

Developing An Authentic Total Rewards Philosophy to Motivate Your Workforce



Guest Presenter:
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The Talent Company

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Webinar Info



- ✓ We are informal (and fun)
- ✓ Ask Questions!
- ✓ Q&A Session at end
- ✓ HRCI & SHRM Credits
- ✓ Slides will be available after

About the Presenter



Kathleen Jinkerson

- ▶ Practice Leader for the HR & Total Rewards Solutions team at The Talent Company
- ▶ My mandate: Help organizations elevate and optimize their total rewards practices
- ▶ Solutions include strategic insights, consulting and on-demand delivery of services

Poll: About You

Agenda



The Case For A Philosophy

Common Perspectives

Developing Your Authentic Philosophy

Practical Guidance

Some Data *

66% We have a compensation/total rewards philosophy

60% We communicate our philosophy in writing

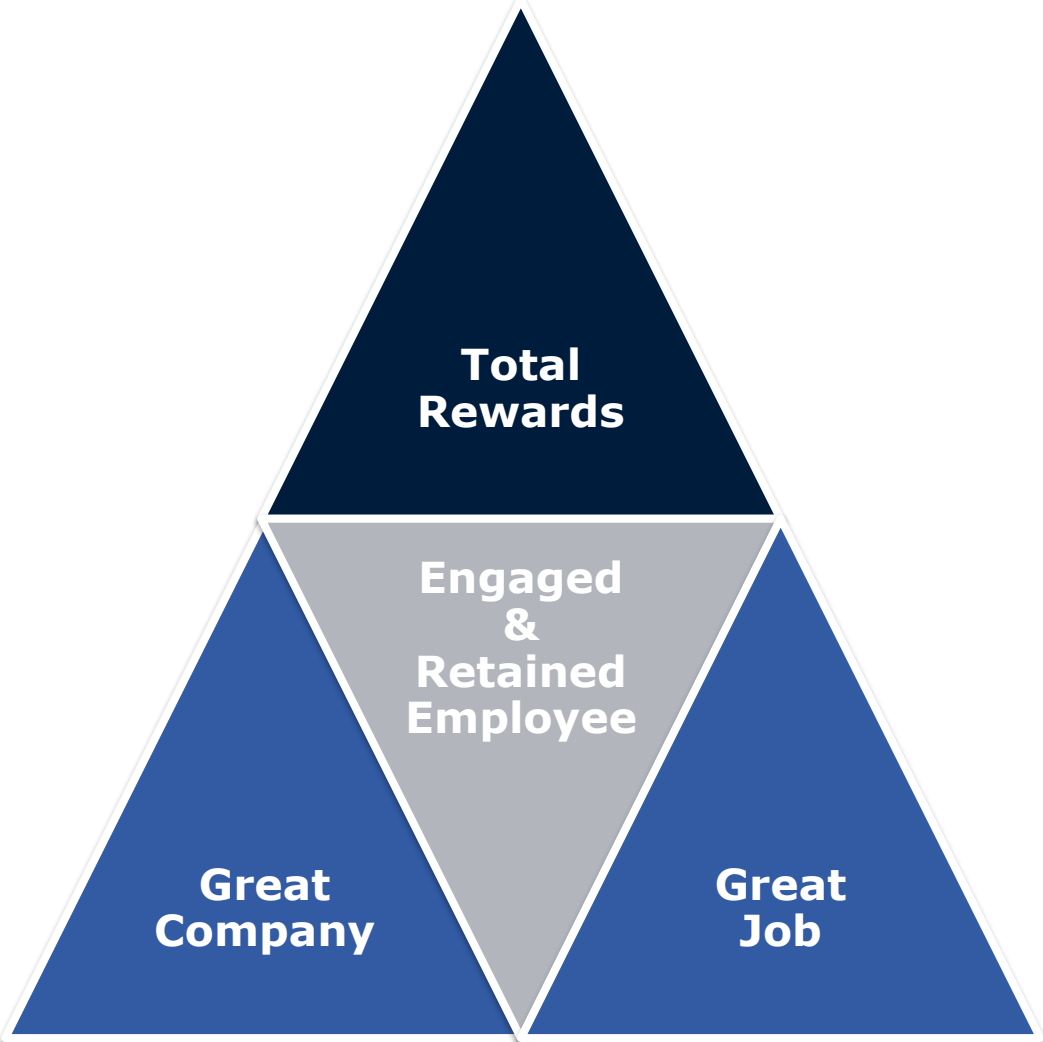
30% We effectively communicate our philosophy

Poll: Challenges To Developing A Philosophy

Purpose Of A Philosophy

- ▶ Align your organization's mission, values and objectives to employee pay
- ▶ Attract, retain and motivate employees
- ▶ Determine how pay impacts your employees
- ▶ Provide a clear, direct statement and commitment
- ▶ Reinforce alignment between rewards practices, HR and business strategies
- ▶ Initiate discussions concerning compensation and rewards
- ▶ It can also be used to determine:
 - Where your organization targets and pays out rewards
 - How you balance the various elements of total rewards

A Critical Tool



The Many Total Rewards Philosophies



Prevalent Perspectives

Traditional

Meritocracy

Purpose-
Driven

Teal /
Self-
Managed



The Traditional Perspective

Defined by:

- ▶ Tenure, seniority or skill-based pay
- ▶ Strict job structures and hierarchies
- ▶ Base pay + Bonus

Pros:

- ▶ Clear rules
- ▶ Relatively easy to administer
- ▶ Effective cashflow management

Cons:

- ▶ Sense of entitlement can develop
- ▶ Demotivating
- ▶ Limited flexibility

Meritocracy

Defined by:

- ▶ Pay for performance
- ▶ Employee evaluations and/or rankings based on past performance
- ▶ Base pay + Variable incentives

Pros:

- ▶ Rewards results
- ▶ Aligns payouts to company performance
- ▶ Allows for some discretion/flexibility

Cons:

- ▶ Complex/often poorly administered
- ▶ Personal opinions/bias can have a bigger impact
- ▶ Top talent conundrum

Purpose-Driven Approach

Defined by:

- ▶ Focused on common purpose or autonomy, mastery and self-direction
- ▶ Objective is to remove money as a behaviour driver
- ▶ Base pay + (sometimes Group/Organizational Bonus)

Pros:

- ▶ Focuses work effort
- ▶ Increases engagement
- ▶ Motivating

Cons:

- ▶ Not compatible with rigid, command/control enviro.
- ▶ Requires strong culture to implement
- ▶ May not appear market competitive

Teal/Self-Managed

Defined by:

- ▶ Teal paradigm/organizational structure
- ▶ Self-set compensation and complete transparency
- ▶ Base pay + Variable incentives

Pros:

- ▶ Focuses work effort
- ▶ Increases engagement
- ▶ Motivating

Cons:

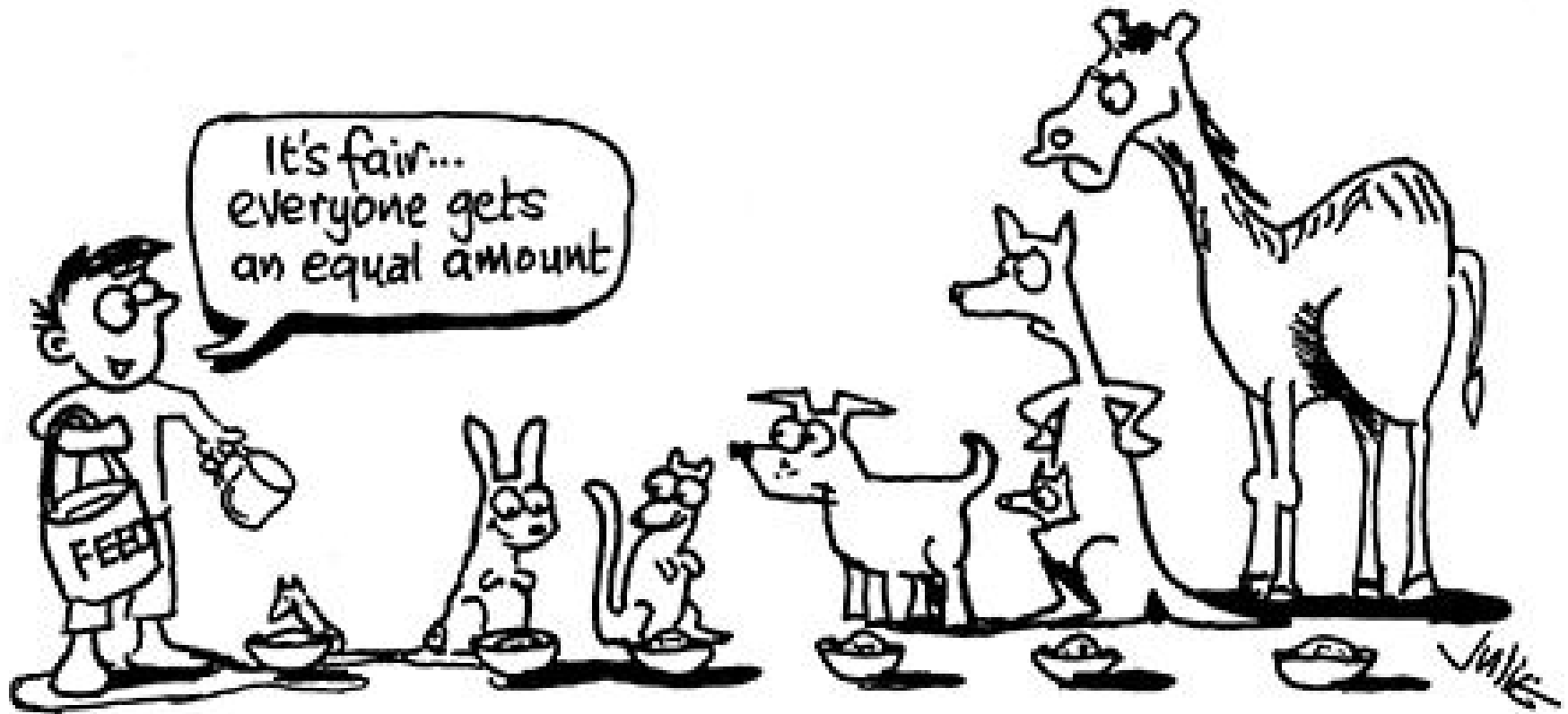
- ▶ Not compatible with rigid, command/control enviro.
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Creating An Authentic Philosophy – Key Questions

- ▶ What do you want your rewards program to do to help your organization succeed?
- ▶ What is your organization's capacity to pay?
What are the restraints on that capacity?
- ▶ Are you seeking to be fair, equitable and/or competitive?
How will you demonstrate these principles?



What Is Fair?



Pay Equity



Market Competitiveness

If you are comparing yourself to the market, you have three choices:

- ▶ **Lead the market**

Positioning at the 75th percentile where 75% of your comparators pay less (also referred to as P73 or Q3)

- ▶ **Lag the market**

Positioning at the 25th percentile where 75% of your comparators pay better (P25 or Q1)

- ▶ **Match the market**

Positioning at 50th percentile (median) where half of your comparators pay more and half pay less (P50 or Q2)



Poll: Market Competitiveness

Practical Tips



Focus On Total Rewards



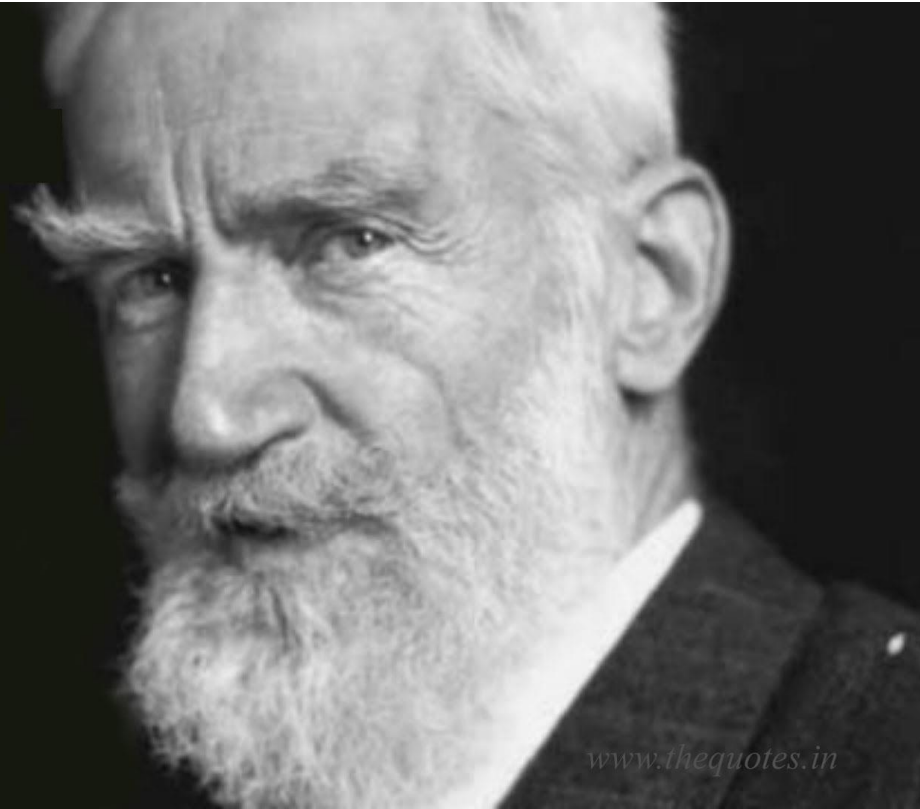
Strengthening Alignment Between Your Philosophy and Practices



Communicating Your Philosophy

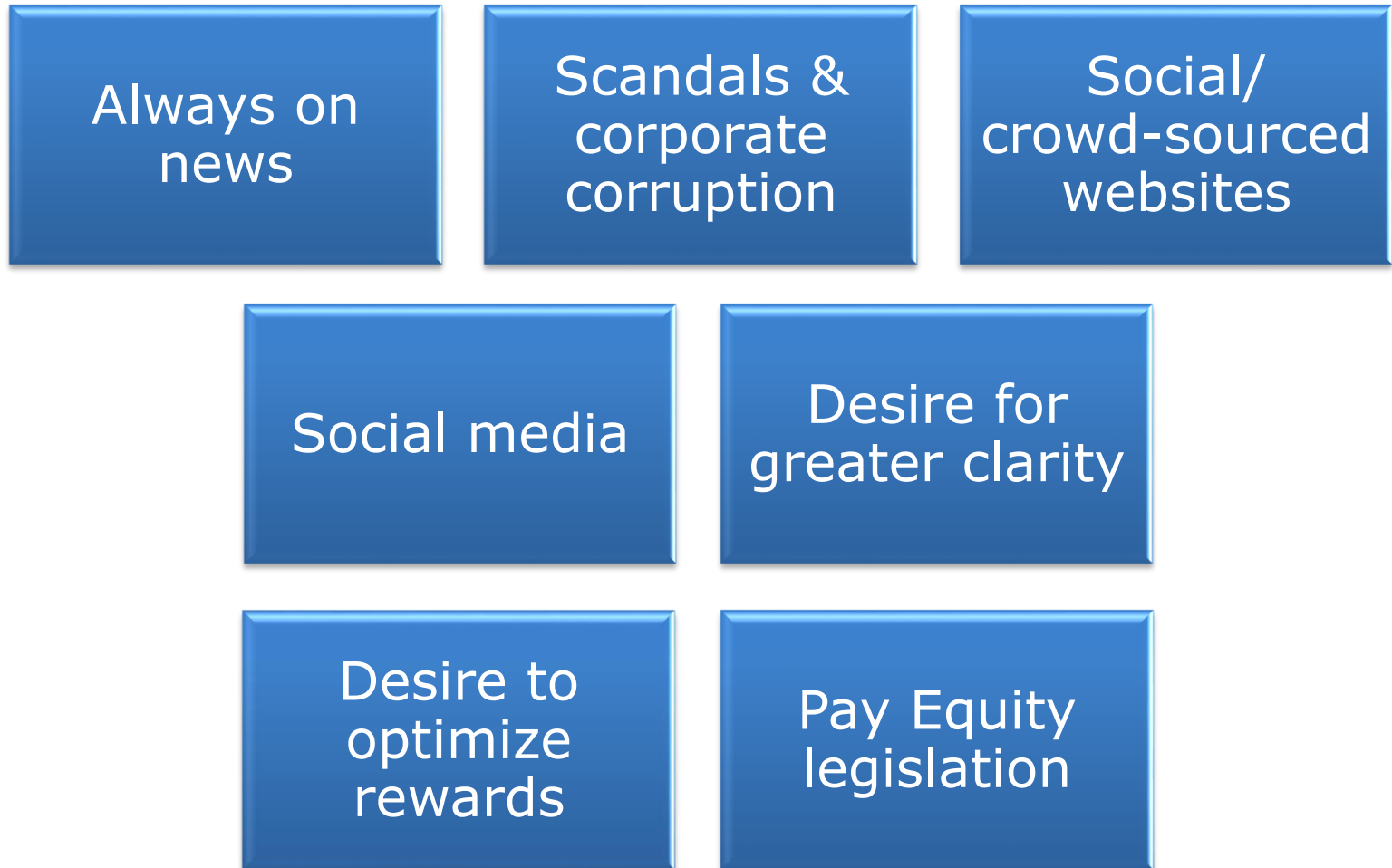
The single biggest problem in communication is the illusion that it has taken place.

George Bernard Shaw



www.thequotes.in

Transparency Drivers



The Case For Transparency

Secrecy

- ▶ Risks confusion
- ▶ May appear unfair or untrustworthy
- ▶ Limits business impact
- ▶ 80% of employees paid above market believe they are paid at or below market

Transparency

- ▶ Creates clarity
- ▶ Can increase confidence that decisions are fair and equitable
- ▶ Creates bottom-line results
- ▶ Addresses incorrect perceptions around rewards

Our Advice: Transparency

- ▶ Avoid information asymmetry
- ▶ Conduct a transparency audit
- ▶ Employ the **PRESS** model



The PRESS Model

Figure 2 - PRESS Framework for Pay Transparency

Process	Have a clearly defined compensation process and be open about how it works. The last thing you want is a “black box” approach where nobody understands the outputs.
Ranges	Even if you don't publish publicly, having internal pay ranges available during salary discussions can help employees to feel more informed and engaged.
Equity	Put fairness front and center. Help employees to see that your organization is committed to ensuring that all employees, regardless of race or gender, are on a level playing field.
Stretch	Always be looking for ways to share something, even if it makes leaders a bit uncomfortable. Remember: default to transparency unless there's a compelling reason not to.
Solicit	Be willing to solicit feedback (whether in the form of an audit or a survey) to understand the evolution of expectations and perceptions around transparency.

Source: Lighthouse Research & Advisory

Q & A



Live Q&A

Resources & Support



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