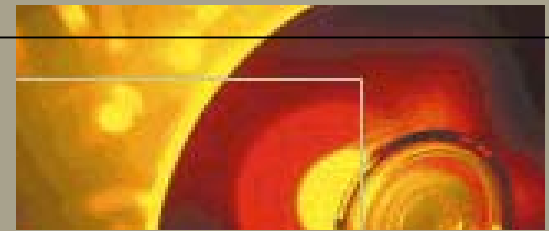


# May the Strategic Force of Total Rewards be with Your Organization



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# Using the FORCE Effectively – Presentation Outline



- ✓ Understanding the factors that power the FORCE
- ✓ Using an aligned FORCE in to become a business master
- ✓ Utilizing different parts of the FORCE to create different outcomes
- ✓ Know your allies and your opponents – use only the level of FORCE your organization needs and you are able to wield

# The Force of Strategic Rewards



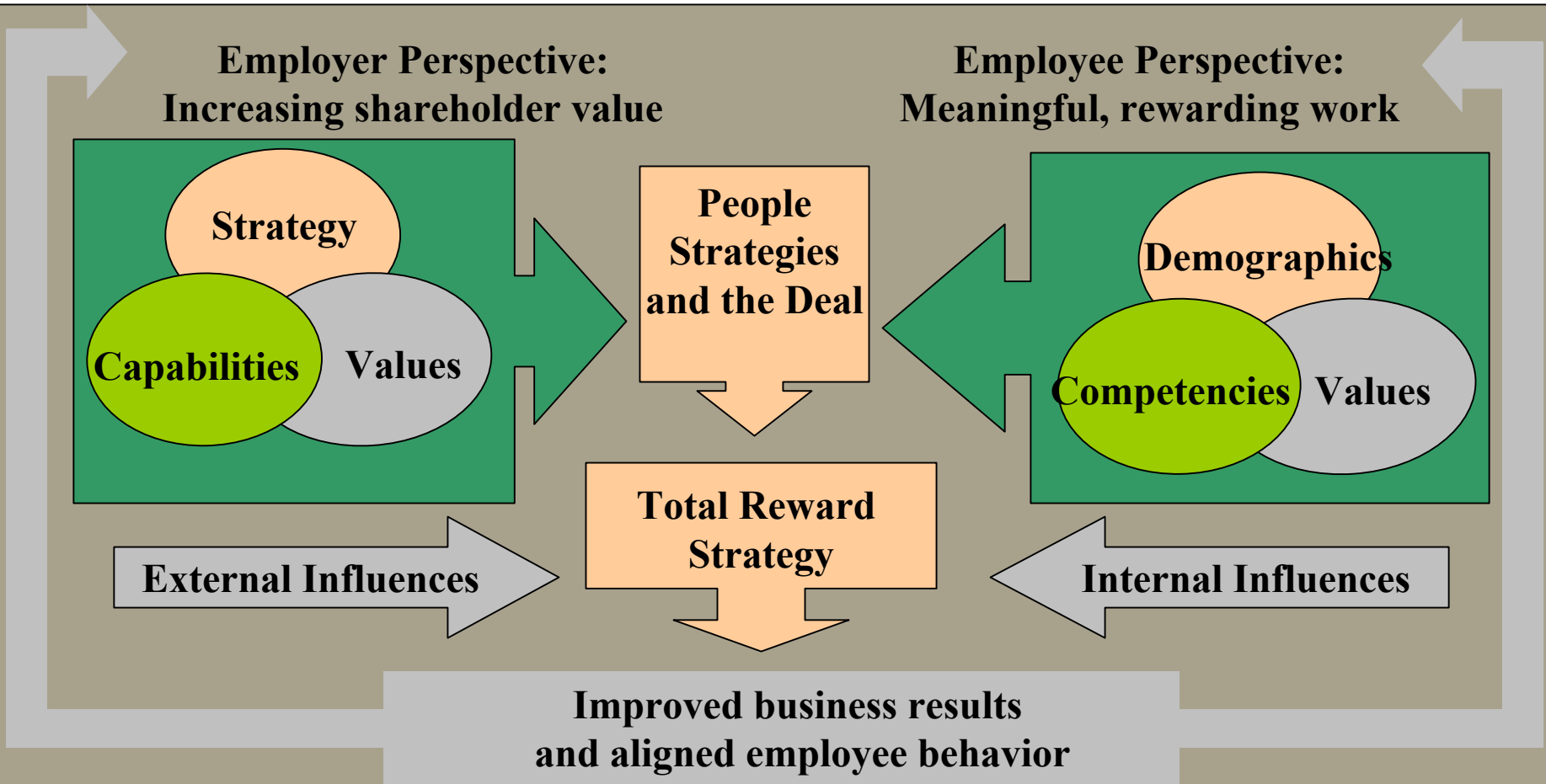
- ◆ Drives generally the largest expense in the organization = senior management interest
- ◆ Speak softly and provide a meaningful incentive – reward systems communicate loudly
- ◆ Many options exist to fine tune the reward controls
- ◆ Can be related to business outcomes and their effectiveness - measured and tracked
- ◆ Rewards are important to employees - You Betya

## Top Five Reasons to Adopt a Strategic Reward Approach



5. The program de jour is less likely to be brought up
4. The \$%\*&# department that always complains and gets their way – data and results always wins over opinions
3. Cost does not become the sole issue to consider
2. Planning and consensus building will lesson the crisis management response
1. Actually our pay, benefits, and career development systems are working to meet the strategy of the business – WOW!

# Factors Influencing the Force of Strategic Rewards



# A Jedi's Tools of Training



- ◆ Understanding of employees' needs, views, and values
  - Accurate census data
  - Climate / opinion surveys
  - Sensing / feedback sessions
  - Skills / competency database
- ◆ External data on trends, practices, and competitiveness
  - Surveys and reports
  - External benchmarking
- ◆ Knowledge of business and strategy
  - Forward looking planning
  - Competitor analysis

# Understanding the Business – The Most Important Tie



## Balancing The Drivers

### Financial Measures

Revenue & EBITDA

- Revenue
- Direct Margin
- Direct Expense
- EBITDA

### Service Excellence

Critical to Today's Success

- Customer Retention
- Customer Satisfaction
- Customer Response Time

### Operational Excellence

- Total System Availability
- System Response Time
- Revenue per FTE
- Asset Turnover

### Organizational Excellence

Enables Near Term Success

- Growth & Recruiting
- Retention
- Integration/Development

### Strategic Initiatives and Projects

- Product Development
- Product Bundling
- Functional Strategies
- Acquisitions & Partnerships

Grounded in Market Realities

Accountability for Performance

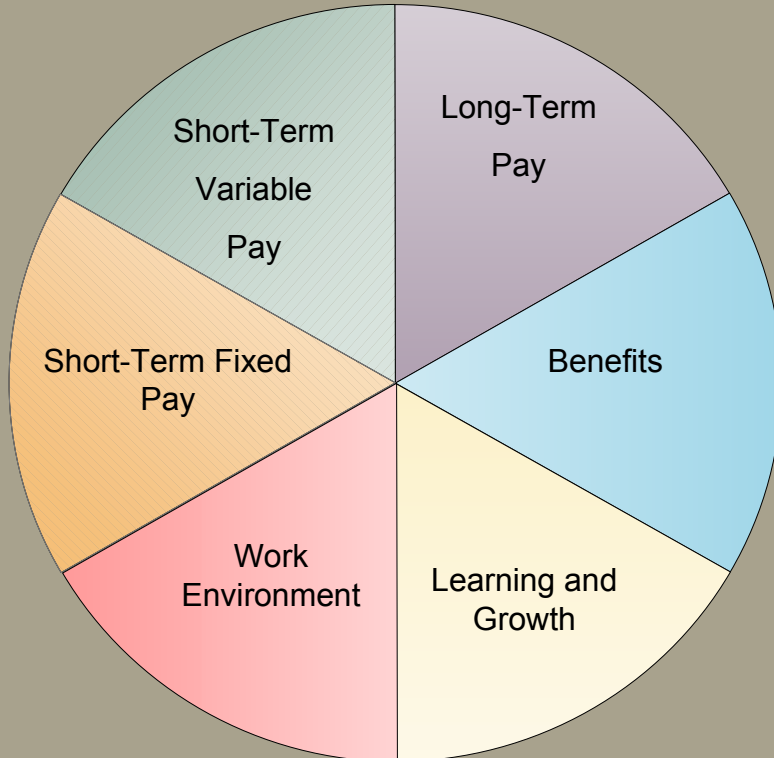
Responsibility for Sustainability

# When to use the FORCE of Strategic Rewards



- ◆ When effectively managing reward related costs is important
- ◆ Shift in business strategy
- ◆ As a change leader system
- ◆ Response to external changes

# Strategic Reward Components



**Short-Term Fixed Pay** – The foundation of most all reward systems.

**Short-Term Variable Pay** – Encourages pay for performance differences by providing the opportunity for a piece of the action.

**Long-Term Pay** – True ownership motivation and behavior. The American dream realized.

**Benefits** – Many variables with limited options. Consider further segmenting to H&W, retirement, executive. Minimum level generally provided. May create different benefits for different employee classes – needs analysis.

**Learning and Growth** – Feedback systems – performance management, coaching and mentoring. Also development systems of skills and competency training, career development and succession planning.

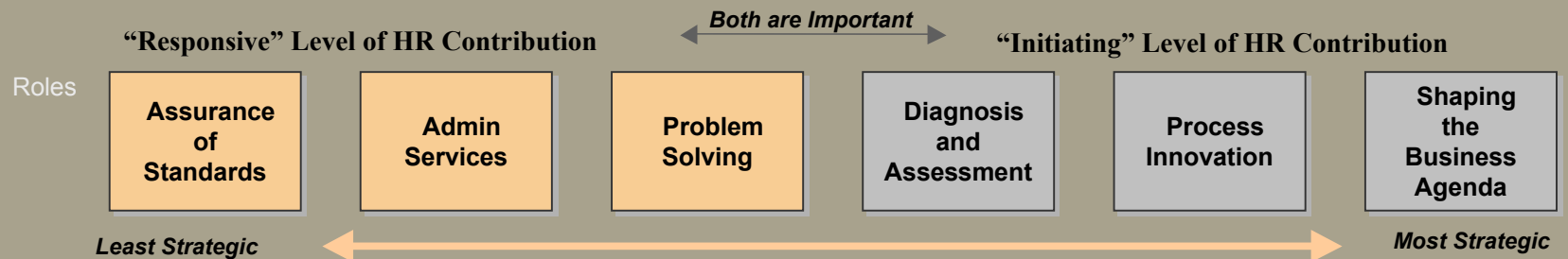
**Work Environment** – Organizational factors such as climate, leadership style, and work / life balance. Also the specific work itself – challenge, variety, autonomy, etc.

# Organization Differences



- ◆ Organizations are at different places in their ability to utilize strategic rewards
  - Leader vs. follower
  - Planning organizations vs. those that react
  - Top management interest / commitment to change initiatives
- ◆ HR staff are at different levels of ability to drive strategic rewards
  - Level of influence
  - Knowledge of the business
  - Position on the strategic continuum

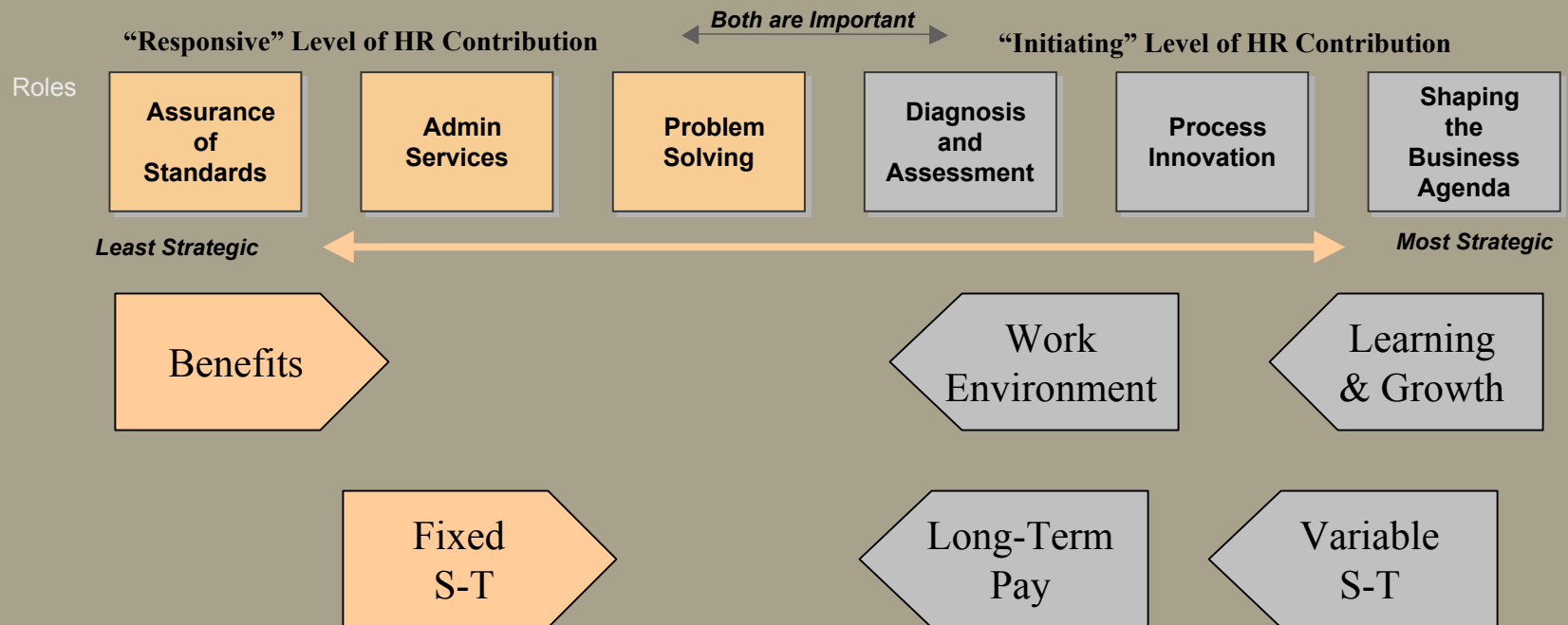
# HR Strategic Continuum



- Focus on the fundamental transactions that must be performed
- Maintenance oriented with continued emphasis on support
- Cost efficiencies continually sought
  1. Outsource
  2. Eliminate
  3. Automate
  4. Consolidate
- Essential to the people agenda of the business strategy.

- Partners to operations in strategy and operational performance
- Consultative role with leadership
- Facilitate broad consensus around key issues
- Business focused, balanced with a market and value-based perspective of people
- Customer aligned, highly proactive and seen as an essential contributor

# Strategic Rewards Along the Continuum



Reward components can be seen along both ends of the continuum depending on the issue

# The FORCE of Different Strategic Rewards



- ◆ Transactional rewards
  - Financial in nature
  - Easily copied by competitors
  - Price of admission in recruiting and retaining employees
  - Do not bind employees long term to the organization
  - All Benefit and Pay reward components
- ◆ Relational rewards
  - Address the special needs of individual employees
  - Cannot be copied or purchased by competitors
  - Creates loyalty and ownership behaviors
  - Learning and Growth along with Work Environment reward components

# The FORCE of Strategic Rewards



- ◆ Control a large portion of operating expense
  - Effect on results
  - Important to top management
- ◆ Effective lever for communicating & implementing change
  - Changes in rewards systems get attention
  - Change must be supported by other processes and systems for sustainable change
- ◆ Many controls available regarding the mix of rewards
  - Customized to the specific company
  - Not all are appropriate or available to all companies
  - Ability to shape attraction, retention, and motivation of employees and create a competitive advantage through people

## Joe Kager – Managing Consultant



- ◆ National management consulting firm est. in 1997
- ◆ Clients range from small firms to the F500
- ◆ Areas of Expertise
  - Executive compensation strategy and design
  - Total reward consulting and system development
  - Performance assessment and feedback systems
- ◆ Practice Emphasis
  - Strong customer service through client relationships
  - Full service in our areas of expertise
  - Sharing of knowledge to build client capabilities

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