

Total rewards system essay sample

[Business](#), [Management](#)



Introduction

Total Rewards System is a rewards policy or program that aims to support employees not only accomplish their professional goals but also contribute to organizational development and the accomplishment of organizational goals and objectives (Kaplan, 2005). This system is called ‘total rewards’ because incentives or compensation for employees relate to all aspects of work. This means that rewards in the organization not only come in the form of monetary compensation but also in other forms that encompass their roles and responsibilities. Aside from monetary rewards, for instance, for employees’ good efforts and initiatives, the management in the organization can reward employees with opportunities to further their knowledge, skills, and competencies through continuing education or training. Implementing flexible work hours could be another means of implementing total rewards since it offers convenience for employees (Medcof & Rumpel, 2007).

Hence, the Total Rewards System is a strategic approach in managing human resources in the organization by providing rewards and opportunities that encompass all aspects of work or dimensions in the workplace (Kaplan, 2005). The objective of the Total Rewards System is not merely to motivate employees but to do such in a manner that would retain talented and skilled workers and attract potential employees to the organization. As such, total rewards not only target all aspects of work for employees but also various aspects of Human Resource Management (HRM).

Elements of the Total Rewards System

Total rewards strategies come in different forms. Essentially, rewards can be categorized into three – compensation, benefits, and personal growth (Heneman & Coyne, 2007). Compensation refers to rewards or payments primarily due to employees' performance. Examples of compensation include the base pay or merit pay, other incentives such as cash bonuses, promotions that would entail increase in the employee's base pay, and salary increases. Benefits refer to rewards that employees can take advantage of as members of their respective organizations in addition to their base pay or salary. Examples of benefits include health insurance, wellness programs, paid leaves, and retirement benefits. Personal growth rewards, on the other hand, refer to opportunities that not only further organizational goals but also the professional goals of employees in the organization. Examples of personal growth rewards include training for skill development, career development opportunities such as coaching or mentoring, and performance management services. Total rewards strategies are noted in Table 1 below.

Source: Heneman & Coyne, 2007, p. 15

Other elements of the Total Rewards System include work-life balance and performance recognition (Zingheim & Schuster, 2000). Due to the stressful nature of jobs in the service industry, the organization must integrate work-life balance as a reward for employees. Moreover, the organization must always recognize employee performance as it is a crucial factor in employee motivation. In terms of the requirements for the organization to implement total rewards, it must be able to accumulate necessary resources to meet

the demands of the system. Moreover, the organization must synchronize efforts throughout its subsidiaries and ensure that experts in HR and consultants work together with employees and other stakeholders including customers to develop an effective total rewards system.

Communication and Total Rewards

Communication plays an important role in a total rewards program (Reynolds, 2005). Based on existing literature, one of the primary issues that cause conflict between employees and organizations is the former's lack of awareness and understanding of benefits that the latter offers for its staff. Consequently, this lack of awareness or understanding influences them to feel dissatisfied about their work situations. In some cases, the organization offers appropriate benefits but because employees do not know about them or do not understand how the benefits system or program works, they think that they do not receive appropriate benefits. When this happens, employees do not feel motivated enough and this manifests in poor performance while other employees choose to leave their jobs resulting in high turnover rates. It is for these reasons that communication must be foremost in the implementation of a total rewards system (Reynolds, 2005). Since the organization employs 20, 000 employees, the management should be able to distribute an overview or background of employee benefits through memoranda sent via email or in physical form.

Communication is also essential in the implementation of the total rewards system specifically when it comes to the negotiation of compensation and benefits between the employees and the organization (Reynolds, 2005). For these two entities to arrive at a consensus that is amenable to both, the

organization should initiate communication with its employees so they can talk about needs and demands that can be covered through appropriate compensation and benefits. Aside from communicating and clarifying total rewards, specifically the compensation and benefits that employees would receive, communication is also an important aspect of the total rewards system as it can be included in the rewards through opportunities for communication skill development.

Developing and Implementing a Total Rewards System

Implementing the Total Rewards System necessitates careful planning within the organization. It is a step by step process that should begin with the selection of people in the organization – leaders or managers, particularly experts in the field of human resources – who will design the plan of the rewards program or system and become involved in the implementation and assessment process (Kaplan, 2005). During this stage, the organization also assesses its strengths and capabilities. Part of this is determining the sources of funds that will be used to finance the rewards. The organization's resources play an important role in the realization of the goals and objectives of implementing the total rewards program. Designing and assessing the organization's resources and capabilities necessitate expertise. For this reason, the organization must pay attention to the development of a project team that would handle the process of designing and implementing the total rewards program. Heneman and Coyne recommend that project leaders should be senior human resource professionals as they are knowledgeable about HRM strategies and the concerns or issues of employees in the organization. After selecting the project leader, the management should then

select other members of the team that must include consultants that would offer an outsider's perspective on the plan and implementation process, other experts or members of the organization's HR department, employees that would represent the whole employee population in the organization, members or representatives of unions, and a representative that would assume responsibility for nonunion workers in the organizations. After selecting members, the project leader should discuss and clarify the roles of team members so they would learn their roles and responsibilities towards planning and the implementation of this plan.

Since the organization employs employees and management level individuals that speak different languages, it is highly important that the organization develop a team that would oversee all project plans in all 17 companies. Organizations in these countries will develop their own project teams. Separating project development for the total rewards system is important because the organization deals with employees and managers from diverse cultural backgrounds. Their views and perspectives about rewards, benefits, and compensation differ (Vandenberghie, St-Onge, & Robineau, 2008). Moreover, their needs and demands as employees also differ from that of employees in other organizations. Developing project teams in each country is crucial in matching the total rewards system to the needs and demands of employees. Nevertheless, all these team must operate following standards and benchmarks set by the organization. The organization's subsidiaries can implement different total rewards programs but this initiative must follow the organization's shared goals and objectives for HR.

After assessment, planning and designing follow. In this second phase of implementation, the project team designs the plan. The plan may be divided based on the three general types of rewards offered or given in organizations. For compensation, the team can design the plan by identifying base wage, planned pay increases, and additional incentives. The team must ensure that these match employee performance. Since the organization employs 20, 000 employees, the team should select individual team members that would make separate plans of compensation, benefits, and professional growth for employee populations in the organization's companies overseas. This is necessary because monetary compensation requires foreign exchange and it is important that salaries not only match the organization's standard wages but also the standard wages for labor in other countries. Furthermore, the organization's subsidiaries operate under regulatory environments that differ because of laws, policies, and cultures within their respective countries. To make the pay structure competitive, the project teams must conduct research about average base wages in other organizations in the respective countries where these subsidiaries are located (Chen & Hsieh, 2006). In doing so, subsidiaries can determine the ideal base wages for their employees considering other organizations' offers for their employees (Lyons & Ben-Ora, 2002).

After planning and designing, project teams in the organization can execute the plan. This requires appropriate project management skills because project teams need to make sure that the plan is carried out effectively throughout the organization. After execution, the project team should also evaluate the outcomes of the total rewards system. The project team must

then look into the results or outcomes of evaluation and determine if improvements in the system are necessary.

Advantages of Total Rewards

Implementing a total rewards program in the organization is highly important especially in today's economic environment after the recession because it provides opportunities for management to look for other cost-effective strategies to reward employees. Competition motivates employees to offer competitive income for recruits but due to economic challenges, some organizations had to cut back on cost and spending. For this reason, these organizations can only offer average salaries for their employees. To gain competitive advantage, however, organizations can look for other ways to provide compensation, incentives, benefits, and other appealing opportunities for employees and the total rewards program is one of these strategies (Lyons & Ben-Ora, 2002). Total rewards will also help organizations gain further competitive advantage when the management implements training and skill development as rewards to improve the knowledge, skills, and competencies of employees. These developments would manifest in their performance and consequently improve organizational outcomes (Heneman & Coyne, 2007).

The concept of the Total Rewards System is also an advantage in itself because it is broad, and therefore, could be implemented in different situations and for varied purposes (Medcof & Rumpel, 2007). Overall, the total rewards system allows the organization to retain employees while offering them opportunities to develop their knowledge, skills, and

competencies, which are useful in allowing them to advance professionally. For this reason, total rewards also improves employee performance.

Conclusion

The foregoing discussion explores the development and implementation of a total rewards program within the context of the scenario. A total rewards program is necessary considering the organization's current situation because it employs 20, 000 employees and 2, 000 management level individuals that speak different languages. Diversity in the organization necessitates the development of a flexible total rewards system that would cater to the unique needs of employees from different cultural backgrounds and situations (Medcof & Rumpel, 2007). In planning and designing a system, an organization must follow a disciplined approach guided by various stages or phases of development.

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