PAY IT FORWARD

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Branding total reward schemes has become globally popular. But there is a problem. Too often, when companies talk about "total reward" they simply mean providing generous benefits and a positive place to work. This makes a company attractive to the workforce in general but perhaps not to those who will make your enterprise prosper. We believe companies need to fashion their workplace to be attractive to people who are dedicated to adding value to the business. This is a critical priority, especially during these competitive business times.

It is true that the best people work for more than pay. But our experience shows that there are four essential components which create an atmosphere in which the best people will want to work (see Exhibit 1 below). Offer employees an opportunity to grow from a career perspective and a chance to commit to a future they can help make a reality. Make the workplace positive and supportive of high performance. And provide total pay comprised of base pay, variable pay (incentives and equity), benefits, and recognition. While companies' packages vary in emphasis, this combination—our model of total reward—is key to making a company attractive to those who are essential to its success.

Companies have always given lip service to "paying for performance." But if you can capture the hearts, minds and performance of your workforce through a total reward model, instead of merely "sloganizing," your company will perform better. It brands your company as an enterprise that wants those who are willing to perform and add value to the business.

Changing rewards is a "hot" change, meaning one that quickly gets everybody's attention. Other tools, such as training and employment policies, are "cold"—they are slow to act and may not even affect current members of staff. Cold changes are much easier but far less effective at boosting performance.

We encourage HR to focus during competitive times on more action-oriented change tools and a total reward solution is the most powerful. But this requires courage and patience. It isn't a quick-fix solution. Even if the effects are fast, it can take time to put in place and may mean following best effective practice rather than just prevailing practice and sometimes breaking new ground in your industry or country.

We propose that your package aims to reward performance at a variety of levels including the company, business unit, small team and individual. Companies wanting to provide attractive total rewards must justify any extra cost in terms of both organizational and workforce outcomes. The workforce must also understand that providing total rewards is reliant upon a sustained level of measured outcomes for organization growth. Growth is essential—the top organizations seldom shrink to greatness.

Guaranteeing jobs, supporting an attractive work-life balance, adding pay and incentives, encouraging personal development and making the workplace appealing all make poor business sense without an understanding of the need for high performance. Yet we feel most existing solutions ignore performance and encourage entitlement.

Creating such a performance culture requires a relationship between business results and rewards. This means developing an effective performance measurement system that allows the company to credibly reward performance. This isn't an easy job under any circumstances, and not one that can be undertaken without sponsorship from the organization's leaders and workforce involvement. It needs close attention to the design of the systems and tools that will be needed and effective communication. It isn't as simple as just matching what other companies have done and hoping for the best relative to workforce performance.

Getting serious about total rewards in the context of value added to the business is the only logical reason to change reward design and communicate a new cultural direction. Here are some tactics to gain lasting value from reward change:

1. **Build the business case and strategy.** Decide why you are changing rewards, what the company will get from it and how this relates to making the enterprise more effective. Set down a meaningful strategy and tactical plan and build a logical business case that justifies why doing this is a priority.

2. **Design measurement metrics and tools.** If you decide to focus total rewards on performance improvement (and we hope you do!), determine what, how, and where performance will be objectively and credibly measured. Then measure it. Do a cost/benefit analysis so you know whether total rewards are adding value to your business.

3. **Target workforce groups.** Focus on the people who are most important to your enterprise. Make total rewards highly attractive to employee groups who have skills and competencies closest to those your company needs and the essential short-supply talent necessary for your business model. Target workforce members who are willing to go the extra mile to get the rewards.

4. **Develop total reward components.** Using our four components of total rewards as a guide, develop your company's total reward solution, keeping the first three tactical suggestions above in mind. Build a business logic for what you are offering, describe your expectations and identify which employee groups will be attracted to work in a company with this total reward structure.

5. **Solidify champions for longer haul.** Make sure leaders are willing to sponsor the initiative. Help them appreciate that changing rewards may be a "noisy" process and that they will need to get the company through this to make a new reward model work. Be certain they understand that this new reward model applies to them as well as everyone else. Reward role models are very important to making lasting cultural change.

6. **Get people involved.** Involve employees through focus groups or participation in the design process. People more readily accept change they help to create, so getting those to whom the total reward solution is directed into the design process, is critical. An involved workforce can make acceptance much easier.

7. **Address technical design.** Make the total reward design technically sound. Give details the attention they deserve. But remember that a reward solution that is technically excellent but has a poorly conceived strategy is unlikely to add value.

8. **Communicate, follow up and fine-tune.** Strong and consistent communication and follow-up are essential even when you would like to congratulate yourself for a job well done. Constant tuning will be needed to fill any gaps. While cultural change can get a boost from reward change, this remains a long-term commitment of time and resources.

Exhibit 1

TOTAL REWARD COMPONENTS	
Individual growth	**Compelling future**
Total pay	**Positive workplace**
Source: Zinghelm. Patricia K., and Jay R. Schuster. *Pay People Right! Breakthrough Reward Strategies to Create Great Companies.* San Francisco: Jossey-Bass. 2000.	

There's no going back to reward designs that make either the employee the only customer for the reward change or the company the only beneficiary of the reward design. We will increasingly see reward formulas that have something nearly all current pay and reward designs miss: meaningful performance solutions and reward solutions.

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