**Module 4: Designing and Implementing a Total Rewards Program**

**Topics**

[Topic 1: Core Steps of Designing a Total Rewards Philosophy](https://content.umuc.edu/file/e37d51d8-58d1-47dd-b7a9-33e6c109d7e3/1/HRMN395-1302.zip/Modules/M4-Module_4/S3-Commentary.html#I)
[Topic 2: Segmentation of the Workforce](https://content.umuc.edu/file/e37d51d8-58d1-47dd-b7a9-33e6c109d7e3/1/HRMN395-1302.zip/Modules/M4-Module_4/S3-Commentary.html#II)
[Topic 3: Implementing the Total Rewards Philosophy](https://content.umuc.edu/file/e37d51d8-58d1-47dd-b7a9-33e6c109d7e3/1/HRMN395-1302.zip/Modules/M4-Module_4/S3-Commentary.html#III)
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**Topic 1: Core Steps of Designing a Total Rewards Philosophy**

Nine core steps in the strategic marketing approach of designing a total rewards program and implementing it are summarized in table 4.1 below. In this first topic, the focus is on steps 1-5 (the designing steps) and each is described in sequence. The remaining steps (6-9) are addressed in topic 3. The steps are presented in a sequential manner, but the organization may perform some of the steps concurrently. The steps may also vary if the organization is a start-up organization, one that is long established, or if a total rewards strategy is already in place.

Table 4.1
Core Steps in Designing and Implementing Total Rewards

|  |  |
| --- | --- |
| Designing: | Step 1: Understand the organizationStep 2: Define the requisite KSAs required for successStep 3: Identify current and potential employees' "drivers"Step 4: Design a total rewards philosophy statement Step 5: Assess financial costs and plans with key leadership |
| Implementing: | Step 6: Pilot the total rewards assumptionsStep 7: Develop timeline, obtain vendors, assign dutiesStep 8: Implement plan Step 9: Communicate and market |

**Step 1: Understand the Organization**

Providing rewards for the purpose of attracting, retaining, and motivating employees with the requisite KSAs in order to enable the organization's success is the ultimate goal of the total rewards approach. Therefore, an understanding of the organization's business objectives, mission, vision, values, and business model is essential in the process of designing and implementing a total rewards program. Achieving this understanding begins with how the business creates marketable products, services, or expertise, and markets, sells, and delivers them, along with a review of the organization's mission, vision, values, and culture (Kaplan, 2005). Also important is being familiar with the business model, revenue generation strategy, the business life cycle, business design, the current brand impact, and geographic requirements. Organizations achieve their success in various ways; some take a centralized approach while others take a decentralized one. Some organizations have socially conscious values they hold important, while others do not. Some organizations are in the infancy stage of their growth, others are stagnant, and still others are experiencing huge growth. Many organizations are structured as not-for-profit, some are for-profit, some are publicly traded, and others are privately held; and then there are government agencies and the military. There are tremendous differences among these organizations, and their differences and uniqueness must be examined.

Some of the questions helpful in understanding the organization and leading to an effective design of the total rewards strategy are listed in table 4.2 below. Although more questions may need to be asked to reach a good understanding of the organization, these are a good start:

Table 4.2
Questions for Understanding the Organization

1. What are the vision, mission, and objectives of the organization? Will any of them change in the next three years?
2. What are the values of the organization? What social values have been demonstrated outside the organization? On what does the organization want to have an impact? Are there written values and, if so, are they demonstrated?
3. What is the culture of the organization?
4. How does the organization generate revenues today? Will that change over the next three years?
5. What business cycle is the organization in (stagnant, growth, decline)? Are any mergers, acquisitions, downsizing, or global expansion planned?
6. What business design supports the organization's ability to make money? (For example, is the design a cost-savings or a market-leader approach?)
7. Does the organization have an existing employment brand?
8. If so, what is the value of the organization's employment brand today in attracting and retaining employees?
9. Where does the organization want to be geographically?
10. Does the organization have a clear marketing brand and, if so, what is it and how is it viewed by the public?

The questions presented in table 4.2 are best asked in person and directly to senior management. Asking the questions in person will allow for follow-up questions and clarification. In addition, existing documents describing the items mentioned, such as the vision, mission, business objectives, and values, are likely available and should be gathered. The purpose of this step is to understand as much about the organization as possible because the success of the organization is the end result being sought.

**Step 2: Define the Essential KSAs Required for Success**

This step makes explicit what knowledge, skills, and abilities (KSAs) are required to accomplish the business objectives, not only for today but also in the future. It aligns the total rewards strategy with the business strategy. The specific KSAs (and the people who possess them) are the target for recruitment, retention, and motivation. The organization may already have the KSAs identified by level of employee (i.e. leadership, management, general employee population) and by business function (i.e. marketing, finance, accounting, operations, human resources, customer service, research and development). If so, they will need to be validated, keeping the current and future business objectives and business model in mind. If the KSAs are not already identified, the steps of job analysis, job description, job specification, and job evaluation (discussed in module 2) are used to identify them. The KSAs are grouped by KSA set, which is a type of segmentation by KSAs needed by job function (such as sales, accounting, service, research) and by level within the organization. The segmentation by KSA set is important because employees or potential employees of each KSA set may have different drivers for wanting to work for and remain with the organization (Kaplan, 2005). Of course, other segmentation may occur as well. In table 4.3, questions about the KSAs are posed that need to be answered.

Table 4.3
Questions About Knowledge, Skills, and Abilities (KSAs)

1. What KSAs are required by level and by function to generate revenues (at each stage)? This question should be asked of major KSA sets within the organization by level and function.
2. Will the KSAs needed by level and function change in the near future? How about in three years?
3. Are there gaps in the existing KSAs that need to be addressed?
4. What has been the turnover by KSA level and function?
5. For each KSA set (by level and function), where are they located geographically? Are there any cultural differences by KSA set?

The KSA questions can be answered through personal or electronic interviews or surveys. After the study is done it needs to be verified by the key leadership of each function and each level of the organization.

**Step 3: Identify Current and Potential Employees' "Drivers"**

The research in this step leads to the identification of the "drivers," which are the composite wants, needs, and preferences of current and potential employees. As in consumer product marketing, in which the product is designed based on the consumer's drivers, the reward program will be designed based on the employee's drivers. This step requires internal and external research and an evaluation of the two. Internally, what is working (or not) in attracting, retaining, and motivating employees is explored. Externally, what is attractive to the larger population is studied, including other organizations, geographic locations in which the organization may be expanding, and demographic groups that may not be in the workforce currently but will be in the near future.

**A. Internal Research**

It is important to include in the research the current demographic and psychographic composition of the current population of employees and potential employees, again by level and job function. Table 4.4 provides some of the questions to be answered internal to the organization.

Table 4.4
Questions for Internal Research

1. What challenges for recruitment are foreseen in the labor market?
2. What challenges of retention are foreseen within the organization?
3. What is the composition demographically of the current employees? What is the current geographic disbursement of employees?
4. What is the retention rate overall, and what is the rate by specific KSA set (by level and function), by department, by division, by geographic location, by demographic?
5. What is the time to hire a specific KSA set (by level and function), by department, by division, by geographic location, by demographic?
6. What is the level of satisfaction, in general, of the employees? What is the level of satisfaction of the employees with each of their rewards?
7. If given a list of rewards (monetary, non-monetary, and work experience), what is the most important to the current employees in order to retain and motivate them? There may be items that are relatively inexpensive, or even cost neutral, that are important to attraction, engagement, and retention. Having the employees rank their preference for rewards is an effective way to gain this information, in addition to determining price points if the employee is asked to pay for a benefit (insurance, for example).
8. Have current employees been tempted to leave in the past six months? If so, what caused them to think about leaving? What would entice them to leave today?

The data may be gathered though a variety of means: telephone surveys, electronic surveys, individual interviews, focus groups, or paper-and-pencil surveys. After the information is gathered, the organization can use statistical modeling techniques that allow analysis of other existing employee data to better understand employee preferences. This statistical modeling will help to identify trends by the various categories (level, functional job groups, and demographics). It will also point out inconsistencies in the answers. For example, what employees really care about, as measured by things such as making a decision to leave the company, are sometimes different than what they say they care about. The statistical modeling provides human resources professionals with more robust information on which to design their total rewards program. If statistical modeling is unavailable the team working on the total rewards program design can read through all the data, synthesize the key findings, and validate it with focus groups of employees at all levels of the organization.

**B. Research External Data**

Reliable normative data, such as Mercer's What's Working data on country- and region-specific employee perceptions and attitudes about work, help to determine how the information you have gathered internally compares to external data. Information may also be gained from the Bureau of Labor Statistics; WorldatWork; through local, state, and national Society for Human Resource Management Societies; and through partnering with other organizations to benchmark data and practices. Ideally, the same information about reward preferences of potential employees and what would cause them to leave their current jobs to work for another organization would be obtained. This information can be gained through a variety of methods, such as published reports, focus groups, written or electronic surveys, telephone interviews, etc. Some organizations that conduct employee satisfaction surveys for large firms share a composite of the results. Telephone interviews or focus groups allow the facilitator to ask probing or follow-up questions easier than can be done in a written survey. Table 4.5 poses some of the questions that need to be answered external to the organization.

Table 4.5
Questions External to the Organization

1. What are outside experts' reports about challenges for recruitment by job function and geographic location?
2. What demographic trends are reported (increases, decreases by segments)?
3. What are psychographic trends for reward preferences by demographic segment?
4. What is the economic forecast domestically and globally?
5. What rewards are your competitors offering? What is the competitors' experience with attracting, retaining, and motivating employees? The competitive market survey for rewards was described in an earlier module. Most organizations conduct this survey on an annual basis, so it may already be current and available.

**C. Compare Internal and External Research**

After the internal and external data is gathered, the two sets are compared for consistencies and inconsistencies. As with the other two steps, statistical modeling programs are available to help synthesize the data and identify trends, consistencies, or inconsistencies. The computer programs are also helpful in identifying existing challenges versus future ones, based on such things as population changes, growth of the current organization, expansion into new markets, introduction of new products and services, downturn in the economy, and changes in the business model.

Table 4.6
Comparative Questions

1. Is the internal data consistent with the external data?
2. What, if anything, differs?
3. What issues are there with recruitment, retention, and motivation internal to the organization that may be influenced by the external population?
4. Given the internal and external research, what challenges must we address through the rewards programs in order for the organization to be successful?

**Step 4: Design a Total Rewards Philosophy Statement**

The design of the total rewards philosophy statement is what Kaplan (2005) calls a total rewards road map. A total rewards philosophy is a statement of the total offerings of rewards, what some refer to as the employment brand of the organization. This is a formulation of the total rewards strategy from a big picture perspective, one that determines the general areas of focus by segment of the population. The resulting portfolio of rewards is designed to align the rewards strategy and the business strategy, to reach the goal of attracting, retaining, and motivating employees with the requisite KSAs to achieve the business objectives.

Given what was learned through the internal and external research, the organization is now ready to propose what rewards would attract, retain, and motivate the employees most needed for the company to be successful. They will need to determine the mix of the monetary, non-monetary, and work experience elements to attract, retain, and motivate respective employees by level and by job function or other segments they have identified as important. These are decided with the culture and values of the organization in mind. Other decisions will be made regarding items such as what rewards will be designed for each segment, eligibility, how the rewards will be earned and awarded (performance versus entitlement, individual versus team, fixed versus flexible, offered to all, part time or full time), competitive positioning of compensation and benefits, and if the rewards will be administered internally or externally (through outsourcing), and the timing of the introduction of the rewards. The organization will also need to ensure that pertinent laws and regulations affecting rewards and their administration are followed. First, however, a draft total rewards philosophy statement is prepared so that the financial costs and commitment can be measured. This step also begins the process of setting baseline measurements for the key objectives of the rewards philosophy. Table 4.7 below, from the Constellation Energy Web site (2008), shares excerpts of a sample total rewards philosophy statement.

Table 4.7
Total Rewards Philosophy Statement: Constellation Energy

We believe our employees are the brightest stars in our constellation. That's why we invest almost $1 billion annually in total rewards. At Constellation, total rewards is more than just pay. It is the combination of pay, benefits, learning and development, and the work environment. Together, these elements help make Constellation a great place to work. By integrating our total rewards offering, Constellation delivers to employees a work experience that rewards their contributions, supports their work and life needs, and provides the opportunity to learn and to grow.

**Pay:** Our total compensation philosophy is to pay employees competitively and to vary rewards based on individual and company performance.

**Benefits and Time Off:** We offer competitive benefits to our employees on a partnership basis, including health care choices, a retirement plan, insurance coverage choices, and flexible spending accounts.

**Development:** Professional advancement is important to everyone at Constellation. Employees who continuously update their skills are more satisfied with their work and contribute more to our collective success.

**Work Environment and Community:** A positive work environment, opportunities to give back to the communities where we live and work, and the ability to balance work and life demands are important to all of us.

**Diversity:** We're equally proud of the success of our programs that promote minorities and women, and we continually reaffirm our commitment to equal employment opportunities.

**Source:** Constellation Total Rewards Statement. (2008). Retrieved May 4, 2008, from http://www.constellation.com/portal/site/constellation/menuitem.37364b5370ec64875fb60610025166a0/

**Step 5: Assess Financial Costs and Discuss Costs/Objectives/General Plan with Key Leadership**

Rewards can be a very large percentage of an organization's operating expenses. In fact, for many it is the largest single expense. The step of assessing the financial implications puts the expense into perspective and helps to gain concurrence and buy-in of the top leadership and management of the organization. Although costly, offering the right rewards can maximize the reward dollars spent. Offering the right rewards, while at the same time eliminating those ones that employees may not value, ensures that time and money is not wasted. Key leadership must be involved in the total rewards initiative throughout the process of designing and implementing them, but at specific times the commitment must be checked. Prior to the final decisions being made, as with the implementation of any large and important initiative, it is crucial that the decisions are officially agreed upon. It is advisable to keep a written record of the decisions made in case reference is needed later.

**Topic 2: Segmentation of the Workforce**

Before the final steps of implementing the total rewards plan are addressed, the use of segmentation will be described to ensure an understanding, because it is a key activity and perhaps one that is new to some human resource professionals. Segmentation is a term used in marketing (as well as other disciplines) to refer to how the population divides according to differentiating factors. In human resources, the segments can be psychographics (individual personality preferences) such as career goals, desired schedules, and the need or preference for certain benefits or work experience. Segmentation can also be made by demographics, level of the organization, or job function. Segmentation by demographic group can include, for example, men, women, age groups, ethnicity, marital status, or education.

Organizations use segmentation of the population to target their marketing efforts to groups of consumers who may purchase products or services. The organization offers unique features in its products or services that the targeted population prefers (for example, minivans for families, pickup trucks for farmers, or alternative fuel vehicles for the cost conscious or environmentally conservative). They also design their marketing efforts to reach the targeted audience by creating advertisements that appeal to the particular segment they are targeting. To communicate the unique features of the product or service, key messages and the medium for the communication are chosen to reach and appeal to the targeted population. In the same way, an organization can segment the internal and external workforce population, determine the unique features (monetary, non-monetary, and work experience) desired by each, and design a total rewards program customized for the individual segments of the organization or the individuals they are seeking to hire.

There are many ways in which segmentation of the workforce can be achieved. Three examples follow. The first is suggested by Mercer (2007), the second by Erickson and Gratton (2007) in a Harvard Business Review article. The third is an example from a fast food company dealing with a problem of very high turnover of employees. Keep in mind that how employee groups are segmented will likely be unique to each organization. Specific job families, geographies, or skill sets do not consistently map to specific workforce segments across organizations. Rather, segments that appear in an organization will depend entirely on the role of different employee groups of the organization, its geographic disbursement, its individual values, culture, or business model. The way segments are identified may also vary outside the organization.

1. **Segmentation: by Value Created**. In a study by Mercer (2007), they found the following segments to be beneficial as they attempted to segment the employees. They found the employees could be grouped into categories that were either performance drivers, performance enablers, or legacy drivers.

Table 4.8
Segmentation by Value Created

* + Performance Drivers
	+ Performance Enablers
	+ Legacy Drivers
	+ **Performance drivers** are employees who directly create value for the organization. This segment could include employee groups or functions such as marketing in consumer products companies, research scientists in pharmaceutical organizations, chefs in restaurants, or athletes in the National Football League (NFL).
	+ **Performance enablers** are employees who support value creation by facilitating the efficiency of performance drivers, including human resources or finance staff at many organizations. Other examples could include the coaches and trainers in the NFL and time and motion experts in restaurants.
	+ **Legacy drivers** created value for the organization historically but no longer drive competitive advantage. For example, production and circulation functions in a media organization may become legacy drivers as content is increasingly delivered online. In the restaurant business this could be a former celebrity owner, or in the NFL it could be a coach that once led the team to the Super Bowl but is no longer in tune with the latest play strategies.

The identification of the segments is only the first step in the research process. The individual employees will also need to be interviewed or surveyed to determine if there are common rewards in each segment the organization could offer in order to fulfill their needs and desires.

**Segmentation: by Drivers for Engagement.** Another set of segments comes from authors Erickson and Gratton (2007), who were able to see segments differentiated by roles the employees wanted the organization to play for them. Their studies suggested that work played six general roles, which correspond to six types of employees, and were based on psychographic characteristics. Each worker segment, they found, cares deeply about several aspects of the employee-employer relationship and little about the others.

Table 4.9
Segmentation by Drivers for Engagement

* + Expressive Legacy
	+ Secure Progress
	+ Individual Expertise and Team Success
	+ Risk and Reward
	+ Flexible Support
	+ Low Obligation and Easy Income
	+ **Expressive legacy.**These employees care about creating something with lasting value. What appears to engage them are autonomy, entrepreneurial opportunities, creative opportunities, and stimulating tasks that enable continual learning and growth.
	+ **Secure progress.** For these employees, work is about improving one's lot in life and finding a predictable path. They are engaged by fair and predictable rewards, stability, structure, routine, and career training.
	+ **Individual Expertise and Team Success.** This group of employees value that work is about being a valuable part of a winning team. They prefer collaboration, fun, stability and structure, opportunity to gain competence, and the opportunity to leverage their personal strengths.
	+ **Risk and reward.** For this segment, work is one of multiple opportunities to live a life filled with change and excitement. They are motivated by the opportunity to improve personal finances, flexibility, the opportunity to choose tasks and positions from a long menu of options, and open-ended tasks and approaches to getting work done.
	+ **Flexible support.** These employees see work as a source of livelihood but not yet (or not currently) a priority. They want flexibility, well-defined vacation and family benefits, and well-defined work routines. They also like the ability to plug in and out of tasks and assignments with ease, and virtual, asynchronous tasks and assignments. They want to have fun.
	+ **Low obligation and easy income.** This final segment sees work as a source of immediate economic gain. They are engaged with jobs that are relatively easy to come by and that have well-defined work routines, lucrative compensation, and benefit packages. They also desire stability, security, and recognition.

In this example, as in the first, segments have been identified, but in this case some of the drivers have been used to separate the groups. The organization would need to conduct further study to see if the segments fall into certain demographics, geographics, KSA sets, functional job categories, or levels in the organization. It may be discovered that, for example, certain age groups fall into a specific category or possibly that individuals in specific job categories such as accountants, human resource professionals, sales staff, customer service representatives, or information technology specialists fall into identifiable categories. If so, this information would be very helpful in planning the rewards philosophy.

1. **Segmentation: by Specific Desires.** A third example of segmentation of employees is similar to the others and continues to demonstrate that there are various groups that can be identified through segmentation. A study was conducted in a fast food company to discover how they could improve their recruitment, hiring, and retention of employees. The organization was facing a very large turnover problem, which was not only creating recruitment and training costs to soar, but also hindered the ability to serve customers due to a constant shortage of employees. The following segments of employees were identified through a series of focus groups with existing employees. This last example of segmentation is more of the unique set that organizations may see surface when they perform their own research. The segments fell into groups of employees who were stay-at-home mothers, those who were fast food junkies, and those who wanted an entry point for a broader hospitality career.

Table 4.10
Segmentation by Specific Desires

* + Stay-at-home Moms
	+ Entry Point for Broader Hospitality Career
	+ Fast Food Junkies
	+ **Stay-at-home Moms.** One segment of the existing employee population was mothers with children who were away at school during the day. These employees wanted only part-time hours, on weekdays, between the hours of mid-morning to mid-afternoon. They were dependable employees as long as they were not asked to come in early or to stay late. Most were interested not so much in benefits but in earning extra money, as long as it didn't interfere with the family schedule.
	+ **Entry Point for Broader Hospitality Career.** This segment consisted of employees who wanted an entry into the larger parent organization through the fast food division of the hospitality corporation. They were not planning to stay in the fast food division, but would do so in order to gain the training and service to qualify for a transfer to another division. These employees were excellent workers and dependable, but were not expected to stay beyond five years, at which point they would either leave the company or be transferred.
	+ **Fast Food Junkies.** This segment was one that had no desire to transfer to one of the other divisions of the corporation, but did want to expand their careers up the ladder within the fast food organization. What was of interest to them was learning about new products and seeing new stores, taking the training that was offered, and being considered for promotions. These were the managers who would stay with the organization as long as they thought they were learning and being considered for promotion or actually being promoted.

In this example, total rewards were designed to target each of the three core segments. The organization was able to design work experiences that satisfied the stay-at-home moms, the entry point career employees, and the fast food junkies. The turnover was dramatically reduced and the cost savings were substantial. One of the interesting points of this real-life example is that it was done in the 1980s, before the total rewards model was prevalent. The organization merely applied the strategic marketing approach they knew so well to the issue of attracting and retaining employees.

**Topic 3: Implementing the Total Rewards Philosophy**

**Step 6: Pilot the Total Rewards Philosophy Assumptions, Internally and Externally**

The first five steps addressed the design stage of the process. Steps 6 through 9 will focus on implementation. After preliminary decisions have been made for the total rewards philosophy, a pilot of the rewards strategy is done in order to help validate if the decisions will yield the intended results. The pilot can be done through focus groups of employees, as well as with potential employees. At this time the key objectives, baselines for the evaluation metrics, and commitment for implementation are double checked. The objectives and the metrics will be used not only to measure the success of the programs, but will also be used as a form of communication and decision making should revisions be required. Examples of metrics can include quantitative and qualitative measures such as reducing turnover, reducing time to hire, increased production or services, more satisfied employees, more satisfied customers, or ability to expand or introduce new products (or other key objectives of the business plan).

**Step 7: Develop Timeline, Obtain Vendors, Assign Duties for Implementation**

For every initiative, whether it is a new total rewards program or changes to an existing one, a plan will need to be established to indicate the projected timeline, as well as listing all the major tasks to be completed, who in the organization will be accountable for each task, and the due date the task is to be completed. A sample timeline is presented in table 4.11, which indicates many of the tasks that will be taken in the implementation stage.

Table 4.11
Sample Timeline of Activities for Implementation

| **Activity**  | **Due Date**  | **Person Accountable**  | **Comments** |
| --- | --- | --- | --- |
| Pilot Total Rewards Philosophy Statement |   |   |   |
| Revise Philosophy  |   |   |   |
| Statement if Needed  |   |   |   |
| Select Team for Implementation |   |   |   |
| Assign Due Dates, Accountability |   |   |   |
| Decide on Eligibility and Waiting Periods |   |   |   |
| Establish Baselines for Measurement |   |   |   |
| Ensure Computer Systems are Ready |   |   |   |
| Develop Admin Guideline  |   |   |   |
| Secure Final Approval  |   |   |   |
| Select Vendors or Outsourced Providers  |   |   |   |
| Begin Communication  |   |   |   |
| Provide Training to Key Employees  |   |   |   |
| Begin Enrollment of New Benefits  |   |   |   |
| Evaluate, Report Metrics |   |   |   |

**Topic 4: Communicating/Marketing Total Rewards**

With the change in the way organizations look at their rewards, there is also the need to change the way the rewards are communicated. Communication now takes a broader focus on educating the workforce about the true value of its total rewards package and to foster a greater appreciation for these programs. Ultimately, the goal of the communication is increased employee satisfaction, reduced turnover, increased acceptance rates, and fulfillment of the organizations' business goals (Black, 2007).

Charlton Consulting Group, Inc., a benefits communications consultancy, found that only 5 percent of 128 companies surveyed said that their employees fully understand and appreciate the value of their total compensation packages. More than a third of the companies said that their employees do not understand the value of their total compensation at all, according to a 2006 research report from the firm titled "How to Ensure Your Employees Value Their Benefits Packages" (Black, 2007).

In order to be effective, communication and marketing to employees needs to use a variety of communication channels. Organizations cannot reap the full benefits of a well-designed total rewards strategy if employees are unaware of all the elements offered and the value of the rewards in monetary terms. Communicating and marketing of the rewards package may be more obvious in the recruitment efforts, because that is when potential employees are thinking about what is important to them and at that time they have the best opportunity to compare various organizations' rewards. According to Mercer's survey (2007), HR leaders in both North America and South America report that they are using at least three vehicles to communicate with employees, particularly if they have changed their total rewards strategies within the past three years. The most popular methods include individual meetings, hard-copy personalized statements, and presentations to employees made by leadership. Many organizations, however, are using electronic means through the Internet and intranet. Different means apply when recruiting, rather than educating the current employees, is the goal, but in each situation more than one means will help to ensure that all are reached with the messages effectively.

Whether it is via electronic or hard copy, one of the effective means is the total rewards philosophy statement (Smolkin, 2007). This document, which was referenced earlier in step 4, is the document that is shared with top leadership in order to gain concurrence on the plan for implementation. The total rewards philosophy statement expresses the organization's values and beliefs about the rewards offered. The purposes of the statement are: to communicate commitment and expectations to employees, to serve as a reference point to evaluate the effectiveness of the total rewards program, to reinforce the values and culture of the organization, and to communicate and reinforce the organization's business objectives (WorldatWork, 2007).

In developing a communications plan, it is important to consider specific employee audiences already identified through the segmentation steps, key messages to convey, how those messages will be disseminated, how much money is available, a timeline for implementation, and how to gather employee feedback to the communication. The communication must be customized to the specific internal and external audiences. For example, the communication to the executive team may include more of the results of the rewards program and the relevance to the business objectives. Management or supervisor communications may include specific information about the departments or areas they manage or supervise. The widespread employee population will have information specific to them, including new offerings, updates, and information about the rewards for their households. Communication is designed for the recruitment audiences, the newly hired audience, the audience when enrolling in programs, and the total audience of current employees for ongoing reminders and information (WorldatWork, 2007). In some cases there are other audiences, such as the board of directors, union representatives, and retired employees.

A few reminders about good communication plans are listed in table 4.12 below.

Table 4.12
Communication tips

* Know the audience and seek to frame the message and the medium for those you most need to attract. For example, an organization will frame its message differently and will use different mediums for the communication if it is an executive they are seeking to attract versus a computer specialist.
* Key messages: have a clear vision of what you want to accomplish.
* Communicate the employment value proposition; state what is in it for them.
* Keep messages simple, consistent, and timely.
* Begin as soon as all reward elements have been designed and approved.
* Communicate continuously.
* Focus on each of the main elements of the total rewards: monetary, non-monetary, and work experiences.
* Select credible and respected spokespeople to deliver key messages.
* Quality of presentation counts; take the time needed to ensure error-free and effective communication products.

The widespread use of the Internet has resulted in the portal becoming the hub of benefits understanding. Timeliness and interactivity are the chief advantages of online total rewards statements. The Internet also provides the opportunity for greater personalization and the capability to link to additional resources, thereby expanding the scope of communication. However, many means of communication are available today. Some of the most popular ones are listed below in table 4.13.

Table 4.13
Examples of Communication Methods

* **Audiovisual**: video, audio, teleconferences
* **Print**: brochures, booklets, letters, bulletin boards, paycheck stuffer, question-and-answer columns
* **In person**: small and large meetings, one-on-one counseling, manager/employee sessions
* **Electronic**: interactive computer programs, e-mail, telephone response systems, personalized total rewards statements online, Internet, and intranet

Many organizations use a personal benefits statement to annually communicate to all their employees the rewards they are offered, which ones they participate in, and the value of the rewards. The statement can be delivered electronically, in print, or on a web site. It is an excellent document that the employee can share with members of the family and is also an excellent reminder of the total value of the rewards for the individual employee. In addition, it is a way to communicate the costs of the rewards to the employer and is a method for employees to verify their enrollment in benefits and to have a permanent record of their holdings in their retirement plans, deferred compensation, and stock programs, if eligible for them. Our next Company Spotlight, on Avaya, describes how they use the total rewards statement to increase the appreciation of the value of their programs.

**Company Spotlight: Avaya**

Avaya is a leader in communications software services. It pioneered voice mail, interactive voice response, skills-based call routing, audio conferences, and the virtual LAN. Avaya serves one million customers, including 90 percent of the Fortune 500 companies. It employs 20,000 people in 50 countries and has 2,500 business partners. Thus, an online total rewards approach was a natural. It proved the solution to getting employees to appreciate the value of their benefit programs.

Avaya's online total rewards approach was implemented after a survey showed that most of its employees were largely unaware of the value of their benefits and didn't know where to look for information about their benefits. To remedy the situation, Avaya created an online benefits web site, My Total Rewards, which is integrated into the existing employee service center portal. The site contains personalized, comprehensive statements that give employees information not only about their pay and benefits, but also what the company pays to provide the benefits that add up to the total rewards package. Avaya recently added a benefits summary page and a retirement income replacement tool to its site. Employees gave the company site high marks for helping them understand their benefits, and the site won an award from the Profit Sharing/401(k) Council of America.

Of course, employers need to go beyond total rewards statements since the concept of Total Rewards goes beyond the traditional view of rewards as the monetary and non-monetary rewards, but also the value that results from the employment relationship, or work experience. Communication ideally would include not only compensation and benefits, as is the case of Avaya, but also other key items such as recognition, balance of work/life, culture, career/professional development, advancement opportunities, and work environment (Black, Nov. 2007).

**Topic 5: Conclusions**

A total rewards approach to compensation management is strategically planning a targeted reward package to successfully attract, retain, and motivate segmented populations of employees who possess the right KSAs needed for accomplishing the organization's business objectives. This module described the steps for designing and implementing a total rewards program. The steps were divided between those of designing, which include: 1. understanding the organization, 2. defining the requisite KSAs required for success, 3. identifying current and potential employees' "drivers," 4. designing a total rewards philosophy statement, and, 5. assessing financial costs and plans with key leadership. The steps for implementing the plans include: 6. piloting the total rewards assumptions, 7. developing a timeline, obtaining vendors, and assigning duties, 8. implementing the plan's programs, and, 9. communicating and marketing. Segmentation of the population is a vital part of the process for designing a total rewards program. Because of its importance and because it may be a skill new to many human resource professionals, a description of it was provided along with three examples.

After the planning and implementation come the remaining important aspects of a total rewards approach. The remaining activities include designing and tracking metrics, evaluating the results of the total rewards programs against the metrics established, and making any necessary revisions. These activities are all described in the remaining module of this course, module 5. Also included in our final module are pitfalls to consider when implementing and communicating total rewards programs, and global considerations for reward design.

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