

Does your Organization Have a Total Rewards Philosophy that Works?

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Anyone remember when "HELP WANTED" or "NOW HIRING" was considered a recruiting strategy? Of course, the more sophisticated companies didn't stop there; they added "Competitive Wages Offered" to sweeten the deal!

Of course, Human Resource practices have come a long way from those days. One of our most "evolved" tools has been the Total Compensation Strategy. Also known as the Total Rewards Philosophy, this strategic tool has been invaluable in helping to bring focus and alignment of all elements of total rewards with the direction of the company.

However, now that the dark days of the global recession are mostly behind us, employers, once again, are concerned about a broader range of talent and rewards issues. In The Wynford Group's most recent National Flash Survey of over 300 employers, the following were identified as the top HR Issues as of November 2011:

Top Human Capital Critical Challenges	
Rank	HR Issue
1	Attract Top Talent
2	Retain Key Talent
3	Develop/Maintain Competitive Compensation
4	Keep Employees Productive & Engaged
5	Leadership Development

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With these "talent issues" so high on the radar screen it brings the focus back to our trusty tool, the Total Rewards Philosophy Statement. But just as "HELP WANTED" no longer cuts it, neither does just a vanilla compensation strategy; no matter how strategically aligned it is!

To understand the current direction of philosophy statements we need to first look at the more traditional Compensation Philosophy which focuses primarily on the statement of Compensation and Benefits strategies typically answering the following questions:

Component	Statement
Market Position	Competitive vs. lead/lag market?
Pay Mix	Percentage of base vs variable pay?
Reward Focus	Company, team, individual?
Structure	Are there traditional salary structures, broad-based structures or no structures?
Administration	Is decision-making centralized or decentralized? Are guidelines prescriptive or flexible?

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A **good** example of this type of Compensation Philosophy Statement is the following:

Company X will:

- Attract and retain the best performers.
- Pay market rates competitive at least at the 50th percentile.
- Provide pay levels that are externally competitive with a selected group of peers in our industry.
- Provide variable pay base on the attainment of specific organizational performance goals as well as the attainment of individual performance goals.
- Provide leadership among employers in our industry in implementing innovative compensation and benefits programs.

Why Total Rewards?

Many of the "Best Employers" do a much better job of engaging and leveraging their managers to reinforce with employees the total value of what the organization provides, encompassing both the tangible and the intangible nature of rewards. The Total Rewards Philosophy is a valuable tool for managers to use in this process. The model below provides our perspective of the major components that can be included in Total Rewards and are proven to be important to employees. But remember that it is most effective when it is customized to your specific business strategies and organizational culture.

Total Rewards Model



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Why does your Organization Need a Total Rewards Philosophy?

Compensation and other Total Rewards components are often viewed as necessary expenses, but not often as drivers of organizational and business effectiveness. The following have been identified as goals for developing a Total Reward Philosophy:

- To attract, motivate, and retain through total compensation.
- To align total reward strategy with business strategy.
- To build commitment for the principles for the total reward programs.
- To provide guidance for choices of programs to be offered.

To make the earlier example of a good compensation philosophy statement a **better**, more inclusive **Total Rewards** philosophy statement, we suggest that a few additional lines such as the following take it to the next level:

- Encourage competency building by better linking career development, performance management and rewards.
- Support a performance-driven work culture that generates organizational growth.
- Pay for performance, skills and competencies, development and growth, and effective visible commitment to the organization.

Savvy employers now use their compensation strategy as a key "arrow" in their quiver of their "total rewards" tools.

"A Great Place to Grow" - **TD Bank**

"Come as you are! Do what you love!" - **Microsoft**

"Unlock your talent, fulfill your potential" - **EA Games**

With the blossoming of a variety of social media tools, the use of Employer Branding mottos like the foregoing are being developed to appeal to potential employees values, lifestyle and priorities. If they are well thought out, they can be incredibly effective at not only garnering attention from potential employees but attracting those people who will be a strong fit with the organizations culture. While this branding helps to attract the "right" people to apply for jobs; the next step is ensuring that the reward package "seals the deal".

As the results of recent HR Issues survey indicate, the biggest concerns fall into the Compensation and Learning Opportunities components of the Total Rewards Model., which suggests that successful employers must look at developing and communicating more that Compensation philosophy statements.



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This leads us to the next generation of Total Rewards Philosophy Strategies: "*The Branded Strategy*", which incorporates employer branding into the total rewards strategy to achieve that coveted alignment of business and total reward strategies in a simple, easy to remember statement.

The following are some good examples of companies that have developed effective alignment of their corporate business mission/strategies with their total reward strategies.

Organization	Corporate Mission/Brand	Total Rewards Strategy/Brand
Westjet	<i>Because Owners Care</i>	All employees are owners - many rewards are non-cash
NEXEN	<i>Where smart risk-taking and operational expertise reap big rewards!</i>	More than a Job; Building rewarding and exciting careers with opportunity for growth
Agrium	<i>Company growth, plant growth, employee growth</i>	Nourish your lifestyle, grow your career
Mountain Equipment Coop	<i>We're driven by passion (for nature), not profit.</i>	Work and life balance; at MEC we live it.

We suggest that the next level of the **best** Total Reward strategies will incorporate this type of alignment to catch the attention of both current and potential employees so that they will understand and embrace the organization's values and programs. Then link it to the details of the various total reward components.

To close we would like to mention the recent HBR blog that tells the story about Kevin Starr of the Mulago Foundation, who insists that "the companies he funds express their missions in under eight words - and that they follow the format "verb, target, outcome." No jargon,... Just focus and clarity". We think that the message here can also be applied to the high communication of total rewards strategies. You may need more than 8 words, but you will still want a slogan that will be remembered. Some of the above statements could be a start on this.

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