

South African Reward Association Conference October 27, 2010



The Total Rewards Model: How To Make It Work For You And Your Organization

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What's Been Happening Recently...

- Global economic downturn: getting better?
- Regardless...still a scarcity of high-valued talent
- Global workforce demographic challenges
- Valuable employees searching for 'something more'
- Fewer resources available for pay increases.
- Very large increases in health-care costs in most countries.

What's Been Happening Recently...

- Rapid decline of defined-benefit, emphasis on defined-contribution
- Tremendous advances in technology and the emergence of new business opportunities.
- Geographic movement of many manufacturing and service roles.
- Advancement of pay-for-performance practices.
- Unprecedented mergers, acquisitions and global competition.

Total Rewards Strategy = Leveraging Five Elements to Attract, Motivate, Retain



■ ***Compensation***

■ ***Benefits***

■ ***Work-Life***

■ ***Performance and Recognition***

■ ***Development and Career
Opportunities***

Context Of Total Rewards

- Business Strategy
- Organizational Culture
- Human Resources Strategy
- External Influences

(competition, industry, regulations, etc.)

- Geography
(location of workforce)

The Exchange Relationship

EMPLOYER PROVIDES:

Total rewards valued by employees

EMPLOYEE PROVIDES:

Time, talent, efforts and results

WorldatWork Total Rewards Model

Strategies to Attract, Motivate and Retain Employees



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Some Consistent Global Trends In HR...

- Increasing emphasis on *Performance Pay*
- More 'personalization' within Total Reward Strategies --- in general, emphasis on the 'soft stuff'
- Increasing concentration on employee accountability and empowerment

Some Consistent Global Trends In Human Resources...

- Breakdown of the traditional base pay structure
- Less emphasis on internal equity (formal job evaluation), more on external competitiveness
- More variability in the compensation mix for all employees (more pay-at-risk)
- A less vertical, more horizontal 'mindset'
- Increasing emphasis on designing aligned performance management systems
- More concentration on developing high-quality middle managers

The New Global Employment ‘Contract’...

- *“What have you done for me lately?”*
- *“This is not your mother’s company anymore!”*
- Alignment of employees’ personal values with corporate values
- A global workforce ‘mind-set’

Global Human Resources Strategies: Primary Considerations

- Of course, cultural orientation...the perception of work: *“What do you do?”*
- The ‘dance’ between the public and private sector...rock music or ballads
- Generational issues?
- Communication transparency

Overall Global Human Resources Objectives

- Worldwide mobility
- Effective succession planning
- Clear career paths
- Competitive total rewards with clear links to performance and business goals

Global Human Resources 'Schematics'

- Human resources approaches must be aligned with global business philosophies and goals
- Institutionalize a 'core' global human resources philosophy
- Consistency must be balanced with adaptability
- Create an effective global human resources delivery model (levels of control and approval)
- Develop precise performance measurement criteria

The Client Organization: *'The Financial Services Company'*

THE BUSINESS AND THE CULTURE

- Mid-size insurance and investment products and services company.
- Headquartered in the U.S., with major operations in four U.S. cities as well as smaller operations in The U.K., Switzerland, Singapore and Argentina.
- Approximately 4,500 employees, with Assets Under Management of about \$1 billion.
- Company culture: traditional and hierarchically structured, with a “laid back”, paternalistic management style.
- Very competitive employee benefits program (defined benefit).
- Industry culture: the financial services sector has become more aggressive due to increased competition and deregulation in many markets.

The Client Organization: *'The Financial Services Company'*

- *The Objective:* Develop a new total rewards strategy to move the culture and behaviors towards more flexibility, innovativeness and creativity.
- *The Strategy:* Redesign reward elements, and introduce new ones, that encourage job ownership and engagement and discourage entitlement. (Of course, adhering to local laws and regulations).
- *The Approach:* Start first with the critical foundation: an effective performance management system and sound management training...and communicate, communicate, communicate!

The Client Organization: *'The Financial Services Company'*

REMUNERATION/COMPENSATION

- Flatten the traditional base salary structure and introduce 'generic roles'.
- A new broad-based incentive program with varying 'cash mixes' depending on role.
- All performance rewards (company and individual) come from the incentive plan. Base salaries only market adjustments.
- Reorient employee thinking from 'vertical' to 'horizontal'. Train employees in how the business operates.

The Client Organization: *'The Financial Services Company'*

BENEFITS

- Phase out the DB plan (massive cultural change!). Shore up the Defined Contribution program to encourage more employee retirement accountability.
- Introduce employee choice (cafeteria plans) and health networking programs.
- Benefits become 'strategic' as opposed to 'entitlement'.

The Client Organization: *'The Financial Services Company'*

WORK-LIFE

- Create more flexibility, fun and personal life connections into the workplace:
- Introduce flextime, job sharing, family gatherings, health club memberships, wellness programs and group activities across department lines.

The Client Organization: *'The Financial Services Company'*

PERFORMANCE & RECOGNITION

- The performance management system is key! 'Cascading' performance goals that consistently align all company and individual performance.
- Spot bonus program for all employees that recognizes innovation and creativity. Administered at the middle management level.
- *"It's OK to make a mistake!"*

The Client Organization: ***'The Financial Services Company'*** **DEVELOPMENT & CAREER OPPORTUNITIES**

- Develop more formalized career paths, emphasizing horizontal as opposed to vertical movement.
- More comprehensive and flexible training programs for all employees that enhance the employees' roles within the company. Cross training which emphasizes the business process.
- Mentoring program: 'board of directors'
- *"What else do I need to learn to add value to the company and to grow my skill set?"*

The Client Organization: *'The Financial Services Company'*

THE RESULTS

- Real, positive behavioral change: more openness, innovativeness, creativity, engagement...and fun!
- Increased job ownership, satisfaction and 'bonding' with the company.
- Employees now understand their place in the organization, the roles they play, and exactly what they need to do to add value to the company and to make more money.
- Most importantly, very positive bottom-line effect on the company --- money and people...and...
- ***THE BEST & THE BRIGHTEST ARE ENGAGED!***

WorldatWork Total Rewards Model

Strategies to Attract, Motivate and Retain Employees



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Seven Steps to a *MOTIVATION-FREE* Global Total Rewards System

- 1. Be sure no one quite knows what his/her job is**
- 2. Keep selection and advancement criteria vague**
- 3. Insist on a one-size-fits-all total reward strategy**
- 4. Be vague about how successful performance is defined and measured**
- 5. Keep salary ranges, increase percentages, variable compensation guidelines, and most components of total rewards secret**
- 6. Surprise employees with a bigger paycheck or lump-sum award**
- 7. Be defensive when asked to explain and defend human resources and total rewards actions.**