

Total Rewards for **Mid-sized Employers**

This chapter is the result of a roundtable discussion, facilitated via e-mail by Sun Life Financial.

Total rewards strategies focus on compensation, benefits and workplace culture or career issues. Can mid-sized employers provide total rewards as successfully as their larger counterparts?

Sonia Rea: Most mid-sized employers are working with constrained financial budgets. Therefore, more control is exercised in managing compensation and benefits costs as this represents a large expenditure on operating budgets. As for workplace culture, this is equally important to both mid-sized and larger employers. As human capital is an invaluable resource to ascertain long-term survival, companies, large and small, are putting every effort into obtaining employees' commitment, respecting their diversity and ensuring their integration. Innovative programs are put in place to acknowledge and motivate employees. Work climate is periodically assessed to ensure that it remains relatively positive, as this will definitely impact productivity and profitability. It is a useful tool in targeting scarce resources and urges employers to identify solutions to address challenging HR areas.

Val Holloway: Mid-sized organizations have the same opportunities as larger ones. Depending upon the culture and diversity of the organization, larger firms may find it more difficult to target a specific business unit.

Frank Gleeson: Smaller companies are clearly able to — and generally do — offer significant attractors beyond cash and cash-like rewards. Chief among them is work-life balance, which can be a major feature for people tired of the stress of large company demands. Other critical elements include less bureaucracy and simplified decision-making. Combined, they provide a greater sense of control and engagement, as well as accelerated learning opportunities and more employee autonomy. That generally leads to a deeper sense of personal accomplishment and better alignment with — and personal influence on — corporate culture and values.

Michael Worb: I agree with the comment about work-life balance, but just want to clarify that work-life balance may be just as tenuous in a small or mid-sized company as it is in a large one. It all depends on company culture, resources and expectations about output. For example, flexible working hours — which is a great response to helping employees juggle work and life demands — requires the right mix of employees who have complementary skills as well as complementary schedules. Finding, or creating, that mix can be challenging for an employer of any size.

Keith Morrallee: The smaller the organization, the tighter it is economically, culturally and socially. This affects compensation and workplace culture. Compensation ranges tend to be narrower in smaller organizations. However, average compensation across the organization may in fact be greater than is found in larger organizations. Similarly, workplace culture is likely to be more easily enriched in smaller organizations compared to larger ones, simply because there is a greater relative requirement for interpersonal contact throughout the organization. In respect of benefits programs, however, small and mid-sized organizations remain disadvantaged for the simple reason that they do not have the same economies of scale.

Chris Payne: This can depend on the industry sector. Some sectors are quite profitable. Manufacturing is greatly restricted by the money they have available for both benefits and compensation.

Are mid-sized employers sufficiently focused on human resources (HR) strategy?

Gleeson: They tend not to have the expertise to address this important area. Usually they do not devote budget to a dedicated, professionally trained HR executive on their senior team. It is usually seen more as a support or administrative function rather than a strategic contributor.

Morrallee: The willingness to invest in strategic HR functionality is, naturally, subject to cost-benefit considerations. That's often hampered by difficulties in understanding the value of the HR function relative to other areas of corporate operations.

Payne: Mid-sized employers are more reactive than proactive. I do not believe that most would have the time or ability to actually come up with or implement a true HR strategy. They are pushed for time on all levels and end up just putting out fires, rather than thinking long-term.

Rea: I believe that mid-sized employers are sufficiently focused on HR strategy. More and more, we see HR working closely with senior management and boards of directors to ensure HR strategies are properly aligned with corporate goals and mission statements. Communication at this level is valued. HR can powerfully affect the bottom line.

Do employees who work for mid-sized organizations have unique expectations?

Gleeson: They tend to have greater expectations regarding flexibility in work-life arrangements. There also seems to be a greater level of comprehension that smaller companies are sometimes constrained in matching what larger companies can achieve on a cash compensation basis. Employees are often with smaller companies by choice. As such, they can be more demanding that non-cash benefits meet their needs.

Morrallee: There are fundamental differences in the work environments of mid-sized organizations that shape employee expectations. Work often does not fall neatly within job descriptions. In smaller organizations there is more opportunity to participate in decision-making at all levels and to have a collegial team approach to work, rather than a top-down approach. These requirements dovetail effectively with total rewards practices.

What should a typical mid-sized organization offer as part of a total rewards strategy?

Rea: Monetary and non-monetary incentives including pay, benefits, training and development and work-life balance programs.

Worb: Self-motivated, personally driven employees will appreciate educational or skill-development opportunities. Others might welcome an opportunity to acquire additional vacation days, subsidies for gym memberships or the like. Understanding childcare needs and providing resources is often popular with employees. In fact, it is

probably one of the single rewards most likely to positively affect company loyalty and can often be achieved relatively painlessly through flex work times. On the benefits side, we know that many employees quietly use employee assistance programs. And, at any given time for any size organization, reward and recognition efforts are critical. As for affordability, the costs of a total rewards program may be built into the margins. When customers know that a fee or cost includes a superior customer response mechanism or a reliable product, they are often willing to pay more. Of course, that must be strategically communicated in order to heighten customer awareness of the value they are receiving.

Gleeson: Base compensation and benefits still need to be sufficient to provide a lifestyle reasonably consistent with what the employee had before joining. In addition, there needs to be an upside in terms of time away from work, which for many is the trade-off they wish to make. It needs to be clear that the employee will have a greater sense of ownership of their work and know that they are making a difference. Finally, a sharing of upside rewards in some way for value contributed would be a real benefit for potential recruits.

Morrallee: Mid-sized organizations might aspire to offer full total rewards, but realistically focus on those areas that can most effectively deliver bang for the buck. As starting points, recognition and acknowledgment of workplace achievements foster large payoffs at low cost. Supporting work-life balance will tend to result in productivity and health gains that will offset much of the costs.

Holloway: A reward does not have to cost a lot to provide enormous intrinsic value. The organization has to continually monitor what employees value, and then determine what works well, and what doesn't, at what price.

What are the most innovative mid-sized employers doing?

Morrallee: They are tailoring total rewards to basic needs unique to the workplace culture. Common examples include permitting and empowering work from home to assist employees in balancing domestic requirements with work requirements, fitness allowances, personal technology equipment purchase and finance programs (which may empower work from home), a well-equipped lunchroom and casual attire days.

Rea: The most innovative mid-sized employers are linking total rewards strategies with performance and company objectives. Unique programs such as innovative peer recognition award programs enable employees to recognize or be recognized by co-workers for outstanding service and performance.

Worb: Pay for results rather than time. An employee's real contribution to an organization isn't the hours worked, but rather the results he or she brings to the business. This should be balanced by a supportive, encouraging culture. Another big win with employees is to work with them to help build savings — not just by giving — but by providing them with educational tools and a mechanism that will help them build a future pot of money with which to retire.

How widely are total rewards strategies implemented among mid-sized employers?

Gleeson: Fewer than 25 per cent are following this approach.

Holloway: It would be a huge competitive advantage to have a plan. The organization then knows where they are, what they want to offer their employees and how they are going to achieve their goals.

Morrallee: Total rewards is still in its infancy for mid-sized employers. The upside in terms of competitive advantage is significant. Gains begin with improvements in attracting and retaining

employees, and expand to productivity, health and motivation gains. The key, however, is to implement total rewards in a way that meshes appropriately with the organization's culture, rather than as a reactive response to what a competitor may be doing.

Why the delay?

Holloway: It's a hard sell. When a company is small, they may follow a total rewards strategy informally. But as they grow and business issues require greater attention, the people issues begin to fall by the wayside.

Gleeson: Often, mid-sized companies are so focused on merely surviving or keeping up with rapid growth that all their energy is consumed. There's no time left for stepping back and thinking about total rewards and how it can represent a competitive weapon.

Worb: Perhaps it will take time for employers to get over some skepticism and to see and hear about how other employers have achieved success with this. Of course, they need to see how this is going to directly relate to their bottom line and productivity. But this is more than just economics. This is a cultural shift in addressing the whole employee and it takes time for that to become widespread.

Rea: What they don't realize is that this may have a direct impact on the long-term survival of the organization and that human capital is to be valued more than bricks and mortar. They will need coaching on how to implement this at a reasonable cost.

Are those who adopt a strategy realizing the necessary return on investment?

Rea: Realizing investment takes time. However, statistics on recruitment, retention, disability claims and workplace climate will provide management with an indication of the direction they are taking. Firms adopting a total rewards strategy will realize the return on investment both directly and indirectly.

Morrallee: Quantitative assessment of returns on investment may be problematic. Measurement areas may include turnover, staffing costs, disability costs and productivity. Difficulty arises in distinguishing the impact of total rewards from other external environmental influences. These measurement challenges should not deter employers from implementing total rewards, particularly if it is likely to demonstrably raise employees' job satisfaction and there is a belief that happier employees provide for improved customer relations.

Worb: In order to realize the desired return on investment, an organization must be able to measure it. Measurement tools exist, but they must be carefully crafted. Data needs to be collected that will, as much as possible, show actual behavioural change. Has turnover been reduced? Have the numbers of individuals participating in educational or upgrading opportunities gone up? Have disability claims due to stress been reduced? When implementing a total rewards approach, an organization should determine ahead of time what success would look like. Then, with the help of a professional, decide how much effort and resources can be devoted to ascertaining success. Then work within that budget.

Holloway: Business and workforces change over time and organizations have to have a handle on how they are evolving. Having a total rewards strategy allows an organization to focus its effort in a certain direction.

Payne: If they don't buy into this strategy, I believe their business will suffer.

Gleeson: Unquestionably. The essence of an HR strategy is having the right people in the right jobs doing the right things (well). Providing them with the right rewards package for the circumstances at hand will ensure they stay and are motivated in the desired direction. That can only make the company stronger and more competitive, and most importantly, positioned to be more profitable.

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