

What is total reward?



Ladies and gentlemen, I am here today to talk to you about the Total Reward concept and the benefits it can bring to your businesses. This concept can be defined as the sum total of all tools at the disposal of you as an employer which when harnessed together will ensure that your business attracts, motivates and retains the right cadre of employees. Total reward concept emerged in the 1990's and has evolved over the years to become perhaps one of the most sought after tools in human resources management. When properly utilized, it could turn out to be the most important aspect for the profitability and success of your organizations.

(Armstrong, M. and Brown, D. (2006) Monetary rewards are not now the only important rewards that the employees are looking for. (Barber, A. E. et al (1992). Elements of Total Reward Your companies can utilize Total Reward Strategy to attract, motivate and retain its work force. These will definitely enable your organizations grow much faster and compete effectively. Total Reward Strategy comprises 5 key elements which when you deliberately and consciously intergrate into the system, leads to the success of the organization. (Chartered Institute Of Personnel and Development. (2007).

These five elements are:

- Compensation • Benefits • Work-life balance • Performance and recognition • Development and career opportunities

i. Compensation This element focuses more on monetary reward to the employee. (Blinder, A. S. (ED) (1990)) This includes a fixed pay which does not change regardless of good or bad performance. How well you pay your employees will enable you attract qualified personnel and retain them as well. Variable pay is always dependant on performance and can be used as a way of rewarding good

performance, thus employees are likely to perform better if they are likely to be rewarded for achieving some set targets.

Short term and long term incentive pay, enables the organization to motivate the employees to hold on for a certain period of time, whereby certain perks are given when a certain period elapses. This includes share holding and pay hikes. ii. Benefits Benefits are used to supplement the cash rewards that an employee receives. Most benefits do not come in monetary terms but are programs designed to cushion the employees with their families from adverse risks like incapacitation, death and other related injuries. It can also include other luxuries like company vehicles, houses, holidays and insurance.

This boosts employee morale as they feel the organization really cares for them iii. Work-life balance Work-life takes into consideration the organizational culture that takes stock of such elements as organizational practices, policies and programs that go a long way to support the employee both at his/her workplace and at home. (Thompson, P. (2002)) When the environment within which the employee is working is taken care of, the employee becomes more productive. When this environment is destabilized even if it's at home, it will have ripple effects back to the organization. iv. Performance and recognition

The parameter used to measure the extent of accomplishment is what is termed as performance. (Beer, M. et al, (2004). The organization should come up with a modality of rewarding performance which is properly understood by the concerned parties This helps your organization develop a

mechanism of rewarding good performance and penalizing bad performance

**Recognition** This entails the process of acknowledging or rewarding outstanding employee performance. The reward can be both monetary and non-monetary and involves awarding verbal appreciation, special tokens like trophies, certificates, and badges.

This encourages competition amongst the employees which might lead to excitement and increased productivity. Employees always strive to work harder because of the acknowledgment they receive. v. **Development and Career opportunities.** The organization designs a learning process that gives the employee a chance to upgrade his/her skills to equip them with the requisite knowledge that enables them not only to perform well but also paves way for any future advancement. (Thompson, P. (2002). Talented employees are given a chance to advance further in their respective fields which enables them enhance their own personal growth.

The organization gains tremendously from the acquired new skills and is the organization retains a very high level of expertise. **Advantages of the Total Reward Strategy to small businesses.** As opposed to the traditional approach it ensures that individual requirements are met and sustained. Through Total reward strategy the organization is able not only to attract high notch cadre of employees but is able to retain them as well. The reputation of the company is equally enhanced and increases the performance of the organization. (Chen, H-M. and Hsieh, Y-H. 2006)

**Disadvantage of Total Reward Strategy to small Business.** The implementation process is very complex and can turn out to be expensive as

well. Thus it would be unimplementable for most small and startup businesses. Because the small businesses might lack any form of reputation it's not easy to attract and retain 1st choice candidates. (Heneman R. L. & Dixon K. (2001). ) Conclusion The Total Reward Strategy is a concept that is readily being implemented by most organizations in their quest to attract, motivate and retain highly skilled employees.

Its a process that requires proper planning and implementation. (Dreher, G. F. (1988). Your organizations need to assess the capacity to sustain these process. Otherwise it would not be prudent for you to try and implement it with very limited resources. If you fully implement and are able to sustain the process, then it would turn out to be beneficial to your organization in the long term. It's a process worth investigating and implementing.

## Reference

Armstrong, M. and Brown, D. (2006) Strategic reward: making it happen. London, Kogan Page. Chartered Institute Of Personnel and Development.  
(2007) Reward management 2007. London: CIPD. Available at: <http://www.cipd.co.uk/surveys>  
Barber, A. E. Dunham, R. B & Formisano, R. A (1992) The impact of employee benefits on employee satisfaction. A field study-Personal Psychology.  
Beer, M. , Cannon M. D. Baron, J. N. & Daley P. R. (2004). Promise and peril in implementing Pay-for performance. Human Resource Management.  
Blinder, A. S. (ED) (1990) Paying for productivity. A look at the evidence. Washington, D. C. , Brookings Institution.