

Week 3 Assignment 1 Submission

Assignment 1: Case Study: Geico

Due Week 3 and worth 150 points

Go to the Geico Website to read the "Total Rewards Program" at http://careers.geico.com/working_at_geico/total_rewards_program.

Write a five to seven (5-7) page paper in which you:

1. Determine which facets of the Geico total rewards program align with the five (5) top advantages of a total rewards program outlined in Chapter 2 of the textbook **and discuss your reasoning**.
2. Create a strategy for ensuring that the Geico plan addresses all of the advantages. HINT: **See figure 3.1 in the textbook as a guide for creating your strategy**.
3. Evaluate the effectiveness of the communication of Geico's total rewards program based upon the Website's descriptions of the benefits. NOTE: **Even if you feel the communication is effective, still recommend two (2) areas for improvement**.
4. Assuming employees are unhappy with the current plan, as an HR leader, offer two (2) improvements or changes to Geico's total rewards program. What would you add or delete?
5. Use at least five (5) quality academic resources in this assignment. Note: Wikipedia and other Websites do not qualify as academic resources.

Your assignment must follow these formatting requirements:

- Be typed, double spaced, using Times New Roman font (size 12), with one-inch margins on all sides; citations and references must follow APA or school-specific format. Check with your professor for any additional instructions.
- Include a cover page containing the title of the assignment, the student's name, the professor's name, the course title, and the date. The cover page and the reference page are not included in the required assignment page length.

The specific course learning outcomes associated with this assignment are:

- Define total rewards and describe the advantages of a total rewards approach.
- Analyze an organization's strategy, workforce, operating environment, and key stakeholders to identify critical factors in designing a total rewards strategy.
- Evaluate the elements of a total rewards communication program.
- Use technology and information resources to research issues in total rewards.
- Write clearly and concisely about total rewards using proper writing mechanics.

To view the grading rubric for this assignment Click [here](#)

1

Total Rewards: *Everything* That Employees Value in the Employment Relationship

Fifty years ago, when a group of visionary professionals formed what was to become WorldatWork, the world of work and the world of pay were much simpler than they are today. Compensation was the primary “reward” and benefits, still in their infancy, were a separate and seemingly low-cost supplement for employees. The concept of combining these things—let alone using them with still other “rewards” to influence employee behavior on the job—was decades away.

Today we are only partially through an evolution from a largely industrialized business environment to a far more virtual, knowledge- and service-based environment, at least in North America and Europe. Among some major shifts:

- Business increasingly operates as a global village, with work moving to different parts of the world to take advantage of lower-cost labor and address skill gaps.
- Technology continues to revolutionize work, not only in terms of automating more jobs, but also in enabling the virtual workplace as more professionals conduct business in home offices or remote locations.
- Women are equally represented in the overall workforce, if not yet fully in the ranks of senior management.
- Traditional hierarchical distinctions have eroded in the name of faster decision making and speed to market. Teamwork is one of the most common behaviors rated in performance reviews.
- More businesses and business units in the United States are owned by European or Asian parents, which expect their practices and norms to be followed and respected in the workplace.
- Job mobility is taken for granted, with workers averaging six employers over the course of a career.
- Gender, race, and religious differences are a common part of most work environments. Diversity has become a respected value, demonstrated through a range of specific programs.
- Business leaders increasingly regard employees as drivers of productivity, rather than as relatively interchangeable cogs in a larger wheel.

Along with these changes have come dramatically different views about the nature of rewards. In the shift toward a more knowledge- and service-based economy, the relationship, or deal, between employer and employee began to evolve as well. Viewing employees as performance drivers meant thinking differently about what it would take to attract, keep, and engage them in giving discretionary effort on the job. And so *total rewards* entered the lexicon to address these needs.

BROADENING THE DEFINITION OF TOTAL REWARDS

The definition of total rewards always sparks debate. For example, [Figure 1.1](#) includes a comprehensive list of items that have shown up at one time or another in one company’s definition of total rewards. From this, it is easy to see how people can use the term in conversation only to find that they are referring to very different notions.

Generally speaking, there are two prevailing camps of definitions:

- *Narrow definitions.* These virtually always comprise compensation and benefits, and sometimes include other tangible elements (e.g., development). This sometimes is referred to as *total compensation* or *total remuneration*.
- *Broad definitions.* These can expand to encompass everything that is “rewarding” about working for a particular employer or everything employees get as a result of their employment. Sometimes terms such as *value proposition* or *total value* are used interchangeably with *total rewards*.

While the narrower definitions have been around for a long time, it is the broader notion that is generating buzz. (See [Sidebar 1.1](#).) Indeed, much of the current activity in total rewards involves companies moving to a broader definition. There are several reasons for this:

- *Erosion of the “core” elements of the package.* The traditional elements of rewards— pay, benefits, and stock awards—are no longer differentiating factors for organizations. The competitive position for pay is trending toward median or mean. Benefits costs continue to rise. Stock programs, such as the distribution of options, do

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rewards package sends a key message—by aligning all the components of total rewards with the overall business vision, a company ensures its workforce is on the same page.

Direct Financial	Work	Affiliation
Base Salary	Autonomy	Athletic Leagues
Bonus	Casual Dress Policy	Community
Cash Profit Sharing	Challenging Work	Involvement
Employee Referral Program (Cash)	Constructive Feedback	Diversity Programs
Stock Programs	Covered Parking	Employee Celebrations
Suggestion Program (Cash for Ideas)	Ergonomics/Comfortable Workstations	Employee Clubs
	Flexible Work Schedules	Professional Associations
	Free Parking	Seminars
	Interesting Work	Spring and Holiday Parties
	Job Skills Training	Support Groups
	Modern, Well-Maintained Workspace	Volunteer Connection
	Open Communication	Other/Convenience
	Performance Management	ATMs Onsite
	Promotion Opportunities	Carpooling/Van Pooling/Shuttles
	Safe Work Environment	Car Seat Vouchers (for Newborns)
	Suggestion Program (No Cash)	Child Care Resources
	Telecommuting Opportunities	Credit Union
	Uniforms/Uniform Allowance	Employee Assistance Program
	Workshops	Employee Card and Gift Shop
		Expectant Parent Program
	Career	Legal Services
	360° Skills Assessment	Medical Center
	Career Advancement	Military Deployment Support
	Coaching	Online Services
	Lunch and Learn Series	Onsite Dry Cleaning Pickup
	Management Development	Onsite Flu Shots
	Mentoring Program	Onsite Food Services
	Open Job Posting	Onsite Post Office
	Preretirement Counseling	Personal Travel Agency
	Service Awards	Wellness Program
	Training and Development	Worldwide Travel Assistance

FIGURE 1.1 Total rewards: different things to different employers.

Given these factors, it is not surprising that a broader definition is gaining favor in the marketplace. Companies still need to decide how broadly they want to define total rewards, based on what they can adequately measure and manage.

Sidebar 1.1: How We Define It

For the purposes of this book, the term *total rewards* refers to *everything* that employees value in the employment relationship (i.e., everything an employee gets as a result of working for the company).

WorldatWork defines total rewards as the monetary and nonmonetary return provided to employees in exchange for their time, talents, efforts, and results. It involves the deliberate integration of five key elements that effectively attract, motivate, and retain the talent required to achieve desired business results. The five key rewards elements are:

- Compensation.
- Benefits.
- Work-Life.
- Performance and Recognition.
- Development

and Career Opportunities.

Total rewards strategy is the art of combining these five elements into tailored packages designed to achieve optimal motivation. (See [Figure 1.2](#): Components of total rewards.)

For a total rewards strategy to be successful, employees must perceive monetary and nonmonetary rewards as valuable.



FIGURE 1.2 Components of total rewards.

EVOLUTION OF THE WORLDATEWORK TOTAL REWARDS MODEL

In 2000, when the American Compensation Association changed its name to WorldatWork, the association affirmed its commitment to the concept of total rewards as a more comprehensive model reflecting the value employees receive from their employment.

In the same year, after facilitating discussion with leading thinkers in the field, WorldatWork introduced a total rewards framework intended to advance the concept and help practitioners think and execute in new ways. The model focused on three elements:

- Compensation (e.g., pay, incentives).
- Benefits (e.g., health care, retirement funding).
- The Work Experience.
 - Acknowledgment.
 - Balance (of work and life).
 - Culture.
 - Development (career/professional).
 - Environment (workplace).

Up to this point, the association had focused solely on compensation and benefits. Yet, specialists and generalists alike agreed that compensation and benefits—while foundational and representing the lion's share of human capital costs—cannot be fully effective unless they are part of an integrated strategy of other programs and practices to attract, motivate, and retain top talent.

Thus, “the work experience” aspect of the first WorldatWork total rewards model included aspects of employment that may be programmatic or just part of the overall experience of working. For instance, acknowledgment may be part of a formal rewards program or may be as simple as a “thank you” from the boss or a coworker. Workplace flexibility (part of work-life) may manifest itself as a formal telework program or as having a culture or practice that embraces work-life flexibility.

From 2000 to 2005, the bodies of knowledge associated with total rewards became more robust as practitioners experienced the power of integrated strategies. Organizational and departmental structure changes allowed for better integration, and professional understanding improved, as well. Advanced literature, research, and case studies accelerated visibility for total rewards beyond the Human Resources (HR) profession, garnering notice from line managers, and, indeed, the C-suite.

Given this advanced thinking and the increased importance of total rewards as a core business strategy, WorldatWork convened teams of leading professionals in the field to create an enhanced view of total rewards. The result: a comprehensive model that demonstrates the context, components, and contributions of total rewards as part of an integrated business strategy. (See [Figure 1.3](#).)

There are five elements of total rewards, each of which includes programs, practices, elements, and dimensions that collectively define an organization's strategy to attract, motivate, and retain employees. These elements are:

- Compensation.
- Benefits.
- Work-Life.
- Performance and Recognition.
- Development and Career Opportunities.

FIGURE 1.3 WorldatWork total rewards model.

The elements represent the toolkit from which an organization chooses to offer and align a value proposition that creates value for both the organization and the employee. An effective total rewards strategy results in satisfied, engaged, and productive employees who, in turn, create desired business performance and results.

As defined here, the elements are neither mutually exclusive nor intended to represent the ways that companies organize or deploy programs and elements within them. For instance, performance management may be a compensation-function– driven activity, or decentralized in line organizations; it can be managed formally or informally. Likewise, recognition could be considered an element of compensation, benefits, and work-life.

The WorldatWork model recognizes that total rewards operates in the context of overall business strategy, organizational culture, and HR strategy. Indeed, a company's exceptional culture or external brand value may be considered a critical component of the total employment value proposition. The backdrop of the model is a globe, representing the external influences on business, such as legal/regulatory issues, cultural influences and practices, and competition.

Finally, an important dimension of the model is the “exchange relationship” between the employer and employee. Successful companies realize that productive employees create value for their organizations in return for tangible and intangible value that enriches their lives.

EXPLORING THE KEY AREAS

Following is a brief description of the five elements of the WorldatWork total rewards model. (See [Figure 1.4](#) and [Figure 1.5](#).)

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Total Rewards Component	Definition
Compensation	Pay provided by an employer to an employee for services rendered (i.e., time, effort, and skill). Includes both fixed and variable pay tied to levels of performance.
Benefits	Programs an employer uses to supplement the cash compensation that employees receive. These health, income protection, savings, and retirement programs provide security for employees and their families.
Work-Life	A specific set of organizational practices, policies, and programs plus a philosophy that actively supports efforts to help employees achieve success at both work and home.
Performance and Recognition	<p><i>Performance:</i> The alignment of organizational, team, and individual efforts toward the achievement of business goals and organizational success. It includes establishing expectations, skill demonstration, assessment, feedback, and continuous improvement.</p> <p><i>Recognition:</i> Acknowledges or gives special attention to employee actions, efforts, behavior, or performance. It meets an intrinsic psychological need for appreciation for one's efforts and can support business strategy by reinforcing certain behaviors (e.g., extraordinary accomplishments) that contribute to organizational success. Whether formal or informal, recognition programs acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. Awards can be cash or noncash (e.g., verbal recognition, trophies, certificates, plaques, dinners, tickets, etc.).</p>

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FIGURE 1.4 Total rewards definitions.

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Total Rewards

Total rewards is the monetary and nonmonetary return provided to employees in exchange for their time, talents, efforts, and results. It involves the deliberate integration of five key elements that effectively attract, motivate, and retain the talent required to achieve desired business results. The five key rewards elements are:

- Compensation.
- Benefits.
- Work-Life.
- Performance and Recognition.
- Development and Career Opportunities.

Total rewards strategy is the art of combining these five elements into tailored packages designed to achieve optimal motivation. For a total rewards strategy to be successful, employees must perceive monetary and nonmonetary rewards as valuable.

Compensation

Pay provided by an employer to an employee for services rendered (i.e., time, effort, and skill). Compensation comprises four core elements:

- *Fixed pay*: Also known as "base pay," fixed pay is nondiscretionary compensation that does not vary according to performance or results achieved. It usually is determined by the organization's pay philosophy and structure.
- *Variable pay*: Also known as "pay at risk," variable pay changes directly with the level of performance or results achieved. It is a one-time payment that must be re-established and re-earned each performance period.

- **Short-term incentive pay:** A form of variable pay, short-term incentive pay is designed to focus and reward performance over a period of one year or less.
- **Long-term incentive pay:** A form of variable pay, long-term incentive pay is designed to focus and reward performance over a period longer than one year. Typical forms include stock options, restricted stock, performance shares, performance units, and cash.

Benefits

Programs an employer uses to supplement the cash compensation that employees receive. These programs are designed to protect the employee and his or her family from financial risks and can be categorized into the following three elements:

- **Social Insurance**
 - Unemployment.
 - Workers' compensation.
 - Social Security.
 - Disability (occupational).
- **Group Insurance**
 - Medical.
 - Dental.
 - Vision.
 - Prescription drug.
 - Mental health.
 - Life insurance.
 - AD&D insurance.
 - Disability.
 - Retirement.
 - Savings.
- **Pay for Time Not Worked:** These programs are designed to protect the employee's income flow when not actively engaged at work.
 - At work (breaks, clean-up time, uniform changing time).
 - Away from work (vacation, company holidays, personal days).

Work-Life

A specific set of organizational practices, policies, programs, plus a philosophy, which actively supports efforts to help employees achieve success at both work and home. There are seven major categories of organizational support for work-life effectiveness in the workplace. These categories encompass compensation, benefits, and other HR programs. In combination, they address the key intersections of the worker, his or her family, the community, and the workplace. The seven major categories are:

- Workplace flexibility.
- Paid and unpaid time off.
- Health and well-being.
- Caring for dependents.
- Financial support.
- Community involvement.
- Management involvement/culture change interventions.

Performance and Recognition

Performance

A key component of organizational success, performance is assessed in order to understand what was accomplished, and how it was accomplished. Performance involves the alignment of organizational, team, and individual effort toward the achievement of business goals and organizational success.

- Performance planning is a process whereby expectations are established linking individual with team and organizational goals. Care is taken to ensure goals at all levels are aligned and there is a clear line of sight from performance expectations of individual employees all the way up to organizational objectives and strategies set at the highest levels of the organization.
- Performance is the manner of demonstrating a skill or capacity.
- Performance feedback communicates how well people do a job or task compared to expectations, performance standards, and goals. Performance feedback can motivate employees to improve performance.

Recognition

Acknowledges or gives special attention to employee actions, efforts, behavior, or performance. It meets an intrinsic psychological need for appreciation for one's efforts and can support business strategy by reinforcing certain behaviors (e.g., extraordinary accomplishments) that contribute to organizational success. Whether formal or informal, recognition programs acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. Awards can be cash or noncash (e.g., verbal recognition, trophies, certificates, plaques, dinners, tickets, etc.).

The value of recognition plans is that they:

- Reinforce the value of performance improvement.
- Foster continued improvement, although it is not guaranteed.
- Formalize the process of showing appreciation.
- Provide positive and immediate feedback.
- Foster communication of valued behavior and activities.

Development and Career Opportunities

Development

A set of learning experiences designed to enhance employees' applied skills and competencies; development engages employees to perform better and leaders to advance their organizations' people strategies.

Career Opportunities

A plan for employees to advance their own career goals and may include advancement into a more responsible position in an organization. The organization supports career opportunities internally so that talented employees are deployed in positions that enable them to deliver their greatest value to their organization.

Development and career opportunities include the following:

- **Learning Opportunities**
 - Tuition assistance.
 - Corporate universities.

- New technology training.
- Attendance at outside seminars, conferences, virtual education, etc.
- Self-development tools and techniques.
- On-the-job learning; rotational assignments at a progressively higher level.
- Sabbaticals with the express purpose of acquiring specific skills, knowledge, or experience.
- **Coaching/Mentoring**
 - Leadership training.
 - Access to experts/information networks—association memberships, attendance and/or presentation at conferences outside of one's area of expertise.
 - Exposure to resident experts.
 - Formal or informal mentoring programs; in or outside one's own organization.
- **Advancement Opportunities**
 - Internships.
 - Apprenticeships with experts.
 - Overseas assignments.
 - Internal job postings.
 - Job advancement/promotion.
 - Career ladders and pathways.
 - Succession planning.
 - Providing defined and respectable "on and off ramps" throughout the career life cycle.

An Integrated Total Rewards Strategy

Culture

Culture consists of the collective attitudes and behaviors that influence how individuals behave. Culture determines how and why a company operates in the way it does. Typically, it comprises a set of often unspoken expectations, behavioral norms, and performance standards to which the organization has become accustomed. Culture change is difficult to achieve because it involves changing attitudes and behaviors by altering their fundamental beliefs and values. Organizational culture is subject to internal and external influences; thus, culture is depicted as a contextual element of the total rewards model, overlapping within and outside the organization.

Source: Schein, E. "Organizational Culture." *American Psychologist* 43, no. 2 (February 1990): 109–19.

Environment

Environment is the total cluster of observable physical, psychological, and behavioral elements in the workplace. It is the tangible manifestation of organizational culture. Environment sets the tone, as everyone who enters the workplace reacts to it, either consciously or unconsciously. Because they are directly observable and often measurable, specific elements of the environment can be deliberately manipulated or changed. The external environment in which an organization operates can influence the internal environment; thus, environment is depicted as a contextual element of the total rewards model, overlapping within and outside the organization.

2

Why the Total Rewards Approach Works

Throughout the decades, there has been compelling evidence showing that the best way to attract, engage, and retain employees is to focus on total rewards, not just pay and benefits.

In the 1950s, Frederick Herzberg conducted his famous study of factors affecting job attitudes. He identified 16 factors and categorized them into 10 “hygiene factors” and 6 motivators (growth, advancement, responsibility, work itself, recognition, and achievement). Note that the motivators do not include pay and benefits—these are hygiene factors. To motivate, a total rewards approach must be taken.

Since the 1960s, psychologists (including Abraham Maslow) stressed how less tangible needs, such as growth and self-actualization, were equally important to individuals’ sense of worth. [Figure 2.1](#) illustrates how total rewards maps to Maslow’s famous hierarchy. This message has been reinforced over the years by other leading thinkers and management gurus, including Maslow, Ed Lawler, Peter Drucker, and Edward Demming.

Most data show that work and career opportunities, leadership, and recognition are leading drivers in employee engagement and retention—not pay.

What do you do when you get a job offer? Take a sheet of paper, draw a vertical line down the middle, label one column “stay” and the other “take the offer.” Then fill in the columns with a list of the total rewards associated with each opportunity. If a total rewards mindset is used to make this individual decision, shouldn’t the same mindset be applied when thinking about how to attract, retain, and motivate the broader workforce?

In today’s environment, the case for a total rewards approach is stronger than ever:

- *Total rewards addresses today’s business needs for managing costs and growth.* Research suggests that a more limited view of rewards can be more costly, because organizations tend to respond to every situation with cash. Total rewards supports moving away from ineffective programs toward those that help drive the business forward.
- *Total rewards meets the evolving needs of today’s employees.* As the workforce continues to diversify, employees’ expectations change. For example, there is stronger emphasis on job enrichment, flexible work schedules, and the overall work environment. A total rewards approach better addresses many of these varying employee needs.
- *Total rewards fits with a movement away from cash and stock.* As the role of stock becomes deemphasized in most companies, the hunt is on for other items that help redefine a compelling and differentiated offer in the market for talent. Total rewards can help do this.

Transactional Rewards



FIGURE 2.1 The link between total rewards and Maslow's hierarchy of needs.

THE TOP FIVE ADVANTAGES OF A TOTAL REWARDS APPROACH

1. Increased Flexibility

With the one-size-fits-all approach essentially gone, the twenty-first century may well become the “rewards your way” era. Just as companies create niche products and services to cater to small consumer segments (micromarketing), employers need to start creating different blends of rewards packages for different workforce segments. This is particularly true in a global labor market where workforce diversity is the rule, not the exception, and when specific skills are in short supply.

A total rewards approach—which combines transactional and relational awards—offers tremendous flexibility because it allows awards to be mixed and remixed to meet the different emotional and motivational needs of employees. Indeed, flexibility is a two-way street. Both employers and employees want more of it.

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As the importance of flexibility has become more understood, more companies are allowing employees to determine when they work, where they work, and how they work. Total rewards recognizes that employees want, and in many instances demand, the ability to integrate their lifestyle and their work.

2. Improved Recruitment and Retention

Organizations are facing key shortages of best-in-class workers (top performers), Information Technology (IT) workers with hot skills, and workers for entry-level, unskilled jobs. The classic initial solution to a recruitment and retention dilemma is to throw money at the problem. But because this solution is so overused, it does not offer a competitive advantage. Furthermore, it immediately raises costs.

A total rewards strategy is critical to addressing the issues created by recruitment and retention. It can help create a work experience that meets the needs of employees and encourages them to contribute extra effort—developing a deal that addresses a broad range of issues and spending rewards dollars where they will be most effective in addressing workers' shifting values.

Indeed, today's workers are looking beyond the "big picture" in deciding where they want to work. Work and personal life should be seen as complementary priorities, not competing ones. When a company helps its employees effectively run both their personal and work lives, the employees feel a stronger commitment to the organization. In addition, numerous studies show that employees look at the total rewards package when deciding whether to join or stay with an organization.

An actual summary statement can be prepared for potential employees, enabling them to see the whole value of being employed by a company. As such, as highly desirable job candidates explore their options with various companies, companies with total rewards have a competitive advantage because they are able to show the "total value" of their employment packages.

3. Reduced Labor Costs/Cost of Turnover

The cost of turnover—often the driver of recruitment and retention—is sometimes invisible. In reality, it's far from cheap. Estimates of the total cost of losing a single position to turnover range from 30 percent of the yearly salary of the position for hourly employees (Cornell University) to 150 percent, as estimated by the Saratoga Institute, and independently by Hewitt Associates (Lermusiaux 2003). In addition, the cost of turnover includes indirect costs such as losses from customers and sales, as well as decreased efficiencies as productive employees leave and the remaining workers are distracted.

4. Heightened Visibility in a Tight Labor Market

Talent shortages have become a chronic condition of business life, and experts agree that the tight labor market is going to get tighter. As a result, employers can no longer afford to simply view their employees as interchangeable parts. Organizations quickly are realizing that every employee matters even more when there are not enough employees to fill the available jobs.

3

Developing a Total Rewards Strategy

While many companies agree with the *idea* of total rewards, they often don't actually put a total rewards strategy into practice. The compensation department may design a sales force compensation program separately from the benefits department that revises the 401(k) program. This piecemeal approach is common, but it's akin to building a state-of-the-art skyscraper on top of the foundation of a 30-year-old, mid-rise office building. That skyscraper isn't going to be structurally sound using a base that wasn't designed to support it. The same thing can happen when new or revised benefits are built without regard to the overall compensation and benefits structure.

THE TOTAL REWARDS BLUEPRINT

Starting a total rewards program off on the right foot is a matter of taking a complete inventory of the programs already in place, ranking each program's effectiveness and finding the linkages between the rewards and the business strategy.

- **Inventory.** Find out what's already in the mix—every program, plan, and perk, even those not currently in use.
- **Rank.** Determine the effectiveness of each program and how close it is to being a best practice in the industry. Effectiveness can be defined several ways. For instance, low participation can mean low interest, or possibly low understanding of a particular program. Ask line managers to list the top five and bottom five programs in the current package.
- **Link.** This is a difficult step, but an important one. Take a look at the company business strategy and map where rewards complement or help to drive the specifics of the strategy.

For example, consider an organization that developed a business strategy that focused on providing an integrated customer service experience to its clients. If the company tried to blend 10 separate products and three different sales groups into one seamless offering, the structure of the company's sales force and the compensation programs likely would *not* support this collaborative approach. In fact, the pay structure for the sales force, customer service personnel, and sales support team could be inconsistent and actually motivate people *not* to work together. Good compensation programs are important, but linking total rewards to business strategy is essential.

FIVE COMMON WAYS A TOTAL REWARDS STRATEGY CAN GO ASTRAY

1. *Trying to re-engineer programs in pieces.* When moving to a total rewards approach, review and re-engineer the *entire* program. Don't re-engineer the short-term variable pay programs this year and take on base salary programs next year. This defeats the purpose of making sure all the programs are working together to deliver the business results necessary for success.
2. *Trying to implement changes all at once.* Yes, re-engineering the entire program is essential; however, implementing the changes all at once can have a detrimental effect. It's much better to phase in new rules and new programs over time. There's only so much change that employees can absorb and adapt to at once. In addition, it is necessary to build in time for managers and employees alike to move through the learning curve. When planning to implement radical changes to a total rewards program, it's advisable to allow a two- to five-year timeline.
3. *Limiting the number of people involved.* A broad coalition of people should be involved in a total rewards effort. All stakeholders need a place at the table—human resources, executives, finance, employees, board of directors, customers. While it may be easier to exclude some groups for the sake of simplicity, it's far too easy to overlook key elements without input of every group that will be impacted by the programs.
4. *Not doing a thorough impact analysis.* Before implementing any piece of the total rewards program, do a thorough analysis of the financial, organizational, employee, and customer impact of the plans. View these impacts both today and into the future. Don't forget to look at the full range of outcomes. What happens to the total rewards program if company profits drop by 50 percent, or sales and revenues increase threefold? It's a huge disservice not to know how the program elements will behave at different points in the company's life cycle.
5. *Not communicating effectively.* Many times when companies make these kinds of large-scale changes to their compensation and benefits programs, they communicate too much, too early, to employees, creating a workforce that gets full on hype and expectations. The flipside, communicating too little, too late, also is a problem because employees don't understand the business reasons for the changes or how these changes will impact their individual situations. Proper communication of total rewards changes is essential to success. (See [Chapter 5](#).) Determine the right amount of information, the right time to deliver it, and the right format to use for delivery.

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CRYSTALLIZING THE SPIRIT OF YOUR TOTAL REWARDS PLAN

When carefully evaluated, developed, and woven into a comprehensive total rewards strategy, the elements of the total rewards puzzle work together to produce an impact on employee attraction and retention that is greater than any of the elements considered individually. It is truly a strategy whose whole is greater than the sum of its parts.

In addition, a total rewards strategy maximizes the organization's return on compensation, benefits, and other rewards dollars invested; provides managers with multiple tools for encouraging employee development and rewarding performance; and creates a rewards package that meets or exceeds the value of a competitor's total rewards offerings. As with any effective, competitive HR program or initiative, a total rewards strategy should not be created in a vacuum. (See [Figure 3.1](#).)

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Consider these 10 essential rules of the road that came out of the Hewitt Total Rewards Research Forum (April 2003). The forum was attended by senior HR leaders from 27 of the world's largest organizations, representing more than \$1 trillion in revenues, more than \$200 billion in total annual spending on people programs, and more than 10 million employees and their dependents.

1. Focus on the broad concept of total rewards, *however you define it, whatever you call it*. Push yourself to define total rewards broadly rather than narrowly. Conveying the total value of work experience is always more compelling to your employees.
2. *Clarify the business direction first*. A total rewards program and strategy needs to support a clearly defined business strategy. It is impossible to motivate and reward the right behaviors and results unless you know what they are.
3. *Articulate a clear, compelling, and specific strategy*. Generic reward strategies are a waste of time. They do not help leaders see how reward programs can help drive the business forward. They do not help HR professionals to focus the design or administration of reward programs. They do not help employees see what is expected of them and what they can expect in return. Well-conceived strategies force organizations to make choices. You can be broad in your definition of what total rewards is, and specific in your positions on what the strategy is and what each reward element represents.
4. *Communicate with quality, not quantity*. Employees who understand the true value of their total rewards package are more likely to appreciate the investment their employer is making in them, to stay with the company, and to deliver business results. Focus on delivering targeted rewards information to employees that is accessible, up-to-date, and meaningful.
5. *Seek to manage the whole value*. As pay becomes more competitive at the same time that we have fewer dollars to spend, and as equity becomes less of an option while the choices become more narrow, it is important to leverage the whole as opposed to one segment. The more you work the whole package, the more the perceived value of each element rises.

6. *Balance between flexibility and adherence to the core.* As you think about making choices in defining a total rewards strategy, recognize the need for core values and principles that are unifying and distinguishing. How is it that IBM is still IBM and GE is still GE, even as these organizations provide flexibility in their total rewards approaches across the globe? The answer lies in each company's ability to balance the two sides—offering enough flexibility so the needs of differing populations are met and defining common principles that anchor the company.
7. *Manage what you can measure.* The breadth of a total rewards strategy is its value to organizations. Yet companies need to make sure they are equipped to manage such an inclusive approach. This means an ability to measure and track the inputs into and results from a total rewards program. Including every reward element possible in a plan may sound appealing, but is ultimately useless if the value of such an approach cannot be demonstrated to the business.
8. *Recognize that the recipient defines value.* The value of any reward element will vary by population segment whether by geography, business unit, gender, age, or tenure. Only recipients can define the value of the rewards they receive. Think about individuals first, and then see if they can be clustered into groups.
9. *Beware of simple solutions.* We tend to put in place things that are easy to execute and the hard stuff is left for another day. Most of us focus on things that are important but somewhat incremental. In time, the harder, transformational things need to be tackled.
10. *Copy how great companies think, not what they do.* Think about how great companies become great and what are the things that make sense for them and why they do the things they do. Don't copy the practices that they put in place. Try to emulate their thinking.

FIGURE 3.1 Embracing total rewards: 10 rules of the road.

Factors to consider when developing the strategy include:

- The desired level of external competitiveness (i.e., market leading, market competitive, or market following).
- The programs that will be offered to various employee groups to achieve organizational objectives while also maintaining appropriate internal equity.
- How the total rewards strategy will support the achievement of key organizational objectives.
- Ensuring that all elements developed or enhanced comply with state and federal regulations.

Also, effective communication is imperative for a total rewards strategy to be successful. Given that the message is more complex than the traditional focus on base pay only, a strong communication campaign that clearly identifies the value of the additional components of the total rewards package is essential.

Creating a total rewards program that is unique to an organization and based in competitive practices is not a simple task, but one that requires significant thought, analysis, and refinement. (See [Figure 3.2](#).)

Following are 10 steps that employers can take to better design and implement their total rewards programs and maximize their effectiveness (conclusions drawn from 2005 Strategic Rewards Study, Watson Wyatt and WorldatWork):

1. *Focus on Alignment.* High-performing companies are more successful at aligning employee behavior with company goals than low-performing companies are.
2. *Ask Employees What They Want.* Rewards only work if they are meaningful to employees and influence their affiliation with the organization. Study data show more companies need to ask employees about their rewards preferences and use their input to shape program offerings. Too many companies are missing the opportunity to understand whether their investments in different rewards plans are valued by employees and support the company's attraction, motivation, and retention goals.
3. *Measure and Manage Costs and Risks.* Successful rewards plans strike a balance between effectiveness and cost. However, too small a percentage of employers formally measure the cost-effectiveness of their total rewards program to a moderate or great extent. The lack of information means companies are missing opportunities to make changes to boost program performance.
Companies also need to identify and manage total rewards-related risks. They should, for example, have a plan to manage financing risks related to defined benefit or stock plans. They need to understand time-based risks such as costs escalating over time for skill-based pay. And they have to be prepared if rewards don't influence employees' behaviors in intended ways.
4. *Strengthen Performance Management Systems.* While many companies have adopted designs that feature best practices, their managers are not faithfully or effectively carrying them out.

Just as important are the perception gaps related to pay for performance and performance improvement. Most employers say they link pay decisions to the results of the review process, but not enough employees see the linkage for themselves. Even more troubling, most employers say they help poor performers improve, but few poor performers would agree.

One way to strengthen the connection between performance management and rewards is by investing in formal training for managers. Managers are the linchpins of the system—if they don't understand and aren't comfortable with their organizations' total rewards strategies, they won't send the right message to employees. Organizations that formally train managers to manage employee performance rate more favorably on key performance management measures than organizations that do not formally train their supervisors.

5. *Sharply Differentiate between Top Performers and Everyone Else.* Employers need to identify their critical skills groups and their best-performing employees, let these employees know they are considered top performers, and reward them with significantly better salary increases, recognition and incentive awards, and opportunities for learning and development.
6. *Make Greater Use of Incentive-Based Pay.* One of the best ways to reward top performers and spur them to greater achievement is to make incentive-based pay a key element of the total rewards strategy. Companies that use incentive-based pay to motivate performance benefit financially.

FIGURE 3.2 10 steps to a more effective total rewards program.

A total rewards strategy statement helps crystallize the spirit of a total rewards plan. It should provide specific, motivating direction when choosing what to focus on (and choosing what *not* to focus on). Rewards strategies should follow two primary aims:

- To articulate a distinctive value proposition for current and prospective employees that attracts and retains employees who have the capabilities and values the employer needs.
- To provide a framework from which the employer designs, administers, and communicates rewards programs with the maximum motivational impact to drive desired behaviors.

The total rewards strategy should ensure that the rewards framework matches the strategic needs of the business, and that the mechanics of the total rewards structure reinforce the desired corporate culture and management style. Also, it should help structure the components of the rewards system to influence and motivate employee behavior in the right direction.

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ISSUES THAT A TOTAL REWARDS STRATEGY SHOULD ADDRESS

A well-conceived strategy should address several elements:

- *Strategic Perspective.* A total rewards strategy begins with an articulation of the company's values and business strategies. The link to business needs and aims should be spelled out right up front. The total rewards strategy is the place to be clear about where, when, and how the links between business goals and rewards should and should not be made.
- *Statement of Overall Objectives.* The strategy should include statements that describe how the rewards system will support the needs of the business and the company's customers, employees, shareholders, and other key stakeholders. This typically includes a delineation of the role of each reward element. If you cannot clearly define a role for any given element of total rewards, then you should question why it is being offered at all.
- *Prominence.* The strategy should describe the overall importance of rewards relative to other tools that can focus and affect actions and decisions (e.g., shared values, cool products, inspiring leadership, etc.). One way to think about prominence is to imagine an employee talking to a friend about working for the company. As the employee relates what is great about the company, prominence involves two key questions:
 - At what stage in the conversation would you like the employee to mention the rewards package (as opposed to things such as the culture, quality of leadership, focus on customers, etc.)? This helps define the importance of total rewards in the context of the total employee experience. Do you lead with total rewards, or is it a supporting component?
 - Which elements of the package would you like to hear mentioned first, and which should be mentioned last—or not at all? What does your company want to be famous for? What is the signature program? These questions are aimed at culling the handful of reward elements that deserve 80 percent or 90 percent of your attention in design, administration, and communication.
- *Performance Measures.* The strategy should clearly identify the performance criteria to be rewarded, the appropriate level of measurement for each (e.g., corporate, business unit, region, work group, individual, etc.) and which reward elements will be linked to which measures. Also, the strategy should describe the degree to which rewards are expected to drive employee actions and decisions through variability, influence over outcomes (controllability), and the explicitness of the pay-performance link.
- *Competitive Market Reference Points.* The total rewards strategy should describe the types of companies, industries, or other reference points that will be used as the basis for determining the competitiveness of the rewards package. What are the comparators? Do they differ among business units? Why?

A common response to the question about comparators is that they should be composed of companies against which we compete for talent. It's a sound approach, usually resulting in a list dominated by companies in the same industry or geography. Another angle to consider is what you want the company to be famous for.

Perhaps benchmark the company's signature program against companies that already are famous in that area, even if it means looking beyond the industry or geography.

- *Competitive Positioning.* The strategy should clearly describe the desired competitive position relative to the competitive reference points in the labor market. Ideally, it should define how the competitive positioning is expected to vary with performance or other criteria.

It is worth noting that many companies define the median as the desired competitive benchmark for all components of rewards with increasing frequency. This raises a question: If you position all elements at the median, how will you differentiate? Defining a "signature" program is one way to avoid the creation of a plain set of rewards that looks like what every other company offers.

- *Degree of Internal Equity and Consistency.* The statement should address the extent to which the total rewards strategy will be applied uniformly throughout the company, both horizontally and vertically. To take the view that both internal and external relativities are important is fine, but defining a strategy is about making choices. A good strategy clearly defines which is more important when the two are in conflict.
- *Communication and Involvement.* The strategy should define how much information about the rewards programs will be disclosed and explained to employees. It also should outline the degree of participation that employees will have in the design and ongoing administration of the rewards programs. This includes a clear delineation of where HR's responsibility for designing and managing rewards ends and management's accountability begins. It also should include the company's policy toward employee unions, works councils, and other representative or collective bargaining units.
- *Governance.* While core principles governing the rewards program should remain fairly constant, the underlying programs need to be revised and refreshed periodically to ensure that they are competitive and compelling. The rewards strategy should delineate how frequently such reviews will occur, and who plays which roles in carrying out the review and redesign.
- *Data and Information Management.* The rewards strategy should specify guidelines for data management, information sources, collection and reporting methodologies, and processes for using data for decision support. The strategy also should include an overall process for measuring the efficacy of the total rewards program, and the supporting data.

What do the results of such an exercise normally look like? Typically, results are reflected in a written report that is anywhere from 8 to 20 pages in length. Though involving a lot of work, it's worth the effort for three reasons.

1. Clear, Compelling Strategies Help People Make Good Decisions Faster

Clear and compelling strategies define what is in bounds and what is out of bounds. They help employees and prospective employees make their own choices with regard to whether the company is the right place for them. Finally, clear strategies help the people who design and administer programs to operate with clarity and

used to evaluate whether the current approach is in line with the articulated strategy, and, if not, where the work needs to be done to bring the rewards program in line.

The use of an architecture model goes beyond evaluation of total rewards. It provides broad specifications that can be used to design programs. In this sense, the rewards strategy provides the broad description of the type of house we are building, and the architecture provides a blueprint that the craftsmen can follow.

With the strategy clearly defined, attention can be turned to the other challenges: execution and communication.

THE BOTTOM LINE

Effectively executing an appropriate total rewards strategy can increase a company's market premium. Unfortunately, weak execution means many companies are leaving at least some of this money on the table.

Problems with execution are understandable. Many rewards and benefits programs evolved in a fragmented way, without consideration for how the parts fit together or whether they reinforce business goals. Even in organizations with truly integrated designs, effective delivery depends on successful implementation of performance management, change management, communication, and the use of technology.

Every organization has the ability to develop *and* execute a superior total rewards solution. By taking a step back and analyzing the design and delivery of each component of their total rewards strategy, companies can identify the steps they need to take to maximize its effectiveness.

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Grading for this assignment will be based on answer quality, logic / organization of the paper, and language and writing skills, using the following rubric:

Points: 150		Assignment 1: Geico Case Study			
Criteria	Unacceptable Below 70% F	Fair 70-79% C	Proficient 80-89% B	Exemplary 90-100% A	
<p>1. Determine which facets of the Geico total rewards program align with the five (5) top advantages of a total rewards program outlined in Chapter 2 of the textbook and discuss your reasoning.</p> <p>Weight: 25%</p>	Did not submit or incompletely determined which facets of the Geico total rewards program align with the five (5) top advantages of a total rewards program outlined in Chapter 2 of the textbook and did not submit or incompletely discussed your reasoning.	Partially determined which facets of the Geico total rewards program align with the five (5) top advantages of a total rewards program outlined in Chapter 2 of the textbook and partially discussed your reasoning.	Satisfactorily determined which facets of the Geico total rewards program align with the five (5) top advantages of a total rewards program outlined in Chapter 2 of the textbook and satisfactorily discussed your reasoning.	Thoroughly determined which facets of the Geico total rewards program align with the five (5) top advantages of a total rewards program outlined in Chapter 2 of the textbook and thoroughly discussed your reasoning.	
<p>2. Create a strategy for ensuring that the Geico plan addresses all of the advantages.</p> <p>Weight: 20%</p>	Did not submit or incompletely created a strategy for ensuring that the Geico plan addresses all of the advantages.	Partially created a strategy for ensuring that the Geico plan addresses all of the advantages.	Satisfactorily created a strategy for ensuring that the Geico plan addresses all of the advantages.	Thoroughly created a strategy for ensuring that the Geico plan addresses all of the advantages.	
<p>3. Evaluate the effectiveness of the communication of Geico's total rewards program based upon the Website's descriptions of the benefits. Recommend two (2) areas for improvement.</p> <p>Weight: 20%</p>	Did not submit or incompletely evaluated the effectiveness of the communication of Geico's total rewards program based upon the Website's descriptions of the benefits. Did not recommend two (2) areas for improvement.	Partially evaluated the effectiveness of the communication of Geico's total rewards program based upon the Website's descriptions of the benefits. Partially recommend two (2) areas for improvement.	Satisfactorily evaluated the effectiveness of the communication of Geico's total rewards program based upon the Website's descriptions of the benefits. Satisfactorily recommend two (2) areas for improvement.	Thoroughly evaluated the effectiveness of the communication of Geico's total rewards program based upon the Website's descriptions of the benefits. Thoroughly recommend two (2) areas for improvement.	
<p>4. Assuming employees are unhappy with the current plan, offer two (2) improvements or changes to Geico's total rewards program.</p> <p>Weight: 20%</p>	Did not submit or incompletely assumed employees are unhappy with the current plan and offered two (2) improvements or changes to Geico's total rewards program.	Partially assumed employees are unhappy with the current plan and offered two (2) improvements or changes to Geico's total rewards program.	Satisfactorily assumed employees are unhappy with the current plan and offered two (2) improvements or changes to Geico's total rewards program.	Thoroughly assumed employees are unhappy with the current plan and offered two (2) improvements or changes to Geico's total rewards program.	
<p>5. 5 references</p> <p>Weight: 5%</p>	No references provided	Does not meet the required number of references; some or all references poor quality choices.	Meets number of required references; all references high quality choices.	Exceeds number of required references; all references high quality choices.	
<p>6. Clarity, writing mechanics, and formatting requirements</p> <p>Weight: 10%</p>	More than 6 errors present	5-6 errors present	3-4 errors present	0-2 errors present	