Reward Forum Networking Meeting
11 December 2002

Total Reward

Helen Murlis
Total Reward

- What do we mean by ‘Total Reward’?
- Holistic thinking comes good
- Talent, Demography, Competitiveness, Delivery
- Beyond commitment to Engagement - a new framework
- Organisations testing the water so far - some examples
What do we mean by Total Reward?

- We need to re-think what is and is not reward
- Reward Strategy needs to encompass all aspects of reward to add real value, enhance employee commitment and minimise the loss of your best people and their intellectual capital and knowledge based skills
- Total Reward is a hybrid approach to reward management which seeks to match the needs of the organisation with those of its employees

CIPD Total Reward 2002
Holistic Thinking Comes Good - I

Transactional Rewards
‘Is it worth it?’

ELEMENT
~ Market Pay
~ Benefits
~ Bonuses
~ Long-term incentives

MESSAGE
= Financial survival
= Security
= Special effort
= Sustained, aligned performance (performance assurance and wealth)
Transformational Rewards
‘Rewarding the Whole Person’

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>MESSAGE</th>
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<tr>
<td>~ Flexibility around life events and commitments</td>
<td>= Acknowledges personal aspirations and situation – work life balance</td>
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<tr>
<td>~ Performance rewards and feedback</td>
<td>= Joint contracting/recognition motivation goals</td>
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<td>~ Career opportunities</td>
<td>= Support for work ambitions</td>
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<td>~ Empowerment/involvement</td>
<td>= Sustained commitment/personal growth at work</td>
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<td>~ Good ethical employer</td>
<td>= Reputation/pride</td>
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<tr>
<td>~ Pay and benefits</td>
<td>= ‘Competitive’ reward/security</td>
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<td>~ Incentives</td>
<td>= Capital accrual/wealth</td>
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Current Pressures

- People can make or break any business strategy
- The talented can always choose and walk
- Organisations offering non-standard contracts have access to a bigger pool of talent
- The generations are not evenly represented in the workforce and their agendas differ
- A 5-10% increase in performance in the ‘engine room’ can deliver a huge productivity gain
- Employee engagement is causally linked to performance improvements
Key influences on Performance
Beyond Commitment to Engagement

- Engagement
- Motivation
- Discretionary effort
- Flow

Performance
Creating a fun, challenging, and empowered work environment in which individuals are able to use their abilities to do meaningful jobs for which they are shown appreciation is likely to be a more certain way to enhance motivation and performance – even though creating such an environment may be more difficult and take more time than merely turning the reward lever.

*Jeffrey Pfeffer, The Human Equation: Building Profits by Putting People First*
engage (in’geidz) vb.

1. Attract or involve someone’s interest or attention
2. Employ or lure – enter into a contract to do
3. Participate or become involved in – enter into combat with – bring together preparatory to fighting
4. Move or cause to move into position so as to come into operation

Concise Oxford Dictionary 2001
Your employees start every day with an extraordinary amount of energy, but the amount of ‘discretionary effort’ that people apply to their jobs varies tremendously. One study showed that even in relatively simple jobs the difference in discretionary performance between superior and average performers was 19 per cent.*

*Figure from JE Hunter, FL Schmidt and MK Judiesh, “Individual Differences in Output Variability as a Function of Job Complexity”, Journal of Applied Psychology 75:28-42
‘People in flow are exhilarated and are remarkably unstressed even when doing challenging work. They lose themselves in a task they love and feel ‘out of time’. Their brains work efficiently and precisely. People are much more likely to be in flow while working than while involved in leisure activities. Moreover, flow occurs most often when tasks are tightly aligned with the person’s goals.’

Mihaly Csiksentimihaly
The Role of Emotionally Intelligent Management

- ‘A cranky and ruthless boss creates a toxic organisation filled with negative under-achievers who ignore opportunities; an inspirational inclusive leader spawns acolytes for whom any challenge is surmountable’.

- ‘High levels of emotional intelligence, our research showed, create climates in which information sharing, trust, healthy risk taking and learning flourish. Low levels of emotional intelligence create climates rife with fear and anxiety’.

*Daniel Goleman, Richard Boyatzis and Annie McKee*  
*Primal Leadership: The Hidden Driver of Great Performance. 2002*
Engaged Performance®
How People define a compelling workplace

- Perception of the valued work
- Challenge/Interest
- Achievement
- Workload
- Quality of Work Relationships
- Freedom and Autonomy

Quality of Work

- Competitive Pay
- Good Benefits
- Incentives for Higher Performance
- Ownership Potential
- Recognition Awards
- Fairness of Reward

Tangible Rewards

- Learning and Development beyond current job
- Career Advancement Opportunities
- Performance Improvement and Feedback

Future Growth/Opportunity

- Supportive Environment
- Recognition of Live Cycle
- Needs/Flexibility
- Security of Incomes
- Social Environment

Work/Life Balance

- Physical Environment
- Tools and Equipment
- Job Training (Current Position)
- Information and Processes
- Safety/Personal Security

Inspiration/Values

- Quality of Leadership
- Organisational Values and behaviours
- Reputation of Organisation
- Risk Sharing
- Recognition
- Communication

Enabling Environment

- Perception of the valued work
- Challenge/Interest
- Achievement
Understanding the Detail - Practical Steps

Options

- Surveys - web enabled - rapid response
  - ‘Now’ vs ‘Ideal’
  - Diagnosis - generation of options for change
- Focus Groups - testing out the texture of engagement
- Focused Interviews - capturing individual vision
- Feedback of results/action plans on priorities

The process *can* and *should* help raise engagement
Organisational Case studies - Things they didn’t expect

- **Academic Booksellers - UK**
  - Impact of poor IT on motivation and performance
  - Inaccessibility of Managers – impact on climate
  - Sorting out ‘enablers’ took the pressure off pay
  - Clear link between customer and employee engagement

- **Consulting Engineers**
  - Graduates were more interested in early feedback than ‘sign on’ bonuses
  - And they valued travel, early responsibility, recognition, mentoring access to a gym and a ‘lunch room’

- **Engineering Company - France**
  - Significant gap between top management and young professional perceptions.
  - Talented professionals wanted a new approach to performance management and progression - pay for performance rather than service related increments.

For all three – the Process improved motivation
Creative Rewards That Worked

- ‘Learning Map’ - linking work to business delivery
  Flexible working options - attracting professional talent from non-traditional sources
- ‘Chill out’ room at call centre - valuing people who deliver excellent customer service
- Career breaks/sabbaticals - foster retention/personal renewal
- Recognition awards - acknowledge outstanding ‘one off’ contributions
- Community involvement for ‘high flyers’ - broader use of capabilities + appeal to values
- Measurable organisational climate improvement - raised commitment and engagement
Sustaining Effective Strategies for the Future: What Do You Want Your People To Say?

- They asked us what matters to us - and listened!
- This makes sense in our marketplace.
- It feels like a good/fair deal - good ‘all round’ rewards for high contribution.
- We can see where the strategy is going.
- Communication was good from the start.
- We can get on with helping the organisation succeed.
- We really feel engaged ….