



ARCHITECTING PROJECT MANAGEMENT

for Enterprise Agility...

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Compensation And Benefit Re-structure for Agile Enterprise - a Psycho-Analytic study

Enabled Workforce

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ABSTRACT

We expect to be back within minutes. Please try again soon!

While browsing a web-site which was momentarily down, it happens to flash the eye about the line above. Is it related to Agile? Yes, while we are coming back with modifications on the new piece of code, please keep trying again and again with a concurrent development model. Be flexible / Agile (by definition: an iterative model of development with collaborative effort by team), and move forward to next generation development model.

Frequent Agile is Fragile.

Having said that how does the enterprise working towards the agile way of management? This research based survey is done to analyse the retention benefit that can motivate the volatile employee to stick around to agile organization.

Employee motivation is the key to success of the project and increases the productivity. In agile project practice, the legacy compensation requires an enhancement for the motivations scheme followed as an organizational level.

This Psychometric survey with a sample size of 150 employees, from various categories are:

1. Various level of employee (Senior/Junior Management, Engineers)
2. Various project practitioners (Agile/legacy/hybrid project)

Analysis was compared with the different schemes various organization have. We had come out with a proposal and implemented in a project. The results are compared with a similar nature project which follows legacy compensation methodology to distinguish the differences.

There is a change required in compensation and benefit for the enterprise agility. New Compensation structure was worked out based on the methodology followed to ensure the higher interest of individuals and aligned to organizational goal.

INTRODUCTION

“Change is the only constant” – Plato

While embracing change into everyday existence, natural resistance comes to play an important role. The same is applicable while the execution model of a project moves from classical waterfall model to an Agile model.

Every project manager faces various challenges for delivering the project in Agile Model. In Agile methodologies, every step of delivery becomes crucial for project success. The key challenge of every manager is “motivate to deliver”. Organizational policies and practice soothes and helps in recovering the challenges. This article is based on a psycho-analytical research made for organizational transition from classical execution model to Agile execution model.

Over a period of time, organization maturity level has increased, and based on data analytics, the compensation and benefit (CAB) structure also changed subsequently. This research made primarily for software organization, where Agile methodology is widely practiced. Based on research outcome and in parallel similar empirical execution model on a small agile project leads to a proposal to consider for organizational change.

DETAILS OF THE PAPER

Historical Analysis:

The key challenge in Agile practice is “motivate to deliver”. Considering this, author has analysed the organizational motivational policies and the evolution of prime motivational factor CAB.

Various psychologist suggested different theory for employee motivation in organization which are as below:

1. Hierarchy of needs – Maslow’s explanation
2. Gen-X Theory – By Sigmund Freud
3. Gen-Y Theory – Douglas McGregor
4. Gen-Z Theory – Maslow
5. Carrot and Stick Theory – Jeremy Bentham
6. Hygiene Theory – Fredrick Herzberg (Two Factory)
7. Management Style Theory – Rensis Likert
8. Contingency and Expectation Theory – Fred Luthans
9. Equity Theory – John Stacy Adams
10. ERG Model Theory - Alderfer

In all of the above, certainly reward and punishments are common, and it can be of any form. These psycho-analytical study talks about the various methods which motivates the employee; it may be by virtue of acceptance of reward or afraid of the punishment.

Based on various theories organization derives the CAB structure. The CAB structure takes care of recognition and punishment by structuring the remuneration package. Looking at the history and evolution of the remuneration package, here are few examples to consider.

In 1936, Payment of wage Act was formed, which points to a fixed wage. In 1948, Minimum Wage Act introduced.

Sl.No	Pay Scale No	Present Pay Band	PB No	Grade Pay	Proposed Minimum of Pay Scale
1	S-1	5200-20200	PB-1	1800	26000
2	S-2	5200-20200	PB-1	2000	33000
3	S-3	5200-20200	PB-1	2800	46000
4	S-4	9300-34800	PB-2	4200	56000
5	S-5	9300-34800	PB-2	4800	74000
6	S-6	9300-34800	PB-2	5400	78000
7	S-7	15600-39100	PB-3	5400	80000
8	S-8	15600-39100	PB-3	5600	102000
9	S-9	15600-39100	PB-3	7600	120000
10	S-10	37400-67000	PB-4	8900	148000
11	S-11	37400-67000	PB-4	10000	162000
12	S-12	75500-80000	HAG	0	193000
13	S-13	80000(Fixed)	Apex Scale	0	213000
14	S-14	90000(Fixed)	Cabinet Secretary	0	240000

Figure 1: 7th Pay commission Salary Structure

This shows still the salary in government organization is still following fixed salary component.

Bonus act formed in 1965 adding an additional bonus to the fixed wage which recommends a yearly bonus of minimum of 10% of basic salary. Officially most of the organization had added bonus as part of variable salary.

The evolution continued and during 2001 market slow down, most of the software company introduced variable salary linked to company and individual performance. Sample salary structure is as below:

EARNINGS

ADDLALLW

BASIC

COMMUTATION

GRPALLW

HRA

PHONEPAY

QPLC

TUTN_PAY

TOTAL :

Software Company in Bangalore before 2001: →

Over a period of time, with experience of business slowdown, the variable components gets added to the remuneration package.

← Software Company in Bangalore after 2001:

(Name: confidential)

Earnings
Basic
House Rent Allowance
Conveyance Allowance
Special Allowance
Shift Allowance-payout
(A) Total Earnings

Recognition style survey done by WorldAtWork during 2013 shows that, 70% of people responded that variable salary exists in organizations.

“What style(s) of recognition programs are in place at your company?”
Only participants answering “Yes” in Figure 1 received this question.

Option	2002 (n=327)	2003 (n=358)	2005 (n=535)	2008 (n=505)	2011 (n=530)	2013 (n=399)
Formal — a structured or planned recognition program (e.g., attendance, performance, safety, years of service, etc.)	17%	16%	19%	21%	23%	24%
Informal — a spontaneous gesture of appreciation	10%	9%	9%	9%	6%	7%
Both	70%	72%	71%	69%	72%	69%
Other	3%	3%	1%	0%	n/a	n/a

Figure 2: Recognition Style Survey Report by WorldAtWork, 2013

Considering these two aspects a psycho-analytical study was made to consider the changes required in CAB for the current transition of project management style.

Key Challenges:

While adapting to Agile, the critical challenge is “motivate to deliver”, which breaks down to below challenges:

1. Bringing team together on time of huddle meeting
2. Motivating team to pick key task voluntarily
3. Motivating team to deliver the task on time

To avoid monotony syndrome, and avoiding risk of dependencies the team needs continuous motivation, and rewards plays an important role. The traditional transition in human psychology shows the changes in mind set from slow motion to speed. Like delivery and time to market is expedited by agile process, the expectation also moved towards speed in recognition. Today’s generation is looking for more quick recognition rather than delayed recognition. Younger generation is looking for speed, and hence the model derived here is named as SPEED (Superior Project-based Employee Engagement Design).

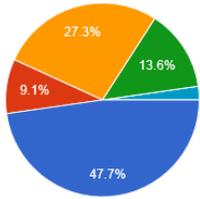
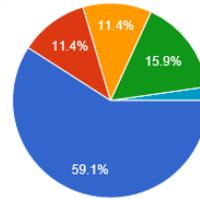
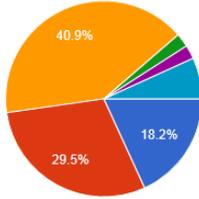
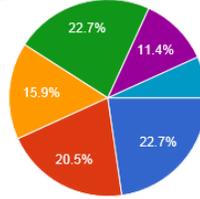
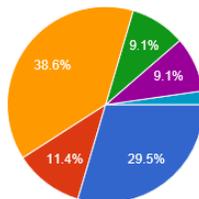
Process Followed:

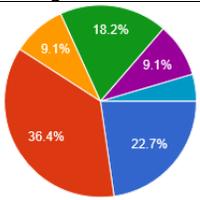
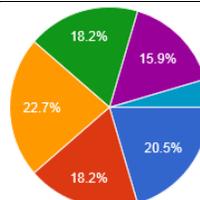
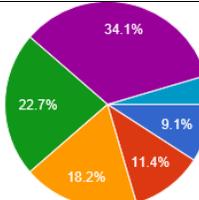
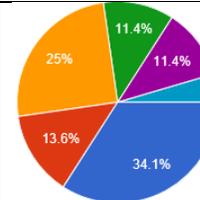
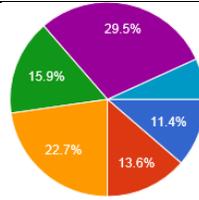
The author has designed a compensation design (SPEED) and in parallel did a survey for more than hundred sample respondent from various organizations at various levels. The respondents were asked about 20 questions (Appendix A) on four sections as below:

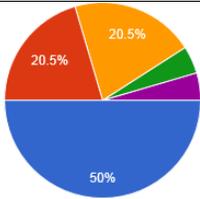
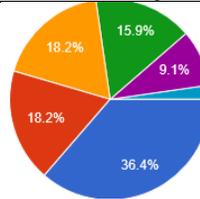
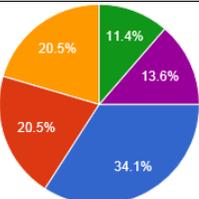
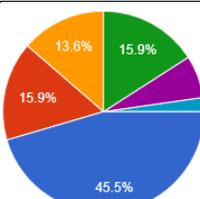
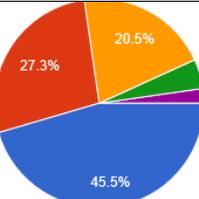
1. Current organization project practice: To ensure the sample set is right and they are aware of the organization process.
2. Current organization CAB practice: To gather information about current organization CAB structure and impact of CAB on motivation.
3. Agile based CAB proposal: The employee psychology on the empirical design (SPEED) used
4. Individual psycho-analysis on impact: Individuals feelings on the CAB re-structure

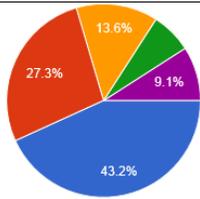
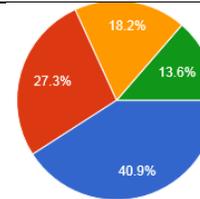
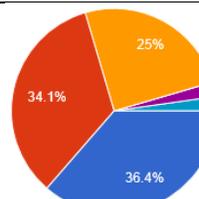
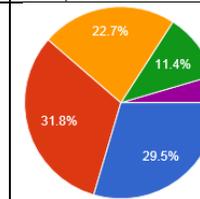
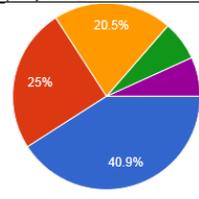
Survey Outcome:

The survey was carried out with various levels of individuals starting from Senior Management to Engineering level across various software based organization. The outcome of survey is depicted here.

Section 1: Current Organization Project Practice					
I have experience in working with Agile project	I have experience in working with traditional /waterfall model	My organization use matrix structure for project resourcing	Employee motivation decision made by functional manager and not project manager	Yearly salary change and re-creational programs are incentive methodology in my organization	Legend
					<ul style="list-style-type: none"> ● Strongly Agree ● Somewhat Agree ● Agree ● Somewhat Disagree ● Strongly Disagree ● Don't want to Answer

Section 2: Current organization CAB practice					
Based on performance, my compensation decided by functional manager and not my project manager	My organization increase compensation and gives bonus every financial year	My compensation varies based on the project model	Financial increment motivates me in work place	I am satisfied with my current salary structure (BS + Allowance + Variable Component)	Legend
					<ul style="list-style-type: none"> ● Strongly Agree ● Somewhat Agree ● Agree ● Somewhat Disagree ● Strongly Disagree ● Don't want to Answer

Section 3: Agile based CAB proposal					
Incentive on task completion shall motivates me and increase my performance	Preferably compensation to be revised by my Project manager rather than functional manager	I get motivated for reward on each task completion	Happy to have bonus on each milestone achievement	Risk and Reward program should be linked to my task completion	Legend
					<ul style="list-style-type: none"> ● Strongly Agree ● Somewhat Agree ● Agree ● Somewhat Disagree ● Strongly Disagree ● Don't want to Answer

Section 4: Individual psycho-analysis on impact					
Task based compensation shall increase the team performance	Intermediate increment and incentive shall reduce attrition	Immediate action on my work increase my performance	Volatile incentive based on task complexity shall increase the competitiveness	Incentive based task shall increase proactive participation in project	Legend
					<ul style="list-style-type: none"> ● Strongly Agree ● Somewhat Agree ● Agree ● Somewhat Disagree ● Strongly Disagree ● Don't want to Answer

About SPEED:

SPEED is designed for managing the project following agile process. The followings are considered while designing the CAB for the project.

1. How to align the team and bring harmony in them?
2. How to motivate team to take up challenging task?
3. How to motivate team to deliver faster?
4. How to motivate team to complete additional task?
5. How to motivate them in training and learning upcoming activities?

Here are the methods followed as part of SPEED.

1. Tasks are divided into granular level of 4 hours effort.
2. Each task is associated with a complexity ratio number. (C_n)
3. Each task is associated with a reward criterion. (R_c)
4. Each task is associated with a penalty criterion. (P_c)
5. Punctuality is associated with a reward/penalty criterion. (T_{rp})
6. Knowledge sharing is associated with a reward criterion. (K_r)
7. Each task outcome is associated with a reward criterion. (T_r)
8. Bonus criteria for accumulating the points based on the range of score. (B_r)

All of the above are point based. During huddle meeting team picks up the task. Based on above criteria, each individual accumulate the point score, which proportionately converted to financial benefit. The scores also converted to appraisal score, which helps in performance evaluation. This helps in a quantitative performance measurement and better evaluation process.

Formula used for cumulative points is:

$$C_p = \sum (x * (C_n * [R_c - P_c]) * T_{rp} + y * K_r + x * T_r) * B_r$$

Where 'x' is number of task completed, & 'y' number of TT (Tech Talk) Session

Psycho-Analytical Study:

Today's human expectation is satisfy needs instantly. The new generation is looking for instant recognition. The analysis report shows, 75% of the sample prefer for attaching the rewards to each milestone rather than waiting for the yearly recognition. Psychological studies shows negative reinforcement motivates workforce to avoid, which can be achieved by implementing penalty for not completing the task. According to study, 84% workforce believes that the task based incentive will increase the performance. This is aligning to the empirical practice made by the small team.

86% of the survey respondent also feels that, this will reduce the attrition, and this is proven with the current attrition rate of the team. This helps in not only retaining the talent, it also helps in grooming them to upcoming activities, and leverage a smooth transition to the new roles for the new upcoming project.

The team behaviour and co-ordination increases to accommodate more challenging task and work together to complete the task. While all feel the competition, but the transparency increase the healthy competition in the team. The transparency in the system with a clear measuring criteria changed individual work force attitude towards the task. The key and complex tasks get resolved ahead of time. The priority of the task become dynamic making team more dynamic, and helped team in cognitive learning.

The attitude towards difficult task is changed due to collaborative work. The individuals with cognitive dissonance change their belief and result in attitude change with respect to team behaviour. The cognitive component of belief changes the impact of the affect and hence behavioural aspect change for the team members.

The variable component clearly differentiated by the penalty, task complexity and task outcome. Accordingly, subconscious mind of the individual workforce compels them to plan ahead. Individual can increase the score by compensating the losses in subsequent activities.

Lessons Learnt

Part of using SPEED, there is a paradigm shift of the way tasks get completed and increase the efficiency of the team. The transparency in the system brought couple of value added learning as below:

1. Quantitative performance measurement
2. Detailed technical strength development for the team to take over upcoming work
3. Good estimation accuracy and delivery forecast
4. Healthy competition among the team members
5. Team motivation, morale and attitude towards the task completion

However, this learning should be aligned to the organizational business goal. The project manager has the responsibility to represent the benefits of the SPEED model and encash the benefits. It needs to be advertised to an organizational level to align to the organizational goal.

CONCLUSION

With current trend in project management with practicing agile model, the psychological behaviour change, and the drive for GTM (Go-To-Market), time has come for organization to think about a CAB design change. This space is required a continuous study and improvements for aligning the delivery based compensation to increase the project delivery and success.

By attaching a CAB component to the project deliverable helps in controlling the employee to overcome the bigger challenge "Motivate to deliver". SPEED is a practiced framework can be transformed to organizational level while designing CAB. The CAB transition from fixed to variable salary to project based component is the need for the new generation. SPEED also can help in evaluating the project cost estimation and controlling the project cost.

"Power is nothing without control" – Pirelli

And SPEED is a design for project managers to gain control over the workforce, cost and time of delivery.

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Key Words:

CAB: Compensation And Benefit

GTM: Go To Market

SPEED: Superior Project-based Employee Engagement Design