

## Compensation Management in Service Sector: A Case Study of Karnataka Power Transmission Corporation LTD. Bangalore



### Management

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### ABSTRACT

*Compensation management is one of the thrust areas of research as it involves good governance of human resources in any organizational setup. An attempt has been made in this paper to understand the relationship between employee satisfaction with respect to pay structure and other avenues of satisfaction. For this, a sample of 30 respondents of KP TCL, Bangalore were taken and results are reported. The study concludes to emphasize for making better provision to the employees to build strong morale to achieve the desired goals of an organization.*

#### 1.0. Introduction:

Organizations are very complex systems, but compensation management is most required component for the organization. Individuals and organization should develop and progress simultaneously for their survival and attainment of mutual goals, so every modern management has to develop the organization through administration of compensation. Compensation may be defined as money received in performance of work and much kind of services and benefits that an organization provides to their employees.

Compensation is a key element of the employment relationship and, in addition to being the single greatest operating cost for many organizations; it has been advocated by some recently as a tool for enhancing organizational performance and sustained competitiveness. Contemporary approaches to compensation emphasize the importance of aligning employee behaviors to the strategic direction of the organization. Such approaches – broadly labeled strategic compensation, have become widely adopted by organizations. Yet our understanding of the nature of strategic compensation management is limited. Though strategic pay has been the subject of considerable academic and practitioner attention, it is argued that orthodox theories of strategic pay have a number of important shortcomings. Moreover, it is argued that there is much empirical evidence with which to challenge the received wisdom of strategic approaches to compensation. Compensation clearly is important, but not as the value-creating activity purported by exponents of strategic compensation. Rather, it is a business risk that requires careful management and good governance to ensure that it does not diminish or consume more value than it creates. Here, the study highlights a number of strategic compensation by taking into account a prof and cons of compensation at KP TCL Bangalore.

#### 1.1. Role of Compensation in Achieving Organizational Competitiveness

Embedded within firms are unique stores of intangible human assets that likely influence the way firms compete and the firm's compensation systems moderate the effects of these intangible human assets on firm competitive behavior (Offstein, Gnyawali and Cobb 2005). Compensation is defined by Monday (2010, p. 268–269) as the “total of all rewards provided to employees in return for their services,” the overall purposes of which are to attract, retain, and motivate employees. As compensation is comprised of both fixed and variable components as well as employee benefits and services, an optimum combination of these elements is ideal to maximize influence on employee performance and ultimately, organizational competitiveness.

Contributing to the importance of compensation is its effect on the quality of an employee's performance and the intensity of an employee's engagement. While employee performance has been frequently described, employee engagement is a more recent concept that is associated with initiative and other organizational citizenship behaviors. Schermerhorn (2010, p.349) defines employee engagement as “a heightened emotional connection with the organization and that influences an employee

to exert greater discretionary effort in his or her work.” and further mentions that engagement results to lesser turnover, increased productivity, stronger loyalty, and enhanced customer service.

The effects of compensation are explained by many established motivation theories. The equity theory, for instance, considers total rewards in relation to employee inputs as one measure against which rewards of other employees in relation to their inputs are compared to. Any perceptions of equity or inequity will result to coping mechanisms on the part of the employee to normalize the perceptions. These coping mechanisms may manifest on their level of performance and engagement. On the other hand, expectancy theory introduces the instrumentality and valence factors to motivation. Instrumentality is “a person's belief that successful performance will be followed by rewards and other work-related outcomes” while valence is “the value a person assigns to the possible rewards and other work-related outcomes” (Schermerhorn 2010, p. 357). Individuals who value a reward tend to perform better than individuals who do not value the reward as much (Arvey 1972). These concepts imply that management must carefully explain the rewards associated with high performance and consistently give rewards commensurate to employee performance. Furthermore, management must include compensation components that answer to employees' needs in their rewards package.

#### 1.2. Compensation Strategy:

Compensation is the only Human Resource activity which has its impact on all other functions regarding personnel. Take job evaluation, for example. It is job evaluation which establishes satisfactory wage and salary differentials.. There is a close relationship between performance appraisal remuneration. This is particularly true in cases where ‘payment by results’ schemes exist. Incentive payments depend on the employee performance which needs to be carefully assessed. It needs no particular emphasis that union-management relations largely depend upon employee remuneration.

Industrial conflicts between employees and employers take place on remuneration-related issues. There are other benefits of an effective remuneration system. Such a system, for example, helps the organization obtain and retain employees at a reasonable cost. In the absence of a rational payment system, employees are likely to be overpaid or underpaid. There are a number of labor acts which need to be complied with by an organization. Non-compliance of any provision makes the organization guilty and punishable. A properly designed wage and salary system helps the company avoid such possibilities.

1. They recognize remuneration as a pivotal control and incentive mechanism that can be used flexibly by the management to attain business objectives.
2. They make the pay system an integral part of strategy formulation.
3. They integrate pay consideration into strategic decision making process. Such as those that involve planning and

control.

- They view the company's performance as the ultimate criterion of the success of the strategic pay decisions and operational remuneration programs.

**1.3. The Objectives of the Study are:**

- To understand the relationship between employee satisfaction and their current pay.
- To establish the relationship between the current pay structure motivation levels of employees and
- To understand the impact of the pay structure on organizational effectiveness.

**1.4. Methodology:**

In this study the primary data has been collected from employees of KPTCL, Bangalore with the help of structured questionnaire. The study is based on the non-probability sampling techniques; simple random techniques are used to select the respondent from the available database. the population being huge and unlimited the survey is carried out among 30 respondents (employees) and they are considering adequate to represent the characteristics of entire population.

**The study has following limitations:**

- The sample size is restricted to 30 respondents only the information does not represent itself as a whole.
- The study is confined to KPTCL employees only as respondents.
- Since the duration of the project is short, vast information is difficult to collect.
- The study is restricted to Bangalore only.

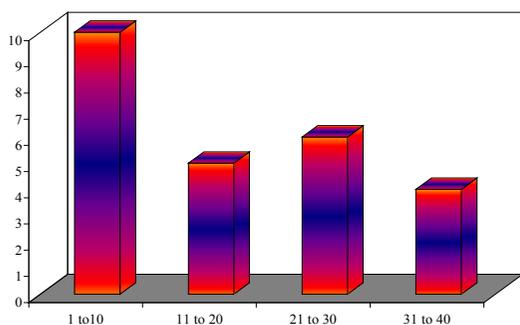
**1.5. Results and Discussion**

**Table-1 Number of years of service of employees in KPTCL**

Interval	Response	In %
1to10	12	40%
11 to 20	06	20%
21 to 30	07	23.3%
31 to 40	05	16.7%

Source: field survey

Number of years of service of employees in KPTCL



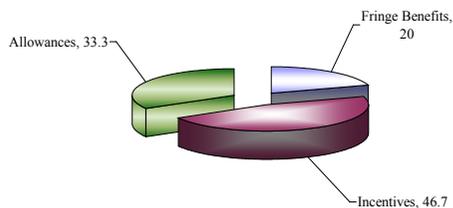
From the survey number of years of service of the employees in KPTCL is in the table from which depicts: 40% of employees have experience between 1 to 10 years and 20% of employees have experience between 11 to 20 years and 23.3% of employees have experience between 21 to 30 years.16.7% of employees have experience between 31 to 40 years.

**Table-2 Employees' expectation in KPTCL**

	Fringe Benefits	Incentives	Allowances
No of respondents	6	14	10
In %	20	46.7	33.3

Source: field survey

Employees' expectation in KPTCL



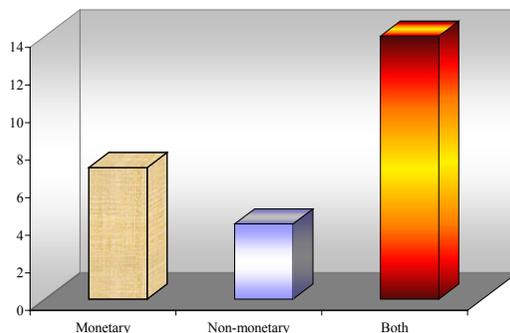
Employee's expectation for more than offered by KPTCL is in table 2 which depicts: 20% of employee's response is for fringe benefits and 46.7% of employee's response is for incentives and 33.3% of employee's response is for allowances.

**Table-3 Employee's expectation for rewards to perform better**

	Monetary	Non-monetary	Both
Respondents	8	5	17
In %	27%	17%	56%

Source: field survey

Employee's expectation for rewards to perform better



Employee's expectation for the kinds of rewards to perform better is shown in table 3 which depicts: 27% employees expect more of monetary rewards and 17% employees expect more of non-monetary rewards and 56% employees expect both monetary and non-monetary rewards.

It is evident from the study that the findings pertaining to compensation management at KPTCL are:

- There is an effective collective bargaining between the management and the union in Karnataka Power Transmission Corporation Limited.
- Majority of the employees' in Karnataka Power Transmission Corporation Limited are happy with their current pay.
- From table, we can conclude that majority of employees' feel happy with their performance linked pay offered by KPTCL.
- Large section of employees' is unhappy with the benefits offered to them.
- Employees' expect more of incentives, fringe benefits and allowances other than the salary offered.
- Majority of employees' expect both monetary and non monetary rewards to work efficiently.
- Employees' are not satisfied with the frequency of wage revision in the company.
- Employees unable to establish relationship between their work and reduction in transmission loss which is a key parameter in enhancing organization's efficiency, this shows lack of role and goal clarity.

- Since majority of employees' response is No for the instances they going on strike for wage and salary.
- There is a good relationship between management and union / associations in Karnataka Power Transmission Corporation Limited.
- In Karnataka Power Transmission Corporation Limited, there exists an effective management of employee compensation.

#### Conclusion:

Every research is concluded properly and suggested which is a vital tool for management decision and serves the purpose of the entire research. After conducting aid like to take this opportunity to make a few suggestions, which may prove beneficial for the company in the future. Employees' satisfaction level over the current pay is good but can be still enhanced by providing more of fringe benefits, incentives and allowances.

As mentioned in findings regarding the transmission loss which will increase the profit and efficiency of the organization, workers / employees' have to be made realized this fact and offer them the performance linked incentives to overcome this problem. This can be an issue to be negotiated in the next collective bargaining between the union and management. Employees' morale can be enhanced by offering non monetary welfare benefits like news papers, magazines, meal coupons. Employees' can be motivated much better if offered both monetary and non monetary benefits/rewards like overtime, merit/recognition certificate, awards like employee of the year with complimentary gifts, gift coupons, educational reimbursement for advanced study. If company concentrates properly on its employees' & service to improve it further then no doubt KPTCL will be one of the best succeeding organizations in few years.

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