

Total Rewards: A 3-legged Platform Toward Improved Productivity
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Hiring and retaining employees used to be a fairly straightforward process. An employer would hire a qualified candidate for a job, and the employee would receive compensation in exchange for services rendered. If that employee remained on the job for any length of time and continued to perform at or above expectations, they would be rewarded for company loyalty with money, promotions or other incentives. This state of affairs could continue for years, many times until the employee's retirement. At that time they would receive a handshake, a thanks for a job well done, a gold watch and perhaps some kind of a pension.

Not only have times changed, they've been revolutionized.

The concept of the *long-term, one-company, employee* first began changing around the late 1980s when a severe recession forced companies to lay off managerial and support personnel. As more people were fired in the name of profits, employee loyalty to companies suffered. Job security dwindled to almost nothing, especially for those employees who kept their jobs. Not only did workers find themselves performing double and triple workloads, they were constantly looking over their shoulders in dread that their jobs would also be eliminated.

The result of the downsizing furor is a job-hopping and cynical workforce with little company loyalty. This attitude is understandable. Workers are less apt to go the extra mile for a company that is likely to re-engineer them right out of their jobs. For many companies, this lack of motivation and effort has translated into low morale and poor efficiency.

Today, in the wake of fraud charges, bankruptcy and other corporate investigations, many employers have been confronting old challenges: how to retain and motivate a cynical and portable workforce. As the economy continues to show signs of improvement (and mobility), the challenge for today's business community is to rebuild employee loyalty and productivity by earning the trust of workers. In order to do this, management has a powerful tool available: a concept known as Total Rewards Platform ("TR"). The TR platform not only can help build allegiance to a company, but also can help employees feel more secure about their positions in a company. A more secure workforce is one that has higher morale, which can boost efficiency and ideally, the bottom line.

To better understand the concept, take a moment to picture a platform. Most have a minimum of three legs. Anything less, and the platform wobbles. The same holds true in

the business world. Management can use the idea of a three-legged platform to balance its workforce on three legs. These legs are called: financial rewards, extrinsic non-financial rewards and intrinsic awards. When all legs are present and equal in importance, company management finds that employees are ready and willing to work harder for the company.

The First Leg: Financial Rewards

Providing financial incentive to encourage an employee to perform to their best abilities is probably the most well-known and longest enduring concept in the workforce. Financial rewards can include, but are not limited to: salary, bonuses, stock options and health and life insurance. With companies desperate to retain top talent employees, retention (or stay) bonuses have become fixtures within some compensation programs. Retention bonuses financially reward employees for continued service for a specified period of time.

In addition, a company can also offer non-monetary compensation. For example, one Dallas-based software company has a reputation for imposing tough deadlines on its workforce in order to meet the growing demand for its product. The employees are well-compensated for the time they put into their jobs; in addition, management offers other compensation such as: time off during slow periods, staff parties outside of the office, and free gift certificates to a local restaurant or department store. This type of compensation can't be put in a bank account or used to pay the mortgage. What it does do, however, is let employees know that management is aware of deadline pressure, and that it is doing what it can to alleviate it. As a result, the employees have remained loyal to this company, and turnover is relatively low.

The Second Leg: Extrinsic Non-Financial Rewards

While compensation provides strong incentive for employees to do their best, people today join a company for reasons other than salary. They want to grow in their careers. They want to know that their efforts are being appreciated. They want to know where and how they can make improvements in their tasks. And they want to work with their bosses as partners, rather than as subordinates. This is where the platform's second leg extrinsic non-financial rewards, comes into play.

Extrinsic non-financial rewards are primarily centered on an employee performance appraisal. This is different from the formalized annual or semi-annual performance reviews that companies sometimes conduct to determine if a worker is deserving of a raise or promotion. In today's fast-changing business world, waiting six months to a year to provide feedback to an employee is too long. Performance appraisal implies ongoing feedback. Supervisors need to provide their employees with frequent input, sometimes on a weekly or even a daily basis. This feedback should include how well an employee is doing and potential solutions to problems that the worker might experience.

One semiconductor manufacturer based in California's Silicon Valley has used this second leg to help boost production and reduce waste of wafers, the thin silicon disks that are converted into computer chips. Company management met with the heads of each wafer fabrication plant (or fab) to determine a weekly production goal and how to streamline processes so goals could be met. Each fab posted weekly results of all fabs for employees to view. With this information, employees knew what they had to do to meet their production goal. As a result, all fabs exceeded the goals set for them and reduced waste, thereby saving money for the company. The top producing employees were given bonus compensation and time off for their outstanding efforts.

The above example outlines the positive effects of frequent performance feedback from supervisors and management. An example highlighting the opposite end of the spectrum, (the consequences of little or no feedback), involves a graphic artist who worked for a major radio network in New York. This employee received few comments from anyone on her efforts and logically assumed she was doing her job properly. What she didn't know was that her supervisor was receiving complaints about her work. Instead of passing the comments immediately on to his employee, however, the supervisor waited until the six-month review to share his concerns. The employee was stunned that she was perceived as not doing her job properly.

Because of the negative feedback, she wanted to take steps to improve her performance, but was uncertain where to start or what direction she needed to take. When she approached her boss for his advice and guidance, he was always too busy to talk with her. The woman soon became frustrated. She now knew her colleagues weren't thrilled with her efforts, but without solid direction from her supervisor she didn't know what to do to improve. Her frustration and anger spilled over into her work. When she made a major mistake on the company's annual report, she was fired for the stated reasons of poor workplace attitude and sloppy attention to detail.

Now the company was faced with having to reprint an expensive annual report, as well as having to hire and train a new graphic artist. There was also the non-monetary cost to the company's image when the employee repeated her negative experiences to friends. Performance feedback doesn't guarantee that employees won't be fired. But providing frequent input to employees and leading them toward continual on-the-job improvement sends the message that management cares. Once workers realize their superiors are genuinely concerned about their welfare, they are generally motivated to do a better job.

The Third Leg: Intrinsic Rewards

One important aspect of performance improvement is encouraging an increase in employee skills and education. This idea of increasing a worker's learning curve makes up the third leg of the corporate platform, which is an intrinsic reward.

Once upon a time, extra training or education outside of the workplace was at the discretion of the employee. Many companies lent assistance by reimbursing the costs, especially if the education directly impacted the job. Other firms went one step further, allowing employees time off to attend a workshop, seminar or class. In today's re-engineered, technology-filled global business environment, more and more companies are taking over responsibility for increasing the skill level of their employees. Trained, skilled employees ultimately help companies become more competitive and efficient. In addition, [shortening learning] curves can boost employee morale. With extra training and education behind them, workers can take on more challenging and varied responsibilities (many times at a higher rate of pay). And if the worse-case scenario does occur and workers are laid off, they have highly marketable skills to bring to their next job opportunity.

Most industries today are investing many of their resources in staff training. Nowhere is this more apparent than in the high-tech field. With the demand for technically trained workers at an all-time high, it's becoming very common for technology-oriented companies to hire workers who demonstrate intelligence, flexibility and a willingness to learn, then train them to fill specific job positions.

Summary

While the three-legged platform concept for TR may seem somewhat simple, it is proving effective for both small businesses and Fortune 500 companies. Empirical evidence demonstrates that employees tend to be more productive in the workplace if they know their employer is providing them with marketable skills and an opportunity to meet their potential. Offering reasonable compensation, regular feedback, assistance and training helps employees become more secure about their role in the company.

Implementing the three-legged platform can also begin to foster company loyalty. Instead of thinking that management is trying to find an excuse to kick them out the door, employees realize that their superiors actually want to work with them. These valuable employer-employee partnerships result in a workplace where morale is strong, productivity increased, and frustrations minimized.

In short, a total rewards approach toward employees can help build a workplace environment in which they look forward to coming to their jobs, are excited about the work they do, and are willing to go above and beyond their job descriptions to help the company achieve its bottom-line goals.