

# **INCENTIVE MECHANISM FOR PERFORMANCE**

## ***SEMINAR ON***

### ***INSTITUTIONALISING INCENTIVE MECHANISM IN HR POLICIES OF NEPALI ORGANISATIONS***

#### **Rationale**

A very important part of management is managing people, mainly through giving incentives to perform. Incentive mechanism as the core of the modern enterprise system is one of the important strengthening tool of human resources management. The so-called incentive is to meet people from multi-level, diversified needs, setting performance standards for different employees and reward values, in order to maximize their employee's enthusiasm and creativity to achieve organizational goals. Indeed, incentives are the fundamental characteristic of human resource management. Thus, the use of incentive mechanism helps to determine the factor in the rise and fall of a company. At present, the performance based people-oriented business philosophy has been widely accepted by enterprises, but has not yet been fully focused to make it a part of the HR practices in Nepal.

The incentive system is at the heart of performance management system. However, without institutionalizing incentives through elaborating it in Human Resource policy, it becomes a temporary tool, for example a sales officer could meet the objectives (of sales) and earn good incentives (commission of sales) yet may not have achieved year-end performance. Therefore, it is critical to institutionalize incentive mechanism within HR policy tied to performance system. In the context of Nepalese organization, which is growing as well as becoming a bigger part of economic growth of country, the Nepali organizations has started to adopted performance based management system, however, most Nepali organizations still use traditional ways of incentivizing the performance. In order to address growing competition focused on performance, Nepalese organizations, therefore, need to ensure that the incentive mechanisms are considered as one of the important aspects of the performance management which is viewed as a part of the HR practices rather than temporary/situational management's call. There is a growing need for Nepalese organizations to review their HR policies on the basis of performance management and define conditions of incentive mechanism in HR policies. In this regard Ace Institute of Management felt the need to organize a seminar to discuss the emerging issue of institutionalizing incentive mechanism in HR policy of Nepali organizations.

#### **Objective of the Seminar**

Within this aim, students of Ace MBA program intends to organize a seminar on reviewing existing HR policies and identifying suitable conditions to be prescribed in HR policies of Nepalese organizations in order to institutionalize incentive mechanism by defining it in HR policy document.

#### **Specific Objectives of the Seminar**

- To review existing HR policies on incentives provisions of Nepalese organizations of various nature: government, private and NGOs with "incentive mechanism for performance" lens.
- To identify gaps in existing HR policies for institutionalizing incentive mechanism for performance.
- To develop conditions and clauses of incentives by elaborating incentive for performance provisions that needed to be included in existing HR polices in order to institutionalize "incentive mechanism for Performance".