

other compensation data can be accessed easily, and managers can generate reports that summarize employees' work times. While the system cost the company \$500,000 over a two-year period, the investment appears to be well worth it.¹

Total rewards

Monetary and nonmonetary rewards provided by companies to attract, motivate, and retain employees

To attract and retain high-quality talent, companies design reward packages that appeal to many different people. Companies do this by addressing pay and benefits with a **total rewards** approach. Such a philosophy includes all forms of compensation, that is, the monetary and nonmonetary rewards provided by a company to attract, motivate, and retain employees, as shown in Figure 11-1. The effectiveness of the reward system depends on how well compensation is linked to organizational strategies so that employees are encouraged to work in a manner that benefits the company. For example, General Motors tied a portion of salaried employees' bonus pay to customer loyalty ratings in new car sales and after-sales transactions. The company has focused on retaining customers and building on repeat business and is rewarding engineers, vehicle designers, field representatives, and other workers for improving this organizational metric.²

An effective total rewards approach balances the company's interests and costs with the needs and expectations of employees, which can be a difficult process. On one hand, costs related to compensation represent one of the largest portions of

FIGURE 11-1 Total Rewards Components

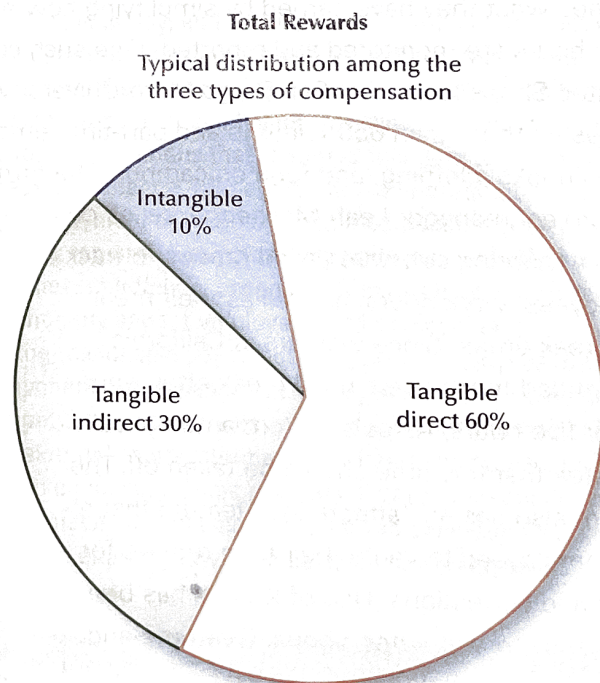
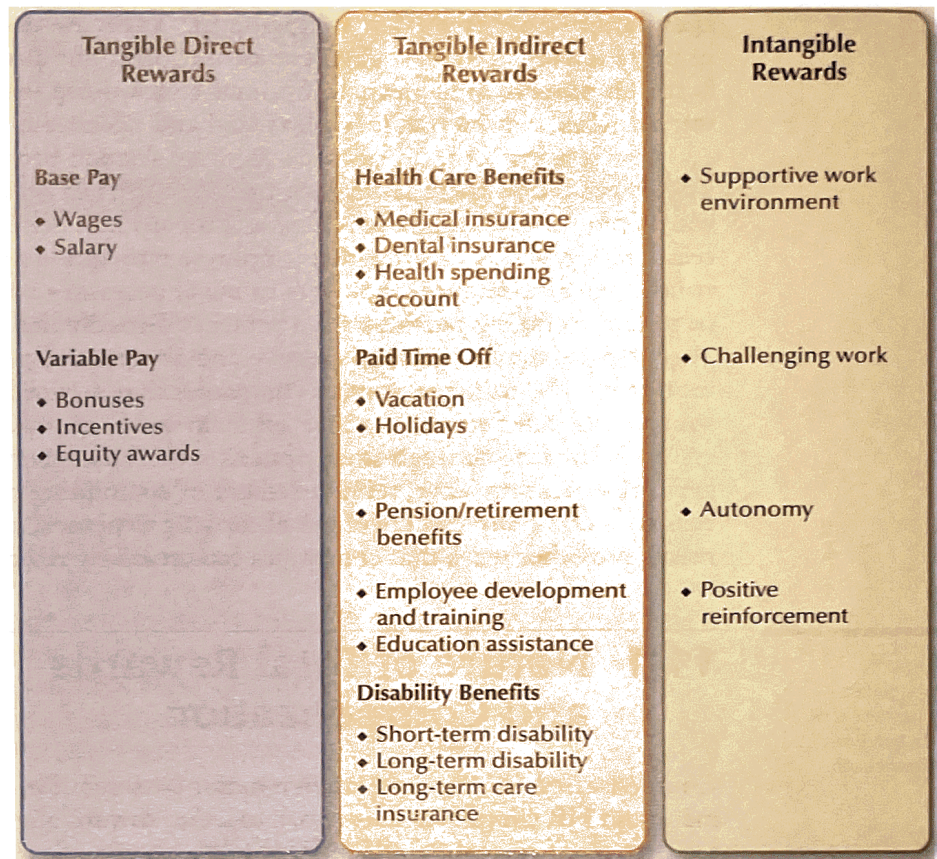


FIGURE 11-2 Elements of Total Rewards



Source: Adapted from WorldatWork (<http://www.worldatwork.org>).

programs should be evaluated on an ongoing basis to ensure that employees find them satisfying and that they are cost-effective and sustainable for the organization.⁷ The organizational culture and pay policy should be complementary and consistent. For example, if the culture is a team-focused environment, total rewards might emphasize team/group rewards rather than individual rewards.

Tangible rewards

Elements of compensation that can be quantitatively measured and compared between different organizations

Intangible rewards

Elements of compensation that cannot be as easily measured or quantified

11-1a Components of Compensation

Tangible rewards are elements of compensation that can be quantitatively measured, so it is possible to calculate the monetary value of each reward. Consequently, employees can easily compare the tangible rewards offered by different organizations to determine relative compensation levels. Alternatively, **intangible rewards** are elements of compensation that cannot be as easily measured or quantified. How would an employee put a dollar value on having decision-making authority? How much is working in a positive and supportive office environment worth to an individual? What is the value of being offered enrichment and learning opportunities in the workplace? The perceived value of these intangible rewards can differ among employees, making the development and management of total rewards much more