness of the organisation, its management and employees (Handshear and O'Neal, 1993), *"tailoring approaches to suit the unique goals, character and culture of the organisation, and providing a rewards strategy framework which co-ordinates all of the policies and practices designed to motivate staff to deliver on the organisation's business strategy"*, these professionals play a critical role in TRS implementation (Brown, 2005:13). Besides, they have a key role to ensure that senior leaders understand the concept and give their support to the TR initiative (Brown, 2005; McMullen et al, 2009; Bremen and McMullen, 2010). Moreover, as Armstrong and Brown (2008:46) state *"they should deal with the move as a conversion rather than a new initiative; obtain managers' input when designing the new process; maximize employee communication so the new system will be understood"*.

In addition, the Hay Group (2009:8) advises that *"Reward and HR professionals have a key role in educating managers on how to influence employees and execute effective programs"*. According to the CIPD's (2009) *Pay Management (Ireland) Survey: employee attitudes*, many Reward and HR professionals have an opportunity to make a difference in their organisation by engaging in a more active partnership with their line managers and helping them become more successful by supporting their individual

development, increasing transparency, and managing expectations. Consequently, when these professionals and line managers unite in this way, they can have a massively positive influence on how employees perceive and value the rewards programme, and help ensure it delivers real value for money for the organisation (McMullen et al, 2009).

Indeed, Hay Group research (2009:19) address just this latter issue, suggesting that in the immediate future changes will occur to the role of Reward and HR professionals such that they will be expected to manage with smaller budgets and produce better results. Additionally, they will be expected to devise accurate methods of evaluating the success of their TRSs. The CIPD (2008), in recognition of this evolution in that role, suggests that these professionals should collaborate to examine whether their existing reward interventions are appropriate to what the organisation is aspiring to achieve.

However, the substantial task ahead of Reward and HR professionals requires multiple skills from them, such that they should be “*confident, bright people who can inform and influence thinking, gain credibility, understand change, and move the business agenda along in a collaborative but influential role*” (Brown, 2005:11).

#### **3.4.7.3 Line Managers**

According to McMullen and Stark (2008) and McMullen et al (2009), the line manager is the lynchpin and plays a key role in executing effective reward programmes, as well as having the most influence on the array of intangible rewards the organisation provides. Moreover, Aselstine and Alletson (2006) believe that employees’ relationships with front-line managers, plays a critical role in determining whether or not they are, or can become, highly engaged.

This is in fact confirmed by CIPD (2007) research entitled *The vital role of line managers*, which shows a strong relationship between employees’ commitment and their rewards, and that line managers are playing a key part in strengthening this link. Similarly a Hay Group study (2009:10) found that “*managers are the primary vehicles in attracting and retaining talent. In this context, managers play a significant role in planning, coaching and assessing employee performance, fostering the work climate of an organization and in creating development and career opportunities for employees*”.

However, McMullen and Stark (2008) argue that frequently the role of the line manager is neglected, and therefore, line managers are finding their position difficult and complex (McMullen et al, 2009). The CIPD (2006) reward management survey found



that most respondents do not rate the reward decision-making or communication skills of their line managers highly. Furthermore, a similar finding comes from McMullen et al (2009) who in a recent Hay Group study of 1,200 organisations, found that in 80 countries, only 30% of organisations view their managers as effective at implementing rewards programmes and less than 40% believe their managers are effective at communicating these initiatives. Cotton (2008:38) believes that most organisations “*do not provide their line managers with the development and coaching they need to effectively carry out the task*”.

According to McMullen and Stark (2008), while line managers are insufficiently prepared to take on these accountabilities, many HR functions are inadequately supporting their line managers in reward-programme implementation. Therefore, one of the key priorities of organisations in the Hay group study (2009:18) is “*to leverage the involvement of line managers in reward program implementation, to provide training to do a better job of communicating reward strategies*”. Aselstine and Alletson (2006) state that they foresee a flurry of corporate activity here, as management acts in two main areas: (a) revising the criteria for manager roles to include ‘softer’ skills, and (b) developing more comprehensive support for them.

Finally, Armstrong (2010:54) recently demonstrates that line managers contribute to the management of TR in five important ways: they have considerable influence over the management of financial rewards, and the effectiveness of performance management; they are the most important elements in a recognition scheme – giving praise where praise is due, and publicly acknowledging high performance; they strongly influence how jobs are designed; they control the degree of work flexibility that can take place, and therefore work–life balance; and it is their qualities of leadership that largely contribute to the creation of a rewarding work environment.

#### **3.4.7.4 Employees**

According to Scott et al (2007), employees are likely to be influenced both by the HR practices they experience and by their managers’ leadership behaviour. Poorly designed or inadequate policies can be ‘rescued’ by good management behaviour in much the same way as ‘good’ HR practices can be negated by poor front-line manager behaviour or weak leadership. However, there are clear pointers to what makes an effective role for line managers in reward.



Manas and Graham (2003) suggest that employees can represent the company as members of the design team and provide direct input. And Zingheim and Schuster (2007) confirm this, saying that people support what they are involved in and understand. Additionally, Ledford and Hawk (2000) explain that research on reward provides clear evidence about the positive effects of involving employees in plan development and operation, and Giancola (2008) believes that employee perceptions of reward programmes, which are enhanced when they participate in their design, are important.

Clearly, employees must be able to express their opinions about their rewards, and one popular method used by employers is the use of employee attitude surveys to identify employees' perceptions of reward programmes (CIPD, 2006; McMullen et al, 2009). Hay Group research (2009:15), for example, revealed that 67.41% of companies routinely administered attitude surveys to identify and correct employee morale problems.

Exit interviews are also used to gain insights into the thoughts of employees leaving an organisation, and feedback gathered through appraisals is another way of establishing how employees feel about working for a company. All of these measures seek to ensure that employees are having the best possible experience at work (McMullen et al, 2009:10), because if employees do not view their rewards as being fair, competitive and appropriate, they will be dissatisfied (Greene, 2011:52).

### **3.5 Research Questions**

From the detailed review of all the relevant literature, and bearing in mind the pressing problem faced within the OGS resulting from the disaffection of talented individuals with the current reward system, a number of research questions are formulated as follows:

1. What does the RS in the OGS consist of?
2. To what extent does the RS in the OGS have a well-articulated philosophy?
3. To what extent is the RS aligned with the business strategy in the OGS?
4. To what extent is the RS aligned with the HR strategy in government units in Oman?
5. To what extent does the RS in the OGS provide an optimal mix of tangible and intangible rewards?

6. To what extent are there supportive and effective implementation processes for the RS in place in the OGS?
7. To what extent are the stakeholders in the OGS committed to implementing the RS?
8. How effective is the RS in the OGS in terms of the achievement of organisational objectives?
9. How effective is the RS in the OGS in terms of the achievement of employee objectives?
10. What suggestions can be offered for developing and improving the RS in the OGS?
11. What are the main challenges to the adoption of a TR strategy in the OGS?
12. What are the critical success factors (CSFs) associated with the adoption of a TR strategy in the OGS?

### **3.6 Research Framework**

#### **3.6.1 Introduction**

The conceptual or theoretical framework within which the research will be undertaken is referred to as the research framework. In her discussion of theoretical frameworks, Sekaran (2003) observed these to be conceptual models of how one makes logical sense of the relationships among the several factors that have been identified as important to a particular problem. Shields and Tajalli (2006) argue that frameworks are linked to particular research purposes (exploration, description, gauging, decision-making and explanation/prediction). When purpose and framework are aligned, other aspects of empirical research such as choice of methodology (survey, interviews, analysis of existing data, direct observation, focus groups, etc.) and type of statistical technique become obvious (Shields and Hassan, 2006).

Indeed, Sekaran (2003:87) argues that “*developing a good theoretical framework is central to examining the problem under investigation*”. Therefore, in the design of the conceptual framework it is necessary to bear in mind the variable phenomena associated with the issue. In this respect, Sekaran (2003) emphasises the need to understand the different types of variable that may be present, and suggests the existence of four types, these being: dependent, independent, moderating, and intervening.

As documented by Sekaran (2003), a dependent variable is one which is of primary interest to the research, which in itself seeks to understand and describe the influence of

that variable - to explain its variability, or predict it, while an independent variable is one that has an impact on the dependent variable either positively or negatively.

Bowey and Thorpe (2001) argue that reward systems must be based on a sound appreciation on what motivates people at work, if they are to be effective. However, there seems to be a low level of understanding of how reward systems affect employee behaviour, the result essentially of a combination of factors: *“the degree of opposition between theoretical positions, conflicting real-life examples of what seems to work, and poorly disseminated research findings”* (Perkins and White, 2008:49).

According to Perkins and White (2008:32), the varying theoretical approaches to *“employee reward may be grouped in terms of either emphasis on structuring reward, on the one hand, and the processes of reward determination, on the other”*. Roath and Schut (2009) argue that TRs should be distributed as a means to motivate employees to perform in ways that result in meeting the organisation’s strategic goals. Therefore, it is important to consider the underlying motivation theories like Goal-Setting Theory, Reinforcement Theory, Self-Efficacy Theory, Herzberg’s Two-Factor Theory, McClelland’s Need-Based Theory, Expectancy Theory, Internal Labour Market, Role Theory, Cognitive Evaluation Theory, Human Capital Theory, Exchange Theory, Psychological Contract Theory, Equity Theory, Agency Theory (Perkins and White, 2008; Roath and Schut, 2009).

According to Roath and Schut (2009), understanding why rewards are effective and how best to use rewards as a means to meet the needs of both the organisation and employees helps strategic business leaders to design successful TR systems. Therefore, having defined the different kinds of variable, the framework that could operate in a work situation, and how the relationships among these can be established, it is now possible to see how a conceptual framework can be formulated. This section proposes such a research framework that can help in the understanding of the effectiveness of the RS in the OGS.

The proposed framework has been developed by synthesising concepts from motivation theory and reward theory, since it is from these disciplines that the influences upon the introduction and implementation of an effective TRS emerge. In fact, from a macro perspective, the concepts that are brought to bear in any large behavioural change in organisations come from a much wider theoretical base than motivation and reward theory, since within the internal environment, there are factors concerned with the



these perspectives but claims these to be insufficient, and goes on to argue that in order to be truly effective, organisations need to think about TR from a higher, more strategic perspective.

Therefore, many other authors (e.g. O'Neil, 1995; Dolmat-Connell, 1999; Manas and Graham, 2003; Wright, 2004; Torrington et al, 2005; Michael, 2006; Armstrong and Brown, 2006) have characterised TR much more broadly to encompass the overall value proposition that the employer offers to the employee, which constitutes packages of a strategic mix of tangible and intangible rewards to all levels of employees.

The literature (e.g. Dolmat-Connell, 1999; Gross and Friedman, 2004; Gilbert and Turner, 2005; Wilson, 2006) illustrates the purpose of a TRS as being to provide the objectives, guidelines, and principles necessary to design and operate the company's programmes consistent with its core requirements. It also demonstrates that an effective TRS helps organisations to evaluate and better manage the overall cost of their TR packages and make sensible decisions regarding where to invest the rewards they provide.

To conclude, understanding why rewards are effective and how best to use rewards as a means to meet the needs of both the organisation and employees will help business strategists to design a successful TRS (Roath and Schut, 2009).

#### **(b) The Effectiveness of the RS in the OGS**

As seen above, the objectives of any RS are to deliver value to both employers and employees. In this context, *Employer* objectives could be to: improve recruitment, retain and motivate, manage cost effectively, and improve organisational performance; *Employee* wants and needs could include the provision of: more competitive salary, positive work environment, lower health costs, increased flexibility, career opportunities (e.g. Dolmat-Connell, 1999; Schuster and Zingheim, 1992; Schuster and Zingheim, 2000; Mercer, 2007).

The feeling among the writers in this field is that it is entirely possible to design a TRS that achieves effectiveness for the organisation and satisfies employees. But such a system cannot operate and be successful in a vacuum, and consequently it is important to take an organisation's current condition, resources, competencies, and capabilities into account when designing and implementing the strategy. An effective TRS must be holistic, integrative and strategic.

Moreover, it is important to note that there is no single best practice and that a ‘one-size-fits-all’ approach will not always work. Each organisation must identify its specific needs and goals. A strategic TRS must be designed to fit the organisation’s strategy with the intention of motivating employees to maximise performance (Roath and Schut, 2009).

### **3.6.3 The Independent Variables**

As already observed, the overall objective of any RS is to develop and implement the reward policies, processes, and practices to support the achievement of the organisation’s business goals and meet the needs of its stakeholders. In order to ensure that goal is met, the organisation must acquire a thorough understanding of the unique context, and the following factors must be considered:

#### **1 - The RS requires a well-articulated philosophy**

**The question:** To what extent does the RS in the OGS have a well-articulated philosophy?

Fuehrer (1994:45) defined ‘reward philosophy’ as representing “*the broad values and beliefs that an organisation holds about rewards*”. And according to Blackburn and Bremen (2003), a TR philosophy should reflect the company’s goals and reinforce its desired culture. However, as noted by Giancola (2005), some flexibility may be needed, particularly with specific pay components. Detail on TR philosophy, is helpful to implementers within organisations because the TR premise is more complex in execution than design.

Many authors (e.g. Lawler, 2000; Whit and Drunker 2000; Kressler, 2003; Hollyforede and Whiddett, 2003; Armstrong and Stephens, 2006) emphasise that people are satisfied with their rewards when they perceive there is transparency, fairness, equity, consistency and flexibility in the method of distribution, and hence, if they do not consider they are being appropriately rewarded for their effort, they will invariably reduce their commitment to the organisation, by exerting less effort on the job, and possibly stealing time by being absent when they have no genuine reason.

**Proposition:** The more it is perceived that the RS in the OGS has a well-articulated philosophy, the more likely it is that an effective RS will be created in the work environment.

#### **2 - The RS must be aligned with the Business Strategy (Vertical integration)**

**The question:** To what extent is the RS aligned with the business strategy in the OGS?

Various scholars (e.g. Schuster and Zingheim, 2000; Manas and Graham, 2003; Gross and Friedman, 2004; Thompson, 2004, 2009; Roath and Schut, 2009; Stoskopf et al, 2009) demonstrate the main purpose of a reward system as being to provide the basis for deciding how that system can help to achieve organisational objectives, an outcome that can only occur if the reward strategy emanates from the business strategy and goals.

They stress that if there is a well-developed business strategy, the organisation needs to formulate a reward strategy that encourages the kind of behaviours needed to make that business strategy work. Whenever one of these strategies undergoes change, so too must the other. In the absence of a well-developed business strategy, no reward strategy will be successful, thus indicating that any misalignment between these two vital elements may lead to failure in them both.

**Proposition:** The stronger the alignment between the RS and the business strategy in the OGS, the more likely it is that an effective RS will be created in the work environment.

### **3 - The RS must be aligned with the HR Strategy (Horizontal integration)**

**The question:** To what extent is the RS aligned with the HR strategy in government units in Oman?

Authors (e.g. Brown, 2001; Heneman et al, 2001; Wilson, 2003; Friedman, 2004; Gilbert and Turner, 2005; Armstrong and Brown, 2006) emphasise that reward strategy is a critical component of an integrated and aligned HR strategy, and a key theme that runs through the literature on TR is the need for ‘horizontal fit’ or so-called ‘internal consistency’ with other human resource policies. Therefore, reward strategy needs to be closely articulated with the need for human resources because appropriate reward is critical in attracting, retaining, and developing employees. In this way, all aspects of HRM are mutually supportive. Hence, a competitive reward strategy can help to solve recruitment and retention difficulties. Performance appraisal provides evidence regarding the distribution of reward, which in itself could be something that might improve employees’ capability and competence, thereby enabling them to perform better.

Writers in the field (see previous paragraph) stress that only by integrating all these key areas in a strategic way, is it possible to deliver attractive rewards to employees, and

address what they actually want and value. Therefore, a TRS must be deliberately created to support an organisation's HR strategy.

**Proposition:** The stronger the alignment between the RS and the HR Strategy in the OGS, the more likely that the RS will be perceived to be effective.

#### **4 – There must be an optimal mix of tangible and intangible rewards**

**The question:** To what extent does the RS in the OGS provide an optimal mix of tangible and intangible rewards?

Many authors (e.g. O'Neil, 1995; Schuster and Zingheim, 2000; Wright, 2004; Torrington et al, 2005; Michael, 2006) have characterised TR much more broadly to encompass the overall value proposition that the employer offers to the employee, which constitutes packages of a strategic mix of tangible and intangible rewards to all levels of employees.

However, when organisations do not have both the intangible and tangible rewards that job seekers and current employees expect, there is no attraction for the outsider, and the employees quickly become disengaged (Jones, 2008).

**Proposition:** The greater the availability of tangible and intangible rewards in the RS of the OGS, the more likely the RS will be perceived to be effective.

#### **5 – There must be support and effective implementation processes for the RS in place.**

**The question:** To what extent are there supportive and effective implementation processes for the RS in place in the OGS?

According to Roath and Schut (2009), the successful implementation of TRSs requires organisations to follow a disciplined process. In this connection, many authors (e.g. Lawler, 2000; Manas and Graham, 2003; Armstrong and Brown, 2006) confirm that a TRS should not be viewed as a 'quick fix' or 'quick win' and that great attention must be paid to the formulation, implementation and evaluation of the strategy, to ensure its adaptability and long-term effectiveness, and to reinforce high-performing and sustainably-successful organisations.

More recently many researchers (e.g. CIPD, 2007; Towers Perrin, 2007; WorldatWork, 2007) have highlighted that most organisations have shifted from considering the rhetoric associated with the concept of TR, to becoming more realistic and pragmatic. In



this respect, many authors (e.g. Lawler, 1995; Brown, 2001; Gross and Friedman, 2004; Armstrong and Stephens, 2006,) have recommended that in practice a TRS must consider elements like the need to: analyse the internal and external environment, align with business and HR strategies, ensure a fit between the TRS and the culture and characteristics of an organisation, meet the business needs and take account of the needs and preferences of employees, ensure that the different elements of financial and non-financial functions are brought together, achieve fairness, equity, consistency and transparency, and pay more attention to the involvement of employees in the whole TRS process.

**Proposition:** The greater the availability of supportive and effective implementation processes in respect of RS in the OGS, the more likely the RS will be perceived to be effective.

#### **6 – There must be commitment from stakeholders in the OGS to implement RS.**

**The question:** To what extent are the stakeholders in the OGS committed to implementing the RS?

According to McMullen et al (2009), a rewards programme can only motivate employees if it is understood and accepted by them. Without knowledge of the programme, employees cannot appreciate its worth. Giancola (2005) observes that there must be clear lines of accountability that are appropriate to the level of responsibility, and be administratively practical, especially in organisations that are decentralised. It is also noted by Giancola (2005) that the capabilities and interests of personnel should be reflected in any rewards programme as regardless of the quality of the design of such a programme, if the right people are not in the right jobs and their individual skills put to appropriate use, it will not work. Towers Perrin (2009:5) documents that *“the most effective approaches are marked by management and oversight structures that: involve leaders at all levels; provide clear lines of responsibility for programme design, financing, implementation, ongoing management and monitoring”*.

**Proposition:** The more committed stakeholders are to implementing RS in the OGS, the more likely the RS will be perceived to be effective.

These variables will be measured by the use of documentary analysis, observation, questionnaires, interviews, and focus group. More details of the methodology adopted is provided in the relevant chapter.

### **3.7 Summary and Conclusion**

Throughout the chapter the focus has been on identifying both the strengths and weaknesses of TRS as well those factors that are involved with creating and developing a successful TRS. Essentially, the strengths are identified as the ability of a TRS to cater for the many different needs of employees, and therefore improve their overall satisfaction with the job. Concomitant with that are increased productivity and less employee turnover. The weaknesses are identified as the facts that a great number of supports are required to secure an effective implementation, and although there is a great deal of support for introducing TR schemes, it is clear that in order to be successful, the TRS must help to achieve business objectives and satisfy employee expectations. An effective TRS must, therefore, be carefully conceived and planned if it is to realise these goals. The difficulty of creating an effective TRS has been discussed in some detail but it can be concluded that if organisations can surmount such difficulties and create and operate successful TRSs, they are likely to gain a competitive edge over other businesses in terms of employing more satisfied employees who are prepared to work hard to help the business achieve its strategic goals. The research questions, framework and propositions derived from a survey of the literature and first-hand experience of the problem retaining staff in the OGS have also been presented.

# **CHAPTER FOUR**

## **REWARD MANAGEMENT IN THE OMANI GOVERNMENT SECTOR**

### **4.1 Introduction**

The aim of this chapter is to document and analyse reward management in the Omani government sector. As illustrated in previous chapters, the study uses information and government publications gathered from the government sector and a review of the literature, in order to provide a general background to Oman with an emphasis on the status of its reward management strategies. To better illustrate Oman's stage of development, information regarding the country's politics, geography, population and economy is provided in Section 4.2. This is followed by Section 4.3 which addresses the issue of human development in Oman, whilst in Section 4.4 the development of the Omani Civil Service is traced from the time before Oman's Renaissance up to the present day. In Section 4.5 the current legislation relating to personnel in the Service is presented. This information leads naturally into the way in which Civil Service personnel are rewarded (Sections 4.6 and 4.7). The chapter concludes with a short summary.

Before embarking upon the overview of Oman, it is important to acknowledge the culture-related nature of the analysis, since whilst Oman is a developing country with a relatively short 'modern history', that essentially began with the succession to the throne of His Majesty Sultan Qaboos in 1970, it does nonetheless have a deeply-rooted resilient social structure, which has served over many years as the authority on social behaviour. In analysing the context of the research, therefore, it is appropriate to adopt a new institutionalist approach of the type advanced by researchers such as Scott (1995, 2004), and Powell and DiMaggio (1991). This recognises the importance of structures and institutions in generating rules and norms of behaviour, thereby promoting cultural explanations of social phenomena.

In Oman's case, despite the short length of this renaissance period, the Sultanate has consolidated its institutions and invested substantially to provide services for the population. Indeed, the country's economic progress has been realised through the support provided by its economic, legal, educational, and political institutions. Such institutions, irrespective of their comparative youth, are nonetheless robust, all resting on Islamic underpinnings, and consequently, Oman is characterised by a strong culture

which is reinforced in schools, universities, and other societal organisations as well as in government. However, the traditional tribal values remain and run alongside the more modern concepts introduced and supported during the renaissance, and consequently, the Sultanate's national culture is something of a hybrid which generates its own outcomes in respect of individual and organisational behaviour. It is with these factors in mind that this chapter should be read.

## **4.2 Overview of Oman**

This section begins with general information on the country's geography, and population, and progresses to present a brief account of its history. Also, because of their direct relevance to rewards and incentives, issues such as the country's economy and political system have been included in the discussion.

### **4.2.1 Geography**

The Sultanate of Oman is in the extreme southeast corner of the Arabian Peninsula, (between latitude 16.40 and 26.20 degrees north and longitude 51.50 and 59.40 degrees east), and the location itself is considered to be of major strategic importance. Saudi Arabia is to the west of Oman, the United Arab Emirates is to the northwest, the Arabian Sea is to the East, and the Republic of Yemen is to the extreme southwest, (Ministry of National Economy – Oman, 2009).

According to the Annual Statistical Report (2009) issued by the Ministry of National Economy, Oman's size is about 309.5 thousand square kilometres, making it the third largest country in the Arabian Peninsula. Oman's diverse and amazing landscapes are a blend of its geological history and its environment over the past years. Superb rock outcrops appear in the Al Hajar Mountains, and Dhofar are a heaven for international geologists. (Ministry of Information – Oman, 2009).

Oman has a large diversity of topographies; the mountains make up 15% of the total area, with sand and desert covering the greatest area (approximately 82%), most of which is known as the Empty Quarter. Oman also has several small islands in the Gulf of Oman and the Strait of Hormuz, including those known as "*Salamah and Her Daughters*", and in the Arabian Sea, it has the Masirah and Hallaniyat islands.

In the *Democratic Endeavour in Oman*, Al-Qushtaini (2006) argues that the map of Oman – in the First phase of democracy, actually resembled England, and that in the Second phase of democracy, Oman shaped the sea era and became known for its marine

experience all before the Common Era. Oman also has good access to the rest of the world – via the east, by the Arabian Sea and the Indian Ocean, and by the north via the Arabian Gulf. The official language of the country is Arabic.

The Sultanate is divided administratively into the four governorates of Muscat, Dhofar, Musandam and Al Buraimi, and five regions of Al Batinah, Adh Dhahirah, Ad Dakhliyah, Ash Sharqiyah, and Al Wusta (Ministry of Information, 2009). Figure 4.1 shows these different regions and governorates.



**Figure 4.1: Oman's Regions and Governorates**

Source: <http://www.omanet.om/arabic/regions/MAP.asp>

#### **4.2.2 Population**

According to the preliminary results of the 2010 General Census of Population Housing and Establishments, announced on 27/12/2010, Oman has a population of 2,773,479, of which 1,957,336 were citizens, and the remainder expatriates. In Muscat Governorate, which came the second after Al Batinah Region where the researcher was born, the total population was 775,878 only 407,006 of whom were Omanis, the remaining 368,872 being expatriates ([www.omancensus.net](http://www.omancensus.net)).

Historically, as Al-Qassmi (1999) argues, the Omani people can trace their roots back to ancient times, since when two migrations have occurred. The first, at a time unknown, was the result of a tremendous drought in Najd (Saudi Arabia) that caused people to migrate in search of water, and some made it to the shores of Oman. The second

migration occurred after the collapse of the Ma'arib Dam in Yemen under the leadership of Malik bin Faham in 120 BC.

#### **4.2.3 Historical Background**

Oman has a long and interesting history, although much of this is untold (Al-Muqbal, 2006), and in fact there is very little information about the earliest fishermen and hunter-gatherers (Al-Farsi, 2007), but certainly, it is evidenced by recent archaeological discoveries and research, that early civilization is likely to have existed in Oman at least 5,000 years ago (Al-Yahmadi, 2000:20). Throughout its history, Oman has been known by many names, those of *Majan*, *Mazoon* and *Oman* being the most acknowledged.

As for the current name Oman, there are numerous narratives about its origin, but some have argued that it was named after the son of Abraham who was called Oman. It has also been suggested that the famous tribe of Auzd named Oman after their migration from Ma'arib Dam in Yemen and that Oman looked like their homes back in the Dam (Al-Khalili, 2003; Al-Hanshi, 2004; Al-Farsi, 2007). Lastly, some believe that the country derived its name from the term *amana*, which denotes a safe and peaceful dwelling (cited by Al-Muqbal, 2006; Phillips, 1967).

In terms of religion, the Omani people were among the first people to embrace Islam voluntarily in around 630AD, other countries having to be persuaded by threatened violence, diplomacy or persuasion. In Oman's case, the prophet Mohammad sent his envoy to meet the country's rulers to invite them to accept the faith (Al-Barwani, 2003; Kishtainy, 2007).

During the early years of the Islamic mission to spread the religion, Oman was to play a major role in the Wars of Apostasy that occurred after the death of Mohammad. It also took part in Islamic conquests by land and sea in Iraq, Persia and beyond. Its most important role, however, was via its significant trading and seafaring activities in East Africa, particularly during the 19th century, when it extended the reach of Islam in many of East Africa's coastal regions, and certain areas of Central Africa. Omanis also took the message of Islam with them to China and the Asian ports (Ministry of Information – Oman, 2009).

Oman has only ever been successfully invaded by one country, which was Persia. By the 19<sup>th</sup> century Oman was seeking to expand its territory across the Arabian Gulf and East Africa, where it controlled the island of Zanzibar. In addition, Oman sought to

create political links with the other great powers of the time, including Britain, France, the Netherlands and the United States, but despite this international activity and reputation, in the early part of the 20<sup>th</sup> century, Oman entered a period of decline and isolation (Ministry of Information – Oman, 2009). However, in 1970, Sultan Qaboos came to power and sought to end the traditional mode of governance, thereby laying the foundations for the modern state (Jaaffar, 1990, cited by Al-Muqbali, 2006). Miller (1997) acknowledged that Oman was well known for its discretion in carrying out its affairs. With regards to the appointment of Sultan Qaboos, he quotes the speech given by the Sultan on the day of his accession (23<sup>rd</sup> July 1970) when he said “*Our country in the past was famous and strong. If we work in unity and co-operation, we will regenerate that glorious past and we will take a respectable place in the world*”. Now Oman has a modern infrastructure, clean streets, and a highly professional military that devotes much of its budget to civic action (Al-Muqbali, 2006; Al-Farsi 2007).

#### **4.2.4 Political System**

In an interview with Miller (1997:60), Sultan Qaboos spoke about his mission to create a modern Oman, saying:

*“I had spent six years living in Britain (1958-64) experiencing work in different sectors. That background gave me a good basis for thinking about things differently. I had promised on the first day of my rule to create a modern government. But I knew change had to be entered into slowly, very slowly”.*

The Sultan’s visionary and strong-willed leadership, coupled with the human resources in terms of the Omani people, has resulted in a sense of individual responsibility and duty towards the country’s growth (Kishtainy, 2007). In his Royal Speech of 29<sup>th</sup> September 1971, His Majesty promised that “*the Government and the people are as one body. If one of its limbs fails to do its duty, the other parts of the body will suffer ... therefore I’m inviting you to work together for the sake of our country's future*” (The Royal Speeches of HM 1970-2005:17).

His Majesty explained the critical elements for success in the development plan on 18<sup>th</sup> November 1974, saying “*the success of any development and the accomplishment of its objectives is joint work between three parties: the government, the private sector and the citizens*” (The Royal Speeches of HM 1970-2005:74). According to Hamoudi (2006:314), His Majesty is “*giving top priority to the development and empowerment of Omanis at home*”. In addition, His Majesty “*maintains a delicate balance between preserving the traditions and culture of his country and introducing the modernisation*

*needed to keep pace with the changes taking place in the rest of the world*” (Common, 2011:224). Moreover, His Majesty is also a well-known peacemaker in the region, and has given the Sultanate a constructive and influential role in the Gulf, Arab and international arenas. Furthermore, he has received many International Peace Awards (Ministry of Information – Oman, 2009).

In terms of its relationships with those people living within its territory, Oman can be seen to be one of the most tolerant states in the Arabian Peninsula. There are Christian churches and Hindus have been granted religious freedom, such that there are several temples and other religious institutions in Oman, and although he is completely respectful of Muslim tradition, the Sultan has spoken out against extremism and fanaticism. The Sultan's aim is to demonstrate that Islam is consistent with a modern state, and that *“interacting independently with the modern world, it represents a willingness to make adjustments to changing conditions in a pragmatic manner”* (Deeb, 2001:1022).

At the beginning of his term, His Majesty emphasised in 1973 the democratic nature of the country in his statement that *“[a]ll citizens in this country are the same and equal, there are no differences between small and big or rich and poor”*. His Majesty's philosophy and progressive ideas have resulted in Oman's population, both male and female, being provided with full access to education and economic, social and cultural developments, the Basic Law of the State ensuring the freedom and rights of all citizens. And by enactment, the Basic Statute of the State in 1996, which primarily aims to provide a force for political and social stability as well as inclusive legal formulation, is complete (Al-Yahmadi, 2000:22).

According to Article (10) from the Basic law, the fundamental political ideals are concerned with peace and harmony, and that entails strengthening co-operative relationships and friendships with all other countries, on the basis of respect for each other, common interest, and non-interference in internal matters. Indeed, His Majesty Sultan Qaboos confirmed these principles on 4<sup>th</sup> October 2010, when he said *“One of Oman's firm principles is co-operation with all states and nations on the basis of mutual respect, mutual interest and non-interference in the affairs of others as well as our non-acceptance of interference in our affairs by others”* (<http://www.omanet.com>). Given the Sultan's direction, Oman has emerged as a peaceful country, whose robust political system is supported by clear policies that are underpinned by a philosophy that aims for



peace and harmony within its justice system, neighbourly rights, and international laws. This type of political foundation has been instituted in the belief that it is the ideal starting point for all global development (Al-Yahmadi, 2000). As a result, over the past four decades, Oman's relations with most countries of the world, especially the Western countries, have been very warm (Al-Kharusi, 2003), and the Omani people have become used to living in a secure and stable climate (Hamoudi, 2006).

#### **4.2.5 Economy**

As revealed in the previous section, Oman has a long history, and according to Al-Muqbali (2006), until recent times, the country's economy depended completely on agriculture, camel and goat herding, fishing and traditional handicrafts. In the late 1960s Oman began to exploit its oil reserves, but when Sultan Qaboos came to power in 1970, the country was still relatively poor and backward, and lacking in infrastructural development. There were not enough roads, schools, or medical facilities, and many of Oman's most educated and wealthy citizens had emigrated to find opportunities abroad (Ministry of Information, 2009). This all changed with the Sultan's accession to the throne, however, it being noted by Kishtainy (2007:119) that "[a]s soon as the sultan took the over the responsibility for Oman, he embarked on laying the foundation of a civil society by lifting all unnecessary prohibitions, pardoning the former rebels". Likewise, Deeb (2001:1022) also noted the transformation effected by the change in power, saying "Oman in 1970 had only the most rudimentary social and economic infrastructure but has since been transformed under Sultan Qaboos into a modern oil-producing state".

Once, a poor underdeveloped country, Oman is now a modern nation state, the outcome of a series of five-year development plans, the first of which being established in 1976. This first plan focused on infrastructural expansion, resulting in steady growth in building, healthcare, schools and other services (Al-Farsi 2007).

The following five-year development plans were well planned, based on sound research, and aimed to make the best use of the country's resources and to create an economy that was capable of achieving growth on its own (Hamoudi, 2006). And in a move to build a sustainable economy, the government recognised the need, in the mid-1990s, to diversify the economy as quickly as possible, so that the reliance on oil was lessened.

In 1995, at the Economic Vision conference *Oman 2020* which was held in Muscat, this proposed new phase was heralded as one that would in, turn lead to higher growth and

prosperity which would be embodied by economic, currency, and financial stability. In addition, there was a need to reshape the role of government in the economy and to widen the opportunities for private participation such that the economy could be truly diversified and new sources of national income achieved, thereby realising an acceptable balance between general revenue and expenditure. Furthermore, it was considered that more attention needed to be paid to the globalisation of the Omani economy, to reviewing the commercial and economic laws and legislation, and to placing greater emphasis on attracting foreign and local investment by fiscal benefits that would promote greater integration with the world economy. Additionally, improvements in the infrastructure serving the industrial, trade, agriculture, fisheries and tourism sectors were called for, as were improvements in human resource development (Al-Hadhrami, 2003; Al-Hanshi, 2004; Al-Ghailani, 2005; Al-Hamadi et al, 2007; Ministry of International Economy, 2009).

At the moment, Oman is a free market economy, with low taxation levels, fairly liberal investment laws and no control on capital movements, as well as being a member of the GCC and WTO. It is worth noting that Oman gained WTO membership in 2000 in recognition of its attempts to liberalise and open-up its market. (Ministry of Information, Oman 2009-2010). Recently, the main goals of the Eighth Five-Year Development Plan (2011-2015) are seen as being to achieve a rate of growth no less than 3%, to reduce inflation rates, to enhance rates of production in respect of oil and gas, to effectively manage their reserves and the deficit in power resources, to develop the tourism, industry, agriculture, fisheries and water resources sectors, and to implementing the strategies of scientific research and the Oman Digital Society. According to the last assessment conducted by Gulf Talent (2011:12), Oman is experiencing satisfactory economic growth principally.

Nonetheless, despite the fact that there has been some success in diversifying and growing the economy since the development push began in 1970, there is still a long way to go and the diversification has not happened quickly enough. In this respect, Kishtainy (2007) believes that the government's recent fiscal conservatism has restrained the pace of investment. Therefore, as Al-Hamadi et al (2007:111) stressed, *"[i]t is too early to be certain that the goals of Oman's Vision 2020 will be achieved"*.

### 4.3 Human Resources Development in Oman

Before the development of the modern education system, Kuttab education was the norm in Oman. Al-Farsi (2007) and Al-Hammami (1999) note that these Kuttabs or Quranic schools were located in mosques, private houses, and even under trees. The modern educational system in Oman did not begin until 1970, at which time there were only three elementary schools in the entire country, in Muscat, Muttrah and Salalah, with a total enrolment of 909 pupils (all male) and 30 teachers.

However, since 1970 the Omani government has given a high priority to education in order that Oman's domestic workforce becomes a developed one, an aim which is believed to be a vital factor in the country's economic and social progress. It is clear that the Sultan believed education was a key factor when several years later on 18<sup>th</sup> November 1972, he stated: *"Education was my great concern, and I saw that it was necessary to direct efforts to spread education; the important thing is that there should be education, even under the shadow of trees"*.

To achieve this goal, it was necessary to firstly recruit suitably qualified teachers of which thousands were required and to build schools across the country. It was around this time that Omanis began to realise that their personal goals and objectives were only possible through education. Expansion in the area of education has never been halted, and in terms of the total national expenditure, education has continued to rise steadily to reach almost a fifth of the total expenditure (Al-Muqbali, 2006; Al-Farsi, 2007).

During the first long-term development strategy (1970-1990), the Sultanate was able to complete important achievements in all dimensions of the inclusive development (Hamoudi, 2006:5). However, despite all of these achievements accomplished by the Sultanate in the period 1970-1990, the country's still faces a number of challenges. These include: the poor production efficiency in the government systems and inefficient use of available resources; the poor productivity of human resources, the low status of some professions and handicrafts, and their limited participation in the national economy; and the inability of the national labour force to cope with the rapid developments in the technological field (Ministry of National Economy, 2009).

So that these challenges can be met and in order to maximise the benefit from the positive developments, the Sultanate adopted a long term development strategy for the period 1996-2020, represented in the Vision for Oman's economy: Oman 2020.

The main objectives of the human resources development strategy which came from this Vision are to develop and enhance the capabilities of the Omani people by: upgrading the level of the education systems; promoting educational and vocational training; improving the extent of women's participation in the labour market; and generating and managing technological changes efficiently (Al-Hadhrami, 2003; Al-Hanshi, 2004). In this respect, Al-Rabiey (2000) argues that the primary focus of the reform is to improve the general education system by raising its quality, efficiency, cost-effectiveness and relevance. In this way, world-quality graduates can be produced who have the knowledge, skills, and competencies necessary to be productive citizens who can meet the challenges of the global society as well as the cyber-economy, and who can cope with advancements in information technology in the 21<sup>st</sup> century.

According to Al-Farsi (2007:21), *“a critical idea underpinning the development of education in Oman is that education is the foundation of human development both individually and socially”*. Until recently, the structure of the General Education System in Oman consisted of three stages: primary, intermediate, and secondary. After completing the secondary stage, students could pursue either a university education or attend training at a technical or vocational college. However, recently the Basic Education System was introduced, in which there are ten years of compulsory schooling during which time the requirements of contemporary living and the imperatives of Omani development are considered. These ten years are followed by two years of secondary education (Al-Asmi, 2008). In sharp contrast to the pre-1970 period, the number of government schools is enormous, and as of 2008, this had reached a total of 1,047 with 540,000 students enrolled, while teachers numbered 43,000 (Ministry of National Economy Statistical Year Book 2009:430-431).

As a means of improving standards within the Higher Education (HE) sector, several different programmes have been developed, among which is the provision of facilities and support by the Omani government to encourage the growth of private HE. In this respect, it is possible for non-government universities to apply for grants that total 50% of their paid-up capital, to a maximum of 3 million OMR (Al Muqbali, 2006). And in the Sultanate's HE sector, there are now seven universities, one belonging to the government, and the others in the private sector. Additionally, there are six government-owned technological colleges and four vocational training centres. In the private sector there are nine colleges granting qualifications such as Diplomas, Bachelor of Arts, and Bachelor of Science degrees. Furthermore, there are 148 institutes and training centres

owned by the private sector within Oman. Moreover, the government University has ten colleges. The number of Omani graduates from foreign universities for the academic year 2007/2008 reached 1,453 students, of which 893 were graduates of GCC universities, 433 of Arab universities, and 127 of overseas universities (Ministry of National Economy Statistical Year Book 2009:430-431).

Therefore, as Kishtainy (2007:71) noted, most of the levels of development and education in Oman are comparable with, and even better than, the levels recorded in other oil producing states, despite their greater income. But the fact still remains that as some researchers (Al-Ghailani, 2005; Katz, 2004), have noticed, there is still no systematic HRD programme in the Sultanate, and this is a strong contributing force towards the various deficiencies evident within the Omani government, and which may well cause yet further serious difficulties in the not too distant future. Moreover, Al-Farsi (2007:14) has stated that *“[c]urrently Oman is facing challenges in finding solutions for the development and enhancement of educational practice, which is difficult in the light of modernisation and world technology, without losing sight of the traditions, culture and social aspirations of the Omani people”*. Furthermore, the United Nations Development Programme (UNDP) Human Development Index (HDI) for 2009 shows Oman places Oman in the medium category, at 56th position, and this is lower than the Sultanate aspires to be. It is of course true that the concept of human development is complicated and cannot be properly captured by values and indices, but the UNDP HDI, which is calculated and updated annually, offers a wide-ranging assessment of human development in certain countries, not based solely upon traditional economic and financial indicators (Oman Country Review, 2007).

#### **4.4 The Development of the Civil Service Sector**

Prior to the change of government in 1970, a tribal administration reflecting the country's traditions and culture of absolutism, was in place. Individuals in public office arrived in those positions essentially through tribal affiliations rather than by meritocratic processes, and they were unmonitored by any central independent body. The most fundamental administrative, social and economic structures had yet to be developed, and order was supposedly kept by a few ad hoc departments (Al-Muharami, 1993).

The first step taken by Sultan Qaboos when he acceded to the throne in 1970 was to address the Omani people and in so doing, he said *“I promise you that my first concern shall be the modernization of the government to be as practical as possible”* (Al-Asmi, 2008).

Over the past forty years, Oman’s civil service sector has indeed gone through several stages of development. The early years in the 1970s involved the establishment of the sector and since then there have been many structural interventions aimed at improving administrative status to the highest possible level. During the early years, Sultan Qaboos formed a number of ministries and departments with responsibility for the operation of important affairs. Firstly, he created the Ministries of Education, Health and Justice, along with departments such as Finance, Audit and Personnel Affairs. Following on from those ministries, the Personnel Affairs Department was established in 1974 and was the first organisation in the country to specialise in handling matters related to public services and employees. Additionally, the Department established a system of job classification and salary scales as well as rules and decisions relating to allowances, holidays, and after-service entitlements (Al-Ghailani, 2005; Al-Muqbali, 2006; Al-Asmi, 2008).

In 1975, His Majesty Sultan Qaboos issued Royal Decree No. 26 establishing the first modern government in Oman. It consisted of the Council of Ministers (the cabinet) and some other governmental units. Also to emerge was the first law of civil service in Oman No. 27 (1975). This featured the covering of almost all provisions concerning personnel matters, specifically those related to: appointment, promotion, job classification, transfer, scholarship, delegation, employees’ performance appraisal, compensations, behaviour and duties of servants, disciplinary procedures, and dismissal (Al-Lawati, 2002).

According to Hamoudi (2006), on 18<sup>th</sup> November 1984, Sultan Qaboos announced that he was pleased with the faithful efforts made by the employees of the civil service system, and confirmed his intention to develop that system continuously throughout the country’s renaissance. Previously, on 18<sup>th</sup> November 1978, His Majesty had declared: *“we shall continue to ensure that our first priority is given to the needs of our people of the different regions. We will continue to develop the quality of the work of the civil service to meet the tasks that lie ahead”* (The Royal Speeches of HM 1970-2005:143).

According to Al-Asmi (2008), Oman is a very young country and what has been achieved is surprising in terms of the facts presented. Al-Asmi summarised the phases of Oman's civil service sector, as shown in Table 4.1.

**Table 4.1: Developmental Phases in Oman's Civil Service Sector**

Phase	Main Production	Intended Purposes
First: 1970-1974	-The establishment of the Personnel Affairs Department.	-To run the civil service system.
Second 1975-1979	-The establishment of the Administrative Machinery (Cabinet). -The issuance of Civil Service Law No. 27/1975. -The establishment of the Civil Service Council.	- To draw up general policies of the civil service system, follow up the implementation and evaluate its performance. - To approve civil service regulations - To organize civil service affairs - To approve drafts prepared by the Personnel Affairs Department
Third: 1980-1984	-The issuance of Civil Service Law No. 8/1980. -The issuance of Regulations of Civil Service Law.	- To organize civil service affairs. - To interpret provisions of the law.
Fourth: 1985-2003	-The establishment of the Ministry of Civil Service.	-To run the civil service system.
Fifth : 2004- date	-The issuance of Civil Service Law No. 2/2004.	- To organize civil service affairs.

Source: Al-Asmi (2008:56)

#### **4.5 Rewards System in the Civil Service Sector**

Individuals and organisations operate in a symbiotic relationship whereby each rewards the other, employees by their productivity, and employers by their salaries. Clearly, the rewards available are important to both parties, since they form the basis of the development and maintenance of good relationships between the two. That said, the business of managing rewards is not simple as has been shown in Chapter Two.

According to Morris (2009:2) *"The terms 'best fit' and 'best practice' are used in the area of reward systems to explain the way that reward policies can lead to greater organisational effectiveness"*. However, recently many authors and agencies in the field (e.g. Milkovich, 2000; Singh, 2002; Blackburn and Bremen, 2003; CIPD, 2005, Rumpel and Medocof, 2006; Zingheim and Schuster, 2007; Brown and Perkins, 2007; Keys, 2008; Hay Group, 2009; Giancola, 2009; Towers Perrin, 2009; Armstrong, 2010) have argued that there is no one best practice, no universal or ideal TR system that is appropriate for every organisation, because organisations are different depending on the

markets in which compete, the regulations under which they operate, and their strategic priorities. Hence, the *“new reward” schools were correct in terms of emphasizing the need for a best fit rather than best-practice approach* (Reilly and Brown, 2008:46), and as noted by Greene (2009:64), *“[w]hat works is what fits”*.

However, most authors and agencies mentioned earlier and others (e.g. Blackburn and Bremen, 2003; Crawley, 2007; Hutcheson, 2007, Parker, 2008; Zhou, 2008; Giancola, 2009; McMullen et al, 2009) believe that the new reward system should be concerned with specific principles, criteria, aspects and characteristics that can help to make it more effective.

Armstrong (2004) observed that an effective reward system should: be based on corporate values and beliefs; flow from the business strategy and also contribute to it; be driven by business needs and fit the business strategy; align organisational and individual competences; be integrated with other personal and individual competences; be congruent with the internal and external environment of the organisation; reward results and behaviour that are consistent with key organisational goals; be linked with business performance, adopting a competitive strategy perspective; and have evolved in consultation with key stakeholders. Armstrong and Brown (2009) add some criteria for an effective TRS such as: ensuring that it is supported and understood by line managers and staff, and that they are capable of implementing and managing the strategy in practice; and that the system is flexible in adjusting to changes in the business and in the environment.

Authors such as O'Neill (1995), Kantor and Kao (2004), and Armstrong and Brown (2009), observe that in order for a reward system to be effective, it should embody fundamental values about fairness, equity, consistency, and transparency. In addition, they emphasise that the strategy should be concerned with specific principles such as: creating a high performance culture, rewarding people according to their assessed contribution, and seeking to manage the whole value.

As has been in previous chapters, reward systems have evolved in recent years, and Table 4.2 summarises the key trends and overall development of the RS approach in the 21<sup>st</sup> century, as suggested by a number of key researchers (Platt, 2000:28; Deloitte, 2005:2; Chen and Hsieh, 2006:70; Armstrong and Brown, 2006:3).



**Table 4.2: Key Trends in the Overall Development of RS in the 21st Century**

NO	From	To
1	Narrowly defined; compensation and benefits	Broadly defined – “total rewards” include everything about the work experience that affect an employee’s commitment and contribution to business value
2	Employer paternalism	Employer-employee partnership
3	Business, business-driven focus	Aligning reward with business strategy, employee needs and environmental requirements
4	Entitlements: merit rises, serial promotions, paternalistic benefits	A new contract: pay for contribution, personal development, choice/shared costs
5	Reward system: mechanistic, inflexible, over-complex	Reward process: organic, variable, relatively simple
6	Pay progression: individual performance/services	Pay progression: contribution, skills and knowledge
7	Emphasis on individual PRP	More focus on team performance
8	Planning	Practising
9	Design: best practice	Process: best fit
10	Benchmark-driven, focused on what others do	Internally driven – focused on what you need
11	Internal equity focus	A market-driven focus
12	Bureaucratic/rule-driven	Focus on principle/flexibility
13	Periodic: at the end of year or twice a year	Instantaneous: offer frequent opportunities for rewards
14	Independent: no strong linkage with organisational goals and condition	Co-ordinate: matches the strategic needs of the business and desired corporate culture
15	Inform (maybe), top down telling	Communicate and involve
16	‘Big bang’ change	Evolutionary change
17	Guess work/faith	Critical evaluation of initiatives and their effectiveness
18	Elastoplast technology	Integrated HR and reward information systems
19	Viewed as a cost with uncertain ROI	Treated as an investment with measurable results
20	Unilaterally designed by management.	Collaboratively designed by management and employee representatives

*Source: Largely based on Platt (2000:28); Thorpe (2000); Armstrong (2004:23); Deloitte (2005:2); Chen and Hsieh (2006:70)*

Bearing these key trends in mind, the researcher has made all efforts to find some statement containing elements of the OGS RS, but was unable to find one, concluding that what operates in the OGS has a negative impact in many areas of HRM, Indeed, Al-Alawi (2003:259) has argued that the “*unclear reward system in government organisations is considered one of the main factors that prevent the transferring of the trainees’ learning from the training programmes to their workplaces*”.

In fact, most elements of reward are based on the Civil Service law. As already mentioned, the OCS has been governed by three laws, the first being No 5/75 issued in 1975, representing the first piece of legislation of its kind for the Service. This includes 18 chapters containing 103 articles; the second No 8/80, being issued in 1980 with 13 chapters and 85 articles; and the third and most recent being No 120/2004 issued in 2004. Additionally, the executive regulation (52/84) of 1984 was still applicable in the new 2004 law until the new regulation was issued in 25/10/2010. This law was implemented with effect from 2006 being comprised of 16 chapters and 157 articles.

The 16 chapters address the following: general provisions, functions, committees for employee affairs, reports of functional performance assessment, promotion, salaries, bonuses and allowances, compensations and rewards, transferring and delegation, training and scholarships, work injury, employees' duties and prohibited behaviours, administrative accountability.

In a comparison of the two Civil Service Laws (1980 and 2004), the researcher found no difference between them, but some examples of the repetition found appear in Table 4.3.

**Table 4.3: Repetition with the Civil Service Laws of 1980 and 2004**

No	Law 1980	Law 2004
1	Article (26): the promotion to the next following rank will happen as the financial grade is vacant and the nominee qualifies to assume the post.	Article (26): promotion shall be from the directly previous position both in grade and qualitative quantity.
2	Article (32): the employees are entitled to pay against extra work that they may be required to do in accordance with rules and provisions as stated by the regulation.	Article (41): the employee shall be entitled to a reward regarding the additional works he is asked to perform after the normal working hours.
3	Article (35): it is exceptionally permissible, to grant any employee one or two allowances at the rate of periodical allowance determined for his financial status according to the provisions stipulated by the regulation.	Article (36): the employee may be given one or two periodical bonuses of the category set for his job for once a year and at a maximum four allowances in the same grade provided that his performance assessment report is at least 'very good' and that he has exerted special effort.
4	Article (38): encouraging remunerations are permissible to the employee who extends excellent services or achievements or researches or proposals that lead to improved standards of work and enhance performance perfection.	Article (37): the employee may be given incentive bonuses provided that he has provided excellent services, works, research, or suggestions that helped improve work methods, raise performance level, or achieve economy in expenditure.

In addition, there is the religious influence to consider because Islam is the official religion in Oman, and many researchers (e.g. Al-Lamky, 2006; Al-Asmi, 2008) have highlighted the crucial role religion plays in the everyday behaviour of all individuals. Consequently, in the following discussion of the two main types of reward – financial, and non-financial, attention will be paid to the Islamic perspective.

#### **4.5.1 Financial Rewards**

Financial reward is fundamental to an individual being able to survive, and therefore, from the Islamic viewpoint, salary is important. The Prophet Mohammed (PBUH) was clear in his perspective on reward, emphasising the need to pay an employee immediately s/he has undertaken a task. The words in this respect are: “*Give the worker his wages before his sweat dries*” (Ibn Majah). Likewise, the words of Umar ibn al-Khattab - “*may Allah be pleased with him*” - justify the payment of a good salary since with this, an employee will not be tempted into corrupt actions, and hence, displease Allah. Furthermore, Umar also said that people should be paid according to their contribution and to their needs (Jabnoun, 2005:190).

##### **4.5.1.1 Salary**

According to Tong (2010:4), “*salaries are the main part of labor costs for employers and main source of income for the employed*”. And if the government needs to attract and retain highly talent employees, it must offer competitive and flexible pay (Al-Muharami, 1993).

The Omani Civil Service law differentiates in the second article between two types of *salaries*: the *basic pay* against each grade in the *grades and pay schedule* attached to the law that includes also the periodical and encouragement allowances and the *full pay*, which is the basic salary in addition to allowances according to categories and *measures and provisions* stated by its executive regulation as reflected through article 2 therein.

The salary is one of the basic rights of the employee and the actual reason for his/her accepting to work, but the law and its regulation disregard the basis of salary determination and mention only eligibility; article 35 of the law states that the appointed employee is entitled to the starting salary of his/her job grade according to the *grades and pay schedule* attached to the law: It is permissible, on appointment, to pay the employee in excess of the starting salary of the job to which an employee was first appointed, should his/her experience be more in terms of duration than the period required to assume the job. In such case, an allowance of the relevant grade can be

added to the starting salary for each of the excess years, subject to the proviso that the experience gained is appropriate to the nature of the job agreed upon. If the employee is appointed to a job of another group at the same or other grade, he would retain the salary that he earned in his previous job should it exceed the starting salary of the job to which he is assigned.

*Article 38 states: As per the categories and conditions set by the Regulation the employee shall be entitled to accommodation, electricity, water, transportation, and telephone allowances. He shall also be entitled to travel allowance for training and official tasks inside and outside the Sultanate. In addition to this, the Regulation shall set the rules and expenses regarding travel inside and outside the Sultanate.*

Moreover, article 35 of the law provides that every employee should be given an annual increment on 1st January each year subject to the employee having been in post for at least six months, and the same allowance not being allowed to those assessed as ‘poor’ in the following year’s appraisal process. The link between the eligibility of the employee to avail him/herself of the periodic allowance, and the appraisal report is considered a motive to encourage the employee to improve his/her standard of work and develop in the job. An appraisal assessment of ‘poor’ will deprive the employee of the allowance.

Historically, the current government has revised its pay policy to increase its employees’ salaries several times. Royal Decree No. 6 of 1974 increased the salaries of civil servants by 15%, Royal Decree No. 13 of 1974 increased them further by 10%, Royal Decree No. 6 of 1979 gave another 10%, and Royal Decree No. 1 of 1980 increased basic salaries by another 10%. Annual increments, transportation allowances and other compensatory wages also increased (Al-Muharami, 1993).

Later, Royal Decree No. 120 of 2004 issuing the current Law Service increased basic salary and allowances, and the last salary review took place on 1<sup>st</sup> January 2007 as a result of the directions of His Majesty in recognition of the high cost of living and price increases caused by high inflation rates in the Sultanate (Al-Amiri, 2007). Table 4.4 shows the difference in salaries in the Civil Service sector between 1980 and 2004.

**Table 4.4: Civil Service Salary Increases 1980-2004 Grade and Salary**

Law 1980				Law 2004		
Level	Grade	Beginning Salary	Maximum	Grade	Beginning Salary	Periodical Bonus
One	One	1100	1540	A	1658	
	Two	545	710	B	1271	50
	Three	497	662	C	981	40
	Four	448	580	D	800	40
	Five	412	544	E	612	40
	Six	376	508	First	512	20
Two	One	327	437	Second	452	12
	Two	279	356	Third	392	12
	Three	218	295	Fourth	352	10
	Four	194	249	Fifth	312	10
	Five	170	225	Sixth	280	8
	Six	146	201	Seventh	248	8
	Seven	121	176	Eighth	220	7
	Eight	104	148	Ninth	216	7
Three	One	109	197	Tenth	192	6
	Two	92	180	Eleventh	168	6
	Three	80	146	Twelfth	144	6
	Four	68	134	Thirteenth	120	6
	Five	55	121	Fourteenth	90	5

Lastly, His Majesty Sultan Qaboos, on 15 March 2011, issued Royal orders to introduce an allowance to meet the rising cost of living. The allowance, coming into effect from April 2011, is as follows: Grades ‘A’ to (the grade that is equivalent of Arabic letter) ‘Ha’ and their equivalent in the other service systems receive RO 50, Grades 1 to 7 RO 60; Grades 8 to 11 and their equivalents in other service systems receive RO 80; Grades 12 and 13 receive RO 90, and Grade 14 receive RO 100. <http://main.omanobserver.om>

Nonetheless, certain shortcomings remain in the system, irrespective of the pay increases, and these can be seen firstly, in the substantial difference between the highest and lowest rates of pay (Grade A = 1,658 OR, Grade 14 = 90 OR). This disparity between the top and the bottom is much too high when compared with the salary systems in most other countries, in either the Arab World, or the Western World.

Secondly, the periodical bonus for lower level grades is small, being only for example 5 OR at Grade 14, and 50 OR at Grade B. It is clear that the top grades are those that benefit mostly from the increases, when in fact the cost of living remains the same for all people in the country, whether they earn high salaries or not.

Thirdly, according to Article 44, amendment of the grade and salary follows a Royal Decree and Cabinet approval, after the suggestion of the Council and consultation with the Ministry of Finance. There is no specification within the law, of the term within which a review regarding a pay increase would take place, as is the case with

neighbouring countries. However, from the researcher's viewpoint there is a need to reconsider pay and allowances regularly, rather than when special circumstances warrant it. The fourth article of the Kuwaiti Service Law, for example, states that a review is to be conducted every two years (maximum) from the date the law became valid in order to adjust to changing inflation rates and the prevailing wages locally. This is done as a means of creating competitive privileges that will ensure talented employees are retained in the government sector rather than migrating to the private sector in search of higher salaries that enable them to sustain or improve their standard of living.

#### **4.5.1.2 Variable Pay**

In the study conducted by Al-Hamadi et al (2007:106), it emerged that in 44% of organizations, the pay and benefits system was correlated with the overall work experience and not with performance and competencies. This situation occurs because of the Civil Service Law requirements.

##### **4.5.1.2.1 Exceptional Allowance**

According to Article 36, an employee may be awarded an exceptional allowance of two equivalent periodic allowances at his/her job grade, once annually (maximum four allowances in each grade). Such allowances are subject to his/her job performance appraisal report result being at least 'very good'; and also that the employee should have exerted special efforts or achieved savings in expenditure or improved his/her performance. And of course, the unit to which the employee belongs must give consent. However, despite this provision for reward according to proficiency, Al-Sheedi (2001) expressed a lack of confidence in the official link between proficiency in employment and access to the promotional allowance, since 53% of his sample replied that they did not expect to receive a reward, despite being professional at work.

##### **4.5.1.2.2 Incentive Bonuses**

According to Article 37, pursuant to a resolution from the unit head and as per the terms and conditions set by the Regulation, the employee may be given incentive bonuses provided that he has provided excellent services, works, research, or suggestions that helped improve work methods, raise performance level, or achieve economy in expenditure. However, Al Hosni (1992) stressed that in order to make remunerations effective, the administrative authority should have enough funds to cover any excellent

work or service and at the same time there should be a guarantee to spend such remunerations on the targeted purposes.

In a study by Al-Shidy (2002), it was demonstrated that 65% of the sample did not expect to receive this particular bonus, and an earlier study by Shaiban (1994) revealed that 85% of the study sample was dissatisfied with the award of bonuses in governmental units.

With this in mind, the Ministry of Civil Service issued a ministerial decision (2/2008) to provide a prize for the ideal employee based on participation and suggestions from the employee to improve his/her scope of work and other features that distinguish him/her from others in performance and ability, in terms of self-improvement and having a distinctive style in dealing with superiors, co-workers, and the public.

#### **4.5.1.2.3 Compensation**

Omani employees are entitled to receive certain financial rewards if they meet different requirements stipulated by the Law and its executive regulations, as follows:

Payment of overtime wages: Article 40 stipulates that the employee is paid for additional work carried out after official working hours. However, in a study by Al-Sheedi (2001) it was shown that 45% of the sample indicated that they did not receive overtime wages in respect of hours worked over their official hours, and 51% mentioned that they preferred not to work overtime hours for a number of reasons, these being: family responsibilities; the fact they lived far away from their workplace; the work was not creative, and they did not receive overtime payments anyway.

#### **4.5.1.2.4 Promotions**

Promotion is the most prominent aspect of reward, and entails allowances and other rewards. Promotion raises the salary for the employee in question and gives him/her more tasks and authority; thus, all employees pay close attention to this. However, there should be co-ordination between the promotion of an individual and the actual administrative needs of the unit where that employee works. Article 26 provides that the employee should fulfil the criteria of occupying a higher post and that the promotion should be from a position immediately below the promoted position in terms of grade and nature. Article 27 states that the promotion should be based on merit, as follows: 70% for efficiency and 30% for seniority. However, the previous law number 8/80 stated via Article 27 that promotion will be according to merit based on efficacy,

seniority and educational qualifications, meaning that the acquisition of certain educational qualifications became a criterion for progression. In case the attained percentages are equal, there should be a competitive examination held between the nominees to select the best according to conditions contained in the regulation. Article 29 states that in case of promotion to grades from seven to one, the employee should successfully complete at least one training course in the job grade he assumes.

To assure equality in the total percentage of the merit system, a competitive examination is taken by candidates as a means of their being selected. As far as the denial of promotion is concerned, the provisions are that staff members who are subject to disciplinary action are not promoted. It is forbidden to promote an employee who is undergoing some legal punishment, and nor is it permitted to promote an employee who emerges from his/her functional assessment as being weak (Articles 30-32).

Thus, it is noted that the Omani law considers the issue of fair promotions and depends on proficiency as decided by the annual appraisal process, in order to exclude favouritism and the influence of personal relations on decisions. However, in a study by Al Hosni (1992), it was demonstrated that only 28% of the study sample believed promotion was based on performance efficiency. Moreover, in Al-Ghailani's (2005) study, 98% of respondents agreed that seniority is the main factor influencing grade-to-grade promotion, and 82% of respondents rated ministers' role as the main factor influencing promotion to managerial posts. He, therefore, argued that within the current promotion system, the *"limited nature of the procedures, which concentrate on the candidate rather than the post, paves the way to selection of the desired person, who may not be the best qualified. The absence of clear-cut rules allows ministers to be both administrators and executors of the procedures"* (Al-Ghailani, 2005:80).

#### **4.5.1.3 Pension**

Considering pension from the Islamic perspective, a practical example demonstrating that it was usual to give this to people who had retired, comes from Muslim Khalifa Omar. An old blind man once came to Khalifa Omar, who tapped him on the shoulder and asked, "What religion do you embrace?" "Judaism", the old man replied. "So what are you looking for?" Khalifa Omar asked. "I am an old poor man; I need money", he said. Khalifa Omar took the man to his house and gave him money. Then he ordered the man responsible for "Bait Al mal", "House of money" to give him money.



Article 140 of the law provides that an employee's service may be terminated for several reasons including: reaching 60 years of age; being medically unfit for service according to determination by the relevant medical authorities; resignation; two consecutive reports assessed as 'poor' in accordance with a proposal from the employees' affairs committee; cancellation of job or death. Article 141 allows an employee to continue working beyond sixty years of age through a determination by the Council should the public welfare necessitate it, up to a maximum period of five years. It explains that such an extension would be due to demand from the units in charge and requires that extension requests should start at least three months prior to the employer reaching sixty years of age. The Cabinet is eligible to exempt any person who has a legitimate case, from the provisions of this Article. The provisions of this law and regulations remain in force during the employee's term of service.

Article 151 considers that the non-contracted employee would be, by the end of his service, entitled to a grant/bonus of one month's pay for each year of service with a maximum limit of ten months for job occupants from grade 1 to 6 and 12 months for job occupants from grade 7 to 14. The grant/bonus is calculated on the basis of the last pay drawn by the employee and subject to it not exceeding 12,000 OR. The employee will not be entitled to the said grant if his/her service is less than five years unless termination is by death or disability. Al Bareedy (2009) found from his study sample, that 100 OR as a minimum pension is insufficient to cover monthly expenditure and that most respondents were unhappy with the way pension is calculated through the basic pay without allowances, and widespread dissatisfaction regarding retirement benefits was evident.

#### **4.5.2 Non-financial Rewards**

The role of motivation in human action is fully acknowledged by Islam, as noted by Ruhul Amin (2005). Personal intentions, drives and motives are believed to condition such action, in which respect the Prophet Mohammad (PBUH) said: *"The acts depend on intentions. A man will get whatever he had intended for"* (Al-Hadith).

In Islam, work is perceived as a form of worship and that every effort should be put into it since eventually, there will be a reward. The religion encourages individuals to be intrinsically incentivised and to give commitment, honesty and loyalty both to their jobs and their employers. With this kind of belief, an individual is believed to gain competitive advantage because s/he will always be motivated to perform well (Al-

Ghailani, 2005; Jabnoun, 2005). Allah, the Almighty All-high “*and say: work, soon will Allah observe your work, and His Messenger and the believers..*” (Qur'an 9:105). Moreover, Allah, the Almighty All-high, said: “*we never waste the reward of anyone who did good*” (Qur'an 18:30).

#### 4.5.2.1 The Reputation of the Sector

The government of Oman has adopted various managerial strategies, policies, and methodologies to modernise and improve the public sector for the sole purpose of earnestly serving the country and its people. During the past four decades, there has been stable growth in the number of employees in the OCS. In 1970, the figure stood at 1,750 employees, whereas on 31<sup>st</sup> December 2010, according to The Annual Statistics of Civil Service Employees 2010, that number had increased to 128,415. Omanis comprise 88.9% of the workforce, which is encouraging since the Omanisation policy implemented by the Government aims to achieve a target of 95% Omanis by 2020. Table 4.5 indicates the composition of the Omani Civil Service in terms of national and expatriate employees.

**Table 4.5: National and Expatriate Employees in the Omani Civil Service**

Year	Omani	Non-Omani	Total	% Omani	%Non-Omani
1970	1,630	120	1,750	93.1	6.9
2010	114,206	14,209	126,134	88.9	11.1

Nevertheless, according to Al-Hamadi et al (2007:102), the region still suffers from skilled individuals, and this tremendous shortfall is particularly true in jobs that demand professional and high level abilities. This would seem to suggest that more attention should be given by the government to what it can do to attract and retain a talented workforce, in the interests of being able to cope with the current and future challenges that can only be met by capable workers who can compete and take the initiative (Al-Ghailani, 2005).

Unfortunately, the Civil Sector has been suffering over the past few years from the migration of good quality personnel, especially those from managerial, technical and engineering departments. Figures from the Ministry of Civil Service that clearly show the phenomenon has been increasing over the past three years, indicate the number of those resigning in 2005 to be 207, and in 2010 to be 385, as shown in Table 4.6.

**Table 4.6: Migration of Talent from the Omani Civil Service**

Turnover	2005	2006	2007	2008	2009
<b>Total</b>	207	346	385	<b>592</b>	698

Historically, turnover has been perceived to be mainly a pay issue (Diez, 2009:48), but Parker (2008) argues that talented individuals do not leave for money, but rather to expand and develop themselves. This view receives enormous support from empirical research; for example, the CIPD (2008) and Hay Group (2009) observe that it is relatively rare for people to leave jobs in which they are happy, even when offered higher pay elsewhere, and that most employees who leave their jobs voluntarily do not cite pay as the main cause.

The CIPD (2008) reports many different reasons resulting from ‘pull’ and ‘push’ factors: the attraction of a new job or the prospect of a period outside the workforce; dissatisfaction in their present jobs. But the evidence strongly suggests that push factors are a major reason for voluntary turnover, e.g. a poor relationship with a line manager; lack of training and development opportunities. Other CIPD (2009:25-32) research also reveals that the two most common reasons are for promotion outside of the organisation (50%) and for a change of career (49%).

Generally speaking, the empirical research on employee turnover reveals that reward elements influence employee retention. If perceived as insufficient by an individual, that person will experience an increased desire to leave the organisation. However, *“effective TR non-monetary returns are likely work in concert with monetary elements to facilitate employee retention”* (Payne et al, 2011:9-11).

According to Allen (2008:3) *“talent departures cost a company time, money, and other resources”*. The major cost identified by FLEX EXECE (2003), and the CIPD (2008) are associated with hiring replacements, training new employees, lower productivity of new employees, and of covering during the period in which there is a vacancy. Moreover, turnover affects a business’s performance as indicated by a survey conducted by the CIPD (2010) which reported that 60% of employers believed employees’ departure from the organisation negatively affected business performance.

This migration of talent from the civil sector to the private sector has undoubtedly produced negative effects because the investment made in those talents has been lost. Additionally, the reputation of the sector as a desirable employer of choice has been

tarnished and young talented and qualified people no longer perceive it as a place where their dreams and aspirations can be realised.

Therefore, government units should be assessing their reward management strategies in order to discover their strengths and weaknesses and should consider carefully what can make them unique and positively differentiate them from competitor employers in the private sector.

#### **4.5.2.2 Values**

Khan (2011:80) observes that several scholars identify the tremendous impact of Islamic values, Islamic work ethics, and Islamic principles on the management of human resources in Islamic countries.

According to Article 102, those in public sector jobs must serve the nation's citizens, and must, therefore, conduct their work accurately and with integrity. Their behaviour must be dignified and professional, and work must be respected, meaning that time-keeping must be perfect and all duties associated with the job must be performed according to the rules, and regulations. In addition, the public servant is expected to be scrupulously honest when spending state funds, and safeguard them and the property of his particular unit.

In an effort to ensure that the Ministry is able to achieve justice, equality, transparency, credibility, and simplification of procedures within the recruitment system, a central appointment system was established in 2007. The recruitment system involves applicants taking tests in classrooms and laboratories equipped with computers, and an established bank of questions that correspond to the level of science and specialisation for each applicant, is asked. This ensures equality for all applicants, and the results are shown directly via the system immediately after the test has been taken. Interviews take place on the same day. In 2009 the Ministry's website was launched, where job seekers can search for vacant posts, and register and establish when the tests and interviews are being held (Al Jabri, 2009).

The system serves both job seekers and the employing units. Applicants are given equal opportunities in terms of hearing about jobs via the mass media and are able to apply for vacancies easily. It also provides organisations with the best opportunity possible to select their recruits from a large number of applicants (Al-Asmi, 2008).

More recently, on 28 June 2011, the system won a UN award for ‘Preventing and combating corruption in the public service’ category.

According to Amin (2005), motivation levels can be increased within organisations purely by establishing a system of fair play, in which all workers are treated fairly. Likewise, workers must discharge their responsibilities, again in a manner that is equitable, even when dealing with those opposed to them. The Qu’ran commands Muslims to be fair in this respect: *“O you who believe! stand out fairly for justice, as witness to Allah, even as against yourselves, or your parent, or your kin and whether it be against rich or poor, for Allah can protect both”* (Al-Qur’an 4:135).

Article 106 provides that no employee may be punished for any alleged wrongdoing without first being given an opportunity to defend him/herself and any such proceedings must be recorded in writing. Any punishment must be fully justified. In respect of minor infringements, the proceedings do not have to be recorded in writing, except for the need that in the penalty decision the violation must be indicated, and the maximum penalty is a warning or the loss of three days salary. The Omani Government established the Administrative Court (Royal Decree 91/99) to focus on matters concerning employee rights. In all cases, the employee has the right to appeal and defend him/herself in the Administrative Court.

The Ministry established the Human Resources Management system in order to provide an accurate database of all the staff of civil service units as well as to facilitate and accelerate completion of transactions relating to those staff through the process of electronic connection between various civil service units and the Ministry, in an ambitious step to overcome manual work (Ministry of Civil Service, 2009).

#### **4.5.2.3 Leadership**

The Prophet Muhammad (PBUH) said: *“the leader of people is their servant”* (Tabarani). In the context of Oman, there has been over 40 years of centralised political leadership which has taken the Prophet’s (PBUH) words literally, forging development for the nation and showing support for the notion of participative leadership (Common, 2011:223).

According to Al-Asmi (2008), middle managers in Oman appraise their subordinates through their participation in social activities. However, because planning, controlling

and monitoring is kept firmly within their remit, they are not effective in their direction of work.

#### **4.5.2.4 The Relationship**

The concept of brotherhood is strong in Islam, meaning that one should love for one's brother, what one loves for oneself. This emanates from the Qu'ran when Allah says: *"and believers are loyal to one another"* (71:9), and is confirmed by the Prophet Muhammad's (PBUH) saying: *"Each of you cannot be a believer until he loves for his brother what he loves for himself"* (Jabnoun, 2005:275). Allah has ordained Muslims to reconcile the differences existing between them, emphasising the bond of brotherhood among them, Allah the all-Merciful, said " the believers are but a single brotherhood: So reconcile between your contending brothers; and fear Allah, that you may receive mercy" (Qu'ran 49:10). Therefore, relationships in the work environment should be positive. Indeed the study by Al-Alawi (2003:256) indicates that the relationship between the trainers and their workmates is positive, 91.8% of his sample being very willing to help each other solve problems, and 90.5% helping each other in the case of personal difficulties at work.

#### **4.5.2.5 Training and Development**

Article 53 of the Civil Service Law stipulates that training shall be an obligation for all employees. Article 55 says the Ministry of Civil Service shall set the standards and criteria regarding the preparation of annual training plans for the units after consulting these units and in a way that suits the nature of work in each unit. These units shall prepare their annual training plans according to these standards and criteria. According to Articles 54, 57, and Article 58, the period the employee spends in training and scholarship shall be considered a work period and he shall enjoy all the benefits of his job and perform all his obligations and duties, and receive his full salary, promotion and periodical allowance during this period.

According to (Al-Asmi, 2008), the government invests heavily in public sector workers to ensure they have the knowledge with which to properly implement public policies and programmes. However, in reality, the picture is different, since as mentioned earlier, Omani law stipulates training in both quality and quantity, as an obligation for all employees, but the 2010 Annual statistics relating to Civil Service employees demonstrate that around 25% do not possess even the Diploma. Table 4.7 indicates the

educational levels of Omani employees in civil service organisations as at the end of 2010.

**Table 4.7: Educational Levels of Omani Employees in Civil Service Organisations - 2010**

<b>Educational level</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Doctor	231	41	272
Master	1,690	827	2,517
Higher Diploma	917	1,869	2,786
BA	20,991	27,744	48,735
Diploma	10,068	13,772	23,840
High school	14,265	2,942	17,207
Preparatory school	3,992	253	4,245
Primary School	3,588	211	3,799
Literate	7,058	347	7,405
Illiterate	2,655	745	3,400
<b>Total</b>	<b>65,455</b>	<b>48,752</b>	<b>114,206</b>

Source: Annual statistics of Civil Service employees (2010a)

Furthermore, According to the same Annual statistics, the number of Omani employees offered training opportunities inside Oman and abroad in 2010 was just 55,116, from the total of 114,206, and most of these people trained in the Institute of Public Administration (3,152), while only 1,244 trained abroad, representing just 2.3% of the total workforce. Moreover, the number of employees offered opportunities to continue their education through study missions, scholarships, study leaves, affiliation and evening studies during the same year was small, only (628) employees.

In terms of the quality of training, only a very few organisations have an active and independent training department, and deficiencies have been detected in two main areas, these being, training delivery methods and training evaluation techniques (Al- Mugbli, 2006).

#### **4.5.2.6 Quality of Work**

According to Yousef (2001:153), the Qu'ran encourages humans to acquire skills and technology, and highly praises those who strive in order to earn a living. The Qu'ran is against laziness and waste of time by either remaining idle or engaging oneself in unproductive activity. The Prophet Mohammed (PBUH), said *"no one eats better food than that which he eats out of his work"*.'

According to Article 4 of the Civil Service Law, each unit must draw up its requirements for permanent staff after receiving approval from the Ministry of Civil Service, and the job classification and order system must be used to formulate these staff requirements. Article 5 states that vacancies may be filled through the processes of appointment, promotion, transfer, or delegation, but that in each instance the criteria stipulated in the job description are met.

However, Islam requires that employees should not be made to work so hard or in such miserable conditions that their health deteriorates or their ability to enjoy income or participate in family life becomes impaired. If they are made to perform a task which is beyond their capacity they should be provided with sufficient help to enable them to do the job without undue hardship (Umer Chapra, 1983:3).

Chapter Eleven of the Law (89-101 articles) bears this in mind by addressing the issue of Occupational Injuries and Compensation. It stipulates that compensation is to be paid in the event of the death of an employee or an injury preventing the employee from carrying out his/her duties. The compensation amount equals twelve months' salary and no less than 5,000 OR. Partial compensation (below 5,000 OR) is paid in respect of smaller injuries and is estimated according to the percentage of deficit occasioned by the injury.

#### **4.5.2.7 Performance Appraisal**

Performance appraisal is a crucial element of performance management, and must be conducted effectively, if it is to produce the required level of performance and represent a robust foundation for determining rewards (Greene, 2009). Performance appraisal helps organisations to know how well individuals are performing, what skills they have and are using, and what their career plans are. It also provides the opportunity to give individuals feedback on their performance and skills and, particularly in the case of development organisations, to let individuals know what development opportunities are available to them (Lawler, 2008:75). The main characteristics of an appraisal system, according to Greene (2011:50) are: *“Performance goals are driven by business strategy; Managers are appraised on how well they do appraisals; Employees being rated are trained, not just notified; Ongoing feedback on performance is provided; Rewards actions are closely tied to appraisals, and the system is periodically evaluated”*.



In the Civil Service sector, employee monitoring is still conducted via the Annual Performance Assessment reports, whereas the New Public Management movement has recommended Performance Appraisal for over a decade, and considers it to be only a part of the overall employee evaluation process. However, according to Article 19, all employees are subject to functional performance assessment except for those in the positions of experts and advisors. Furthermore, efficiency is to be recorded as 'excellent', 'very good', 'good', 'average', or 'weak', and any weakness, negligence or default on the part of an employee should be notified to him/her in writing, by the direct manager (Article, 20).

Performance assessment reports must be completed during the first half of October for approval during the following December of each year. Article 21 requires the direct manager to prepare such reports for all employees under his supervision and then to refer them to the senior manager for approval. Once the performance reports are approved, the Personnel Affairs Unit informs any employee whose report indicates 'weak' performance, in writing about the content of the report. Complaints regarding the reports are to be submitted to the Grievance Committee within thirty days from the date on which an employee has been informed. Article 22 states that this Committee shall settle the complaint within thirty days from the date on which it had been submitted to it; its decision shall be final (Article 23). Article 25 concerns the issue of the employee who has two consecutive annual 'weak' reports, in which case s/he shall be referred to Personnel Affairs Committee, and if the individual is fit for any other job of the same grade, that Committee may recommend his/her transfer. Otherwise, it ends his services. In all cases, the issue shall be referred to the unit head for approval.

As seen from the above consideration of the various articles, there is no mention of rewards, financial or non-financial for employees who perform well, very well, or excellently in their performance rating. Moreover, employees are not allowed to see their reports so they do not have access to details regarding their perceived strengths and weaknesses. This seems to run counter to the contemporary understanding of appraisal which is intended to be a process with three main objectives: to assess and improving current performance; to reward employees according their contribution; and to identify training needs (Al-Moqbali, 2006).

In fact, Al-Hadhrmi's (2000) study revealed the system to suffer from poor design, since 76% of the respondents said there were no clearly establish performance standards

against which to be measured, and a further 71% believed that the system's objectives were not properly articulated. Moreover, 76% stated that many of the appraisal criteria were not relevant to the performance being appraised, and 33% complained that there was no relationship between the system and the salary increases or other rewards.

In order to improve the system, in 2008 the Ministry of Civil Service introduced a prize for exemplary employees who possess excellent skills and talents that they have used to improve their performance according to the criteria listed in Table 4.8. The prize is awarded twice yearly, the first in the week before the end of June, and the second in the week before the end of December.

**Table 4.8: Criteria for the Award of Exemplary Employee**

No	Statement	Degrees
1	Contributions and ideas in the development of the work	20 degrees
2	Features that distinguish the employee from other staff in the performance	20 degrees
3	Features that distinguish the employee in dealing with the Presidents and Fellow practitioners and dealers	20 degrees
4	The means of self-development	20 degrees
5	Justification and other reasons	20 degrees

#### **4.5.2.8 Work-life Balance**

According to Al-Ghailani (2005:31) "*Omani society is 'a family oriented society', and this dominates all social relations*". Therefore, Omani legislation pays a great deal of attention to this issue due to its impact upon employee productivity. A total number of 29 articles (60-89) are dedicated to this matter, thereby making reflection on all of these difficult in this section. Consequently, the researcher will focus on Article 60, which states: The cabinet of ministers will determine the number of working hours weekly according to the public interest. A decision from the chief of the civil service council will determine the start and end of working hours within the decision of the cabinet determining such working hours. Article 61 states that the units in charge, after referring to the cabinet, should determine the working hours according to the nature of the jobs in their unit. Article 62 says that an employee should not discontinue work unless for leave entitlement within the leave parameters stipulated via this law, and according to the procedures provided for in relation to the regulation. However Article 63 provides that the employee is entitled to an annual normal paid leave as follows: 48 days for grades (1) to (5), 38 days for grades (6) to (8) and 28 days for others.

Chapter 10 of the Law covers leave such as: Regular Articles (from 60 to 71); Sick Articles (from 72 to 76); Emergency Article (77); Hajj Article (78); Special Articles (85

and 86); Leave for a period of mourning (spouse demise) (79); Maternity Article (80 and 81); Leave to represent the Sultanate in sports and cultural fields (83); accompanying abroad treatment cases (84); and Study leave (87).

#### **4.6 Summary and Conclusion**

This chapter has provided details regarding the context of the research study. It has introduced the Sultanate of Oman, paying attention to its politics, geography, population, and economy. In particular, the problem of inflation has been highlighted, concluding that this has a negative impact on the morale of human resources not only in Oman but in the whole Gulf region. In charting the human development in Oman, the chapter has highlighted the investment in education throughout the Sultanate, but in referring to recent research studies, it has also discovered that the products of the education system are not being effectively rewarded in the workplace, and that the use of incentives in an innovative way is urgently needed. Progressing from this general information specifically to the Omani Civil Service, it has been shown how this has developed from a stage where it barely existed to today's situation, in which it is vast and governed by legislation. The law relating to personnel in the Service is discussed, from which it is apparent that firm terms and conditions of employment are in force, but that rewards are not sufficiently competitive to dissuade talented people from leaving the Civil Service to take up more rewarding positions in the private sector, and that this is an escalating problem which there is an urgent need to solve.

Clearly, the Omani context is characterised by cultural homogeneity emanating from traditions established and sustained over many years, and undoubtedly there are certain cultural outcomes that are influential in creating reward practices that are demotivating to employees, and that if changed would generate greater commitment, and sustain a workforce in the OGS.

Specifically, the Islamic teachings highlight the need for a collective approach to society and particularly, responsibility to family. Consequently, respect for family life should be integral to all reward systems, as should the recognition of the culturally-conditioned role required of women in Omani society. At the same time, Islamic teachings instruct individuals to perform well in their work, so theoretically, any workforce can be expected to behave professionally and productively. Nonetheless, the secretive nature of MENA countries allows managers to base their promotion decisions

on information which they are not obliged to share in a transparent way, thereby promoting challenges to the legitimacy of certain appointments and reward actions and giving rise to disaffection among deserving employees. Moreover, the tribal nature of society also impinges upon reward in a very direct way as nepotism and grace and favour have room to emerge. Hence, the RS in any Omani organisation, not simply within the OGS has a number of cultural factors with which it must contend.

The overall conclusion to be drawn from this detailed exposition of the OGS is that the sector provides valuable public services and needs to be staffed by high calibre employees, but that its reward system has not kept pace with the systems in operation in the private sector and that despite the enshrinements in the Civil Service Law protecting certain rights for employees in the OGS, these are no longer sufficient to retain talented individuals, and an overhaul of the reward system is overdue.

# **CHAPTER FIVE**

## **RESEARCH METHODOLOGY**

### **5.1 Introduction**

In order to achieve the main objectives of this study as outlined in Chapter One, both quantitative and qualitative research methods which produced empirical data based on survey research, in-depth interviews, and focus groups, have been used. This chapter details the process followed and justifies this. It consists of eleven sections after this introduction. Section 5.2 provides a brief introduction to positivism and interpretivism, which respectively underpin quantitative, and qualitative approaches. Section 5.3 then moves to consider the research design with particular focus on quantitative, qualitative, and mixed methods. Section 5.4 discusses the survey method, and section 5.5 describes the data collection methods used in the study, these being: questionnaire, in-depth interviews, focus groups, and the pilot study. In section 5.6 the sampling strategy and selection process is introduced. Section 5.7 discusses the validity and reliability of data, section 5.8 presents the ethical issues which were taken into account during the data collection. Section 5.9 gives an overview of the analysis of both quantitative and qualitative data. Section 5.10 addresses the problems faced the researcher in recruiting employees in the study, and the chapter ends with section 5.11 which summarises the main points in the study.

### **5.2 Positivism and Interpretivism**

The most critical step in any research project is the choice of research paradigm(s) since this generally determines the research method, which in itself is a matter of epistemology. In this respect, the selection of a research paradigm is affected by the methods used in studies reported in the literature (Maxwell and Loomis, 2002).

All studies in social science, health sciences, and information studies, rely on positivism and/or interpretivism. The main aim of positivism is to discover the laws related to positive facts and quantitative research methods. Therefore, assumptions of positivism depend upon real objectivity that confirms the use of laws and natural sciences (Johnson and Cassell, 2001).

Natural scientists adopt the positivist paradigm because they believe that their investigations produce facts. This approach is also applicable to social sciences and

information systems since the assumptions of positivism state that human behaviours are facts because they can be observed and measured (Mingers, 2001).

In contrast, interpretivism represents a perspective that does not apply to natural sciences methods, since as Bryman and Bell (2004) observe, it represents the understanding of human behaviour and actions. Thus, there is an essential variation between the two paradigms in relation to the study of certain problems or phenomena.

Furthermore, research might be deductive (positivist) and/or inductive (interpretivist). According to Robson (1993), deductive paradigms test an existing theory via a hypothesis. In other words, they investigate the association between the theory and practice (Maxwell and Loomis, 2002).

The study of the effectiveness of the reward system and the introduction of a TRS entails more than one research method (mixed methods) as shown below.

### **5.3 Research Design**

Gill and Johnson (1997:39) define research design as: *“[a] blueprint that enables the researcher to structure a research problem in such a way that the outcome is the production of valid, objective and replicable answers”*.

Yen (1994:20) suggests that the research design is *“the logical sequence linking the empirical research results to the research objectives/questions which thus come up with relevant conclusions”*. It can be concluded that the research questions are the main determinants of the research method (Bouma, 1996).

Since research studies have their specific objectives, each piece of research is unique and can thus be investigated in different ways, but the underlying principle in all cases is that the best and suitable approach to answer the research questions should be used (Baines and Bal, 2002). At the research design stage, therefore, the researcher must consider the type of information to be collected, its form, and what methods of analysis will be used. In this respect, Creswell (2003) believes there are three possibilities, these being: quantitative, qualitative, and mixed method. In this study, a mixed methods approach has been adopted (quantitative and qualitative techniques), thereby providing the opportunity for some triangulation and complementation of the results.

#### **5.9.1 Quantitative Research**

According to Punch (2005), quantitative research is defined as empirical research method in which the data are in the form of numbers. This method of operation attempts

to measure variables or count occurrences of a phenomenon (Collis and Hussey, 2003). Hence, if a researcher wants to collect measurable information about a topic, it is referred to as quantitative research (Hancock, 1998). This approach depends on systematic non-human instrumentation and statistical analysis. In this respect, Maykut and Morehouse (1994:4) state that: “[t]o reach their goals, researchers in the traditional orientation look to reliable and valid non-human instruments of data collection and statistical analysis”.

Quantitative methods deal with numbers and anything that is measurable, and they are suited to research that deals with quantities of things and that involves the measurement of quantity or amount, from which to verify existing propositions, or to predict future behaviour.

### 5.9.2 Qualitative Research

Qualitative research was defined a quarter of a century ago as: “an array of interpretive techniques which describe, decode, translate and otherwise come to terms with meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world” (Van Maanen:1983:9).

This definition is not largely different from that initiated by Bryman (1998:46) who asserted qualitative research as aiming to describe and analyse a social phenomenon related to human culture and behaviour. De Vaus (2002:5) argues that qualitative methods provide rich data about people’s real lives and situations where people contribute their views, and air priorities and problems. Yardley (2000) has suggested that good qualitative research should demonstrate a number of features, these being: Sensitivity to context - in terms of related theory, epistemological commitment of the research and socio-cultural context of data collection; Commitment, rigour, transparency and coherence – in terms of researcher engagement with the study, completeness of data collection and analysis, careful description of the research process and intellectual coherence of the arguments presented through the analysis; and Impact and importance - in terms of substance and worth of the work in relation to earlier theory and the specific issues being explored.

Additionally, Hoshmand (1999) suggests that qualitative research should be specifically aligned with action research and critical hermeneutical tradition and that qualitative researchers should form a ‘community’ around these specific concerns. Indeed, her argument is that “[p]hilosophical and procedural differences among qualitative

*approaches have made it difficult for qualitative researchers to forgo a unified proposal and to establish the place of qualitative inquiry in psychology in particular and in the social sciences in general” (Hoshmand 1999:15).*

Considering the tools of qualitative research, Sekaran (2003), and Easterby-Smith et al (2006) noted these as being interviews, observation, and diary methods. Table 5.1 shows the major distinctions between quantitative and qualitative approaches, as identified by Dey (1993).

**Table Error! No text of specified style in document..1: Distinctions between Quantitative and Qualitative Approaches**

Quantitative Approaches	Qualitative Approaches
<ul style="list-style-type: none"> <li>• Based on meanings derived from numbers</li> <li>• Collecting results in numerical and standardised data</li> <li>• Analysis conducted through the use of diagrams and statistics</li> </ul>	<ul style="list-style-type: none"> <li>• Based on meanings expressed through words</li> <li>• Collecting results in non-standardised data requiring classification into categories</li> <li>• Analysis conducted through the use of conceptualisation</li> </ul>

Source: Dey (1993:24)

Both these approaches have strengths and weaknesses, but clearly, the fairly long tradition of their use suggests that they have each survived and do well in certain situations. Indeed, it was noted by McGrath (1982) over two decades ago, in his study of research choices, that there are no ideal solutions but merely a series of compromises.

### 5.9.3 Mixed Methods (Triangulation)

Campbell and Fiske (1959) were the first to introduce the term ‘triangulation’ asserting it to be a situation where: *“a hypothesis can survive the confrontation of a series of complimentary methods of testing”*.

Fielding and Fielding (1986) described the theory of triangulation as being borrowed from orienteering; taking bearings from two landmarks in order to locate oneself at their intersection. Denzin, (1989) identified ‘triangulation’ as combining research strategies in order to examine the same research problem using different approaches, which adds strength to the validity of the conclusions reached. Punch (1998) concurred with this idea, suggesting that the adoption of this type of design would enable the findings from each method to be checked against each other. Bryman (1990) defines triangulation as the use of more than one approach (quantitative and qualitative) in investigating a research question in order to increase confidence in the findings.



Quantitative and qualitative approaches also appear to offer value for different types of research. In this respect, Oppeneheim (1992) argues that the selection of an overall research approach depends upon its suitability to meet the research objectives. It is worth mentioning that no single method can claim to be superior to another since each one has its advantages and disadvantages. In order to counter this problem, researchers can adopt both approaches within a study; this is known as a mixed methods strategy.

However, there are other problems with adopting more than one method due to constraints in terms of time, cost and the possibility that the results from the different methods may not be consistent (Mason, 1996). Nonetheless, Ghauri et al (1995) advocate the use of triangulation in a study since the finding of different outcomes from the use of different strategies can lead to a better understanding of the area being explored.

In social science research the mixed methods approach, allowing triangulation of data, is a relatively new one, involving the collection, analysis, and combination of qualitative and quantitative data within a single study (Creswell, 2005). Despite its relative newness, however, a number of researchers, for example Bryman (1988), Brewer and Hunter (1989), Brannen (1992), Creswell (1994), and Miles and Huberman (1994), have discussed triangulation and the value it brings to a research design.

Nevertheless, although there are many supporters of the use of triangulation, there does remain a question regarding its appropriateness for use in different situations. The main argument in favour is that the employment of both quantitative and qualitative methods will offer complementary types of data, and thus, the researcher can be much more confident about the validity of the results.

#### **5.4 Survey Research Methods**

Denscombe (2003:6) states that the term survey means to “*view comprehensively and in detail*”. Surveys refer to data that maps a social phenomenon, the main purpose of which is generally to bring things up to date. Essentially, survey research collects data related to a large number of individuals or organisations at a particular time (Denscombe, 2003).

There are two different types of survey design: cross-sectional, and longitudinal. Survey design is considered as correlational, since it asks questions of, and collects data from, a random sample of individuals or organisations. In most cases, this type of research

collects data that aims to examine relationships between variables (Nachmias 1992:215).

Morrison (1993) reported some advantages of the survey method, particularly when it is conducted properly. One benefit is that it provides detailed data which can be descriptively and inferentially analysed using a variety of statistical techniques. Another is that it allows the researcher to construct relationships between variables. However, Verma and Mallick (1999:81) have noted some disadvantages of the survey method, represented in the minor role of the researcher in the study.

This study used sequential explanatory (survey questionnaire) and exploratory (in-depth interview and focus groups) approaches, the researcher firstly collecting quantitative data and secondly conducting in-depth interviews and focus groups with employees from different governmental organisations.

According to Verma and Mallick (1999), the researcher's role in survey research is not major because surveys ask closed questions. Hence, researcher bias is not possible, and therefore, not a concern. Moreover, because of the nature of the answers, the data is suitable for advanced statistical modelling. For this reason, the study employed a survey as the main method of data collection, complemented with semi-structured interviews and focus groups.

The data collection approach in a survey can use one or more of the following data gathering techniques: structured or semi-structured interviews, and self-administered or postal questionnaires (Cohen and Manion, 1997). According to Sekaran (2000), the questionnaire is suitable for vast geographical coverage. Furthermore, Kumar (1996:110) advised that *"if potential respondents are scattered over a wide geographical area, you have no choice but to use a questionnaire, as interviewing in these circumstances would be extremely expensive"*.

Data can be collected from different sources using various methods, and can be primary or secondary in nature (Collis and Hussey, 2003; Saunders et al, 2007). Primary data is original data which is collected at source whilst secondary data is that which already exists (Collis and Hussey, 2003). As a means to address the research questions in this study, both primary and secondary sources of data were sought. Secondary data was derived from a review of all connected literature, and thus includes theoretical contributions in the area of TR management. Primary data was gathered from fieldwork

undertaken with Omani employees in the government sector. Oppenheim (1992) highlights that the questionnaire and interview are the most reliable, common and popular data collection methods in social research, and consequently there is a strong justification for this study to adopt these as appropriate research instruments.

Leedy (1997) suggested that for a researcher to address the research questions s/he has generated, s/he must select the most suitable method of inquiry. Broadly speaking, there are three main options: historical, experimental, and descriptive. In this study, the focus is on the descriptive and explorative approaches, which as noted by Cohen and Manion (1994), are the most commonly-used in the social sciences generally. Hence, they are believed to provide a clear picture of the reward system in Omani government organisations. Descriptive research, according to Verma and Mallick (1999), incorporates several approaches, including surveys, case studies, ethnographic studies, and action research. However, for large populations, it is agreed that surveys are the most suitable (Cohen and Manion, 1994; De Vaus, 2002).

Bell (1999) argues that the research methods chosen for any study must emerge from an attempt to be responsive to the phenomenon under scrutiny. Accordingly, the selection of the research approaches and methods is guided by the study's aims and objectives, with descriptive and evaluative approaches being used in a complementary fashion. The descriptive element involves the collection of data regarding the current situation of TR. Gay (1992) states that descriptive data are typically gathered through a questionnaire survey, interview or observation. In this study, both descriptive and evaluative goals were achieved through the use of a questionnaire, interviews, focus group, observation, and documentation.

The evaluative approach was used to reach a better understanding of the current reward system policies and practices in the Omani government sector. Since the study's aims are not only to evaluate what has been achieved but also to develop the strategies and policies of the reward system to enable it to become more efficient and effective, there is a two-fold purpose, requiring people participating in the fieldwork to reveal their feelings and opinions toward the present reward system, and describe the policies and strategies which they believe should be implemented to achieve an effective TRS.

It can be understood that both questionnaire and interview data are useful in the conduct of any survey. Indeed, Punch (2003) observes that whilst survey data can be collected using a number of techniques, questionnaires and interviews are actually the most

widely used. In this study, the questionnaire, interview and focus group technique are utilised, each of which is now discussed in more detail in the following sub-sections.

## **5.5 Data Collection Methods**

### **5.9.1 Research Questionnaire**

According to Robson (2002), a survey (questionnaire) is generally conducted as part of a non-experimental fixed design. It can be undertaken for any research purpose, whether exploratory, descriptive, explanatory, although it is accepted that exploratory work is better done using other methods. For other purposes, the questionnaire can be an effective tool for gathering data in most research exercises (Fowler, 1993; Cohen et al, 2000), and a well-designed and organised questionnaire prompts the researcher to investigate the relationships that may be established between the various elements within the research (Roberts, 1992).

Oppenheim (1992) identifies three types of questionnaire: postal questionnaires which are delivered and returned by mail; self-administered questionnaires which are usually presented to the respondent by the researcher or by someone in an official position; and group administered questionnaires which are given to a group of respondents assembled together. A variant on the postal questionnaire is the email questionnaire which can be valuable for expanding the research population but depends upon internet access among the intended participants and the possession of personal email addresses by the researcher.

According to Punch (2003), the development of a questionnaire follows the research questions. Hence, it is important to allocate sufficient thought and time to the construction of such an instrument. Issues to be considered at this stage are the provision of information concerning the purpose of the questionnaire (in order to deter the respondent from including inappropriate information), the need for clear and unambiguous instructions regarding how to complete the questionnaire, and the need to be precise and straightforward in the language and the wording of the questionnaire. Often, detail of a quantitative and qualitative nature is sought from a questionnaire and this requires the use of closed and open-ended questions.

The design of the questionnaire for this study took all these recommendations into account, and where necessary, simple explanations, examples and definitions were provided as recommended by different writers (Richardson, 1992; Fowler, 1993; Cohen et al, 2000), since a lack of attention to these influences is known to affect the value of

the instrument and potentially detract from the advantages to be gained, as reported by various scholars (e.g. De Vaus, 2002; Miller, 2002; Robson, 2002; Sekaran, 2003; Saunders, et al, 2007).

Advantages of using a questionnaire include lower data collection and processing costs Oppenheim (1992). Another benefit is that the appearance and conduct of the investigator do not influence the results because of the distance s/he maintains with respondents, and although it is argued that the benefits of non-verbal clues are lost in a questionnaire exercise, the removal of researcher bias in the actual physical encounter is valuable. A third advantage is that questionnaires can be used to reach a widely-dispersed population, thereby enhancing the possibilities of generalisation of the outcomes.

On the theme of processing costs, Simmons (2003) notes that questionnaires can save time and money since questions can be pre-coded and easily analysed. She adds that they are a reliable method for data collection in that they can involve a large number of people and allow for a considerable amount of information to be obtained. On their part, Verma and Mallick (1999) state that questionnaires give respondents control in answering the questions and expressing their opinions freely without being penalised or identified.

Issues with questionnaires include how truthful the answers are and whether the questionnaire is actually completed by the intended recipient. However, if the researcher is careful when targeting his/her questionnaire sample, these potential problems can be minimised, and provided questionnaires are culturally acceptable to participants in a research exercise, there is a strong likelihood that they will be treated with respect.

Based on the experience of Omani researchers (Maawali, 2000; Shafae, 2001), it is acknowledged that questionnaires are the most appropriate tools of data collection in Oman, given the country's political and social nature. This means that in addition to the questionnaire being helpful in informing the interview exercise, it is also an acceptable method to the Omani population at large.

The questionnaire used in this study was structured in five parts (See Appendix 1) as follows:

**Part one:** This asks five questions about the participant's demographic background. The questions relate to: age, gender, educational level, total work experience, and current position.

**Part two:** This comprises eight questions intended to measure the effectiveness of the current RS in Government Units from the employees' perspective. Each question encompasses several statements:

- Q.7 is concerned with the availability of a sound philosophy underpinning the RS and the extent to which the RS is aligned with the business strategy;
- Q.8 is concerned with the extent to which the RS is aligned with the HR strategy;
- Q.9 is concerned with the tangible rewards of a RS;
- Q.10 is concerned with intangible rewards;
- Q.11 is concerned with the most effective process in implementing an RS;
- Q.12 is concerned with the roles of employees and managers in implementing an effective RS;
- Q.13 is concerned with the benefits the current RS offers in terms of helping government units to meet their objectives; and
- Q.14 is concerned with the effectiveness of the current RS in helping to engage the workforce psychologically and gain commitment.

**Part three:** This comprises four questions about the potential for a TRS in the OGS.

- Q.15 is concerned with how a TRS can be suitably introduced into the OGS;
- Q.16 is concerned with whether the introduction of a TR strategy could assist in alleviating the migration of talent from the OGS to the private sector;
- Q.17 seeks to discover the main challenges and hindrances to effectively applying a TRS in the OGS; and
- Q.18 seeks to discover the critical success factors (CSFs) which must be in place for the effective implementation of a TRS in the OGS.

**Part four:** This aims to discover the most appropriate rewards, both tangible and intangible, from the Omani employees' perspective.

**Part five:** This is designed to capture suggestions (if any) that may enhance the effectiveness of the RS in the Omani Government sector.

The first stage of the field study was conducted by using a quantitative and qualitative open-ended questionnaire that allowed respondents to provide their own ideas and thoughts regarding a reward system (see appendix A). The employees in the present study are Omani employees working in the 27 government ministries. In total, 1,200 questionnaires were administered to different units in the Oman Government, representing different segments of Omani society as illustrated in section 5.6 that discusses sampling. Of these, a total of 974 questionnaires were returned and analysed, representing a response rate of 81%.

### **5.9.2 Interviews**

Interviews are usually considered as an important tool for collecting qualitative data (Oppenheim, 1992; Verma and Mallick, 1999; Patton, 2002). Bell (1999:99) defines an interview as: “[a] conversation between interviewer and participant with the intention that a researcher can elicit certain information from the participant”. Similarly, Cohen and Manion (1994:277) considered the interview as a conversation initiated with the particular goal of gathering information, and managed directly by the interviewer. Clearly, the presence of an interviewer renders this an extremely subjective technique, and the chance of bias in the process is strong; moreover, the interviewer’s attitude and demeanour may influence the interviewee’s behaviour and responses, and the way the data collected and subsequently interpreted and presented. Hence, there is always a question of the degree of academic rigour associated with interview material.

In order to reduce the possibility of bias, it is suggested that if the interviewer holds strong views about the topic being investigated, s/he should be careful about the way questions are put (Bell, 1999). Consequently, there is a certain protocol to be followed in the preparation for interviews with any research population.

In this respect, Minichiello et al (1990) provide a useful continuum of interviewing methods, based on the degree of control required by the interviewer, these being: structured, semi-structured, and unstructured. These types of interview are also noted by Fontana and Frey (1994) as being applicable both for individual and group interviews. Sekaran (2003) identifies structured interviews as those conducted when it is known at the outset what information is needed. When using such a technique the interviewer has a pre-determined list of questions and asks these in a particular sequence, progressing from one to another without deviating. Whilst providing the desired information, the

interviewee is largely passive in this situation, responding merely to the cues provided by the researcher.

Sitting in between these two types of interview is the semi-structured approach, which allows for both interviewer and interviewee direction. It aims to secure some information which it is known about in advance, but also allows the interviewer to bring previously-unidentified issues to the encounter (Kumar, 1996). In semi-structured interviews, the researcher is free to alter the sequence of any pre-determined questions and to probe more deeply to obtain richer data. As such it is a good technique for obtaining useful data, which is difficult to secure by other methods (Fielding and Thomas, 2003).

Another advantage is that whilst being more flexible than the structured interview in pursuing issues that arise during the discussion, it still leaves the interviewer in control, allowing him or her to steer the conversation back to the intended questions if the participant goes off at a tangent and the discussion is no longer useful to the research. On the other hand, the semi-structured interview, because of this retention of control by the researcher, can fail to access in-depth or important information (Oppenheim, 1992). The semi-structured interview does, therefore, require the researcher to be skilled in interviewing techniques, and whilst less expertise is required than in the unstructured interview (Kumar, 1996), good interview skills are still needed.

In this study, the semi-structured interview was adopted complemented with focus groups. According to Marton and Booth (1997), this combination is widely used in TR strategy research, and is considered a sound method for gathering data in phenomenological studies. Furthermore, interviews can render substantial insights into the experiences of people (Davis, 1984; Windsor, 1987; French, 1989; Nelms, 1990; Beck, 1993; Shields, 1995; Baillie, 1995), and complement questionnaire data that may be valuable in itself but require further exploration. Hence, the strategy of using semi-structured interviews to allow for the expansion of data secured via the questionnaire survey was employed in this study.

Interviews were conducted with eight employees of different expertise and specialities in the Omani Government Sector (OGS): four general managers, two advisors, the general deputy manager, and general assistant manager.



The interview structure was in two parts. The first concerned the effectiveness of the OGS Reward System and contained five questions, these being about: 1) the vital points of strength available to the RS; 2) the most important points of weaknesses hampering the effectiveness of the RS; 3) the effectiveness of the RS in achieving the objectives of governmental units; 4) the effectiveness of the RS in achieving the objectives of employees; and 5) the main proposals for developing and improving the RS.

The second part was concerned with the potential for introducing a TR strategy in the OGS and contained four questions about: 1) the suitability of including non-financial elements within the TR elements; 2) the suitability of applying a TRS in the OGS; 3) challenges and hindrances to the effective implementation of a TRS in the OGS; and 4) critical success factors for the effective application of TRS in this sector (See Appendix 2).

### **5.9.3 Focus Groups**

Focus groups allow for the collection of qualitative data from a group of people who meet together and are asked about their perceptions, opinions, beliefs and attitudes towards a product, service, concept, advertisement, idea, or packaging (Henderson and Naomi, 2009). Longhurst (2003) notes that focus groups can be used on their own or to supplement other methods.

According to Lindlof and Taylor (2002), group discussion produces data and insights that is not always available through talking to individuals, since people find that by listening to the experience of others in the group, their own memories and ideas are stimulated and they can consequently make a greater contribution. Lutgen-Sandvik and Alberts (2006) also make the point that focus groups provide an opportunity for disclosure among similar people in a setting where participants feel validated. Feelings of isolation and inability to voice opinions often evaporate in the group situation where members are mutually supportive, and the use of a focus group can consequently serve as an efficient and ethical way of collecting data.

The focus group technique involves a group of people, usually between six and twelve, who meet to talk about a certain issue set by the researcher. During the meeting, the group members discuss that issue and the researcher takes notes. The interaction takes place between all participants so it affords a different scenario to that offered by the narrower focus of an interview between an interviewer and interviewee. This means that the researcher can gather information from a number of people in a short period of time,

and hence, the method was adopted in this study.

The focus group was comprised of the following personnel: six male the Directors of Performance Evaluation, the Director of the Development Department Government Services, the Director of the Budget Department, the Director of Research Budget and Posts, the Director of the Employment Service, and the Director of Research and Audit. Additionally, six females were involved, these being: the Head of the Information Section in the Minister's Office, the Head of the Training and Qualification Section, the Planning Director in the Minister's Office, the Assistant General Manager of Information and Statistics, a Quality Director, a Human Resources Director, and a Systems Analyst.

#### **5.9.4 The Pilot Study**

Prior to the distribution of the questionnaires to employees, the researcher piloted the survey questionnaire to a small group of employees (Bell, 1999) in order to enhance its chances of success. The aim of the pilot study was to test how long it takes participants to complete the questionnaire, ensure that questions are clear, and delete any items that reveal any irrelevant data. Verma and Mallick (1999) state that piloting is a rewarding process in that it allows researchers to conceptualise and re-conceptualise the key aims of the study and make preparations for the fieldwork, and McLafferty (2003) does not rule out the need for a second pilot study should it become apparent that issues still remain to be dealt with after the first. Indeed, from Sundramoorthy's (1992) standpoint, the pilot study is one of the most significant ways in which the researcher tests the extent to which the instruments are appropriate to the data-gathering process. To this, Saunders et al (2007) add that a pilot study allows the researcher to obtain some assessment of the validity of the questions and the likely reliability of the data that will be collected.

Before distributing the questionnaire to the sample, therefore, a pilot study was conducted in order to test the validity and reliability of the instrument. This process occurred in two stages. Firstly, the questionnaire was sent to four professional researchers in the Institute of public management. The questionnaire was handed individually to each of the researchers and they were asked to review the questionnaire and give their opinions on the appropriateness of the questions, and the clarity of the concepts related to the subject. Based on the opinion and suggestions provided, the questionnaire was updated and improved.

The second stage of the pilot study aimed to ensure the clarity of questions, deciding whether or not the questions yielded relevant information and measuring the time respondents took to answer the questionnaire. A pilot should be small compared to the main phase of data collection, so 50 questionnaires were administered to the targeted employees working in four civil service units, and 45 responses were received. The results indicated that the questions were clear and understandable and were answered precisely by respondents.

As was the case with the questionnaire, the interviews were also pre-tested. A general manager and advisor were randomly selected and face-to-face interviews were conducted. This exercise gave the researcher first-hand experience of how to conduct the interview, interact with respondents, take notes and record conversations. The interviews with the general manager and the advisor lasted for forty minutes, and about one hour respectively.

## **5.6 Sampling Strategy**

A basic requirement of all research is a suitable sample to which the research questions can be put. According to Sekaran (2005:266) the sample is “*a subset of the population. It comprises some members selected from it. In other words, some, but not all, elements of the population would form the sample*”. Similarly, Collis and Hussey (2003:365), described a sample as a “*subset of population*”, documenting the necessity for this strategy on the grounds that studying the whole population is near to impossible, and that instead, a smaller group can be selected and the results generalised to the whole population.

Sampling, according to Johnson (1992), is a systematic process of selecting individuals for a research study in order to make the study manageable in terms of size and cost, since time and cost considerations usually make it difficult and unrealistic to involve a whole population in the survey. As noted by Miles and Huberman (1994:27) “*you cannot study every one everywhere doing everything*”, and this applies regardless of whether the research is qualitative or quantitative. De Vaus (2001) holds that case studies in social research are used for theoretical rather than statistical generalisation; hence, the main task is to locate a representative sample that can provide a valid test.

Consequently, a representative sample, or sub-set of the population under investigation, will be selected to take part in the survey with the aim of collecting information from that sample and then generalising the results to the whole population (Bell, 1999). In

this respect it is important, as argued by Cohen and Manion (1994) to make every effort to ensure that the selected sample represents the parent population. Leedy (1997:211) observes that sample size “*depends on the degree to which the sample population appropriate the qualities and characteristics of the general population*”, while Cohen and Manion (1994) suggest that this depends on the nature of the study, the size and nature of the target population, time and material resources.

There are several sampling techniques at the disposal of the researcher, and these can be classified into two main types: probability sampling and non-probability sampling (Patton, 1990; Johnson, 1992; Oliver, 1997). In probability sampling, “*every individual element in the population is chosen at random and has a non-zero chance for selection*” (Arber, 2003:31). In this sampling technique, representative samples are produced, and findings can be generalised to the whole population (Rice, 2003). In contrast, in non-probability sampling, the chance of selection for each member in a population is unknown. Furthermore, non-probability samples are not representative of the population and the findings cannot be generalised (Rice, 2003).

What has been said about the sample size and sampling strategies applies to quantitative enquiry and not necessarily to the qualitative type. In qualitative enquiry, although there are no rules for the sample size, it is usually the case that small groups or even single cases are used (Patton, 2002).

#### **5.9.1 Sampling Strategy for this Study**

Comprehensive procedures were followed to decide the sample population and size. The Statistics of Civil Services Employees of the Ministry of the Civil Service, the most reliable national source that provides statistics on the civil service, indicates that the total number of employees in the OGS as at 31/12/2007 was 146,908. However, it must be noted that the Diwan of the Royal Court, Royal Court Affairs, and Public Corporations have different laws from other governmental organisations and were not included in the sample. The total number of employees in the government sector was 114,624 of which 12.8% were expatriates (14,728), and hence excluded from the sample. Accordingly, the sample population was 99,896 (all Omani civil servants). Table 5.2 illustrates the total number of employees in the OGS.

**Table 5.2: Total Number of Employees in the Omani Government Sector**

No	Sector	Omani	Expatriate	Total
1	Civil Service	99,896	14,728	114,624
2	Diwan of Royal Court	5,494	3,334	8,828
3	Royal Court Affairs	10,764	2,413	13,177
4	Public Corporations	8,251	2,028	10,279
5	Government Employees			146,908

In the present study, the term ‘population’, refers to the units which had employees who left the service through resignation (not retirement) in 2007. Table 5.3 shows the total number of employees who resigned from the civil service, which from the 27 units numbered 385.

**Table 5.3: Resignations from Civil Service Units in 2007**

No	Units	Number Of Resignations	No	Units	Number Of Resignations
1	Ministry of Civil Service	2	15	Ministry of Fisheries Wealth	8
2	Ministry of Oil & Gas	4	16	Ministry of Regional Municipalities & Water Resources	27
3	Ministry of Health	75	17	Ministry of Foreign Affaire	1
4	Ministry of Transport & Communication	16	18	Ministry of Information	13
5	Ministry of Housing	16	19	Ministry of Finance	4
6	Ministry of Social Development	1	20	Ministry of National Economy	9
7	Ministry of Manpower	8	21	Ministry of Sports Affairs	9
8	Ministry of Justice	7	22	Ministry of Environment & Climate Affairs	9
9	Ministry of Endowments & Religious Affairs	6	23	Ministry of Tourism	4
10	Ministry of Heritage & Culture	3	24	Tender Board	1
11	Ministry of Education	135	25	Governorate of Muscat	1
12	Ministry of Commerce & Industry	8	26	Public Authority of Craft Industries	3
13	Ministry of Interior	10	27	Ministry of High Education	4
14	Ministry of Agriculture	6		Total	<b>385</b>

**Source:** Statistical Book (2007)

In order to arrive at the sample population, the researcher subtracted the number of resignations based on a 5% stratified sample of those units. Stratified random sampling

involves a population being divided into two or more strata (Saunders et al, 2000) in which the members of a group share a particular characteristic(s) (Robson, 2002). With regard to sample size, there is no clear-cut recommendation in the literature on the appropriate number. De Vaus (2001:187) argues that a small size of good quality is better than a large one of poor quality, observing that “*accuracy is not linked to the large sample size, but to the way it is taken*”. And Kotler (2001:69) supports this contention, noting that “*a sample less than 1% of a population can be reliable with a credible sampling procedure*”.

### 5.9.2 Sample Selection Process

Given the aims and objectives of the present study, it was necessary to create a research population that was representative of Omani employees in the OGS (under the civil service law) in the capital area only. The term population, therefore, refers to those employees. Guided by the sampling principles and procedures outlined above, the researcher applied a simple random sampling technique for selection purposes. This is a probability-based method and the most popular sampling technique from which it is possible to generalise findings to the whole population, and give an equal chance for each member of the population studied to be selected, as mentioned earlier.

In investigating the effectiveness of the current RS in the OGS and gathering opinions on the feasibility of introducing a TRS into the sector, the researcher refers to all Omani employees in government units, but in fact, owing to constraints such as time, access, and resources, it was decided to limit the participants to those from units which had resignations in 2007, and to take a 5% sample from the Omani employees within these units. Table 5.4 summarises the outcome, illustrating the distribution of the sample.

**Table 5.4: The Questionnaire Sample**

No	Units	Number of staff	Sample 5%	Questionnaires	
				Distributed	Valid
1	Ministry of Civil Service	270	14	18	14
2	Ministry of Oil & Gas	204	10	15	8
3	Ministry of Health	5422	271	300	153
4	Ministry of Transport & Communication	1111	55	65	43
5	Ministry of Housing	761	38	50	26
6	Ministry of Social Development	510	25	32	18
7	Ministry of Manpower	1121	56	70	50

8	Ministry of Justice	682	34	44	24
9	Ministry of Endowments & Religious Affairs	602	30	38	21
10	Ministry of Heritage & Culture	375	19	25	14
11	Ministry of Education	9738	487	530	343
12	Ministry of Commerce & Industry	581	29	35	20
13	Ministry of Interior	389	19	25	14
14	Ministry of Agriculture	616	31	40	22
15	Ministry of Fisheries Wealth	290	15	20	11
16	Ministry of Regional Municipalities & Water Resources	793	40	48	25
17	Ministry of Foreign Affairs	494	25	32	25
18	Ministry of Information	982	49	60	45
19	Ministry of Finance	398	19	25	17
20	Ministry of National Economy	366	18	25	17
21	Ministry of Sports Affairs	281	14	20	12
22	Ministry of Environment & Climate Affairs	247	12	18	11
23	Ministry of Tourism	191	10	15	10
24	Tender Board	54	3	5	4
25	Governorate of Muscat	244	12	15	10
26	Public Authority of Craft Industries	116	6	10	5
27	Ministry of High Education	414	21	26	16
<b>Total</b>					<b>974</b>

This probability-based, and most popular sampling technique makes it possible to generalise findings to the whole population, and it gives an equal chance for each member of the population studied to be selected, as mentioned earlier. The response rate is a very important factor in conducting an investigation; the researcher distributed 1,200 questionnaires to employees and 1,025 questionnaires were returned. However, 51 questionnaires, which were only partially or not completed by employees, were excluded from data analysis. The researcher thus relied on 974 questionnaires which were valid. The response accounted for 81%, which is regarded as very high compared to similar studies.

For the interviews, the participants were chosen through a non-probability sampling technique from the 27 government units, and purposive sampling was used, since the researcher needed to gain answers from experts in the field with a broad knowledge and understanding of the reward system. However, it is always possible that for various reasons, the desired people may not be found in the numbers required, and at this point it may be necessary to engage in snowball sampling or convenience sampling. The number of participants who were interviewed amounted to eight specialists and key policy-makers in the government units. They were chosen from eight units in the civil service sector. These units are: the Ministry of Civil Service, the Ministry of Information, the Ministry of Health, the Ministry of Transport & Communication, the Ministry of Fisheries Wealth, the Ministry of National Economy, the Ministry of Education, and the Institute of Public Administration. Table 5.5 shows the number of interviewees and their positions:

**Table 5.5: Distribution of Interviewees According to Position**

<b>Job Title</b>	<b>Number</b>
Advisor	2
General Manager	4
Deputy General Manager	5
Assistant General Manager	1
Total	8

### **5.7 Validity and Reliability**

The quality of empirical social research can easily be challenged if certain precautions are not taken to ensure its academic rigour, and in this respect, Yin (2003) proposes four tests that can be used to establish the quality of case study research. Whatever procedure the researcher follows for collecting data, it should be assessed to ensure that it is valid and reliable. Validity means the ability of the instruments to measure what they are designed to measure (Wiersma, 1986; Verma and Mallick, 1999; Trochim, 2002). De Vaus (2002) notes that research design should be both internally and externally valid. According to De Vaus, internal validity is reflected in the ability of a research design to sustain the causal conclusions that are claimed for it, and within this overall property, there is both content and construct validity. Content validity refers to the measurement of the items in the instrument, which are the questionnaire and interview in the case of this study, whilst construct validity is the approximate truth of the conclusion that the perception of the instrument can be translated into operational reality. External validity refers to the ability to generalise the result of the study to other settings or to a wider



population (Trochim, 2002).

With regard to the reliability of a research design, this refers to the repeatability or consistency of what the research instrument has been designed to measure, and actually does measure. In other words, a reliable instrument is one that gives the same 'reading' when used on different occasions (De Vaus, 2002). Kumar (1999:140) adds that "*the greater the degree of consistency and stability in an instrument, the greater is its reliability*". In Wiersma's (1986:6) discussion of internal validity and external validity, the former refers to "*the extent that data collection analysis and interpretation are consistent given the same conditions*", and the latter deals with the issue of "*whether or not independent researchers can replicate studies in the same or similar settings*".

Bell (1999) observes that the check for reliability and validity should begin in the early stages when wording and piloting the instruments constructed (in the case of this study, the questionnaire and the interview). Indeed, Patton (2002) claims that research validity is entirely dependent upon careful instrument construction.

With respect to validity in this study, the researcher dispatched copies of questionnaires and the interview schedule (semi-structured questions) to a number of experts in Institute of public management. Each tool was assessed by at least three people. Based on the remarks of assessors, the instruments were reviewed and corrected to make them more clear and understandable. To increase validity and improve the quality of the collection tools, the researcher conducted a pilot study with the aim of ensuring the clarity of questions, deciding whether or not the proposed questions would yield relevant information, and measuring the time taken by respondents to answer the questionnaire. As the pilot should be small in comparison with the main phase of data collection, 50 questionnaires were administered to the targeted sample in four civil service units, 45 distributed questionnaires were returned. The pilot study indicated that the questions were clear and understandable and answered precisely by respondents. Additionally, it revealed that many employees were interested in participating in the study and completing the questionnaires.

In relation to reliability, the value of Chronbach's alpha for the questionnaire amounted to 0.912. These results indicate that the instruments have a very high reliability. 0.912

## **5.8 Ethical Issues**

Ethical considerations were accounted for within the study as follows:

- **Voluntary participation:** respondents were explicitly informed at the beginning of the questionnaire and interview that participation was voluntary and that although their participation in this study would be greatly valued, there was no compulsion to participate. Moreover, they were informed that if they did participate they were free to refuse to answer any particular question(s). Additionally, participants were told that they could leave at any time during the process of questionnaire completion or the interview should they wish, without being asked for an explanation.
- **Informed consent:** all participants were provided with information about the study including details such as: the purpose of the study, the way in which the outcomes will be used, and that participation was voluntary. This information was provided via a briefing before a respondent was given a questionnaire or before an interview.
- **Confidentiality:** all respondents were assured that data collected from them would be treated in the strictest confidence, and securely guarded. According to DeVaus (2002:62), there are three main reasons for ensuring confidentiality: *“1) to improve the quality and honesty of responses especially on sensitive issues; 2) to encourage participation in the study and thus to improve the representativeness of the sample; and 3) to protect a person’s privacy”*.

## 5.9 The Data Analysis

### 5.9.1 Quantitative Data Analysis

The data gathering process involved asking respondents to rate how important they perceived each variable listed in the questionnaire by checking the appropriate rating box on the 5-point Likert scale: 0 = Strongly Agree; 1 = Agree; 2 = Neutral; 3 = Disagree; and 4 = Strongly Disagree.

Several steps were taken before analysing the data. The data were first cleared and edited before entering them for analysis and the responses were coded according to the number of items in each question. For instance, the variables relating to the respondent’s gender, “Male” and “Female”, were coded as 1 and 2 respectively. The responses of the age variable, “25-30”, “31-40” up to the “51-60” years old age category, were coded as 1, 2, 3 and 4 respectively. The responses to the level of education variables, “Secondary and less”, “College (i.e. Diploma)”, “University degree”, and “Masters and above” were coded as 1, 2, 3, and 4 respectively. All

variables in the questionnaire were coded in this manner. After the data had been made ready for the analysis, the SPSS package, version 15.0, was used. Several tests (mean, percentage, and frequency) from this package were used in analysing the data. In addition, the results obtained from the survey were presented using descriptive analysis, tabulation, and statistical analysis.

Quantitative analysis of survey data (the questionnaire) requires that answers to questions are converted into numbers and many variables also require that answers be classified into categories (De Vaus, 2002). This process of converting answers to numbers and classifying answers is called coding (Creswell, 2003; De Vaus, 2002). Therefore, once data were collected, the responses were coded. The Statistical Package for Social Sciences (SPSS) and multiple linear regression which aims to explore the relationship between the dependent variables and independent variables, were used. As mentioned, the data analysis examined the assumptions of multiple regression represented in normality, continuous dependent variables, and linear relationships between the dependent variables and independent variables.

The dependent variables included:

- The effectiveness of the RS, and specifically, the achievement of organisational objectives, and engagement and commitment.

The independent variables included:

- Philosophy of the reward system
- Alignment with business strategy
- Alignment of the reward system with human resource strategy
- Tangible reward system
- Intangible reward system
- Supported and effective processes of implementation of the reward system
- Roles of managers in the implementation of the reward system

### **5.9.2 Qualitative Data Analysis**

The qualitative data obtained from the interviews and focus group exercises was indexed and summarised into main points or themes, which were then grouped into several categories which were then used to supplement and refine the results from the quantitative analysis. All of the interview data was placed in an Excel file able to perform several statistical tasks (Pelosi et al, 1999, in Robson, 2002) with the questions in the columns and the respondents in the rows. This made it easier to compare the

answers per question horizontally.

Content analysis was also employed as a method of data analysis by identifying the material to be analysed then classifying and summarising the findings (Seaman, 1987). Content analysis, as Bryman (2004:181) states, is *“an approach to the analysis of documents and text (which may be printed or visual) that seeks to quantify content in terms of predetermined categories and in a systematic and replicable manner”*.

According to Krippendorff (1980:21), content analysis is *“a research technique for making replicable and valid inferences from data to their context”*. It uses a set of procedures to develop valid inferences from text (Weber, 1985; Bell, 2005), and consists of latent content and manifest content analysis. The manifest content captures various surface characteristics of the words used, whereas latent content captures the deep meaning embodied in the text (Erdener and Dunn, 1990). In relation to this study, the data collected by means of interviews and the participants' comments provided at the end of the questionnaire were analysed using content analysis.

The data analysis was undertaken using an inductive approach allowing the prevailing pattern, themes and categories of the research findings to emerge from the data rather than being controlled by factors predetermined prior to their collection and analysis (Patton, 1987). The procedure for analytic induction was that used by French (1989) and Burnard (1991).

#### **5.10 Practical Problems of Fieldwork and Data Gathering**

In conducting the study, several problems were encountered during the data collection process. The practical problems confronted are explained in order to inform other researchers so that they can possibly avoid these pitfalls in future research. However, these problems were largely dependent on the Omani environment and culture and may not be relevant or applicable outside of such surroundings.

**Questionnaire:** Some data from the questionnaires was difficult to read and understand because respondents did not write clear answers, and the non-interactive nature of questionnaires did not allow the researcher to validate the meanings. Furthermore, analysing data from the questionnaires was a difficult and time-consuming task, requiring data editing, coding and data entry into suitable statistical software (e.g. SPSS). The large amount of data obtained from the questionnaire complicated this issue and caused delay to the study.

**Arranging appointments:** There were difficulties with arranging appointments with managers in Oman, especially in the larger units. The first step was to contact their secretaries and it is worth noting that success in arranging an appointment is dependent upon the willingness and judgment of secretaries, as they tend to filter and control access to their bosses. In addition, the time allowed for some interviews was limited to a maximum of one hour and could be changed due to urgent or unforeseen circumstances. Generally, making an appointment with managers was not easy due to their full workloads.

**Conducting interviews:** Several points should be taken into consideration when interviewing. Firstly, the interviewer has to ask interviewees whether they mind being tape recorded. In this connection, the researcher noticed that managers felt uncomfortable with tape recorders, and consequently, note-taking was employed to record the information from interviewees. This method, however, results in incomplete data being obtained. Furthermore, visitors and telephone calls can interrupt the flow of conversation during an interview.

#### **5.11 Summary and Conclusion**

This chapter has provided a detailed picture of the methodological approach and the individual methods used to gather data for the study. After consulting the literature on research methodology, the researcher found that there was no one model for conducting all research, and that various considerations had to be taken into account when deciding upon a research design and the tools to be used for collecting the data. Having considered the nature and advantages of the two main research approaches, these being quantitative and qualitative, the researcher indicated that a mixed methods approach was used for the study in order to offer the opportunity for triangulation, achieved through the use of questionnaires, interviews, focus group, observation, and documentary analysis. It was indicated in the chapter that a rigorous pilot study was undertaken in respect of both the questionnaire and the interview schedule and that comments arising as a result were incorporated into the final instruments.

The sample for the questionnaire aspect of the study was considered in the light of the advice in the literature, and the comprehensive procedures put into place by the researcher to obtain the final (probability) sample that could offer generalisation of results to a wider population, discussed in detail. With regard to the interviews, it was indicated that a non-probability sampling technique was used. Issues of validity and

reliability were considered, and then the steps taken by the researcher to ensure that the study was conducted ethically, were outlined. It was also observed that content analysis was used to analyse the data gathered from interviews and the open-ended question on the questionnaire. Some practical difficulties encountered during the fieldwork were identified.

# **CHAPTER SIX**

## **RESULTS OF THE SURVEY (QUANTITATIVE DATA)**

### **6.1 Introduction**

The main purpose of study is to examine the effectiveness of the reward system in the Omani government, and this entails a descriptive analysis of the collected data. This chapter presents the descriptive results of the survey questionnaire which will be used in the inferential statistics and in answering the study questions.

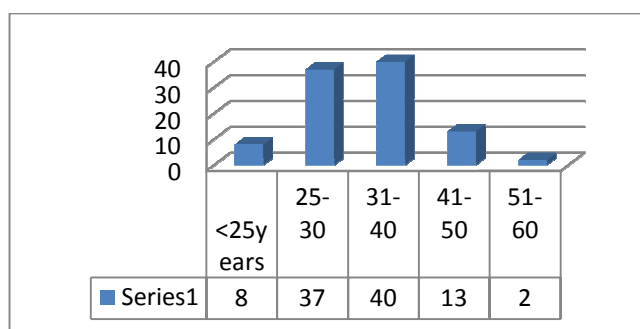
Three main sections form the chapter: the respondents' profile, description of the dependent variables and independent variables, and inferential analysis. In terms of the respondents' profile, the section covers age groups, gender, educational attainment level, and duration of service in the ministry. The second section presents the scaled responses in respect of the reward system, its philosophy, business and human resource strategies, tangible and intangible reward system, and the role of the manager. The third section presents the reliability of the Likert scale items used in the questionnaire. The fourth, fifth, and sixth sections present the inferential statistics of multiple regression analysis of the effectiveness of the reward system, employee commitment and engagement, and challenges in relation to the independent variables. Finally, the results of the qualitative analysis are presented.

### **6.2 Respondents' Profiles**

This section presents the profile of participants in the study by age, gender, educational attainment level, and duration of service in the government sector.

#### **6.2.1 Distribution of Respondents by Age**

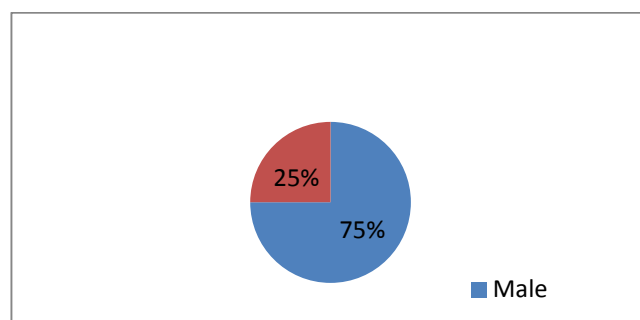
Figure 6.1 indicates that the majority of employees (85%) are below 40 years, which might be attributed to the fact that the Omani population is young in nature. According to Countries of World (2011), in 2011, young people aged 0-14 years accounted for 42.7% of the population while people aged 65 and over comprised only 2.7%. Oman's total population is 2,967,717.



**Figure 6.1: Distribution of Respondents by Age**

### 6.2.2 Distribution of Respondents by Gender

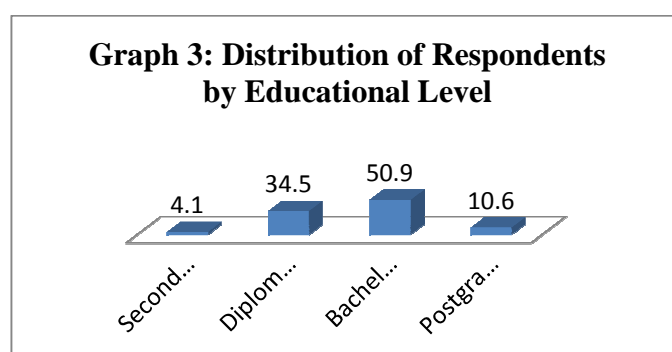
Figure 6.2 shows that 75% of participants are male, and 25% female. It is worth remembering that these figures are reflected in the national participation of males (77.5%) and females (22.5%) in the labour market. In overall population terms, women form 51.9%.



**Figure 6.2: Distribution of Respondents by Gender**

### 6.2.3 Distribution of Respondents by Educational Attainment Level

Figure 6.3 indicates that more than half the respondents (50.9%) held Bachelors' degrees whilst 10.6% held postgraduate qualifications (Masters' and above). About one third of employees (34.5%) held only the secondary school Diploma. These figures demonstrate the need to hold Higher Education degrees to join governmental organisations.



**Figure 6.3: Distribution of Respondents by Educational Level**



#### 6.2.4 Distribution of Respondents by Duration of Service in the Public Sector

Figure 6.4 indicates that less than one third (27%) of respondents had served between 5-10 years in the government sector followed by employees (22%) with 11-16 years service. About one quarter of respondents (23%) had been working in the governmental sector for less than five years.

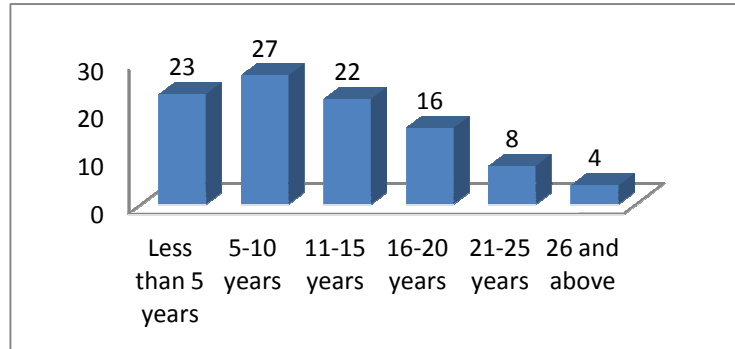


Figure 6.4: Distribution of Respondents by Duration of Service

#### 6.2.5 Distribution of Respondents by Current Position in the Public Sector

Figure 6.5 shows that 70% of employees did not hold any type of managerial position within their ministries. Of the remaining 30%, 8% served as directors, 5% worked as deputy directors, and 17% were heads of departments (small divisions).

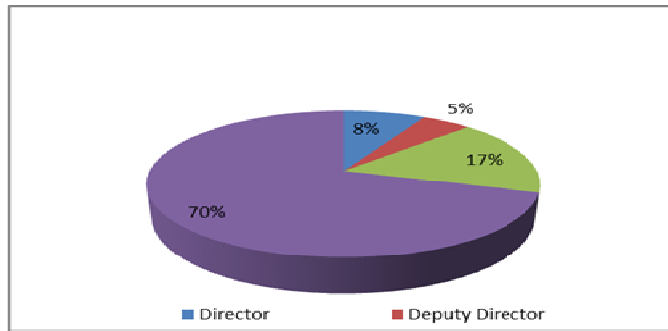


Figure 6.5: Respondents by Current Position

### 6.3 Descriptive Analysis of Effectiveness of Current Reward System in OGS (Dependent Variable)

This section briefly describes the employees' perspective on the effectiveness of the current reward system in the Omani governmental sector.

#### 6.3.1 The Philosophy of the Reward System in the Omani Government Sector

Five items related to this topic appeared in the questionnaire, each of which may impinge upon the effectiveness of the TRS.

Table 6.1 indicates that over 84% of respondents selected the negative choice (disagree and strongly disagree) towards the transparency of the reward system in Omani governmental organisations. About 16% of employees believed the reward system to be transparent since they had some idea of how it operates and were personally affected by it. Table 6.1 also shows that about three quarters of respondents (74.5%) thought that the reward system does not ensure fairness in providing rewards and incentives to employees, and less than half (44.4%) considered it to provide an equitable basis for reward and incentives to employees.

In terms of flexibility of the reward system, the vast majority of employees (83.7%) stated that the system does not achieve its objectives due to its rigidity. Again, Table 6.1 indicates that the system is not affected by the Arab and Islamic culture (70.2%).

**Table 6.1: The Philosophy of the Reward System**

Statement	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Mean	SD
The reward system is transparent and every employee understands how it operates and how s/he is affected by the system	0.8	5.1	9.8	54.0	30.3	1.92	0.820
The reward system ensures that there is fairness in providing rewards and incentives to its employees	6.6	4.1	14.7	45.7	28.9	2.14	1.085
The reward system provides an equitable basis for providing rewards and incentives to its employees	10.2	17.6	16.3	30.4	25.2	2.00	0.772
The reward system provides the necessary flexibility to achieve its objectives	1.1	4.0	11.2	61.5	22.2	2.57	1.32
The Arab/Islamic value of reward influences the reward system applied in the Ministry	6.5	4.1	14.5	45.2	28.5	2.14	1.085

### **6.3.2 Alignment of the Reward System with the Business Strategy**

This variable consists of three items as shown in Table 6.2, which also demonstrates that the overwhelming majority of employees revealed their disagreement with the statement which states the existence of a link between the reward system and their particular ministry's mission (89.9%). Respondents also reported a negative perspective

concerning the link between the reward system and their ministry's objectives (95% disagree and strongly disagree). Moreover, no link is indicated between the reward system and the future plans of their ministry (91.2%).

**Table 6.2: Alignment of the Reward System with the Business Strategy**

Statement	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Mean	SD
There is a clear link between the reward system and the Ministry's mission	0.6	3.6	6.8	59.0	29.9	1.86	0.741
There is a clear link between the reward system and the Ministry's objectives	0.2	1.3	3.4	65.0	30.0	1.77	0.594
There is a clear link between the reward system and the Ministry's future planning	0.4	2.2	5.2	62.3	29.9	1.81	0.662

### 6.3.3 Alignment of the Reward System with the Human Resources Strategy

This topic consists of five items and as Table 6.4 shows, the vast majority of employees reported no clear link between the reward system and the recruitment and selection system within their ministry (92.9% disagree and strongly disagree). At the same time, 66.9% of employees saw no link between the system and the retention system of employees, nor did they perceive a link with training and development of employees (84.6% disagree and strongly disagree). Moreover, about two thirds of employees (68.8%) did not believe any link between the reward system and human resources planning existed. Finally, Table 6.4 indicates no link between the reward system and performance management (89.6%).

**Table 6.3: Alignment of the Reward System with the Human Resource Strategy**

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
There is a clear link between the reward system and the recruitment and selection system	0.2	1.7	5.3	60.4	32.5	1.77	0.639
There is a clear link between the reward system and the retention system	6.1	10.7	15.7	31.8	35.1	2.21	1.207
There is a clear link between the reward system and the training	1.1	5.8	8.0	62.9	21.7	2.01	0.797

and development system							
There is a clear link between the reward system and HR planning	8.0	12.1	11.0	42.5	26.3	2.33	1.212
There is a clear link between the reward system and performance management	1.4	2.2	5.6	57.1	32.5	1.82	0.758

### 6.3.4 The Tangible Reward System

This variable includes eleven items/statements in the questionnaire which address tangible benefits such as payment, bonuses and promotion. Table 6.4 clearly indicates that the vast majority of employees reported disagreement with the statements about the tangible system. For instance, 94.1% reported disagreement with the idea that the payment they received was fair compared with that received in other ministries although more than half (58.5%) stated that their wages did cover their basic cost of living. Despite this satisfaction with wages, however, respondents did not believe that their pay was competitive compared to other ministries (95.4%). Moreover, 95.6% of employees were not happy with the benefits received from their particular ministry, nor with the amount of choice available to them in this respect or in respect of additional services that cover their basic needs (92.5%).

More than half the respondents (57.7%) agreed that their performance exceeded the allowances they received, and less than half (46.1%) were satisfied with the retirement system operated by the Omani government. Less than 2% reported receiving bonuses for skills improvement and competence leading to excellent performance. It is clear from the study's results that length of service influences employees' chance of promotion (70%). but this promotion does not influence their contribution to the development of their ministries (4%). Only 1.5% of employees received exceptional allowances for better performance. It can be concluded that employees, in general, are not satisfied with the tangible reward system developed by their ministries.

**Table 6.4: Tangible Reward System**

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
My salary covers the normal necessities of living	7.2	23.3	28	23.6	17.8	2.78	1.194
I am paid fairly compared to others in	2.8	2.9	.2	58.3	35.8	1.242	0.823

the Ministry							
My pay is competitive compared to similar jobs in other sectors	2.8	1.7	0	64.4	31.0	1.80	0.763
The benefits package I receive is fair	2.8	1.5	0	64.7	30.9	1.80	0.674
I have enough choice of benefits and additional services that are suitable for my needs	.2	2.5	5.9	59.6	31.9	2.35	1.207
There is a strong link between my annual allowances and my individual performance	5.3	13.7	23.2	26.1	31.6	2.72	1.254
I am satisfied with what the retirement system provides for my retirement	8.5	21.3	24.8	23.9	21.4	1.77	0.639
I can get bonuses when I improve my skills and competence and produce excellent performance	.2	1.7	5.3	60.4	32.5	3.85	0.975
Promotion is strongly influenced by length of service	21.1	59.0	8.5	6.9	4.4	1.83	0.740
Promotion is strongly influenced by contribution	.6	3.4	6.3	57.6	32.1	1.78	0.606
I can get exceptional allowances when achieving better performance	.4	.7	5.1	63.9	29.9	4.41	0.949

### 6.3.5 The Intangible Reward System

This topic consists of a number of statements represented in Table 6.5. Employees reported negative attitudes towards the tangible reward system as shown in the previous section. Likewise, employees are also dissatisfied with the intangible reward system apart from in respect of the first item which states that their ministry contributed to employees' high social status (87.3% of respondents agreeing). In terms of the other possible intangible rewards, however, employees expressed negative opinions. For instance, only 10.7% believed that their ministry had promoted a healthy work-life balance, less than half (47.6%) agreed they received sufficient training to assist them in performing their jobs, only 2.7% reported having had the opportunity to pursue their higher education and career development, less than 20% found their job to be enriching and enjoyable, and only 8.7% found their working conditions and environment comfortable. These figures overwhelmingly confirm that the vast majority of employees in this sample were disgruntled with their jobs when taken in the overall context of how they work and the rewards they receive in exchange.

**Table 6.5: The Intangible Reward System**

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
My Ministry has a good reputation that provides employees with high social status	62	25.3	5.2	5.4	1.8	2.14	0.950
My Ministry promotes a healthy work-life balance	3.8	6.9	9.7	58.8	20.8	3.20	1.55
I have been given sufficient training to perform my job effectively	10.2	37.4	24.5	17.6	10.3	1.79	0.694
I have opportunities for continued education and career development	.5	2.2	6.2	58.1	33.0	2.34	1.775
My job is enjoyable , enriching and challenging	4.1	15.3	21.6	28.9	30.1	2.02	0.892
I have comfortable working conditions and environment	2.5	6.2	7.4	58.8	25.1	2.00	0.861
I have the information I need to make decisions about my work	1.9	5.9	8.1	58.4	25.7	1.86	0.842
I am involved in establishing my goals and objectives	1.7	5.6	8.1	57.6	27.0	4.36	0.979
My leadership treats everyone with respect	59.8	26.6	5.0	6.6	1.9	2.33	1.212
I receive regular feedback on my current performance from my supervisor	8	12.1	11.0	42.6	26.3	1.78	0.717
I receive my performance appraisals on schedule	11.2	1.6	4.9	58.8	33.4	2.04	0.885
I work co-operatively with others	2.5	4.3	13.5	54.3	25.4	2.04	0.890
I have good relationships with others in the organisation	2.2	6.7	8.4	58.0	24.7	2.20	1.334

### **6.3.6 The Supportive and Effective Processes of Implementing the Reward System**

This topic includes six items summarised Table 6.6, which indicates that more than three quarters of employees (80.8%) reported their ministries as having no clear plans and methods regarding the processes of developing, implementing and evaluating the reward system. Table 6.6 also shows that 77.7% of employees disagreed with the idea that their ministries review and update policies related to the reward system, and only 5.8% believed that they conducted regular benchmarking to ensure parity with the compensation offered to employees by all the other ministries.

It is clear from Table 6.6 that the separate ministries do not conduct regular surveys to identify employees' views and attitudes towards the reward system (86.8% confirmed this), nor do they involve employees in the process of designing, implementing and evaluating the reward system (only 5.3% of employees considered themselves to be involved). Finally, the vast majority of employees (85.5%) reported disappointment with the performance management system designed by their ministries. Consequently, it

is clear that like the tangible rewards they are offered, the intangible rewards are also ineffective, and that this may well stem from the fact that employees' views are not invited, particularly in designing and implementing relevant policies.

**Table 6.6: The Supportive and Effective Processes of Implementing the Reward System**

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
The Ministry has clear plans and methods for the process of formulating or developing, implementing and evaluating the Reward System	15.5	2.4	1.0	49.2	31.9	2.06	0.842
The Ministry updates and reviews the basis and policies of the Reward System and continuously improves it in response to the competitive environment	1.7	5.1	13.5	57.2	22.5	2.68	1.226
The Ministry carries out regular benchmarking to ensure that the compensation offered to its employees is fair compared with the compensation received by employees doing similar jobs in other ministries	1.5	4.3	10.8	57.7	25.7	1.81	0.811
The Ministry carries out regular surveys to identify the views and opinions of its employees towards the rewards and incentives they receive	.6	4.3	8.3	48.5	38.3	1.86	0.842
The Ministry involves employees in the process of formulating, implementing and evaluating the Reward System	1.5	3.8	8.6	50.9	35.2	1.66	0.900
The Ministry has a good performance management system that supports the effectiveness of the reward system	2.7	.7	10.9	31.3	54.2	2.40	1.267

### 6.3.7 Roles and Responsibilities of Stakeholders in Implementing an Effective Reward System

This topic consists of four items related to the role Stakeholders of in the implementation of the reward system. Table 6.7 shows that over two thirds of employees (67.4%) did not believe there was a clear delineation of their responsibilities and accountability in the implementation of the reward system. Moreover, almost 90% reported not understanding their roles and responsibilities in implementing the reward system. More than three quarters of employees believed that their supervisors were incapable of implementing the reward system, perhaps because their managers did not support it, as suspected by 83% of the sample.

**Table 6.7: Roles and Responsibilities of Stakeholders in Implementing an Effective Reward System**

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
I get clear delineation of my responsibility and accountability in implementing the Reward System	9.7	13.0	10.5	40.8	26.6	1.86	0.859
I understand my roles and responsibility in implementing the Reward System	3.1	2.7	4.5	57.1	32.6	2.26	1.379
My supervisors are capable of implementing and managing the Reward System in practice	16.6	3.5	1.0	46.9	31.9	1.75	1.007
The senior managers fully support the Reward System implementation	4.1	1.9	11.0	31.0	52	2.72	1.263

### 6.3.8 Effectiveness of the Reward System in terms of Achievement of the Organisational Objectives

This topic consists of five items represented in Table 6.7, which reveals that only 28.7% of employees believed that the RS was effective in managing cost, and that 31.3% considered it could achieve enhanced financial performance. About one quarter (25.6%) of employees believed the RS was capable of attracting key talent, but only 18.6% believed it could motivate talented employees once in post. Less than one third (30.5%) of employees believed the RS had the ability to retain key talent and high performers.



**Table 6.8: Effectiveness of the RS in the OGS in terms of the Achievement of Organisational Objectives**

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
Ability to manage cost effectively	9.9	18.8	25.6	24.6	21.1	2.81	1.232
Ability to achieve enhanced financial performance	10.4	20.9	24.0	28.7	16.0	2.60	1.209
Ability to attract key talent	7.1	18.5	23.4	29.7	21.4	2.38	1.113
Ability to motivate talented employees	3.4	15.2	22.3	34.4	24.6	2.70	1.252
Ability to retain key talent and high performers	7.6	22.9	23.8	23.6	22.1	2.04	0.741

### **6.3.9 Effectiveness of the Reward System in Achieving Employee Commitment and Engagement**

This topic includes four items only as shown in Table 6.9, which demonstrates that 93.9% (disagree and strongly disagree) of employees are neither committed nor passionate about their particular ministry, and over 80% of them would not recommend others to join it. Moreover, only about one quarter of employees reported that they intend to remain with their ministries, more than three quarters (77.1%) intending to resign as soon as they find another job opportunity.

**Table 6.9: Effectiveness of the Reward System in Achieving Employee Commitment and Engagement**

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
I am committed, enthusiastic and passionate about my Ministry	4.0	1.8	.3	82.3	11.6	2.58	1.270
I would recommend this unit to others as a great place to work	1.1	6.2	9.5	58.4	24.8	4.12	1.157
I intend to stay with this unit as long as I can	8.1	17.6	25.5	22.2	26.6	4.51	0.877
I don't mind resigning if I get an opportunity to work in another sector	51.4	25.7	10.6	7.3	4.9	4.59	0.757

### **6.3.10 Potential for a Total Reward Strategy**

This topic consists of only two items. Fractionally over half (50.8%) of employees agree upon the suitability of a TR strategy for Omani governmental organisations, and more

than 90% agreed that the introduction of such a measure would help to stem the migration of talented people from the Omani government sector.

**Table 6.10: Potential for a Total Reward Strategy**

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
A TRS is suitable for the Omani government sector	24.2	26.6	23.6	17.6	8.1	4.51	4.59
The introduction of a TRS would assist in reducing the migration of talent from the OGS to the private sector	70.9	21.0	5.2	2.1	.8	4.59	0.757

### 6.3.11 Challenges to the Implementation of a Total Reward Strategy

This topic comprises eight items related to the challenges to the implementation of a TRS in the Omani governmental organisations, and Table 6.11 summarises the employee responses. It is apparent that the obstacles in this respect are: lack of a good business strategy (94.4%); lack of supportive human resources strategy (85.7%); lack of an effective performance system (85.8%); lack of an effective communication system (84.9%); lack of support from top management (82.6%); lack of line management skill and ability (88.7%); lack of financial resources (88.3%), and resistance from employees (72.6%).

**Table 6.11: Challenges to the Implementation of a Total Reward Strategy in the Omani Government Sector**

Statement – A challenge to the implementation of a TRS in the OGS is the:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
Lack of a good business strategy	61.0	35.4	1.6	1.7	.2	44.55	0.640
lack of supportive human resources strategy	58.3	27.4	3.6	10.0	.7	4.31	0.990
Lack of a good performance management system	59.6	36.2	1.8	2.2	.1	4.53	0.658
Lack of an effective communication system	59.0	25.9	3.6	12.6	1.0	4.25	1.067
Lack of support from top managers	63.7	19.9	2.2	11.5	2.7	4.31	1.125
Lack of line management skill and ability	64.7	24.0	5.0	4.9	1.3	4.46	0.896
Lack of financial funds	67.4	20.9	5.1	5.8	.8	4.48	0.894
Resistance from employees who claim that TR simply hides the further erosion of salary increases	64.5	18.1	4.6	11.5	1.3	4.33	1.080

### 6.3.12 Critical Success Factors in Respect of the Effective Implementation of a Total Rewards Strategy in the Omani Governmental Sector

The vast majority of employees (90.6%) believe that a TRS requires a well-articulated philosophy and a large percentage also recognised the need for alignment of the TRS with the governmental sector's business strategy (64.3%) and the HR strategy (83.7%). The overwhelming majority (97.5%) expressed the belief that there should be an optimal mix of both tangible and intangible rewards within the TRS. At the same time, employees (97%) agreed that the RS should meet both their needs and those of their employer (essentially confirming the earlier statement concerning the alignment with the business strategy). Also, 87.7% of employees acknowledged the need for supportive measures to facilitate the implementation of the RS, among which was the solid commitment from all stakeholders (86%).

**Table 6.12: Critical Success Factors for the Effective Implementation of a Total Rewards Strategy in the Omani Governmental Sector**

Statement - It is essential to:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
Have a well-articulated reward philosophy	66.6	24.0	5.0	3.1	1.3	4.51	0.833
Align the RS with the business strategy	35.1	29.2	10.4	3.7	1.5	4.33	0.916
Align the RS with the HR strategy	63.7	19.9	2.2	11.5	2.7	4.31	1.125
Provide an optimal mix of tangible and intangible rewards	62.0	35.4	1.6	.7	.2	4.58	0.586
Customise rewards to meet employers' and employees' needs	59.9	37.1	1.8	1.0	.1	4.56	0.598
Have supportive and effective processes of implementation in place	60.3	27.4	3.6	8.0	.7	4.39	0.935
Have solid commitment from all stakeholders to the strategy	60.1	25.9	3.6	9.4	1.0	4.35	0.993

### 6.3.13 Rewards and Appropriate Incentives

Table 6.13 presents the order of rewards and incentives as reported by employees participating in the survey. It shows that the mean of *fair salary* (17.52) is the highest amongst other types of incentives showing a standard deviation (SD) of 4.687, and thereby indicating that the belief they are receiving a fair wage is very important for employees. Employees are also interested in developing and promoting their careers (mean 15.93, SD 4.661 SD), and that they are also keen to ensure equity is present in the award of all types of reward and incentive (mean 15.50, SD 4.775). Next in their ranking of where rewards should be given, is the area of job performance, in which respect, excellence in the discharge of the job figures as something that should be

rewarded (mean 14.59, SD 4.958). Thereafter, followed by flexible benefits feature as the fifth incentive (mean 13.73, SD 5.421). Employees also want to work under wise and good leadership (mean 12.41, SD 4.941). Working in a comfortable environment was the seventh priority (mean 11.32, SD 4.921). Surprisingly, given the Omani culture, *good working relations* appeared towards the bottom of the ranking (mean 10.89, SD 4.794), as did the values related to their ministries, and the reputation of their ministries. At the bottom, was the need for interesting and challenging work (mean=6.76 and SD 4.593). This ranking shows categorically that there is little commitment to the actual job for its intrinsic worth among government employees and that the emphasis is entirely on extrinsic rewards. Such workforce values are not good for any organisation.

**Table 6.13: Ranking of Rewards and Incentives**

Importance level	Incentive	Mean	Standard Deviation
1	Fair salary	17.52	4.687
2	Good opportunities for career development	15.93	4.661
3	Equity in awarding rewards and incentives	15.50	4.775
4	Incentives for excellent performance	14.59	4.958
5	Flexible benefits	13.73	5.421
6	Wise and good leadership	12.41	4.941
7	Comfortable working environment	11.32	4.921
8	Good working relations with colleagues	10.89	4.794
9	Training and Continuing Education	9.95	4.526
10	Work-life balance	9.57	4.526
11	Acknowledgement and appreciation of achievement	9.41	4.785
12	Effective performance management system	8.85	5.085
13	Appropriate working tools and instruments	8.68	5.960
14	Independence and freedom in performing the work	7.64	5.012
15	Excellent work values	7.45	4.358
16	Transparent communications system	7.24	4.525
12	Good reputation of the organisation	7.24	4.525
18	Interesting and challenging work	6.76	4.593

#### 6.4 Reliability Test of Data

In order to examine the internal consistency of the data, Cronbach's alpha was calculated. According to George and Mallery (2003:231), if the Cronbach's alpha is >0.9, then the internal consistency is excellent, if it is >0.8, the internal consistency is

good, if it is  $>0.7$ , the internal consistency is acceptable. If the Cronbach's alpha is  $>0.6$ , the internal validity is questionable, and poor if it is less than 0.5. In this study, the overall Cronbach alpha is 0.912 which means that the internal consistency is excellent and the data is reliable. The reliability test was calculated for all items in the questionnaire.

### 6.5 Analysis of the Reward System and its Relationship to the Independent Variables

This section presents the results of the inferential analysis represented in multiple linear regression analysis. The section presents the two dependent variables addressed in the conceptual framework of the study: The effectiveness of the RS, and specifically, the achievement of organisational objectives, employees' commitment and engagement presented in Table 6.14.

**Table 6.14: Dependent and Independent Variables used in the Study**

Independent Variables	Dependent Variables
<ul style="list-style-type: none"> <li>- Philosophy of the reward system</li> <li>- Alignment with business strategy</li> <li>- Alignment of the reward system with human research strategy</li> <li>- Tangible reward system</li> <li>- Intangible reward system</li> <li>- Supported and effective processes of implementation of the reward system</li> <li>- Roles of managers in the implementation of the reward system</li> </ul>	<p>The effectiveness of the RS,</p> <p>The achievement of organisational objectives</p> <p>The achievement of Employee Commitment and Engagement</p>

There is a range of statistical methods used in analysing data secured via a Likert scale, and the choice of method used depends upon the measurement scale of the dependent variable (Cleson and Dormody, 1994). Briefly, there are four levels of measurement scale: nominal scale, ordinal scale, interval scale, and ratio scale. The Likert scale is essentially an ordinal scale (Goldstein and Hersen, 1984:52). However, in this study it is difficult to analyse each item as an individual dependent variable, and it was therefore necessary to use factor analysis to create new dependent variables. Furthermore, Likert scale data does not follow the normal distribution (Cleson and Dormody, 1994) required by the majority of parametrical statistical techniques, such as analysis of variance and

regression techniques. It is hence, necessary to create variables that comply with parametrical assumptions.

### 6.6.1 Creating Additive Indexes

In order to create continuous variables and independent variables that can be measured, the researcher used COMOUTE in the SPSS. A number of additive indexes were generated, for instance, all items in Table 6.1 were added to produce “the philosophy of reward system” as an independent variable. Likewise, the items in Table 6.2 were added together to create the independent variable “alignment with business strategy”. This process was applied to all dependent and variables presented in Table 6.14, the purpose being to create measurable variables from the Likert scale items.

### 6.6.2 Multi-Collinearity

Table 6.15 showing the correlation coefficients, indicates positive relationships between the independent variables used in the analysis of the multiple linear regressions. All correlations, in general, lay between 0.073 and 0.6 which are considered as showing a low relationship between variables. However, Table 6.15 shows a medium and positive relationship between the intangible reward system and the alignment of the reward system with the human resources strategy in Omani governmental organisations ( $R = 0.663$ ) and the supportive and effective processes of implementation of the reward system ( $R = 0.604$ ). It can be concluded that multi-collinearity between the independent variables does not exist to a large extent, and hence, does not affect the relationship between the dependent variables and the independent variables. Therefore, the assumption of multi-collinearity in the multiple regression analysis is achieved. According to Lehman (1989), collinearity should be considered if the bivariate correlation coefficient between the independent variables is greater than 0.7.

**Table 6.15: Correlation between the Independent Variables used in the Study**

	Philosophy of RS	Alignment with Business strategy	Alignment of RS with human research strategy	Tangible RS	Intangible ES	Supportive and effective processes of implementation of RS	Roles of managers in implementation of RS
Philosophy of RS	1	0.073	0.465	0.376	0.490	0.439	0.319
Alignment with business strategy	0.073	1	0.227	0.399	0.216	0.143	0.012
Alignment with human resource strategy	0.465	0.227	1	0.457	0.663	0.448	0.592

Tangible RS	0.376	0.399	0.457	1	0.523	0.499	0.231
Intangible RS	0.490	0.216	0.663	0.523	1	0.604	0.481
Supportive and effective processes of implementation of RS	0.439	0.143	0.448	0.499	0.604	1	0.548
Roles of stakeholders in implementation of RS	0.316	0.052	0.542	0.231	0.481	0.548	1

## **6.6 Relationship between the Effectiveness of the Reward System and the Independent Variables**

This section presents the results of the multiple linear regressions of the effectiveness of the dependent variable on the RS. Parametric statistical tests usually depend upon certain assumptions about the dependent and independent variables, as indicated below.

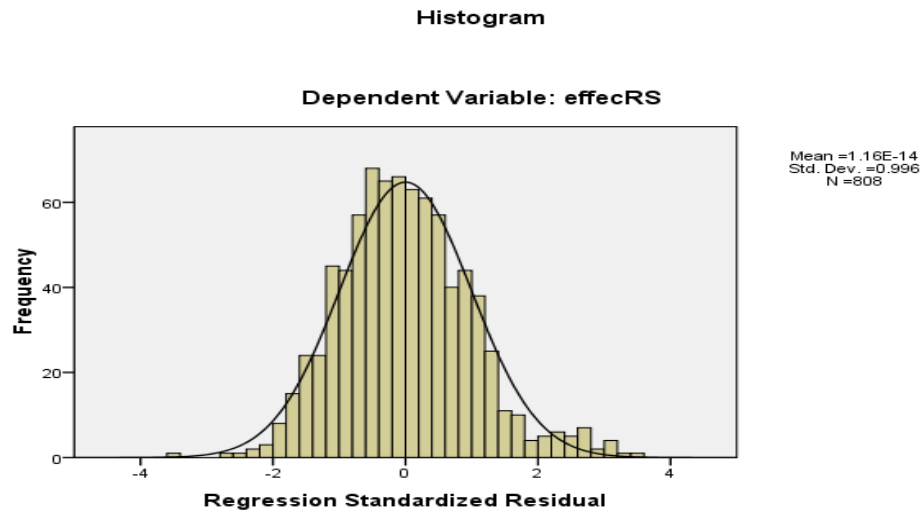
### **6.6.1 Assumptions of Multiple Linear Regression Analysis Related to the Reward System and Independent Variables**

If the assumptions about both dependent and independent variables are not met, the results of parametric testing will be biased and lead to type I and type II errors. Multiple regression analysis is one of methods that relies on specific assumptions (Jason and Waters 2002), these being, normality of the dependent variables, linearity (linear relationship between the dependent and independent variables), and homoscedasticity.

#### **Assumption One: Normality**

Normality of the dependent variable in regression analysis is continuous and assumed to follow the curve of normal distribution (bell-shaped) where the distribution of the observational data is neither skewed nor kurtotic. If the observational data are not normally distributed (skewed), then the relationship between the dependent variable and independent variables will be distorted.

It is clear from Figure 6.6 that the dependent variable is evenly distributed, and hence, the first assumption of multiple linear regression is met.

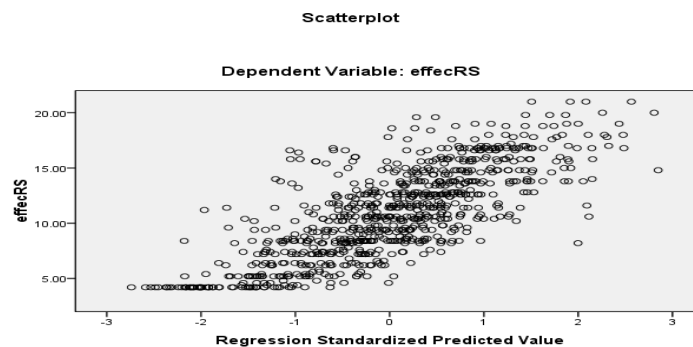


**Figure 6.6: Distribution of the Dependent Variable – Effective Reward System**

**Assumption Two: Linearity between Effective Reward System (dependent variable) and the Independent Variables**

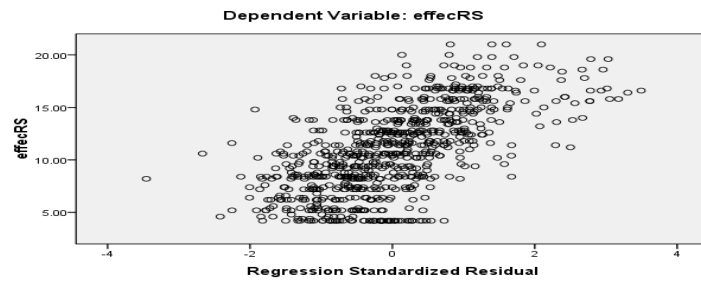
It is assumed that in the multiple linear regression model, the relationship between the dependent and independent variables is linear. In order to assess the tenability of this linear relationship, it is customary to use a scatterplot diagram, which is the best method for detecting such linear relationships. If the relationship is not linear, then the linearity assumption in multiple regression analysis is violated.

The seven scatterplots below indicate, to large extent, a linear relationship between the effectiveness of the RS and the independent variables (philosophy of the reward system, alignment with business strategy, alignment with human resources strategy, tangible rewards, intangible rewards, supportive and effective processes of implementation of the RS, and roles of managers in the implementation of the system. It can be concluded that the assumption of linearity is met.

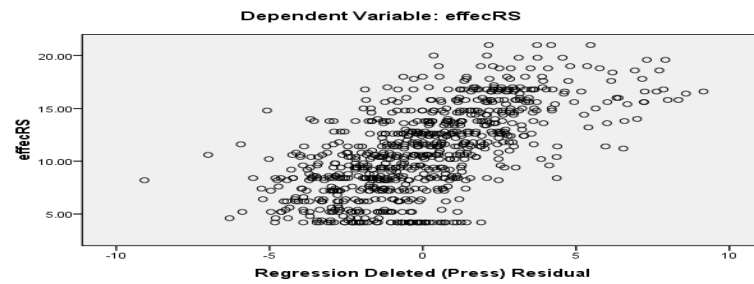




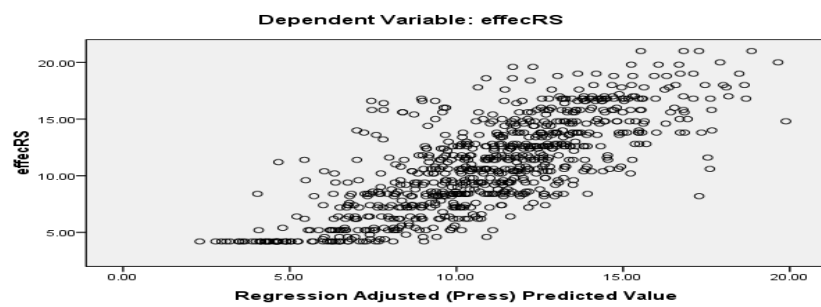
Scatterplot



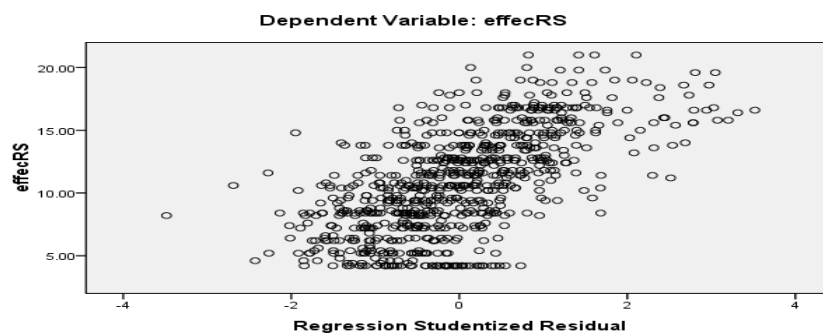
Scatterplot

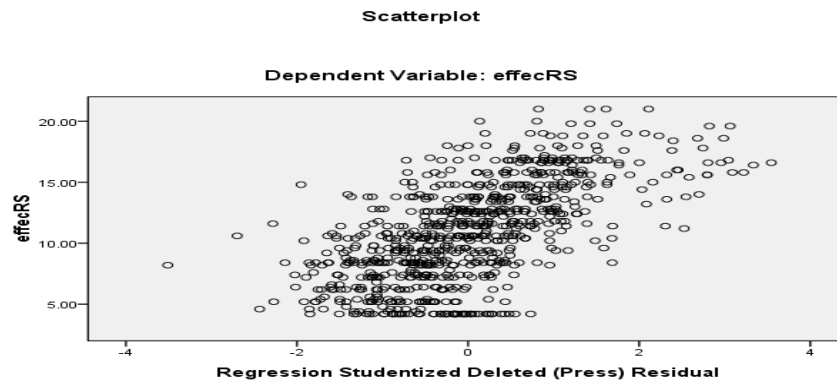


Scatterplot



Scatterplot

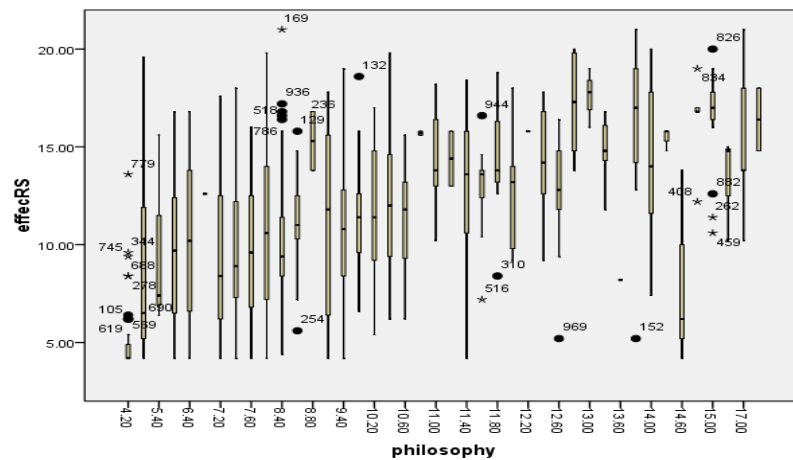


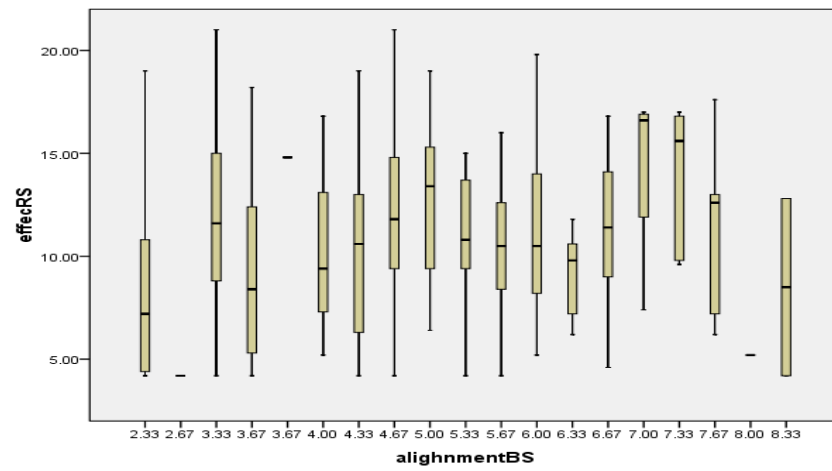
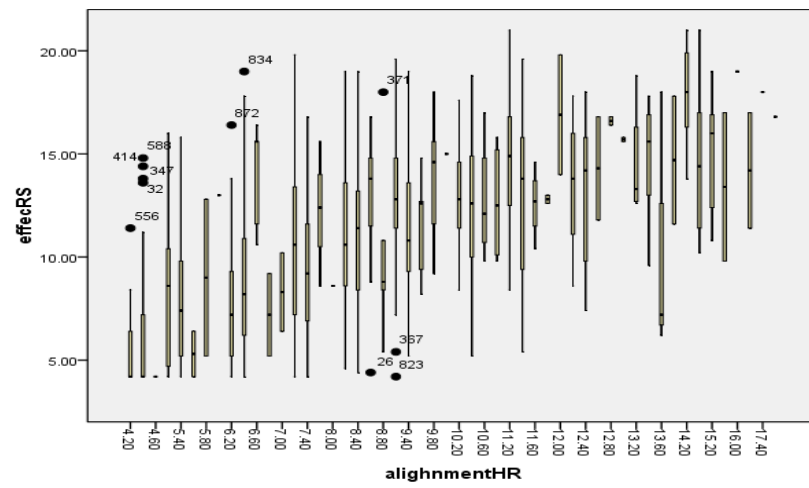


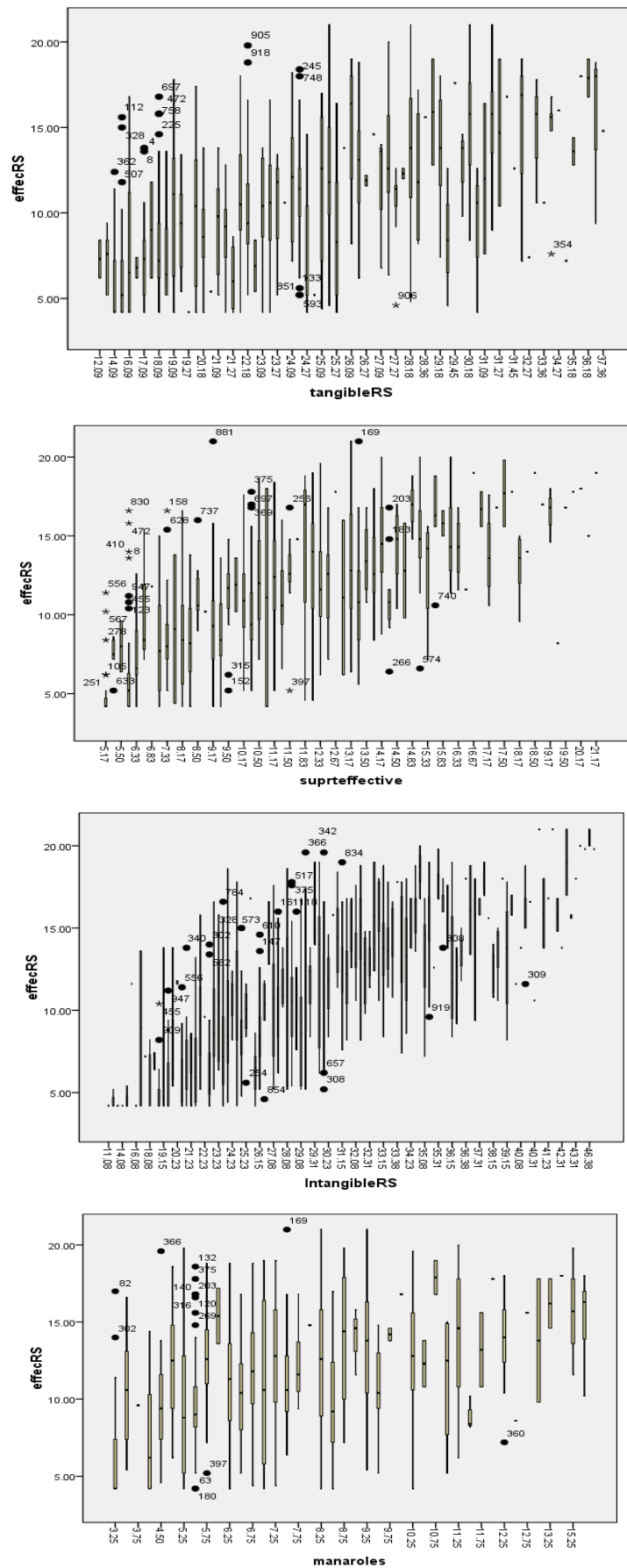
**Figures 6.7 (a-g): Scatterplots of Linear Relationships between the Dependent (Effective Reward System) and Independent Variables**

### **Assumption Three: Homoscedasticity**

Homoscedasticity in multiple regression analysis and analysis of variance assumes that the variance around the regression line is the same for all values of independent variable. The seven boxplots below indicate that the points are very close to the regression line which means that there is no variability around the line. Therefore, there is no violation of the assumptions of homoscedasticity.







**Figures 6.8 (a-g): Tests for Homoscedasticity relating to the Dependent (Effective Reward System) and Independent Variables**

## Multiple Regression Analysis

Tables 6.16-18 present the results of multiple linear regressions. The model summary in 6.16 presents the values of R, R square and adjusted R square as well as the standard error. R is the value of the multiple correlation coefficients between the effectiveness of the RS (dependent variable) and the independent variables used in the model. Table 6.16 shows that the adjusted R square accounts for 0.596 which indicates how well the regression model generalises and the explanation of the variance. This value means that more than half of the variation in the observational data was explained.

**Table 6.16: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.772 <sup>a</sup>	.596	.593	2.58294

a. Predictors (independent variables): (Constant), manaroles, alignmentBS, philosophy, tangibleRS, intangibleRS, suprteffective, alignmentHR

b. Dependent Variable: effective reward system.

Table 6.17 presents an analysis of variance (ANOVA) to show whether the regression model is significantly better at predicting the outcome than using the mean as the best predictor. Specifically, the F ratio represents the ratio of improvement in prediction that results from fitting the model. Table 6.17 table shows that  $F = 168.829$  which indicates a significant relationship between the effectiveness of the RS and the independent variables ( $P = 0.000 < 0.05$ ). This means that the independent variables can significantly improve the effectiveness of the reward system.

**Table 6.17: ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7884.519	7	1126.360	168.829	.000 <sup>a</sup>
	Residual	5337.271	800	6.672		
	Total	13221.791	807			

a. Predictors: (Constant), manaroles, alignmentBS, philosophy, tangibleRS, intangibleRS, suprteffective, alignmentHR

b. Dependent Variable: effecRS

Table 6.18 indicates the coefficients, demonstrating a positive relationship between the effectiveness of the RS and each individual independent variable. It is clear that all independent variables have an impact on the RS, and therefore it is concluded that the

OGS RS is significantly affected by the factors related to the philosophy of the system, alignment with the business strategy, alignment with the human resources strategy, tangible and intangible reward system, and the role of managers.

**Table 6.18: Coefficients<sup>a</sup>**

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.895	.581		-8.423	.000
	Philosophy	.237	.042	.154	5.714	.000
	alignmentBS	-.200	.092	-.054	-2.170	.030
	alignmentHR	.195	.054	.122	3.586	.000
	tangibleRS	.156	.025	.184	6.165	.000
	intangibleRS	.222	.026	.307	8.712	.000
	Suprteffective	.374	.041	.293	9.016	.000
	Stakhoder roles	-.169	.049	-.101	-3.419	.001

a. Dependent Variable: effective reward system

## **6.7 Relationship between Employee Commitment and Engagement and Effectiveness of the Reward System and Independent Variables**

This section reports the results of the relationship between employee commitment and engagement and the relevant independent variables.

### **6.7.1 Assumptions of Multiple Linear Regression Analysis Related to Employees Commitment and Engagement and Independent Variables**

Similar tests were conducted to test assumptions of multiple regression analysis related to employees' commitment and engagement and independent variables. The tests showed that all the assumptions are met.

### **Multiple Regressions Analysis**

Table 6.19 provides a model summary indicating that the adjusted R square is 0.454 shows how well the regression model generalises, and the variance explanation. This means that about half of the variation in the observational data was explained.

**Table 6.19: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.677 <sup>a</sup>	.458	.454	1.37391

a. Predictors: (Constant), manaroles, alignmentBS, philosophy, tangibleRS, intangibleRS, suprteffective, alignmentHR

b. Dependent Variable: Employcomm

Table 6.20 shows the analysis of variance (ANOVA) which demonstrates an overall significant relationship between employee commitment and engagement and the group of independent variables which were entered into the regression model ( $F = 97.743$ ,  $P = 0.000 < 0.05$ ). These results indicate that there is an overall impact of the independent variables on employee engagement and commitment.

**Table 6.20: ANOVA<sup>b</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1291.517	7	184.502	97.743	.000 <sup>a</sup>
Residual	1527.097	809	1.888		
Total	2818.614	816			

a. Predictors: (Constant), manaroles, alignmentBS, philosophy, tangibleRS, intangibleRS, suprteffective, alignmentHR

b. Dependent Variable: Employcomm

Table 6.21 shows the coefficients, indicating that employee commitment and engagement is affected by the variables related to intangible rewards (sufficient training, continued education and career development, comfort of the reward system, employees' involvement in establishing their goals, performance appraisal, etc., [see Table 6.5]); supportive and effective processes (no clear plans and methods for formulating, evaluating the reward system, no regular benchmarking, etc., [see Table 6.6]), and the role of stakeholders in the implementation (incapability of managers and supervisors to manage the reward system, etc., [see Table 6.7]). It can be concluded that the lack of employee involvement in decision-making and the absence of their involvement in designing, formulating and implementing the RS lead to ineffectiveness of the system. It is clear from Table 6.21 that other factors such as the philosophy of the reward

system, alignment with business strategy, alignment with human resources strategy, and tangible reward system, have no impact on employee commitment and engagement in the design and implementation of the reward system.

**Table 6.21: Coefficients<sup>a</sup>**

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.162	.308	3.776	.000
	philosophy	-.011	.022	-.485	.628
	alignmentBS	.024	.048	.499	.618
	alignmentHR	.034	.029	1.164	.245
	tangibleRS	.009	.013	.706	.480
	intangibleRS	.194	.014	14.317	.000
	suprteffective	.080	.022	3.637	.000
	Manaroles	-.059	.026	-2.243	.025

a. Dependent Variable: Employcomm

## 6.8 Conclusion

From the presentation of the quantitative findings, it has become clear that the vast majority of the employees who participated in the survey are in agreement about the state of the current RS in the OGS. The population in the sample was mainly under 40 years old and 75% of respondents were male, but it is not though that these demographic features have any effect upon the opinions regarding the RS, although it might well have been the case that had more women been involved, there would have been greater dissatisfaction, especially with the intangible rewards. Essentially, from the statistics presented it can be concluded that the current RS is not believed to be transparent by employees, that it does not align with either the business or the HR strategy, and that the nature of the rewards offered is not satisfactory or attractive to them. Additionally, the skills of managers in operating the RS are called into question by employees, suggesting that a need for training and greater is required. In the following chapter the findings of the qualitative aspect of the study are presented, which enable a comparison between the survey outcomes and allow for their confirmation or otherwise.



# **CHAPTER SEVEN**

## **RESULTS OF THE SURVEY (QUALITATIVE DATA)**

### **7.1 Introduction**

The aim of this chapter is to provide a detailed account of the main themes that emerged from the qualitative data collected via in-depth interviews and focus group discussion with employees. These themes were: effectiveness of the reward system (weaknesses of the system), weak relationship and distrust between managers (supervisors), suggestions for improving payment and the current incentive system, effectiveness of the reward system in achieving the Omani government's objectives, effectiveness of the reward system in achieving employee commitment and engagement, intangible rewards components, application of the TRS, challenges to the efficacy of a comprehensive remuneration strategy in the Omani governmental sector, and the contribution of success factors to a comprehensive remuneration strategy.

The analysis draws on data collected from eight in-depth interviews and two focus group discussions with employees.

From the findings presented in Chapter Six after applying both the descriptive and inferential statistical techniques, it is readily apparent that employees in the OGS are not satisfied with the current reward system, and believe it should be developed. However, the interviews which were conducted with four general managers and managers, two assistant managers, deputy directors, and heads of divisions and employees, reveal different views about the reward system, which are provided in the following sections.

### **7.2 Effectiveness of the Reward System**

#### **7.2.1 Features of the Reward System**

Employees were asked about the features of the reward system in general and the regular payment of salaries, in particular. All employees reported that they receive their salaries by the end of each month, as confirmed by one employee who said:

*“The continuity and persistence in paying salary without any delay means that the OGS employee is quite confident that he receives the salary by the end of each month”.*

Three of the eight interviewees confirmed the incentive system is being comprehensive and consistent with local laws. They emphasised that they receive allowances and remuneration on a regular basis, one in particular saying:

*“The civil service law stipulates the possibility of giving rewards to those who extend distinguished service, work, research, or proposals that lead to improving the style of work or developing performance efficiency or save in spending”.*

And another participant reported that the allowance system is based on employee performance, saying:

*“What has been stipulated by the Civil Service Law determines permissibility to pay exceptional allowances to all who are distinguished in their performance and work hard to improve and develop productivity, and also the possibility of paying encouraging annual remunerations for those employees who contribute by submitting proposals leading to perfection of work, and the extension of good public services”.*

Only one participant criticised the system on the grounds that:

*“The factors that are thought to encourage and motivate employees like promotions, exceptional allowances and encouraging increments became frustrating and discouraging factors”.*

The findings of the in-depth interviews were not different from the focus group discussion results since the majority of participants agreed that employees received their salaries on time, and that the Omani law ensured job security for all OGS employees.

### **7.2.2 Employees’ Views on the Effectiveness of the Reward System**

There was agreement among all employees that the RS is ineffective in appraising employees’ performance since currently, it depends upon the annual report that is written by the line managers about their employees. On this topic, one employee said:

*“There is an absence of appraisal criteria to help the manager assess employee performance. All means of assessment are used in most of the appraisal elements but there is no real basis and criteria that the manager could rely upon in reaching objective assessments”.*

And another employee said:

*“The periodical regular allowance as a renewable right for good performance, and the receipt of encouraging increments and exceptional allowances is all subject to bias”.*

Another employee reported that the performance appraisal system does not exist in the Omani governmental sector. His attitude was that:

*“The rewards are the rights of all employees whether they are diligent or negligent and they get these regardless of performance standards”.*

And another interviewee said:

*“A great number of employees are availed of the same type of incentives despite differences in their skills and qualifications, and this results in frustration for hard workers while defaulters continue in their negligence”.*

Although all employees emphasised that salaries and allowances are paid on a monthly basis, they reported that these salaries are insufficient to cover their needs. In this matter, one complained that:

*“An employee can exert more effort over the year and in the following year his salary will not increase apart from a small amount that he might be shy to mention, while the cost of living is increasing day by day and thus employees will have no initiative to work and finally, will be frustrated and discontented with their careers”.*

The other four participants agreed upon the fact that top management within ministries have a part in designing the reward system, and this was problematic as noted by one interviewee, who said:

*“Lack of skill on the part of managers or chiefs to implement the reward system, results, and not only that but some are taking sides with selected employees. Personal factors also determine eligibility to pay incentives - a thing that spreads an atmosphere of injustice, and leads to mistrust between subordinates and their superiors”.*

This lack of skill and objectivity was raised by another participant who complained that:

*“The misunderstanding of some managers about such reports and/or their failure to objectively rule the situations, or the interference of personal bias in assessment, is something that results in yielding incentives to those who don't deserve them while depriving eligible employees at the same time”.*

In the focus group discussions, participants raised the issue of favouritism and interference in relation to promotion, allowances and remuneration. They also emphasised that incentives do not exist, and that the lack of leadership skills among managers hinders the implementation of the reward system. Participants have also reported that there is no appraisal performance system that plays a role in assessing employees' performance, and there are no job categories or incentives to motivate employees.

There was agreement among participants about the low salaries paid in the OGS and the fact that not all government units had the budget to supplement these with incentives. One participant explained the problem, saying:

*“Sometimes, enough financial resources might not be available within the governmental units' budgets to facilitate disposal of rewards to their distinguished employees who are characterised by superb performance, and some of these authorities tend to adopt a policy for disposing a yearly increment to employees albeit in variable amounts and in accordance with the grade and type of job assumed by the employee, and that is catered for through the annual savings in the budget yielded by other operational funds and resources”.*

This illuminates both differences in practice across ministries, and the lack of funds to operate the existing reward system.

Additionally, participants emphasised that deputy ministers, general managers, and other senior managers are not aware of the low salaries and the financial problems facing employees.

Overwhelmingly, participants believed that the lack of clear criteria for use in assessing the merits of particular employees, led to favouritism and mediation within the OGS reward system. Consequently, as all eight participants noted, the performance appraisal system is neither efficient nor effective. Moreover, top management have no leadership skills to motivate their employees and provide them with a minimum level of incentives such as periodic and regular allowances, mainly in this instance because of the absence of relevant regulations. Furthermore, participants reported that there is no job categorisation which can be linked to promotion and development.

### **7.2.3 Recommendations to Develop and Improve the Current Reward System**

Participants were asked to provide their suggestions in relation to the current OGS reward system, and almost all of them recommended the design of a new strategy for rewards and incentives because the current provision is outdated and requires reform. One of the participants said:

*“There are no clear mechanisms and specified criteria that form the basis for incentives. The government should introduce a new amendment, particularly to the performance appraisal system. This will be more effective and transparent as well as based on honesty and frankness”.*

There was a consensus among participants that it is critical to focus on the importance of incentives for employees, particularly on tangible and intangible rewards, since as one individual believed:

*“Everyone will be encouraged to exert more efforts to reach excellent standards and create honest competitiveness between all employees, and this no doubt will generally improve the working environment”.*

Participants also stressed the need for an equitable basis to the reward system such that promotion and relevant training were available to all employees. One person said:

*“Fairness should dominate in giving chances for promotion and other facilities like training and qualifying, and much more care should be given to employees’ families, including suitable health insurance”.*

Another participant recommended the establishment of a committee:

*“to be dedicated to judging the recommendations rewards according to specific criteria and bases known to all employees”.*

Almost all participants believed that changes should be made to allow them to become involved in the decision-making process in relation to all ministerial policies, not only the reward system, since this exclusion alienates employs. On this issue, one participant said:

*“Employees can accept and respond to decisions made by themselves rather than by their managers. My affiliation to the Ministry is not strong because I do not participate in decision-making”.*

And another participant added:

*“Care and attention ought to be given to the issue of employees' awareness, as to know their rights and duties over and above the importance of carrying out periodical surveys to know employees' ideas towards the remunerations and incentives given to them. And their proposals should be listened to on this subject while considering the possibility of responding to them within the permissible available budgets allowed to units”.*

And another employer believed that:

*“Efforts should be pursued to create an atmosphere featured with mutual trust between the employees and their managers. This will enable employees to participate in decision-making related to job description, incentives, remuneration and development”.*

This lack of transparency in the relationship between employees and their line managers gained more attention, with another participant saying:

*“There is a need to seriously encourage both employees and managers to reach a reconciliation and construct transparent relationships, honesty and frankness as well as trust. This will lead to the creation of a healthy environment and healthy working conditions”.*

One participant felt that exceptional employees should be catered for, and recommended:

*“the serious consideration of allotting promotions and increments and remunerations exceptionally, based on rational and accurate assessment that caters for experience and qualifications with excellence in employees' performance quantitatively and qualitatively”.*

The same participant suggested the need to:

*“develop and enhance intangible incentives such as praising and appreciating employees with high performance who perform and award them with some sort of rewards”.*

Training and development was considered worthy of recommendation as follows:

*“I think that training and qualification must be given more focus, and the allocated funds for these two aspects should be increased”.*

One of the employees stated that the reward system should focus on salaries and their incremental nature to keep abreast with inflation. On this issue he said:

*“There should be an increase of salaries to cope with the economic circumstances and rising cost of living along with efforts made to secure a suitable work environment, fighting routine and monotony so that employees will not feel weariness and consequently be discontented and*

*experience a drop in morale. Employees feeling this way might end up being neglectful and careless”.*

And another referred to the very important matter of differentiating what was a legal entitlement for an employee and what was a reward at the discretion of the employer. In this respect, he said:

*“It is imperative to differentiate between what is considered as basic rights for every employee and the deserved incentive eligible for innovative staff”.*

The findings presented in this section are consistent across the individual interviewees and the focus group discussions. The group stressed the desirability of developing and designing an effective financial and non-financial incentive system to meet the needs of employees. Additionally, the idea of an objective performance management system to include merits and rewards was welcomed. And finally, there was strong feeling that employees should be given the right to participate in decision-making related to the reward system so that they are in a position to safeguard their needs.

#### **7.2.4 Effectiveness of the Reward System in Achieving Governmental Objectives**

Participants in this study were asked about the effectiveness of the reward system in achieving the organisational objectives of their ministries. Specifically, they were asked about the ability of the reward system to achieve their ministries’ goals. Only two participants believed the reward system was capable of achieving the organisational goals, one saying:

*“No doubt the government is still able to execute its plans and programmes, attract and retain the proficient people, albeit the private sector has been a strong competitor in this regard. The government is able through incentives to attract such categories to a large extent”.*

This view was supported by another participant who reported that:

*“The system, secures the level of desired objectives. The yearly plans are executed in time and the numbers of those seeking jobs in the governmental sector is increasing. This in itself is a good indicator of the ability of the system to attract talented and efficient people. Moreover, the government has the resources to reinforce its systems and programmes to efficiently achieve its goals”.*

In contrast, the other six participants emphasised that the system does not achieve their ministries’ goals because it is ineffective. One of these employees argued:

*“I’m sure that the prevailing reward system would not achieve my ministry’s goals because it is very limited and old. This is due to the absence of the performance indicators related to the Ministry. Talented employees in my Ministry are not given the opportunity to offer their services and skills because their managers do not allow them to do that”.*

And these views above were supported by another participant who stated:

*“The system could be helpful, but it is very limited and needs to be reviewed by specialists otherwise it will get worse. The problem is that the government has never thought about changing the system”.*

Another participant had strong negative views about the system, complaining that:

*“The current system in no way can achieve the government objectives due to the absence of a link between eligibility and improving/increasing production and developing the government’s position in respect of the desired and promised ambitions”.*

The results from the focus group discussion were entirely in line with these negative views about the effectiveness of the reward system in achieving the organisational goals, it being stressed by group members that the system does not help organisations to achieve their objectives because it does not meet employees’ aims and it is employees who are responsible for achieving the goals.

#### **7.2.5 Effectiveness of the Reward System in Achieving Employee Commitment and Engagement**

Eight interviewees were asked about their views on how current reward system facilitates their commitment and engagement to the organisation (their interest in the job, satisfaction with the working environment, participation in education and training, and opportunities for career development). Two of the participants agreed to a large extent that the system helped them to maintain their goals and retain their interest in their jobs. One said:

*“The system is effective in achieving the targeted goals and objectives to some extent, but there is a great need to increase its efficacy through contributions of employees in formulating the system which may suit their ambitions and be more powerful to satisfy their needs”.*

Another participant supported this idea, saying:

*“The salaries in the civil service sector are not bad should they be compared to the salaries in the private sector, and they satisfy the minimum level of living needs and requirements. Also there are chances of training and qualifying coupled with job advancement for government servants. I might conclude that the system satisfies the aims of employees to some extent”.*

In contrast, however, six interviews were of the view that the reward system was not effective in achieving their commitment to the organisations. Various criticisms were levelled, one being:

*“The salaries are very little if compared with the cost of living and chances for qualification and training are quite few and are utilised by a limited group. The promotions are no more better for occurring through prolonged periods of time and might not yield money benefits because relevant staff reached the top level of grades that they are promoted to, thus you can measure this parallel to the rest of the incentives”.*

Another was that:

*“The system is unable to cater for employees' needs and requirements in providing allocations that secure them and their families and lead to a*

*dignified life. A state of despair and frustration dominate most employees in the sector and as such this situation generates their desire to leave it in the hope of better offers”.*

This view was supported by another participant who reported that:

*“The system does not meet the desires and ambitions of large sections of employees. Thus, some of them when offered better status from outside the sector, did not hesitate to submit their resignations without paying attention to how their departure might affect the sector”.*

Ten participants in the focus group discussion were in agreement that the reward system does not help to facilitate their organisational commitment because it is not effective. On the other hand, the other two participants believed the system, has managed to secure their commitment and engagement.

### **7.3 Introducing Intangible Rewards into a Total Reward Strategy**

This section presents participants’ views on the contribution of intangible rewards to a TRS, such rewards being manifest in continuous training and development, performance management and appraisal, job categorisation and improvement, etc. Participants were asked about their views on the importance of intangible rewards in developing a TRS within the Omani governmental sector, and there was much agreement among them about the importance of such a system, one participant stating that intangible rewards:

*“all help to create a motivating atmosphere for employees and disseminate the soul of sincerity amongst them”.*

This view was supported by other participants, one saying:

*“It is vital to introduce intangible rewards, as they play a supportive role in raising employee morale especially in the absence of moral incentives”.*

Furthermore, one of the participants stressed that:

*“Because the human being is naturally motivated by materialistic issues and if we ignore the same, this will passively affect employee morale”.*

One of the participants held a different view, however, saying:

*“I see no reason to introduce intangible rewards within the elements of the total reward strategy because it needs intensive efforts from top management to assess effectiveness”.*

This viewpoint was supported by another participant, but in different way. He stated that:

*“This what we need, but we are unable to establish tangible rewards albeit they are desirable, because we are faced with two challenges: firstly, the intangible rewards are not perceptible and with poor advantage, and secondly, the challenge is that human beings always like financial benefits even if living on top of mountains”.*



Nine of the twelve members of the focus groups agreed that it was sensible to include the non-financial elements within the TRS because these would motivate employees to commit themselves to achieve the organisation's goals and engage in different activities. The remaining three did not agree with this view, believing that embedding the non-financial elements in the TRS was not feasible because of the difficulty in assessing the direct impact of that on the whole system.

### **7.3.1 Suitability of Applying a Total Reward Strategy in the OGS**

Participants were asked about the suitability of applying a TRS in the Omani governmental sector. Five of the participants were completely convinced of the importance of implementing such a system as soon as possible, fearing that the OGS would soon encounter an alarming lack of productivity. On this matter, one participant claimed:

*"It is time for the Omani government to adopt such a strategy in order to achieve its objectives efficiently."*

And another emphasised that:

*"The strategy has become a necessity that the government should quickly adopt and facilitate its application after paving the road for the TRS".*

Commenting on the urgency, another participant said:

*"I see it necessary to speed up the process of applying the TRS in stages which can create a typical change within the Omani governmental organisations. This will lead to the creation of a modern system for reward in the Sultanate of Oman".*

On the other hand, there were a few participants who, whilst fully appreciative of the need to adopt a TRS, were sceptical about the application of such a strategy on the grounds that Omani organisations were not yet in a state of readiness in this respect. One commented on the need to remove the obstacles to such implementation, saying:

*"I am with the application of this strategy but the working environment in the governmental sector is not yet ready for application of TRS. The government is invited to exert tough efforts to overcome all impediments, thus the application will be set on proper basis".*

And similar comments regarding the inability of organisations were echoed by yet another participant, who said:

*"There is no reason to adopt such strategy because the top management will not be able to apply it. However, this strategy will help to curtail discontent that is increasingly evident nowadays".*

The findings of the in-depth interviews were consistent with the findings of the focus group which included eight participants. Ten of the group supported the adoption of a TRS by the OGS, whereas two did not, but for reasons of practicality, i.e. the organisations would not be able to properly deliver the strategy.

### **7.3.2 Challenges to the Implementation of a Total Rewards System in the Omani Governmental Sector**

Participants in the in-depth interviews and in the focus groups were asked for their opinions regarding the challenges facing the implementation of a TRS, and in general, all respondents were in agreement that there were obstacles and that difficulties would be encountered in trying to apply such a strategy. All participants mentioned that the absence of business and human resources strategies may hinder the development of an effective reward system. One participant focused on the human resources issue, saying:

*“The non-availability of a human resources strategy relevant to any governmental authority hampers the adoption of a comprehensive strategy”.*

And another revealed that:

*“The majority of the governmental departments lack business strategies that could contribute to the development of a framework with clear objectives. The reason is that they generally depend upon short term plans rather than long term plans. Therefore, in light of the non-availability of strategies for each ministry, they will not be able to establish a human resources strategy, let alone one for incentives and remunerations. The issue would be restricted to planning and developing programmes”.*

Six of the participants reported that the lack of a proper performance management system represents one of the main challenges to the implementation of an effective reward strategy, since only with such a system can rewards be channelled to the most deserving employees. There is an absence within the OGS of reporting and performance appraisal meaning that managers cannot accurately assess the performance of their subordinates. One participant said in this respect:

*“The traditional administration system is still adopted by the majority of the government units which have been relying on annual reports to assess the performance of employees and keeping the same as secret and confidential”.*

Participants have also agreed that flexibility in the Omani civil system does not exist, and hence, this poses barriers to the establishment of an effective incentive system. Additionally, this rigidity has affected the delay in applying job categorisation. These factors have led to low employee performance, which as said already, is not properly appraised using specific performance indicators, thereby creating a vicious circle.

In-depth interviews with employees indicated that the system suffers from favouritism and bias which is not surprising since without a proper transparent reward system and performance indicators, no manager is accountable, and can therefore reward on a subjective basis. The incentive system is rendered ineffective in this culture. Indeed, one of the participants complained, saying:

*“In recent years, the work culture has tended to be one in which favouritism has come to the fore, and behaviour is reciprocated, such that certain employees receive encouraging remunerations and exceptional increments*

*and allowances because of their relationships with the manager and not because of merit”.*

This was confirmed by another participant who said:

*“There is a deficiency in qualified cadres who are keen to change the traditional incentive style and establish a way to link eligibility for the receipt of incentives with distinguished services and the attainment of planned goals and objectives. Officials are not sincere in applying rewards system, and some are practising favouritism and personally interfering in assessing amounts to be paid. This has resulted in unfairness that has led to mistrust”.*

Almost, all participants revealed that top management lack the leadership skills required to introduce a new strategy. This was aptly described by one participant who stated:

*“Apparently, general managers are not able to address the issue of incentive and support it before top management because they lack the necessary skills of leadership”.*

And another participant revealed that:

*“Top management still consider the allocation of incentives as an expensive process that affects the Ministry’s budget and believe it is not an investment in the human capital that helps the Ministry to achieve its stipulated goals”.*

It seems that the results from the in-depth interviews are consistent with the opinions expressed in the focus groups, since the absence of business and human resources strategies, and the lack of leadership skills among managers and general managers surfaced in both. The focus group results revealed that there is no effective performance appraisal system that helps managers to assess their subordinates. And the work culture within the OGS was noted as not encouraging creativity among employees because monthly wages have become entrenched as a tangible right for employees rather than an incentive.

### **7.3.3 Success Factors in Respect of the Implementation of a Total Reward Strategy**

All participants were in agreement about the need to link the reward strategy to the business and human resources strategy in all governmental organisations. On this issue, one participant raised the need for complete compatibility, saying:

*“The strategy should be compatible completely with the general strategy, human resources strategy and organisational culture of governmental bodies”.*

And another expressed the opinion that compatibility would

*“yield the best effectiveness levels during the application process and help to maintain the required objectives”.*

Almost all participants stressed that one of the main success factors in the design of an effective reward system is a modern performance management system, in which respect, one participant said:

*“The main objective of such system should be motivating individuals’ achievement and reinforcing team work and conformity regarding employees’ personal objectives with the aims and goals of governmental departments through clear bases and criteria along with employees’ involvement in decision- making”.*

Another participant mentioned the involvement of employees as a critical success factor, saying:

*“Employees’ views are not currently taken into consideration by their managers and their voice is not heard in designing different strategies and making any decisions. This affects the development of the incentive system such that it doesn’t suit employees’ ambitions, and it critical that those ambitions are taken into account”.*

This stumbling block in the process was also raised by another participant who said:

*“It is crucial to establish awareness among employees regarding their role in the change process and to clarify the anticipated use and benefits from such change. In this aspect all available means should be used to make the picture clear like organising workshops, convening meetings with supervisors, using the local internal internet to communicate messages to the employees about the system's developments and undertaking job categorisation. All this activity should be part of the decision-making process relevant to establishing a new remuneration and incentives strategy, and employees should be involved”.*

On the issue of communication raised in the previous extract, more was said by participants, who placed emphasis on the crucial role played by communication and the need for a broad strategy involving different modes of communication to enable the Omani government to create awareness among employees. In this respect, one participant said:

*“It is necessary to create an atmosphere of mutual trust and transparency through which employees can easily communicate with their managers and present their views”.*

Another participant stressed that:

*“It is imperative that employees should be aware of their roles in designing and executing the reward system as well as in communicating their view effectively”.*

Four participants addressed the issue of the reward system from the Islamic point of view, highlighting the need to remember basic Islamic values such as honesty, sincerity, self-control, and true friendship. One of those participants said:

*“Islamic values will help to augment an effective application of the reward system and create a healthy work environment within organisations.”*

Another participant said:

*“Special consideration with keenness should be paid to the application of Islamic values that focus on ultimate fairness and equality, honesty, self-observation in all performed deeds”.*

The findings from the interviewees coincided with those from the focus group, whose members also reported that the inclusion of both financial and non-financial rewards was a critical success factor, as also were linkages to the business and human resources strategies in all Omani governmental organisations. Satisfaction of these CSFs was believed to lead to an effective reward system at the national level. Participants in the focus group also stressed that the government should develop an effective performance management system that encourages managers to assess their employees on a clear and professional basis, and that favouritism and bias in the allocation of rewards should be eradicated. This was emphasised as an important CSF.

#### **7.4 Conclusion**

This chapter has produced the findings from the qualitative aspects of the empirical work from which it has emerged that much general agreement exists between the opinions of the interviewees and those of the questionnaire respondents. It can be concluded that the obstacles to the implementation of a TRS system within Oman's governmental sector, as identified by the questionnaire respondents were also articulated by interviewees and focus group members. These can be summed up as being resistance from people who are happy with the system that rewards all people with regular salary whether they perform well or not, the inability of managerial personnel to effectively appraise subordinates due to their own skill inadequacies, and the absence of definite evaluation criteria, and a culture which allows the interference of third parties in what should be a transparent process of reward for performance. Additionally, that culture is one that has hitherto not involved workers in matters relating to reward and it can be concluded that this is a substantial shortfall in the current system because in the absence of such approach, employers do not know what rewards are actual motivators. The next chapter provides a discussion of the problem faced by the OGS, the effectiveness of the RS within it, and the possibility of introducing a TR philosophy into that sector.

# **CHAPTER EIGHT**

## **DISCUSSION AND THE STUDY FINDINGS**

### **8.1 Introduction**

There are several studies that place an emphasis on the importance of effective reward systems in organisations whether in the public or private sector (Chang and Bitch, 2006; Wan, 2007; Butt 2008; Giancola, 2008). Yet, achieving an effective RS in both developed and developing countries remains one of the most complicated challenges facing organisations because such a system consists of tangible and intangible rewards which are hard to manage and to balance. This study aimed to address one of the most complex rewards systems in the Arab World (see Chapter Four). Using a mixed method approach combining both quantitative and qualitative approaches, enabling triangulation and complementation, this study has produced critical findings in respect of all aspects of the OGS RS from the viewpoints of employees in various positions in the sector. The study relied on a large scale sample which represented all governmental organisations in Oman, and the quantitative results derived from this exercise are complemented by the findings produced by in-depth interviews and focus groups. The discussion is opened with a brief presentation of the quantitative results, their consistency with related literature, and how support from these findings emerges from both the in-depth interviews and focus groups.

As mentioned in Chapter One, the aims of the study are twofold: to examine the effectiveness of the reward system (RS) in the Omani government sector, and to explore the feasibility of introducing the Total Reward (TR) concept into that sector. This chapter is divided into two main parts, the first examining the effectiveness of the RS operating in the OGS, and the second concerned with the potential for applying a TRS in this sector.

### **8.2 The Effectiveness of the Reward System in the Civil Service Sector**

This section aims to discuss the theoretical background and empirical results of the study by comparing them with studies conducted by other researchers. It attempts to link the results of the study with the theory of effective reward, the literature reviewed, and results from the in-depth interviews.

### **8.2.1 Research Question 1: What does the RS in the Omani Governmental System consist of?**

Chapter Four provides an overview of Oman in general, and the RS in operation in the OGS in particular. The first research question aims to critically review this provision from the point of view of the Omani Civil Service law, and the literature. Supplementing this are the comments received during the study's empirical exercises.

In order to have some benchmark against which to consider the RS in the OGS, it was essential to construct a theoretical framework in respect of TR, as found from the analysis of the literature, and hence, the study began with a literature review and a particular focus on the RS in the OGS. As indicated in Chapters Three and Four, rewards play a critical role in employees' lives since they affect them economically, socially and psychologically. Hence, the importance of an effective RS was confirmed. In this respect, it was established that effectiveness depends upon values, beliefs, attitudes, business strategy, and human resources (Armstrong, 2004; Crawley, 2007; Zhou, 2008; Armstrong and Brown, 2009).

As far as the GS is concerned, the first Civil Service Law was drawn up in 1975, and subsequently developed in 1980 to include 13 chapters and 85 articles. In 2004, the Omani government introduced a new law related to the RS (see Chapter Four for differences between 1980 and 2004), and more recently, on 15 March 2011, His Majesty Sultan Qaboos issued Royal orders to introduce an allowance to meet the rising cost of living.

Despite this known background to the OGS RS, however, there is no formal statement of what the RS actually contains, and despite the researcher's many efforts to find one, he was unsuccessful, leading him to conclude that this absence in itself is a negative sign since it indicates that there is no properly stipulated basis on which reward is made. Indeed, it has been argued by Al-Awawi (2003:259) that the *"unclear reward system in government organisations is considered one of the main factors that prevent the transferring of the trainees' learning from the training programmes to their workplaces"*.

On this basis, the study emphasises a role for government in the development of a document dedicated to the RS. This policy document should encompass all relevant practical and operational measures, and be communicated to all employees so that they

can understand their roles and the benefits they may receive from the system. The content of the prevailing RS is discussed in the following sections.

### **8.2.2 Research Question 2: To what extent does the RS in the OGS have a well-articulated philosophy?**

Theoretically, the Omani government has exerted some efforts to ensure justice and equity among all employees in relation to rewards. Articles in the Civil Service Law state that there is no discrimination or prejudice between employees on the basis of race, sex or faith. Furthermore, the Omani authorities are delegated to pay some incentives to the Committee of Employees' Affairs for its efforts in applying the principle of justice among all employees. And, employees do have the right to appeal against any decision taken by the Committee if he/she feels it is unjust or prejudicial. Moreover, an employee can consult a dedicated court regarding any decision that does not conform with the Civil Service Law.

However, the vast majority of employees participating in the quantitative survey reported negative views about the philosophy of the OGS RS. Specifically, 84% complained that it was not transparent, 74.5% stated that it did not ensure fairness, and 83.7% said it was inflexible in attempting to achieve organisational objectives. These results are supported by those produced from the in-depth interviews and focus groups. Employees emphasised that the RS suffers from favouritism and bias, and consequently it was ineffective. In this respect, one employee said: *"Officials are not sincere in applying incentives and the remuneration system, not only that but some are practising favouritism and personally interfere in assessing amounts to be paid. This has resulted in unfairness that led to mistrust"*.

In terms of flexibility of the RS, the Omani government has not paid any attention to this issue, and particularly the amendment of grades and salaries is considered necessary. Interviewees reported that the system is not flexible and hinders the establishment of an attractive incentive system, one in particular saying: *"There is not enough flexibility in the Civil Service Law to authorise governmental departments to establish incentives systems that suit the nature of their work"*.

It is worth emphasising in this section that almost three-quarters of employees (70.2%) reported that the RS is not affected by the Arab culture and Islamic values. This result is consistent with the in-depth interview results. One of the participants said: *"There is no existence within the working environment of the Islamic values that invite honesty in*



*work and God-fearing in every deed, and casting away envy etc. The result is distrust either between superiors and subordinates or between co-workers themselves”.*

Actually, these findings do not coincide with those of other researchers (i.e. Al-Lamky, 2006; Al-Asmi, 2008) who argued that religion plays a crucial role in people's everyday lives and behaviour in Omani society. This may be attributable to the fact that the ineffective implementation of the reward system and the favouritism present in the OGS, sets one worker against another, essentially creating a problem in the workplace and an unhealthy environment.

According to Towers Perrin (2009), the key elements of an effective TRS include a robust overall philosophy. On this matter, Armstrong and Stephens (2006:6) noted that a TR philosophy must be clearly applied to all employees to achieve fundamental values like *“transparency, equity and fairness in operating the reward system”*. Many authors (see Chapter Three) emphasise that people are satisfied with their rewards when they perceive there is transparency, fairness, equity, consistency and flexibility in the method of distribution, and hence, if they do not consider they are being appropriately rewarded for their effort, they will invariably reduce their commitment to the organisation.

The results of this study unfortunately reveal a big gap between the objectives of the Omani project in achieving social justice and the current reward system. Theoretically, the Omani laws do not distinguish between different sorts of people on the basis of race, gender and religion. Practically, the values stated in the laws are not applied on the ground since favouritism and mediation prevail in the majority of government sector organisations, with promotions and incentives being awarded on the basis of personal relationships (relatives, friendship, etc.) rather than on employees' performance and productivity. These situations have created discrimination among employees who are not satisfied with the organisations they work for, and an urgent remedy is need so that transparent actions and measures are applied to all employees regardless of their race, gender and colour. Additionally, the Omani government should ensure that it hires the best people for higher positions that involve managing employees, so that employees are dealt with on an equal basis and in an effective way. The government should also work on developing an efficient and transparent punishment system that likewise, is able to deal with all employees on an equal basis.

### **8.2.3 Research Question 3: To what extent is the RS aligned with the business strategy in the OGS?**

The survey questionnaire results demonstrate that the overwhelming majority of employees reported negative views about the link between the reward system and their ministry's objectives (95% disagree and strongly disagree). And the qualitative results coming from the interviews suggest that the majority of government departments do not actually have a business strategy, as seen by this comment: *"Most government units lack relevant strategies with a stipulated frame of work and clear objectives. The matter is that they generally depend on year planning"*.

These results reveal that there can be no relationship between the Omani reward system and the business strategy of each ministry, since most ministries do not have such a strategy. Actually, whilst this finding contradicts with the literature that demonstrates business strategies to be in existence, it does also agree with it since both the Mercer European TR Survey (2007) and the Hay Group Survey (2010) found the majority of organisations not to be aligning their business strategies and rewards systems. This is strange given that managers, academics and consultants (Towers Perrin, 2007; Aquila, 2007:11) believe that competitive advantage is optimally derived from such alignment. Indeed, Aquila (2007:11) states that: *"A reward system that is tied to the firm's strategic objectives is more effective than one that is not"*.

The study results indicate that governmental organisations are still working on the basis of annual plans rather than on strategic objectives and action plans. Moreover, this is confirmed by the researcher's own experience as a general manager for 15 years, during which time he has noted that the majority of governmental organisations still engage in annual planning, showing a lack of strategic vision and mission, which leads to poor performance and productivity. Organisations in the OGS should develop their own strategies that can be translated into practical and operational actions, and hence, the Omani government is urged to encourage all organisations to develop strategic plans in collaboration with employees, otherwise organisational objectives will never be achieved and employee satisfaction will not be achieved.

### **8.2.4 Research Question 4: To what extent is the RS aligned with the HR strategy in government units in Oman?**

The quantitative survey results clearly indicate that the vast majority of employees (92.9%) did not believe any link existed between the RS and employees' recruitment and selection within their ministries. About two thirds of employees (66.9%) reported

no link between the RS and retention of employees within the civil service sector organisations. Moreover, no link was reported either between the RS and employees' training and development (84.6%) or between the RS and the performance management system (89.6%). These results were supported by in-depth interview findings which demonstrated no relationship between the RS and HR strategies represented in training, performance management and recruitment. One of the employees stated that: *"To date there are no strategies for managing and developing the human resources for every single government department"*.

The results obtained show how important the relationship between the RS and HR strategy is. Many researchers (i.e. Dolman-Connell, 1999; Gilbert and Turner, 2005) contend that there is a mutual role between HR strategies and RSs, and a survey conducted by Watson Wyatt Worldwide and WorldatWork (2008/2009) found that integration between RSs and talent management correlates not just with improved attraction and retention, but also with stronger financial performance.

It is clear from the results that the governmental organisations have not developed HR strategies and still depend upon a reactionary approach. It is worth mentioning that the Omani government has introduced contemporary systems for resources management and electronic management of HR. In fact, the Omani employment system has been classified as the best system by the United Nations. However, it seems that these steps are still not sufficient to develop an effective RS, and there remains an urgent need for a strategic HRM plan for each ministry, which should include a transparent system for rewards and incentives.

#### **8.2.5 Research Question 5: To what extent does the RS in the OGS provide an optimal mix of tangible and intangible rewards?**

The TR philosophy rests on the notion, among others, that both tangible and intangible rewards are of value to employees, and should therefore be provided to them (Jones, 2008).

##### **8.2.5.1 Tangible Rewards**

The results of this study indicated that employees' salaries are low in comparison with the living expenses and essentially they do not cover the basic needs of employees' families. More than half (58.5%) the respondents reported that the salaries they receive do not cover their essentials, and these complaints are supported by the interviewees, one of whom said: *"The salaries are very little if compared with cost of living"*.

Moreover, 94.1% of employees did not believe they were paid fairly when compared with other ministries, and slightly more (95.4%) felt that their pay was not competitive with that offered by other ministries.

On the other hand, some employees demonstrated their satisfaction with their salaries not because they are high, but rather because they receive these regularly every month and on a continuous basis. In this respect, one interviewee said: *“There is continuity and persistence in paying salary without any delay, thus the employee in the sector is quite confident that he receives the salary by the end of each month”*.

Extensive research has shown that monetary rewards are crucial in attracting and retaining talented employees and in aligning staff behaviour with business goals (O’Neal, 1998; Schuster, 2008; Zingheim et al, 2009). For instance, the tangible rewards contain three basic elements: pay, variable pay, and benefits. However, Armstrong (2010) cautions that the situation is not so clear-cut, and that thought must be given to how to ensure that these three elements of reward work together.

Base pay is intended to provide a normal living requirement for the employee. According to Greene (2009:12), *“pay rates must be equitable and competitive”*. From the Islamic viewpoint, the Prophet Mohammed (Peace upon him) was clear in his perspective on reward, emphasising the need to pay an employee immediately after s/he has finished the job.

As shown in Chapter Four, the Omani Civil Service Law differentiates in Article 2 between two types of *salaries*: the *basic pay* (against each grade in the *grades and pay schedule*) and *full pay* (the basic salary plus allowances which are provided according to categories and *measures and provisions*). In addition to pay, employees may be entitled to accommodation, electricity, water, and transportation and telephone allowances (Article 38, chapter 4). According to the same article, employees are also entitled to travel allowances for training and official tasks inside and outside the country. Employees receive an annual increment in January each year. However, employees with poor performance are not entitled to any annual increment. In March 2011, the Omani government decided to introduce an allowance to meet the increasingly high costs of living (<http://main.omanobserver.om>).

It is believed that tangible rewards are very important for employees and their families and it is assumed that every government should work towards ensuring that its people

live in decent conditions. Studies of the Omani situation show that salaries and benefits are still very low compared to the costs of living. Indeed, demonstrations that took place a few months ago are a clear sign of the critical situation in which the Omani people live. This critical situation has forced some qualified employees to leave the government sector, and if living conditions do not improve, more qualified individuals will follow.

Despite the increase in employees' salaries in the civil sector, there is still a shortcoming in the whole system. The periodical bonuses are very small compared to the higher cost of living. Moreover, as increases are paid on a proportional basis, employees on low level grades have not received the same actual amounts of money as increases as those on top grades, so in fact the gap between them is extending. Many researchers argue that variable pay is a critical tool in a TRS if an organisation wishes to remain competitive in the market and control its costs (Handshear and O'Neal, 1993; Buchenroth, 2006). According to Zingheim and Schuster (2008), approximately 80% of all organisations in the UK (including non-profit making ones) have developed some type of variable pay. Variable pay takes different forms such as individual pay, team pay, and organisational performance pay. Practically, the OGS provides only individual pay. Actually, Article 37 states that an employee may be entitled to incentive bonuses if he/she provides excellent service, work, research or creative suggestions that help in work improvement, raise performance levels, and/or achieves economy in expenditure. Nevertheless, the survey results are inconsistent with this particular Article, since more than half of employees (57.7%) agreed that their performance exceeded the allowances they receive from their ministries. In fact, less than 2% reported receiving bonuses for skills improvement and competence leading to excellent performance. These findings coincide with those of Al-Shidy (2002) who found that 65% of employees had never received any incentive bonuses although their work was excellent. And in a study by Shaiban (1994), it emerged that 85% of the sample were dissatisfied with the award of bonuses in governmental units. Actually, in 2008, the Ministry of Civil Services introduced a prize for exceptional performance and good suggestions for work improvement, but in doing so, it did not specify what type of prize employees can receive.

According to Article 36, an employee may be awarded an exceptional allowance of two equivalent periodic allowances at his/her job grade, once annually (maximum four allowances in each grade). However, this study found that only 1.5% of employees

received exceptional allowances for better performance. Sometimes rewards are given for proficiency in employment, but Al-Sheedi (2001) suggests that there is a lack of confidence in the official link between proficiency in employment and access to the promotional allowance, since 53% of employees in his survey did not expect to receive a reward, despite being professional at work.

The results of the survey questionnaire in this study, and the outcomes from the literature review are, to large extent, consistent with those from the in-depth interviews and focus groups, which indicated that the incentive system is not implemented in the OGS. Employees attributed that to the inability of managers to distinguish between active and inactive employees, one employee stating: *“A great number of employees avail one similar type of incentives despite differences in their skills and qualifications, and this results in frustration to hard workers while defaulters continue in their negligence”*.

It can be concluded from this brief presentation of the incentive bonuses in the OGS that this aspect of the RS remains weak and not implemented on the ground.

According to Article 27, employees in the civil service sector are prompted to be creative and promotion should be based on a merit system (70% for efficiency and 30% for seniority).

Participants in this study considered promotion from the viewpoint of fairness, showing that length of service at the ministry increases employees' promotion (70%). However, this promotion does not influence employees' contribution to the development of the ministry (4%), and employees believe that promotion occurs on the basis of favouritism rather than performance and productivity. One participant reported that: *“The promotions are no more better for occurring through prolonged periods of time and might not yield money benefits because relevant staff reached the top level of grades that they are promoted to, thus you can measure this parallel to the other incentives”*.

Clearly, these results are not in line with the Civil Service Law, which states that promotions should be based on proficiency as assessed in the annual reports, and that no kind of favouritism or influence from personal relationships should be present. The results of study conducted by Al Ghailani (2005) found that 98% of respondents believed that promotions were based purely on seniority, and in an earlier study by Al Hosni (1992) only 28% of respondents believed that promotion was based on

performance proficiency. That result does, nonetheless indicate, that promotion seemed to operate more fairly in the past. The CIPD (2008) has indicated that UK public sector employers operate a service-related pay system for progression in the job, and the Hay Group (2009) documents that approximately 50% of US organisations use merit increases for top-performing employees.

Although the Omani government has recently introduced benefits, employees are still not satisfied with them and believe that these benefits cannot cover the shortages in their basic needs. The survey results found that the overwhelming majority of employees (95.6%) reported disappointment about the benefits they receive. Moreover, employees had no choice of benefits or additional services that might help with their basic needs (92.5%). These results were emphasised by the in-depth interviews and focus groups conducted with employees, one such participants stating: *“The system is unable to cater for employees’ needs and requirements in providing allocations that secure them and their families to lead a dignified life”*.

McMullen et al (2009:10) state that: *“Employees’ benefits, are considered a basic and important foundational element in attracting or retaining talent as competitors for talent also offer employee benefits”*.

In fact, every organisation has its own benefit system/programme. However, there are typical and traditional benefits that are provided by the majority of organisations such as social security, medical and dental insurance, vacation pay, retirement pensions, life insurance, shopping discounts, childcare vouchers, and staff (Milkovich, 2000; McMullen et al, 2009). Pension is deemed one of the major benefits in which employees are interested because they look for a better life after retirement. The results of this study indicate that less than half of employees (46.1%) are satisfied with the retirement system (pension) set by the Omani government, and indeed in this respect, they are consistent with those obtained by Al Bareedy (2009) who found the majority of his respondents to be disgruntled with pension arrangements. From the Islamic perspective, Islam prioritises old people, as indicated in Chapter Four, which mentions the role of Muslim Khalif Omar who initiated and implemented this consideration. According to the Omani law, Article 151 states that employees who are retired are entitled to a grant/bonus of one month’s pay for each year of service with a maximum limit of ten months for grades 1-6, and 12 months for grades 7-14.

Benefits and incentives are regarded as very important factors that help organisations to retain qualified and skilled people. As mentioned earlier, the Omani government has been trying to secure a decent life for employees, but these steps are not sufficient due to the fact that, employees are not satisfied with the rewards offered. Therefore, the government should focus on employees' aspirations and needs, and should also develop a sole and single pension system for all employees in the government sector to encompass also the civil service sector, the Ministry of Defence, Sultanate Affaires Office, Omani Police, and other security bodies. The pension system substantially differs between all these governmental bodies in terms of retirement salary, final reward, etc., and such variation across governmental bodies leads to discrimination between employees.

#### **8.2.5.2 Intangible Rewards**

According to McMullen et al (2009:10), intangible rewards are critical in helping organisations to compete in the market and achieve their organisational goals effectively and efficiently. Such rewards consist of: the reputation of the employer, values that the employee identifies with, good leadership, a good relationship between managers and their subordinates, training and development opportunities, challenging work, effective performance appraisal, and a sensible work-life balance.

The results of this study are consistent with those obtained by the Hay Group (2009) which showed that intangible benefits play a vital role in employee engagement and commitment. Similar findings emerge from the most recent CIPD survey (2011) which indicates that employees place great emphasis on non-financial rewards when deciding where to work and the level of commitment to give to their work.

Although the Omani government has taken real steps in developing and updating the governmental system, these have not been sufficient to raise the reputation of the sector. Certainly, the Omani government has broadened the government sector in the last four decades and has absorbed more than two thirds of all Omanis, but the sector has been expanded horizontally rather than vertically so the focus has been on quantity rather than quality, and this has precipitated the migration of qualified people to the private sector and indeed, overseas. This migration has been particularly evident in managerial, technical and engineering departments (see Chapter Four), and Ministry of Civil Service figures clearly show the phenomenon has been increasing over the past three years, with the number of those resigning in 2005 being 207, and those 2010 reaching 385.



In this study more than three quarters of employees (77.1%) said they intended to resign as soon as they found another job opportunity because they were dissatisfied with the intangible rewards they received throughout their service in the OGS. The comments gathered in the in-depth interviews and focus group discussions confirmed this intention, one employee saying: *“The traditional administration system is still adopted by the majority of the government units”*.

The results of the study indicate that if the government does not take swift action and eradicate the old system, the Omani labour market will suffer from a greater lack of skilled people than at present. According to Al-Hamadi et al (2007:102), the region still lacks from skilled individuals, and this serious shortcoming is particularly true in jobs that demand professional and high level abilities, thereby suggesting that more attention should be given by the government to what it can do to attract and retain a talented workforce, in the interests of being able to cope with the current and future challenges that can only be met by capable workers who can compete and take the initiative (Al-Ghailani, 2005).

Lawler (2008) notes that decades of research indicates one of the common reasons for poor employee productivity and high turnover to be an ineffective reward programme. However, by delivering a broader TRS, organisations acquire strong potential to enhance their reputation as employers of choice and join the ranks of high performers (Gherson, 2000; Greene, 2007; CIPD, 2011). However, a TRS requires an effective performance management system, and in this respect, the OGS RS is lacking. Currently, employees are monitored through annual performance assessment reports, but there are no standards in place to provide managers with guidance, and hence decisions concerning whether performance is excellent or very good (worthy of reward) are subjective. Furthermore, employees are not permitted to see their performance appraisal reports so they have no idea how their contribution to the organisation has been assessed. Clearly, this is unfair to employees.

The results of the in-depth interviews confirmed that the performance management system is one of the main challenges to the implementation of an effective RS since there is no proper mechanism to help managers and general managers to assess the performance of their subordinates. For instance, one employee said: *“Most of the*

*government units have been relying on annual reports to assess performance of employees and keeping the same as secret and confidential”.*

In fact, Al-Hadhrimi's (2000) study revealed that the system suffers from poor design, since 76% of his respondents said there were no clear performance standards against which to be measured, and 33% complained that there was no relationship between the system and the salary increases or other rewards. It can be said that the performance management system is considered as the heart of other HR systems and if it is operated properly, so will other HR aspects be performed well.

Training and development opportunities represent enough value for individuals to result in their work satisfaction, engagement, and loyalty (Roath and Schut, 2009), and there are various strategies by which employers are able to provide these requirements. Some are more effective than others, such as providing assistance with tuition or outside seminars and conferences, granting educational sabbaticals, training packages dealing with new technology, virtual education, or a variety of self-development tools (O'Neal, 1998; Verma, 2009).

Since 1970, the Omani government has focused its efforts on developing people's skills and qualifications. According to Article 53 of the Civil Service Law, all employees are obliged to do some training. The Ministry of Civil Service is responsible for setting the standards and criteria for designing annual training and development plans for the units in collaboration and co-ordination with each ministry (Article 55). During the training period (scholarships and training courses), employees are entitled to enjoy all types of benefits such as receiving full salary, promotions, and periodical allowances (Article 54, 57 and 58).

According to Statistics of Civil Service employees (2010a), the total number of employees who finished doctorate was 272 (231 males and 41 females) and those achieving masters' degrees was 2,517. In general, more than 50% of employees in the OGS are educated to BA level and above. In terms of the quality of training, the majority of civil sector organisations have no dedicated unit for training and development, leading to a deficiency in training delivery and evaluation methods, according to Al-Mugbi (2006).

The main problem associated with the current training and development system is that it is not used as compensation or reward for good performance, whereas in fact, the very

favourable conditions associated with it, render it as a very valuable commodity. Another problem is that there are no criteria for choosing employees for certain courses, leaving the way clear for nepotism and favouritism, and denying the ministries the chance to skill their employees as the work task demand.

In this study, less than half (47.6%) of employees believed they had sufficient training to help them perform their jobs, and only 2.7% reported having had the chance to pursue their higher education and career development. Opportunities for higher qualifications and training are few and have been utilised by a limited number of people only. These quantitative results are consistent with the qualitative results which emphasised the lack of training and qualification among employees, one participant stating: *“The training and qualification must be considered with more focus and the allocated funds for these two aspects must be increased”*.

Participants have also linked promotion with relevant training, believing these should be offered fairly. One employee expressed his view in the following statement: *“.... fairness should dominate in giving chances for promotions and other facilities like training and qualifying”*.

The problem is also embedded in managers who have not received sufficient training to understand and implement the RS, and there is an urgent need for this shortcoming to be remedied such that managers are capable of conducting job evaluation, performance management, and satisfaction surveys. Likewise, employees should be informed of the components of a TRS and how it operates.

In order to provide intangible rewards that are attractive to employees, there is a need for qualified and skilled leaders who can motivate their employees to be more committed, engaged and loyal to the organisation. Leaders should also listen to employees' suggestions and create a harmonious and healthy relationship between themselves and employees.

Clearly, leadership is a key factor in managing both organisations and people, since when effective, it leads to motivation of employees to be more productive and loyal to the organisation. Therefore, the OGS should establish leadership competences in the departments and divisions throughout the service.

Employees who participated in the in-depth interviews and focus group discussions held different views about leaders in the civil service sector, believing that managers and

general managers are ineffective and require leadership training. One employee said: *“Apparently there is deficiency in higher level managers who do not believe in the importance of adopting such strategy”*.

These comments coincide with results of a CIPD (2006) survey which demonstrated a shortage of skilled leadership in all organisations (public and private sector), and those from Hay Group (2007) research which highlighted that around 80% of companies did not have competent and qualified internal staff to help combat the increased challenges facing senior managers.

According to Al-Asmi (2008), middle managers in Oman appraise their subordinates through their participation in social activities. However, because planning, controlling and monitoring is kept firmly within their remit, they are not effective in their direction of work, and this suggests that the Omani government should develop and qualify leaders at all levels of management if it seeks to design and implement an effective incentive system.

Quality of work depends upon the types of tasks to be performed and the personal goals of employees, as well as on the degree to which employees' skills, knowledge and qualifications are matched to the assigned tasks. Article 4 in the Omani Civil Service Law states that each division in the sector should prepare a list of tasks for permanent jobs which should be approved by the Ministry of Civil Service. Assigned tasks should be designed in accordance with the job classification and order systems. In general, vacancies are filled through appointment, promotion, transfers or delegation and according to the job description. It is worth remembering that the Omani teachings focus on working hard and combatting laziness, time-wasting, and unproductive activity.

According to many writers (Heneman, 2007; Scott et al, 2010), positive work content leads to higher employee motivation and engagement. In this respect, CIPD (2006:4) research indicates that: *“People who have reasonable autonomy in doing their job, sometimes called ‘elbow room’, and who find their job challenging, are likely to have high levels of job satisfaction and experience less work-related stress”*.

In contrast, Allen (2008) suggests that work-related stress continues to be a major reason for employees leaving an organisation. The author attributes such resignations to lack of satisfaction which leads to less commitment. In relation to the Omani context,

this study found that only 20% of employees enjoy their job, and hence working conditions and the general environment are overwhelmingly perceived as uncomfortable.

Good working relationships are critical in the workplace, yet employees in the OGS are jealous of each other, and are competitive in a way which opposes the Islamic teaching that “people are brothers”. The Prophet Mohammed (peace upon him) urged us to be like one body and where one organ feels pain, other organs pray for recovery.

It seems that employees are also not satisfied with the intangible rewards offered, apart from the high social status they acquire by working for their ministry (87.3%). Several researchers suggest that RSs should be implemented to encourage co-operation because employees who trust each other and work towards a shared goal are more likely to feel useful and valued within an organisation, resulting in increased loyalty to the company (Bragg, 2000; Armstrong, 2009). Effective relationships emerge as an important factor in explaining job satisfaction (CIPD, 2006).

Work-life balance is one of the most important aspects of TR and a necessary ingredient for organisational success. These aspects include flexible scheduling, job sharing, part-time working, home working, flexible hours and compressed workweeks, telecommuting, additional vacation and paid time-off, and time to care for dependents (Giancola, 2005; Armstrong and Stephens, 2006; Heneman, 2007; World at Work, 2007; Cotton et al, 2008; Parker 2008). Omani legislation pays great attention to social relations in the civil sector because it is believed that this may increase employees’ productivity. Work-life balance focuses on the total number of weekly working hours, and annual leave, and 29 articles relate to this. However, these do not take into consideration the demand for flexible working hours and compressed working weeks. Empirically, the results of this study found that only 10.7% of employees believed their ministry had promoted their work-life balance, and these results are inconsistent with those revealed in a survey conducted with 90 US employers, which found that about two thirds (66%) of employees had flexible work programmes. The study also found that 64% of organisations had improved employee retention while 49% had enhanced their recruitment programmes (Blades and Fondas, 2010).

It can be concluded from the results above that the work-life balance system focuses only on annual leave, neglecting other issues such as flexibility in number of hours, and the Omani government should remedy this problem with the design of a new strategy

that allows for compressed weeks and working from home. This would save costs in the work place and allow employees to save time and money in their transportation from home to work.

#### **8.2.6 Research Question 6: To what extent are there supportive and effective implementation processes for the RS in place in the OGS?**

The study results indicate that more than three quarters of employees (80.8%) believed their ministry had no clear plans or methods regarding the processes of developing, implementing and evaluating the RS. There are no surveys to identify employees' views and attitudes towards the RS (according to 86.8% of respondents), and ministries, do not generally involve employees in the process of designing, implementing and evaluating the reward system (only 5.3% of respondents believed they did).

Roath and Schut (2009) suggest that to be effective, a TRS should be guided by an action plan and a thorough defined process. This view is supported by several researchers (i.e. Lawler, 2000; Manas and Graham, 2003; Armstrong and Brown, 2006) who emphasise that a reward system should not be viewed either as a 'quick fix' or 'quick win', but should plan for sustainability, and in that planning employees should be involved. Such involvement is vital, since as Sejen (2006) found, organisations are struggling to implement RSs due to lack of employee involvement in the process. These results are supported by the study conducted in 1,2000 organisations in 80 countries by McMullen and Stark (2008) which indicated that the majority of organisations failed to effectively implement their RSs and only 30% were successful.

#### **8.2.7 Research Question 7: To what extent are the stakeholders in the OGS committed to implementing the RS?**

The study findings show that about two third of employees (67.4%) believed there was no clear instruction regarding their responsibilities and accountability in the implementation of the RS, an almost 90% reported that they do not understand their roles in this respect. More than three quarters of employees believe that their supervisors are not capable of implementing the RS, and they also reported the belief that their senior managers do not support its implementation. These opinions are supported by the in-depth interviews, with one employee stating: *"There is a lack of skills among managers and chiefs to implement the remunerations and incentives system"*.

These results reveal that employees in the OGS are not aware of their roles and responsibilities in the ministries for which they work, a situation possibly attributable to

the lack of support received from their line managers. Therefore, the greater availability of supportive and effective implementation processes, the more effective the reward system.

It can be seen from the results that the OGS RS is still traditional and does not take employees' views into account when implementing the system. This outmoded approach means that the OGS is not utilising employees' experience effectively since their ignorance of the part they should play in the work of the ministry precludes them from contributing to a greater extent. Moreover, the ineffective system of performance appraisal, being dependent upon annual reports that remain secret and confidential, has no developmental value. Employees neither participate in writing their reports nor view them, so they have no idea whether their performance and productivity are considered acceptable or otherwise.

According to Ledford and Hawk (2000), involvement of employees in their organisations' RSs helps in implementation, and consequently employees should be encouraged to participate in all planning related to such systems. However, managers must also have the ability to support RSs, and in a study by McMullen et al (2009), it emerged that more than three-quarters of reported their managers as being incapable in this matter. The study also found that less than 40% of employees believed their managers to be effective in communicating the initiatives related to the system.

It can be concluded that managers in the OGS are still unable to deliver the RS, a fault which can be attributed to lack of appropriate skills and qualifications.

#### **8.2.8 Research Question 8: How effective is the RS in the OGS in terms of the achievement of organisational objectives?**

This question was raised in order to determine the link between the effectiveness of the RS and certain factors influencing it. The multiple linear regression analysis results found an overall significant relationship between the effectiveness of the RS ( $F = 168.829$ ,  $P = 0.000 < 0.05$ ) in the OGS and the independent variables introduced to the model (the philosophy of the RS, alignment of the system with business strategy, alignment of the system with HR strategy, tangible reward system, intangible reward system, supportive and effective processes of implementation of the system, and roles of managers in the implementation of the system). It can be concluded that the reward system is negatively affected by the factors related to internal strategies of the civil

sector. The independent variables used in the regression model are highly predictive of the effectiveness of the RS.

These results mean that the RS will never be effective unless the factors (independent variables) are considered either as motivators or obstacles. If attention is paid to these, the system can be improved, but if the Omani government does not take these factors into account in its future plans, there will be no improvement to the current system and the brain drain outside the OGS will continue.

It is useful to recall some percentages from Chapter Six. The descriptive results found that only 25.6% of employees reported that their ministries as being able to attract talented people and only 18.6% believed they could motivate talented employees. Less than one third (30.5%) believed their ministries could retain key talent and high performers. Only 28.7% and 31.3% of employees agreed that their ministries had the ability to manage cost effectively and to achieve enhanced financial performance.

These opinions received support from the interviewees and focus group members, many of whom expressed negative views in this regard. Six participants stressed that the system does not achieve their ministries' goals, one in particular saying: *"I'm sure that the prevailing reward system would not achieve my ministry's goals because it is very limited and old. This is due the absence of the performance indicators related to the ministry"*.

And another participant said: *"The system could be helpful, it is very limited and needs to be reviewed by specialists otherwise it will get worse. The problem is that, the government has never thought about changing the system"*.

The results from the focus group discussion are in line with the negative views about the effectiveness of the RS in achieving the organisational goals. The groups stressed that the system does not help organisations to achieve their objectives because it does not meet employees' aims and they are the people responsible for achieving the goals.

Only two participants believed the OGS RS could be improved. One of these individuals said: *"No doubt the government is still able to execute its plans and programmes, attract and retain the proficient people albeit the private sector has been thus a strong competitive in this regard. To summarise, the government is able through incentives to attract such categories to a large extent"*.



Researchers in the field of RSs suggest that it is entirely possible for organisations to design a TRS that achieves effectiveness for the organisation and satisfies employees (see Chapter Three). However, the major challenge of a TR approach is its need to balance employees' requirements with organisational needs (Giancola, 2008). It is also important to take into account that there is no single best practice and that a 'one-size-fits-all' approach is not possible as organisations have different goals, needs, and employee preferences. According to Hay Group research (2009), organisations are focusing on creating a link between their reward programmes and organisational objectives. As seen in Chapters Two and Three, the objectives of employers are to deliver the RS through improving selection and recruitment, retaining and motivating employees, managing cost effectively and improving organisational performance.

The literature documents that business strategies play a key factor in designing and implementing a reward programme. However, several researchers argue that business strategy and environment are not significantly linked to the RS (Manas and Graham, 2003; Lawler, 2003; Gross and Friedman, 2004; Armstrong and Stephenson, 2006), and hence organisations seem not to be appreciating the importance of communicating their goals, with the result that they do not achieve them. The results of this study found that the business strategy was not important in the effectiveness of the reward system, and that the problem might be embedded in the implementation of the system rather than in the design. In fact, the literature suggests that the business strategy and environment are not significantly linked to the RS (Manas and Graham, 2003; Lawler, 2003; Gross and Friedman, 2004; Armstrong and Stephenson, 2006), and that organisations are unaware of the need to communicate organisational goals to employees. However, the Mercer European Total Reward Strategy survey (2007) emphasised that reward strategies may not be successful if they are divorced from the organisation's strategic objectives.

Organisations wish to attract talented people who have competent capabilities and experience which may significantly enhance their capabilities to meet their goals in both the short and long term (Khanuja and Harvey, 2010). Therefore, it is very useful to create a match between the reward strategy and talent management strategy, and once an organisation develops its talent strategy, it should link that to its reward strategy (Lawler, 2008). A survey conducted by the Hay Group (2009) indicated that companies that fail to adopt an integrated approach to reward and talent management are more likely to experience problems in attracting critical and skilled employees (20%).

However, the study found that 25% of participating organisations (top-performing employers) reported some difficulties in retaining skilled employees.

The results of the study reveal that the current OGS RS continues to suffer from weaknesses not only at the employee level, but also at the organisational level, since it neither achieves the organisational goals or those of the employees. In its current state, the RS is incapable of achieving ministerial objectives because the weaknesses are embedded. Firstly, the RS is not articulated to achieve the goals of the organisation; secondly, the system suffers because there is no link between the RS and the HR strategy and this requires the Omani government to strengthen its HRM with a particular focus on activities related to RS; thirdly, the lack of intangible rewards on offer is problematic because without these, the RS cannot be implemented from a broader perspective; and finally, managers are not sufficiently skilled to implement the system.

#### **8.2.9 Research Question 9: How effective is the RS in the OGS in terms of the achievement of employee objectives?**

This section discusses the impact of independent factors (represented in the philosophy of the reward system, alignment of the system with business strategy, alignment of the system with human resources strategy, tangible reward system, intangible reward system, supportive and effective processes in the implementation of the system, and the roles of managers in the implementation of the system) on employees' commitment and engagement. The multiple linear regression analysis showed a significant relationship between employee commitment and the independent variables ( $F = 97.743$ ,  $P = 0.000 < 0.05$ ). On the individual factors, the results found that the philosophy of the reward system ( $P = 0.628 > 0.05$ ), alignment with business strategy ( $P = 0.618 > 0.05$ ), alignment with human resources ( $P = 0.245 > 0.05$ ), and tangible rewards ( $P = 0.480 > 0.05$ ) had no effect on employees' commitment and engagement. On the other hand, intangible rewards ( $P = 0.000 < 0.05$ ), supportive and effective processes in the implementation of the system ( $P = 0.000 < 0.05$ ), and the role of managers ( $P = 0.025 < 0.05$ ) did have an effect on employees' commitment.

It can be concluded that there is a strong relationship between the effectiveness of the RS in achieving employees' goals and intangible rewards, the role played by managers, and the presence (or absence) of effective processes in the implementation of the system. In other words, this positive relationship reveals that the reward system will not become effective until these factors are taken into account when designing and

implementing the RS. Thus, the reward system is not effective in achieving employees' objectives and hence they do not commit to the organisation or become engaged in it beyond what the job requires.

Interestingly, these results reveal that employees' commitment and engagement is more affected by intangible rewards than tangible ones, so salaries, variable pay and benefits are not too influential, whereas training and development opportunities, effective communication between managers and their subordinates, promotion and a healthy work-life balance are seen as motivators in this respect. Although employees have complained that their salaries are too low to meet their basic needs, they are nonetheless, keen to be involved in organisational decision-making process, they do want to improve their relationships with their line managers, and they are hoping for training and development opportunities, as well as promotion. Indeed, they want a social relationship with their managers. According to Al-Asmi (2008), middle managers use employees' participation in social events as an appraisal tool, but in essence, these managers are not capable of proper appraisal in any situation because they are still enmeshed in the traditional activities of planning, controlling and monitoring, rather than having a more modern approach to management that includes delegation, and empowerment of the workforce.

These quantitative results coincide with those obtained within the in-depth interviews with employees which emphasised that the RS is ineffective in achieving their goals, in which respect, one employee said: *"A state of despair and frustration dominated amongst most of the sector's participants and as such this situation generated their wish and desire to leave the government sector in case they avail better offers"*.

One employee did believe the RS could achieve employees' objectives but indicated this would require an upheaval of the system to incorporate substantial employee involvement, saying: *"The system is effective in achieving the targeted goals and objectives to some extent, but there is a great gap to increase its efficacy through contributions of employees to formulate a system that suits their ambitions and is more powerful to satisfy their needs"*.

As mentioned in Chapters Two and Three, the consequences of an ineffective RS include the migration of talented people, and the inability to attract high calibre staff. Indeed, as indicated by more than 80% of the questionnaire respondents, already, employees in their vast majority do not recommend the OGS to friends and family as a

good place to work. This demonstrates that large numbers of employees are seriously contemplating leaving their current posts, a situation which would reflect negatively on the sector's productivity, and in fact 77.1% of employees openly said they intend to resign as soon as they find another job.

The results from the focus group discussions also support the negative views previously discussed. Overall, the results of this study coincide with those of the Hay Group research (2010) which found that many organisations are still struggling to achieve their goals because of the lack of commitment from both employers and employees. In order to make a reward programme successful and effective, both employers and employees are required to exert tremendous effort. Furthermore, Lawler (2003) argues that treating people properly is a fundamental issue in creating organisational effectiveness and success in the twenty-first century. It is worth remembering that it is necessary for employers to care about their employees because organisational performance and productivity depend upon employees' engagement and commitment.

These views on employee engagement and commitment are also voiced by Towers Perrin (2009) who emphasise that organisations with highly engaged employees are more likely to achieve better financial performance than those with less employee engagement. And according to the CIPD (2009), it has become essential for organisations in both the public and private sectors to engage their employees significantly in the design and implementation process of any RS. The Hay Group research (2009) reveals that around 40% of organisations in its study have established measures for engaging employees in respect of different issues, and that around 50% of organisations reported their intention to pay greater attention to this in the future.

As shown in Chapter Four, there is a lack of workplace morale, motivation, and commitment in the OGS, which has resulted in the sector's inability to retain qualified and skilled employees. Simultaneously, Oman's private sector Oman has been growing rapidly and is attracting public sector employees in its attempt to secure highly skilled individuals. Indeed, as already indicated, the last few years have seen a worrying acceleration of this phenomenon, with numbers of resignations escalating from 207 in 2005, to 698 in 2009.

It can be concluded from this section that the RS in the OGS is not successful in achieving its employees' objectives, a feature due to lack of commitment among employees. This situation demands the consideration of employees' views on all work-

related issues, and the recognition that their participation in decision-making would result in a feeling of ownership of organisational problems, and increased motivation.

### **8.3 The Potential for a Total Reward Strategy in Civil Service Sector**

When asked about the potential for applying a TRS in the OGS, just over half the questionnaire respondents (50.8%) indicated their belief that such potential did exist, and the interviewees and focus group members were in agreement with this opinion. Five participants were adamant that a TRS should be implemented as soon as possible within the OGS to stem the flow of talent to the private section. One of these individuals said: *“It is now the time for the Omani government to adopt such a strategy in order to achieve its objectives efficiently”*.

On the other hand, there were a few participants who expressed a different view, considering the readiness and ability of the OGS to be a big obstacle to the implementation of a TRS, although they did agree on the desirability of introducing such a system. Their opinion was summed up by one participant who said: *“I am with the application of this strategy but the working environment in the governmental sector is not yet ready for application of TRS. The government is invited to exert tough efforts to overcome all impediments thus the application will be set on proper basis”*.

The findings of the in-depth interviews and the focus groups were entirely in agreement. Almost all participants supported the adoption of a TRS within the OGS. Only two demonstrated their opposition to adoption such system.

Intangible rewards form one of the main elements of a TRS (see Chapter Two), and there was emphasis placed by the need for such rewards, by a number of interviewees, as indicated by one employee who stated: *“It is vital to introduce intangible rewards, as they play a supportive role in raising employee morale especially in the absence of moral incentive”*.

However, another individual who supported this view, identified the commitment required from senior management, saying: *“It needs intensive efforts from top management to assess effectiveness”*.

Results from the focus groups were consistent with the opinions expressed by interviewees. It was wholeheartedly believed that intangible rewards motivate employees to commit themselves to achieving organisational goals through their engagement in different sorts of tasks. However, whilst all employees were able to

perceive this clear benefit, a few participants also considered that it was impossible to embed the non-financial elements in a TRS because of difficulties in assessing the direct impact of that on the system. It is to be remembered that the questionnaire respondents indicated their preference for an approach which offered both tangible and intangible rewards, and that they ranked the seven elements of reward that motivate them as being: fair salary, developing and promoting their career, equity in delivering rewards and incentives, rewarding excellent performance, flexible benefits, wise and good leadership, comfortable working conditions and environment. In relation to this aspect, organisations have started moving from the traditional RSs that focused purely on tangible rewards to a broader definition embracing intangible rewards. There are several reasons behind this movement including the erosion of the core elements of a company's package, pressure for effectiveness, or simply the need to reinforce the business strategy such that all factors are considered when restructuring the TR packages so that they encourage talented individuals to remain with the organisation, and consequently retain its reputation.

Despite the fact that the TR concept is theoretically very simple, it is operationally complex (Giancola 2008), and only a small number of companies have successfully implemented TRSs. Indeed, a CIPD (2009) survey found only one-fifth of surveyed companies had adopted a TR system and only 22% of the remaining population had plans to do so. Some organisations still believe that it is better for employees to focus only on tangible rewards (pay and benefits) and to exclude learning and development from the system (Mercer, 2006; CIPD, 2007; Towers Perrin, 2007). There are several researchers (i.e. Armstrong and Stephens, 2006; Giancola, 2008; Reilly and Brown, 2008) who mentioned that some employers face some difficulties in including the elements of intangible rewards in the system because they require competitive and skilled human resources to work on the implementation of these. Moreover, this also requires top management who are able to lead and follow up the process of implementation. As indicated, the holistic reward strategy is not a quick-fix solution; rather it requires exerting great efforts over a period of. Such efforts are in the direction of developing self-management abilities, self-awareness, social awareness, and relationship management on the part of organisational leaders in pursuit of significantly raised performance (Giancola, 2008).

It can be concluded that if organisations wish to adopt a TR strategies, they are required to take that desire into account in their strategic objectives because implementation of

TR depends upon many factors as mentioned above. In other words, organisations should prepare themselves for this task. It is worth remembering that the idea of TR was initiated in Western organisations and the extent to which the experiences documented in such environments can be transferred to organisations in developing countries is a valid one. Oman is one of those developing countries which has not yet embraced the TR philosophy, although the government has introduced some reforms to the existing system. After considering both the theoretical and operational background in Chapters Two and Three, however, it has emerged that the RS in the OGS is still weak and requires a huge improvement effort. Accordingly, the Omani government should recognise the enormous task involved, and opt for a TRS to update its reward philosophy, and it should rapidly work to introduce such a strategy which can be translated into action plans. At the same time, top management in the civil sector should develop both the tangible and intangible rewards which will motivate employees to stay in the sector.

### **8.3.1 Research Question 10: What are the main challenges to the adoption of a TR strategy in the OGS?**

The descriptive study results document several challenges to the implementation of a TRS in the OGS. From the employees' viewpoint, these challenges include: lack of business strategy (94.4%); lack of supportive human resources and reward processes (85.7%); lack of an effective performance management system (85.8%); lack of an effective communication system (84.9%); lack of support from top management (82.6%); lack of line management skill and ability (88.7%); lack of financial resources (88.3%), and resistance from employees (72.6%). These quantitative results were supported by the qualitative comments gained from the in-depth interviews and focus groups. All participants reported that the lack of business and human resources strategies may hinder the development of an effective reward system. One of the participants stated that: *"Non-availability of human resources strategy relevant to any governmental authority hampers the adoption of a comprehensive strategy that can evolve"*.

Six of the participants reported the need to introduce a performance management system as one of the main challenges, one in particular, saying: *"The traditional administration system is still adopted by the majority of the government units which have been relying on annual reports to assess performance of employees and keeping the same as secret and confidential"*.

Furthermore, interviewees emphasised the problem of favouritism, raising this as another challenge, with one participant saying: *“The work culture has changed in recent years and is now represented in favouritism and courteous behaviour accompanying the issue of some encouraging remunerations and exceptional increments and allowances”*. Essentially, this interviewee was complaining about the upsurge in favouritism and nepotism which meant that reward is now much more based on that phenomenon than on merit, as is supposed to be the case in the OGS.

Almost all participants revealed that managers’ lack of leadership skills would present an obstacle to the introduction of a TRS, one of them complaining that: *“General managers are not able to address the issue of incentives and support with top management because they lack the necessary skills of leadership”*.

The results of this study coincide with the view expressed by Zingheim and Schuster (2000) view who argued that challenges within the TRS implementation process should be clearly understood if there is to be any chance of the system being effective. The shortfall in line manager skills is for example, agreed upon by many researchers as the main challenge (i.e. Brown, 2001; CIPD 2007). This indicates that line manager support and commitment in relation to TRS implementation is essential for its success (McMullen and Stark, 2008). Yet, a Hay Group study (2009) found only 28% of its sample believed their managers handled the pay-for-performance relationship effectively. Moreover, Towers Perrin research (2009) has shown that trust within supervisors is low (over 40% of respondents reporting this). These results confirm those of Brown’s (2001) study in a number of European organisations that reported failure to implement a TRS in one third of organisation due to lack of managerial skill, and in a survey conducted by the CIPD (2008), it was also found that the most common challenge was the absence of line management skill and managers’ inability to implement the strategy as planned. This skill shortage extends to support for employees in respect of their professional and career development, which is absent when line managers and senior staff are unskilled in these matters. Such lack of support from all levels of management was highlighted in the CIPD reward management survey of 2007 which identifies the most common challenges as: the lack of line management skill and ability to implement the strategy as intended; the lack of support from top managers, front-line managers, staff and unions; and poor communication and/or lack of support systems.



Hence, employers must develop line management capability, and provide appropriate tools to ensure that managers can manage intangible rewards effectively as they are the people responsible for managing coaching and assessing employee performance, giving feedback, recognising achievement, and providing meaningful work (Armstrong and Brown, 2005; Towers Perrin, 2007; Armstrong, 2010; Scott et al, 2010; CIPD, 2011).

The results of this study also reported that non-alignment with the business and HR strategies represents a major challenges to TRS implementation. In this respect, the Mercer European TR Survey (2007) documents that in the absence of a well-developed business strategy, no reward strategy can be successful, therefore indicating that failure may result in both these strategies unless they are aligned correctly.

It seems that the interviewees and the focus group members have the same opinions in this matter, believing that the absence of business and HR strategies, and the poor leadership skill levels possessed by managers and general managers, stand as barriers to effective TRS implementation. In particular, the focus group members complained about the absence of any effective performance appraisal system that helps managers to assess their subordinates. Cotton et al (2008) argued that effective performance management for all employees is essential, and according to Worldatwork (2007/2008), it is necessary for employers to measure the effectiveness of performance management by multiple criteria, including: growth, profitability, building customer loyalty, building human capital, and operational excellence. Furthermore, employees must have clear, understandable and challenging performance measures, which must at the same time be realistic and achievable (Kantor and Kao, 2004; Latham, 2007). All of this is absent in the OGS.

However, such assessment was seen as redundant anyway, since the work culture within the OGS does not encourage employees to be creative because monthly salary has become a tangible right for employees rather than an incentive. A further issue raised in the literature is that of employee involvement in the design and implementation of the TR strategy. The CIPD (2006) suggests that employees should be represented in design and implementation processes, and the Watson European TR Survey (2005) and the CIPD (2007) Survey found that communication between employees and their managers is critical in the implementation of TR strategy. That said, the Thomson Survey of employees found that 36.7% of respondents reported that TR strategy was not communicated well to their employees.

### **8.3.2 Research Question 11: What is the critical success factors (CSFs) associated with the adoption of a TR strategy in the OGS?**

In terms of the creation of an effective TRS, the CSFs relate to those activities and practices that should be addressed in order to ensure its successful implementation (Moreen and Steven, 2006; Towers Perrin, 2007/8).

The vast majority of employees (90.6%) believe that a TRS requires a well-articulated philosophy and a large percentage also recognised the need for alignment of the TRS with the governmental sector's business strategy (64.3%) and the HR strategy (83.7%). The overwhelming majority (97.5%) expressed the belief that there should be an optimal mix of both tangible and intangible rewards within the TRS. At the same time, employees (97%) agreed that the RS should meet both their needs and those of their employer (essentially confirming the earlier statement concerning the alignment with the business strategy). Also, 87.7% of employees acknowledged the need for supportive measures to facilitate the implementation of the RS, among which was the solid commitment from all stakeholders (86%).

These results are supported by the opinions expressed in the in-depth interviews and focus group discussions. All participants believed it was necessary to link the reward strategy to the business and HR strategies in all governmental organisations, one in particular saying: *"The strategy should be compatible completely with the general strategy, human resources strategy and organisational culture of governmental bodies"*.

And almost all participants cited the role of a modern performance system in an effective RS. In this respect, one participant said: *"The main objective of such system should be motivating individuals' achievement and reinforcing team work and conformity regarding employees' personal objectives with the aims and goals of governmental departments through clear bases and criteria along with employees' involvement in decision making"*.

Four participants addressed the issue of reward from the Islamic viewpoint, mentioning the need for honesty, sincerity, self-control and true friendship. On this matter, one participant said: *"Islamic values will help to augment an effective application of the reward system and create a healthy work environment within organisations. This may also include suitability of remuneration and incentives that cover the basic needs of employees and their families"*.

In respect of such needs, the focus group members stressed the urgency of developing an effective financial and non-financial incentive system that meets the needs of employees both in cost of living terms, and in personal development. They emphasised the importance of a performance management system that includes merits and rewards and that achieves employees' financial, and career development aims. Moreover, they were agreed that employees should participate effectively in decision-making related to the RS so that they could highlight their particular needs and ensure these were addressed.

The results of this study coincide with those of other research such as that undertaken by Towers Perrin (2009) which found that a robust overall philosophy is an essential part of the implementation of a TR process. Such philosophy should embrace certain principles, such as transparency, equity and fairness in operating the reward system (Armstrong and Stephens, 2006). The Hay Group survey (2010) demonstrated that potential rewards are not always comprehensively understood by employees, and that effective communication is another essential component of a TRS, and Kaplan (2005) suggested that the foundation for such a strategy might be the overall business strategy which could function as a vehicle to encourage organisations to change their behaviour and succeed in their work. According to the Hay Group survey (2010), many organisations are working to align their reward and business strategies. Indeed as noted by Aquila (2007:11), a *“reward system that is tied to the firm’s strategic objectives is more effective than one that is not”*.

Many researchers (i.e. O’Neil, 1995; Dolman-Connell, 1999; Brown, 2001; Manas and Graham, 2003; Wilson, 2003; Friedman, 2004; Gilbert and Turner, 2005) argue that an organisation’s RS must be closely linked with HR because appropriate rewards are essential to attract, retain and develop employees. Clearly, aspects of HRM are mutually supportive, and consequently, a competitive reward strategy can help to solve recruitment and retention difficulties. Performance appraisals of employees provide the evidence necessary to distribute rewards, and in themselves, these might improve employees’ capability and competence, enabling them to perform better.

It can be concluded that the most effective global approaches are marked by management and oversight structures that: involve leaders at all levels; provide clear lines of responsibility for programme design, financing, implementation, ongoing

management and monitoring; and ensure high-level global oversight and ownership of key decisions.

#### **8.4 Conclusion**

In presenting a wide-ranging discussion, structured around the 12 research questions identified in Chapter One, this chapter has addressed all the objectives, by drawing together the empirical evidence and secondary material derived in the main from the literature on reward.

In focusing firstly on the effectiveness of the OGS RS, it has overwhelmingly reported that the current state of the RS is not healthy, and that employees are discontent with the lack of attention it pays to them as individuals, who wish to be involved in the design of the RS so that their ideas about what rewards are actually valuable to them, can be incorporated. The problem of complacency of employees through the regular payment of salary has been highlighted, and the accompanying unfairness associated with the lack of a transparent system and the opportunities for favouritism and nepotism on the part of managers who have no formal standards or criteria by which to assess employees' performance has also been emphasised. The outcome of the current RS is that talented individuals are leaving the OGS at a growing rate.

In addressing the second aspect of the investigation, that being the potential for applying a TRS in the OGS, the chapter has shown that most participants (questionnaire respondents, interviewees, and focus group members) consider a TRS is highly desirable since this would provide wide-ranging benefits. However, the feeling is expressed by some, and this is confirmed in the literature, that without strong organisational commitment, manifested in various forms, the implementation of a TRS is likely to fail.

In the following chapter, an overall conclusion to the study is drawn, and recommendations are made to the Omani government for improvements to stem the flow of talent out of the OGS.

Overall, this chapter has provided a clear indication of how the empirical research was executed and how the data was treated after collection. In the next chapter the descriptive results and analysis of the questionnaire will be presented.

# **CHAPTER NINE**

## **SUMMARY OF RESULTS AND RECOMMENDATIONS**

### **9.1 Introduction**

In bringing the thesis to a close, this chapter presents a summary of the results obtained through the in-depth review of the literature relating to TR and its application internationally, and the comprehensive empirical study involving questionnaires, personal interviews, and focus group discussions. It proceeds to make recommendations in respect of reforming the current rewards system in the Omani Government sector. Subsequently, it indicates the contribution to knowledge made by the research, before addressing its limitations, and proposing areas for future research.

Before considering the summary, it is worthwhile to return to the aims and objects of the research, which are repeated here for ease of reading. There are two essential aims, the first being to examine the effectiveness of the reward system (RS) in the government sector in the Sultanate of Oman, as determined by the sector's ability to retain talent, and the second, to explore the feasibility of introducing the TR concept into that sector as a means to motivate employees and secure their loyalty. The five objectives emanating from this twofold aim were: to explore the concept of TR as conceived and practised in western environments; to critically analyse the RS in the Omani Government Sector (OGS); to investigate the impact of the RS on the achievement of organisational objectives in the OGS; to investigate the impact of the RS on the achievement of employee objectives, and to determine whether a TR strategy would be appropriate for the cultural context of the OGS.

The key variables in the study are as follows:

Independent Variables:

- The nature of the RS, and specifically, its alignment with the Business Strategy and the HR Strategy, and the mix of tangible and intangible rewards.
- The implementation of the RS, and specifically, the effectiveness of the process and the commitment of stakeholders.

Dependent Variable:

- The effectiveness of the RS, and specifically, the achievement of organisational objectives, and engagement and commitment.

## **9.2 Summary of Results**

Prior to considering the overall summary of results and the conclusions derived from this information, it is appropriate to remember the nature of the participants who provided the data on which the conclusions are drawn. In this respect, the research sample consisted mainly of government employees under the age of 40 years, two thirds of whom were male. In terms of their educational background, approximately 60% held Bachelors' degrees and above, and in respect of length of service, the largest percentage (27%) had been in post for 5 - 10 years.

The findings were essentially that:

1. 84% of employees believed the reward system was neither transparent nor fair in providing either rewards or incentives to employees.
2. 88.9% of employees reported no link between the reward systems and their Ministry's mission.
3. 92.9% of employees reported no clear link between the reward system and the recruitment and selection of employees in the OGS.
4. 68.8% of employees reported no link between the reward system and human resource planning, or with the training and development of employees.
5. 41.4% of participants were not satisfied with their salaries because these salaries do not cover their basic living needs. Moreover, employees were not satisfied with the benefits system. In terms of performance, 92.2% of employees believed their performance exceeded the allowances they received and 29.8% were satisfied with the retirement system.
6. Employees were dissatisfied with the intangible rewards available, and only 10% believed the reward system promoted an effective work-life balance. Only 47.6% believed they received enough training to help them in performing their tasks.
7. 81.1% of employees believed their ministries had not developed plans and methods related to developing, implementing and evaluating the reward system. 86.8% reported that their ministries do not conduct regular surveys regarding employees' attitudes towards the reward systems. Additionally, 86.1% revealed

that they were not involved in designing any systems (reward or performance management).

8. 67.4% of employees believed did not get clear delineation of my responsibility and accountability in implementing the Reward System. Furthermore, they commented that line managers did not possess the essential skills to implement the reward systems.
9. 93.9% of employees admitted that they were neither committed not passionate towards their ministries.
10. 83.2% of employees do not advise others (relatives and friends) to join the government sector. 50.8% of employees agree upon the suitability of the TR strategy that should be applied in the OGS, and 91.9% believe that the introduction of a TRS will assist the Omani government in reducing the migration of talented people.
11. In respect of the perceived challenges to the effective implementation of a TRS, participants identified these as: lack of business and human resources strategies; lack of supportive leadership and skill among line managers; the ineffective performance appraisal system; ineffective communication system between employees and their managers.
12. In respect of the perceived CSFs in respect of the effective implementation of a TRS, the majority of employees believed these to be: a well-articulated philosophy; alignment of the TRS with the governmental sector's business and HR strategies; an optimal mix of tangible and intangible rewards; a system that meets both the needs of employees and the employer; supportive measures to facilitate the implementation of the RS, among which was solid commitment from all stakeholders.
13. The multiple linear regression analysis results indicate an overall relationship between the effectiveness of the reward system in affecting the organisation's goals ( $F=168.829$ ,  $P=0.000<0.05$ ). Hence, the effectiveness of the system in achieving the organisation's goals is affected by all factors (the philosophy of the reward system, alignment of the system with business strategy, alignment of the system with human resources strategy, tangible reward system, intangible reward system, supportive and effective processes of system implementation, and the roles of managers in the implementation of the system).

In respect of employee commitment, the findings showed a significant relationship between the effectiveness of the reward system in achieving employees' objectives ( $F=97.743$ ,  $P=0.000<0.5$ ). On the individual factors level, the study revealed that employee commitment is more likely to be affected by intangible rewards than tangible rewards, and by the absence of managers' effectiveness in their roles, rather than with poor alignment with either the business or HR strategies.

As can be seen, the twelve research questions presented in Chapter One and again in Chapter Eight, have been answered, and consequently, the aims and objectives have been achieved.

The first and perhaps most important comment to be made regarding the overall results is that the current reward system in the OGS, whilst supposedly based on the Civil Service law, is out of synchronisation with the more developed reward systems in Oman's private sector, and indeed in other organisations, both public and private, elsewhere in the world. This means that the system is weak as it does not have the advantages of the more modern approaches which have been implemented in other countries and which have been shown in the literature to bring benefits to organisations through their ability to create satisfaction among employees. This is clearly a major shortcoming of the current system.

More specifically, the narrowness of the rewards on offer makes the system unattractive, since the comprehensive mix of tangible and intangible rewards that is a strong feature of the Total Reward philosophy is missing, as also is the ability for employees to participate in designing the reward system. This has two effects. Firstly, it means that the OGS is offering rewards that are not attractive and hence, not motivators of high performance and productivity. Secondly, it means that employees are discontented with their jobs believing that their opinion is not valued, and these conditions push them to look outside the OGS, thereby effecting a brain drain.

The unfairness of the system is another substantial demotivator of employees on the lower grades since bonuses are paid proportionate to salary, so a divide is created between the 'rich' and the 'poor' within the sector. Moreover, the fact that incentive bonuses are not based on employees' performance and productivity, which cannot be effectively measured in the absence of evaluation criteria, marks another injustice as managers make awards in this respect on the basis of favouritism. This also extends to



the exceptional allowance which OGS employees are entitled to receive if their annual appraisal reports are graded as excellent or very good. Given that the annual appraisal reports are confidential, they are neither objective nor able to accurately measure performance because of the absence of appropriate criteria by which to judge contribution, and consequently, the exceptional allowance aspect of the tangible reward system is open to abuse, being operated more as a gift from a line manager than a reward for good performance.

In respect of intangible rewards, those that do exist in the OGS RS are unattractive, and it is concluded that these rewards play no part in helping to retain talent. For example, the reputation of the Civil Service as providing a job for life, which once served to retain employees, is rapidly diminishing given the sector's lack of competitiveness with the private sector, and the private sector's greater concentration on performance rather than connections and length of service. Moreover, training and development which can function as an effective tangible reward, is not used as compensation or a reward for performance. Indeed, the lack of criteria for choosing employees for certain courses means that the selection of many individuals is not based on merit and ability to benefit, but rather more on connections, so for the vast majority of employees, the opportunities are very small.

Other clear weaknesses in the system other than those associated with reward traditionally conceived of as important to employees, can be observed in the lack of support received by employees because of leadership that is not skilled in performance appraisal, and basically incapable of objective employee evaluation. The practice of favouritism and mediation prevail over productivity and performance in the award of intangible rewards and as already mentioned this alienates the vast majority of employees. Moreover, the lack of effective communication between employees and managers, and the professional relationship between both parties suffers in consequence, thereby damaging the quality of the work environment. Effectively, these problems arise because of lack of thought on the part of senior management to the RS implementation process, which requires written guidance for line managers, and periodic employee satisfaction surveys to determine what aspects of reward are preferred over others. Hence, there has been no long term strategic viewpoint formulated which would lend itself to the establishment of formal mechanisms that would support a reward programme.

These pitfalls in the system combine to ensure that neither the organisational, nor employee objectives are achieved, and in wanting their personal goals to be realised, employees are keen to see the introduction of a TR strategy in the OGS. However, the obstacles outlined in this respect are substantial, being: the lack of corporate strategy and HR strategy in government units; lack of supporting HR and reward process; lack of solid performance management system; a poor and ineffective communication approach; lack of support from top management; lack of effective line management skill; lack of financial funds; and the resistance to change from both employees and managers. Consequently, it is concluded that an entire organisational culture change is basically required to underpin the effective adoption of a TRS.

Nonetheless, the overwhelming majority (over 90%) of participants reported that implementation of a TRS may help employees to stay in the civil sector. Clearly, there is a desire for change, but widespread scepticism about the HT and managerial capability to forge ahead on this basis.

From the literature review it is apparent that TR has not fared well in some countries, and even in western contexts, but the potential still remains for the possible benefits to outweigh the disadvantages, and with careful attention to the CSFS identified in the study, it should be possible to effectively implement a TRS in the OGS. Hence, the following recommendations are made.

### **9.3 Recommendations**

Subsequent to the conclusions that the RS in the OGS is ineffective, recommendations are now made for improving the situation by re-designing the reward system to reflect more of a TR philosophy. However, it must be understood that in order for the Omani government to design a new system and/or introduce a TR philosophy, it is essential to review all relevant laws and decrees. On the basis of the study results, and the conclusions drawn from them, the following recommendations are made:

1. Changes should be made to the Civil Services Law to allow ministries the necessary flexibility to formulate reward systems that are suitable for their own conditions and environments, and which, therefore, will be effective in helping them to achieve their stated organisational goals.

2. A corporate strategy and a HR strategy should be formulated for each government unit, and a reward strategy should be formulated within, and integrate with these two strategies.
3. A government review should be undertaken of the current reward system with a view either to reforming it or introducing a TRS strategy of the type used by many organisations in Europe.
4. A concerted effort should be made to build professional values in the workplace, by introducing well-defined guiding principles, which include the need to achieve fairness, equity, consistency and transparency in operating the RS.
5. Employees' rewards should be reviewed periodically, in order to be competitive with the private sector, and to at least guarantee that salaries keep pace with inflation and the cost of living.
6. A much greater focus should be placed on creating a culture of performance, by: increasing the use of variable pay, linking the rewards and incentives to the performance and contributions of the employees, and establishing clear criteria for such reward.
7. Promotion within the OGS should be based on performance and productivity rather than seniority. Furthermore, promotion should not be influenced by any sort of favouritism or mediation, and fairness should be applied to all employees without exception.
8. The retirement system for all OGS employees should be unified so that the retirement salary is 80% of the employee's gross salary.
9. A reasonable degree of flexibility should be built into the RS so that employees choose benefits that suit their needs, e.g. different working hours to suit domestic responsibilities.
10. Attention should be given to the provision of intangible rewards, such as: appreciation, acknowledgement and praise for excellent work, the provision of a comfortable working environment and terms and conditions of work for the employee, the provision of opportunities for continued education and career development for all employees, the spread of a culture of brotherhood, co-

operation and participation between superiors and subordinates, and among co-workers.

11. As a means to remove favouritism, and to ensure a reward programme based on meritocracy, a committee that operates transparently should be established in every ministry to be responsible for decision-making concerning the award of encouragement rewards and exceptional allowances.
12. A new performance management system should be established that allows employees to be involved in the assessment process, and that is based on clear criteria for evaluation. It should operate to conduct performance appraisal quarterly rather than annually.
13. All managers involved in performance appraisal should be comprehensively trained in how to assess employees from performance and productivity perspectives.
14. Job categories should be developed throughout the OGS and incentives appropriate to each job should be provided to motivate employees to work productively.
15. Top management should have a comprehensive knowledge of rewards systems per se, but particularly of that in use in the OGS. This knowledge and understanding should include all aspects of design and implementation, and it can be achieved through managers' engagement in training courses and workshops.
16. Line managers should be involved in reforming the reward system so that attention can be paid to ensuring it achieves both organisational and employees' objectives.
17. Regular employee satisfaction surveys should be undertaken by the government to identify employee opinions regarding the rewards and incentives they receive, and to allow a degree of employee involvement in the design and implementation of the reward system.

#### **9.4 Contribution to Existing Knowledge**

This study contributes to knowledge in three main ways.

Firstly, it makes a solid contribution to several literatures in that it represents an in-depth exploration of the applicability of the western TR concept to a Middle Eastern country where cultural imperatives do not coincide with those of the originating context of TR. In this respect, the study proposes a conceptual model based on six factors affecting the effectiveness of both Omani organisations and employees' commitment and engagement, and it legitimises that model on the basis of empirical evidence gathered from a large sample of employees providing evidence in several different ways throughout the Omani OGS. Specifically, 978 completed questionnaires were received, representing an 81% response rate. Hence the capacity for generalisation across the public sector in Oman is guaranteed, and across other public sectors in similar cultural contexts it is considerable. These aspects of the study render a substantial contribution to the TR literature, to that in respect of developing countries where grace and favour operate, and to the literature of the Arab World, of which Oman is a good representative.

Secondly, it makes a methodological contribution in confirming the benefit of triangulation of data using three (questionnaire, interview, and focus group) rather than the usual two methods of data collection, and in staging these activities such that the qualitative data gathered from the interviews and focus groups was sought after the questionnaire survey results had been analysed. Hence, the qualitative data was valuable not only in complementing the quantitative data but also in allowing trends emerging in that data to be pursued in depth.

Thirdly, and no less importantly, the study has enhanced the understanding of the reward culture in the OGS, highlighting its strengths and weaknesses and pinpointing how the many weaknesses can be remedied. In so doing, it has contributed to the growth of a national literature, and potentially to national policy-making, and as the benefits to be derived from a sensitive reward system based on the philosophy of TR are numerous, it can be said to make a contribution to the overall development of the Sultanate of Oman. Moreover, it may be possible to extend that generalisation to public sector organisations in other developing countries that are characterised by societies in which grace and favour operate.

## **9.5 Limitations of the Study**

No research study comes without its limitations – these are in fact, an integral part of any study, delineated by its aims and objectives. Hence, this study does not claim to have covered all matters related to reward, particularly in the Omani context, and the following limitations are indicated:

1. The OGS consists of several sub-sectors which work under the umbrella of the Omani Government, e.g. the civil service, military, police, etc., and it was not possible to thoroughly investigate all these sub-sectors in a single study.
2. Whilst the researcher had access to all targeted ministries throughout the life of this study, it was not always easy to follow up data collection in each ministry, despite his having sent two reminders.
3. Due to lack of literature on the reward system in the Arab world, in general, and in Oman in particular, the study relied on literature produced by western authors who mainly studied the reward systems in Europe. Nonetheless, this feature has rendered the study as a pioneer, and hence strengthened its claim to contribute to knowledge.
4. The low percentage of women in the OGS resulted in a one third/two thirds representation in favour of men, and it is accepted that women's appreciation of reward may well be different from that of men, especially in a society like Oman's, where the roles of women are well-defined by Islam.

## **9.6 Recommendations for Further Research**

Arising from the limitations, a number of suggestions for future research are offered, as follows:

1. The sub-sectors within the OGS (civil service, military, police, etc) should be explored in the same manner as the ministries to secure a complete picture of the reward phenomenon in Oman.
2. The issue of intangible rewards requires further investigation in the Omani context, and in particular with populations of women since it is accepted that different perspectives might be held on what types of reward are found attractive by women.

3. The literature revealed that many organisations in western countries have not adopted a TR philosophy but the reasons are not clear, despite the claim that TR is a strong motivator. Further in-depth research into the reasons for not pursuing a TR approach would be valuable.
4. The study canvassed opinion from current OGS employees, and hence discovered that many employees were contemplating migrating to the private sector and the reasons why. Future research could follow-up the careers of individuals who have left the OGS to establish what the precise reasons for their resignation were and whether the reward systems in their new organisations are more attractive, and how.

### **9.7 Final Word**

Reflecting on the experience of undertaking this research study, I have found this to be exhilarating in several ways. In all its stages, I have felt an enormous surge in confidence and achievement in making the study happen and producing reliable and valid results. This is not always guaranteed in Middle Eastern society, and more to the point, the findings are interesting and lay the foundation for more effort. From a personal viewpoint, I believe the outcome of the study is valuable to all top managers and many employees in the civil service sector, and I would welcome the opportunity to explain my experience and the results and recommendations of the study to such an audience. This would provide me with an opportunity to further disseminate the outcome of this research project and to make a valuable contribution to the overall development of the Sultanate, since it is crucial to retain talent within the country and to reap rewards from the educational investment made in the Omani people.

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## Appendixes

### Appendix 1

#### The position of interviewees

No	Post	Comment
1	Manager general administrative and financial affairs in the Ministry of National Economy	
2	Manager general administrative and financial affairs Ministry of Fisheries	
3	Manager general human resources development in Ministry of Education	
4	Manager general internal audit in Ministry of Health	
5	Advisor of civil service Minister for civil service employees affairs	
6	Advisor of Minister of Information for human resources	
7	Deputy manager general Institute of Public Administration	
8	Assistant manager general administrative and financial affairs in Ministry of transport and communications	

## Appendix 2

The position of focus group who are working in the Ministry of Civil Service

No	Female
1	Deputy Director General, Directorate General for Information and Statistics
2	Director of Planning
3	Director of Human Resources
4	Director of Quality
5	Head of Training Department of Human Resources
6	Head of Media Department

No	Male
1	Director of Development Department of Government Services
2	Director of performance evaluation
3	Director of Budget Department
4	Director of research and review
5	Director of Recruitment
6	Researcher balancing functions



## Appendix 3

### QUESTIONNAIRE

This questionnaire is intended to gain information regarding the effectiveness of the Reward System (RS) in government units in Oman, and the potential for introducing a Total Reward Strategy. All information provided in it will be used for PhD research only, and will be kept entirely confidential. Thank you in advance for your time and willingness to participate.

Where boxes are provided, please indicate your answer with a tick ✓

#### PART ONE: Demographic Information

Q.1 Please indicate your age:

Under 25	
25-30	
31-40	
41-50	
51-60	
61 or over	

Q.2 Please indicate your sex:

Male	
Female	

Q.3 Please indicate your number of years' experience within Oman's government sector:

Under 5	
5-10	
11-15	
16-20	
21-25	
26 or over	

Q.4 Please indicate your highest level of qualification:

Diploma	
Bachelor's Degree	
Master's Degree	
PhD	

Q.5 Please indicate whether you hold any managerial or professional qualification:

Administration Manager	
Department Manager	
Assist. Manager	
Section Head	
Other (specify )	

**Part Two : Your opinion on the effectiveness of the current Reward System in your Government organization .**

Please tick the responses that best represent your opinion.

Q.6 This question is concerned with the extent to which the RS in your ministry have a well-articulated philosophy.

No	Statement	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
6a	The reward system is transparent and every employee understands how it operates and how s/he is affected by the system					
6b	The reward system ensures that there is fairness in providing rewards and incentives to its employees					
6c	The reward system provides an equitable basis for providing rewards and incentives to its employees					
6d	The reward system provides the necessary flexibility to achieve its objectives					
6e	The Arab/Islamic value of reward influences the reward system applied in the Ministry					

Q.7 This question is concerned with the extent to which the RS is aligned with the business strategy in your ministry.

No	Statement	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
7a	There is a clear link between the reward system and the Ministry's mission					
7b	There is a clear link between the reward system and the Ministry's objectives					
7c	There is a clear link between the reward system and the Ministry's future planning					

Q.8 This question is concerned with the extent to which the RS is aligned with the HR strategy

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
8a	There is a clear link between the reward system and the recruitment and selection system					
8b	There is a clear link between the reward system and the retention system					
8c	There is a clear link between the reward system and the training and development system					
8d	There is a clear link between the reward system and HR planning					
8e	There is a clear link between the reward system and performance management					

in your ministry.

Q.9 This question is concerned with the tangible rewards that you receive in your ministry.

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
9a	My salary covers the normal necessities of living					
9b	I am paid fairly compared to others in the Ministry					
9c	My pay is competitive compared to similar jobs in other sectors					
9d	The benefits package I receive is fair					
9e	I have enough choice of benefits and additional services that are suitable for my needs					
9f	There is a strong link between my annual allowances and my individual performance					
9g	I am satisfied with what the retirement system provides for my retirement					
9h	I can get bonuses when I improve my skills and competence and produce excellent performance					
9i	Promotion is strongly influenced by length of service					
9j	Promotion is strongly influenced by contribution					
9k	I can get exceptional allowances when achieving better performance					

Q.10 This question is concerned with the intangible rewards that you receive in your ministry.

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
10a	My Ministry has a good reputation that provides employees with high social status					
10b	My Ministry promotes a healthy work-life balance					
10c	I have been given sufficient training to perform my job effectively					
10d	I have opportunities for continued education and career development					
10e	My job is enjoyable, enriching and challenging					
10f	I have comfortable working conditions and environment					
10g	I have the information I need to make decisions about my work					
10h	I am involved in establishing my goals and objectives					
10i	My leadership treats everyone with respect					
10j	I receive regular feedback on my current performance from my supervisor					
10k	I receive my performance appraisals on schedule					
10l	I work co-operatively with others					
10m	I have good relationships with others in the organisation					

Q11: This question is concerned with the extent are there supportive and effective implementation processes for the RS in your ministry.

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
11a	The Ministry has clear plans and methods for the process of formulating or developing, implementing and evaluating the Reward System					
11b	The Ministry updates and reviews the basis and policies of the Reward System and continuously improves it in response to the competitive environment					
11c	The Ministry carries out regular benchmarking to ensure that the compensation offered to its employees is fair compared with the compensation received by employees doing similar jobs in other ministries					
11d	The Ministry carries out regular surveys to identify the views and opinions of its employees towards the rewards and incentives they receive					
11e	The Ministry involves employees in the process of formulating, implementing and evaluating the Reward System					
11f	The Ministry has a good performance management system that supports the effectiveness of the reward system					

Q.12 This question is concerned with the extent are the stakeholders in your ministry committed to implementing the RS.

NO	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
12a	I get clear delineation of my responsibility and accountability in implementing the Reward System					
12b	I understood my roles and responsibility in implementing the Reward System					
12c	My supervisors are capable of implementing and managing the reward system in practice					
12d	The senior managers fully support the reward system implementation					

Q.13 This question is concerned with the effectiveness of the current RS in helping your ministry meet its objectives.

NO	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
13a	Ability to manage cost effectively					
13b	Ability to achieve enhanced financial performance					
13c	Ability to attract key talent					
13d	Ability to motivate talented employees					
13e	Ability to retain key talent and high performers					

Q.14 This question is about the effectiveness of the current RS in helping to achieve employee engagement and commitment.

NO	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
14a	I am committed, enthusiastic and passionate about my Ministry					
14b	I would recommend this unit to others as a great place to work					
14c	I intend to stay with this unit as long as I can					
14d	I don't mind resigning if I get an opportunity to work in another sector					

## PART TREE:

### The Potential for a Total Rewards Strategy

*A Total Rewards Strategy is one that considers more than salaries and wages. It consists of a package which is often designed to suit individual employees and that can include financial reward according to effort and results, appointment and promotion on merit, training and education opportunities, opportunities to work in an enhanced work environment, pension entitlements, and other allowances and considerations that improve the balance between work life and family/social life.*

No	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Q.15	A TRS is suitable for the Omani government sector					
Q.16	The introduction of a TRS would assist in reducing the migration of talent from the OGS to the private sector					

Q.17 This question is concerned with the extent to which particular Challenges to the Implementation of a Total Reward Strategy in the Omani Government Sector

	Statement – A challenge to the implementation of a TRS in the OGS is the:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
17a	Lack of a good business strategy					
17b	lack of supportive human resources strategy					
17c	Lack of a good performance management system					
17d	Lack of an effective communication system					
17e	Lack of support from top managers					
17f	Lack of line management skill and ability					
17g	Lack of financial funds					
17a	Resistance from employees who claim that TR simply hides the further erosion of salary increases					

Q.18 This question is concerned with the extent to which particular features (critical success factors – CSFs) must be in place for the effective implementation of a Total Rewards Strategy.

	Statement - It is essential to:	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
18a	Have a well-articulated reward philosophy					
18b	Align the RS with the business strategy					
18c	Align the RS with the HR strategy					
18d	Provide an optimal mix of tangible and intangible rewards					
18e	Customise rewards to meet employers' and employees' needs					
18f	Have supportive and effective processes of implementation in place					
18g	Have solid commitment from all stakeholders to the strategy					

#### Part Four Rewards and Appropriate Incentives

Please put the Rewards and Incentives below in the order of importance as you see appropriate for a healthy working environment .

Importance level	Incentive
1	Incentives for excellent performance
2	Training and Continuing education
3	Equity in awarding rewards and incentives
4	Wise and good leadership
5	Fair salary
6	flexible benefits
7	Good opportunities for career development
8	Comfortable working environment
9	Good working relations with colleagues
10	Transparent communications system
11	Interesting and challenging work
12	Acknowledgement and appreciation of achievement
13	Independence and freedom in performing the work
14	Appropriate working tools and instruments
15	Effective performance management system
16	Work- life balance
17	Good reputation of the organization
18	Excellent work values



**PART FIVE: Anything else you wish to add**

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**Thank you for your co-operation. It is highly-valued.**

## Appendix 4

### INTERVIEW AND FOCUS GROUP SCHEDULE

The purpose of this interview is to consider the Reward System in the Omani Government Service, in particular – its effectiveness, and how this might be improved. The interview is going to be in two main parts. The first will consider the effectiveness of the existing system. The second will focus on the concept of Total Reward and the feasibility of introducing this into the Omani Government Service.

#### **PART ONE: The Effectiveness of the Existing Reward System**

- 1- What are the main features of RS in your ministry?
- 2- What are the crucial points of strength and weaknesses of the RS in your ministry?
- 3- How effective is the RS in your ministry in terms of the achievement of organisational objectives?
- 4- How effective is the RS in your ministry in terms of the achievement of employee objectives?
- 5- What suggestions can be offered for developing and improving the RS in the in your ministry?

#### **PART TWO: The Potential for a Total Rewards Strategy in the OGS**

*A Total Rewards Strategy is one that considers more than salaries and wages. It consists of a package which is often designed to suit individual employees and that can include financial reward according to effort and results, appointment and promotion on merit, training and education opportunities, opportunities to work in an enhanced work environment, pension entitlements, and other allowances and considerations that improve the balance between work life and family/social life.*

- 6- How importance of intangible rewards in developing a TRS within the **in the** OGS?
- 7- What are the suitability of applying a TRS in the OGS?
- 8- What are the main challenges to the adoption of a TR strategy in the OGS?
- 9- What are the critical success factors (CSFs) associated with the adoption of a TR strategy in the OGS?

**Thank you for your time and participation**

## **Appendix 5**

**Letter of assistance request.**

**10/06-2008**

**Consultant of the secretary general**

**Counsel of Ministers**

**Subject: khalid Bin Said, Aljarradi**

As part of the continues collaboration between the Royal Court Affairs and The Board of Ministries of in different areas and as part of your effort to develop the performance of our employees.

Please be informed hat the above mention name is pursuing his PhD studies in the area HRM.

Currently he his conducting his theses, (as investigation of the effectiveness of reward system in the government of the sultanate of Oman and the potential of introducing total reward system)

Kindly instruct your concern department and individuals to offer him all possible assistance so that he can get an essay access to the require information and data for his area and studies.

Director General of Human Resources

ROYAL COURT AFFAIRS