

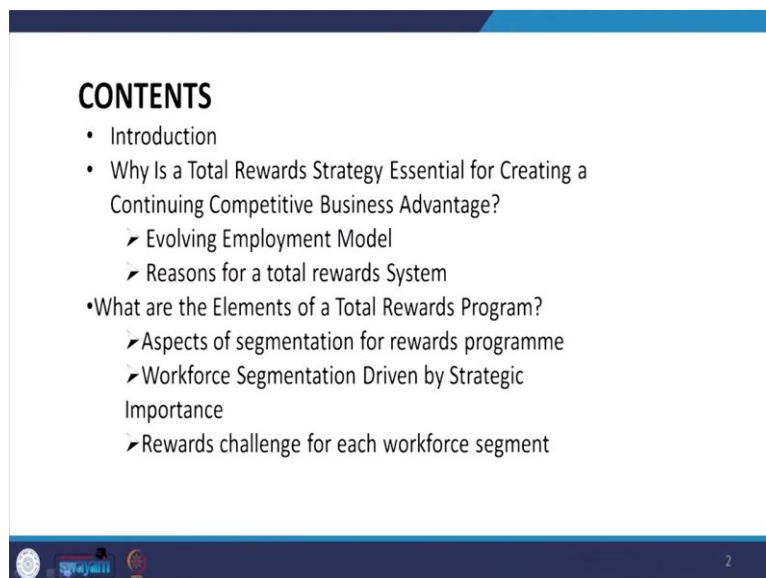
Talent Acquisition and Management
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Lecture - 33
Reward Strategy for Talent Management - I

So, today, we will discuss a very interesting topic here: how to motivate talented employees, and one of the ways for talented employees to motivate is the reward strategies. So, these can be the financial strategies, and these can be the non-financial reward strategies also.

So, what different types of strategies are there that we will discuss in this particular session. So, first, we will try to understand what the reward strategy is, then we will talk about the total reward strategy essential for creating continuing competitive business advantage.

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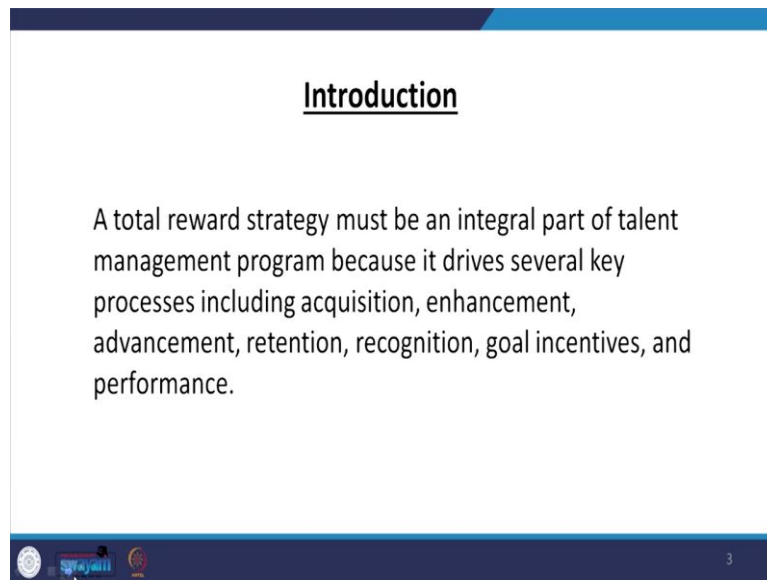
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Dear friends, this is very much required for the organization. Like in the learning process, we talk about continuous learning; similarly, in the business, we talk about continuing competitive advantage, and if you want to gain the competitive advantage continuously, then evolve the employment model.

Every organization, based on their citizenship behaviour, has to decide about their employment model. The reason for a total reward system should be there, and there should be a what between the factors and dimensions.

What are the elements of a total rewards program, the aspects of the segmentation for the reward program, workforce segmentation driven by the strategic importance and the rewards challenges for each workforce segment? We will discuss. A total reward strategy must be an integral part of the talent management program.

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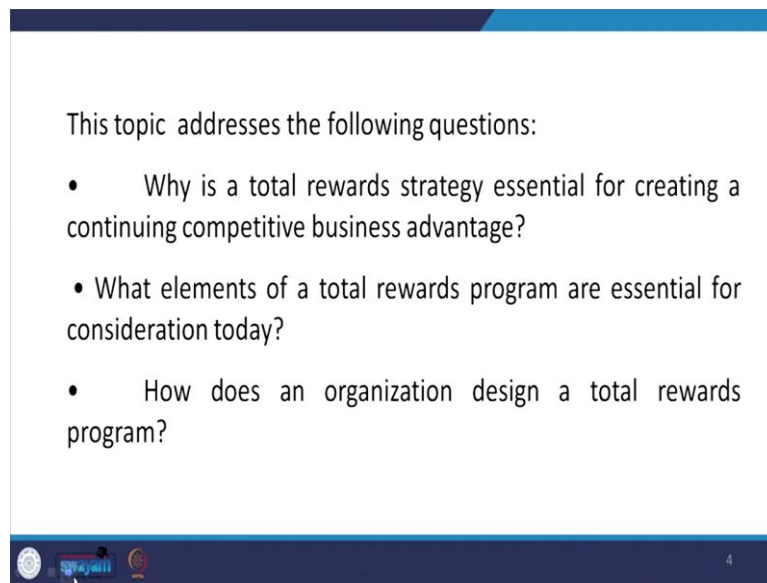
So, therefore, we cannot say that a reward system is totally different from whatever the talent management is there because this is becoming a part of that newer talent management program in an organization because it drives several key processes, including the acquisition. At the time of acquisition, how this reward strategy works, how you are developing your manpower.

How you are creating the advanced level of knowledge of these talented employees; how to retain them; how to recognize their efforts and services; what are the incentives which you will provide them, monetary and non-monetary; naturally, based on the performance.

Therefore, this is a comprehensive program. So, talent management is becoming totally comprehensive in the sense that we are taking into consideration right from the acquisition, right from the retention, right from the development, right from their performance.

So, all these aspects are to be taken into consideration for the reward management strategies. So, what should be the total reward strategy? Because when we are considering all the factors, there it will be called the total reward strategy.

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This topic addresses the following questions:

- Why is a total rewards strategy essential for creating a continuing competitive business advantage?
- What elements of a total rewards program are essential for consideration today?
- How does an organization design a total rewards program?

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The total reward strategy for creating a continuing competitive business advantage- how it is to be decided? Second is what elements of a total reward program are essential for consideration today? Now, in the context of these business environments, which is very flexible and a changing environment is there. So, what was applicable earlier the reward strategy was maybe even five years back.

I will not say that ten years back, because, after ten years, there is already a lot of change. Now, you can consider framing your reward strategy according to the changes in the last five years. So, this will be the period or duration that we have to consider. So, in the last five years, whatever the changes are made, those changes should be incorporated in framing our reward strategies.

So, we have to identify those and how, from organization to organization, we have to design a total reward program. It will depend on the size of the organization; it will depend on the nature of the organization; even it will depend on the geographical location of the organization. So, that retention of the talent, the attraction of the talent, development of talent will depend on the geographical location, the nature of the organization, the size of the organization and the availability of the talent for that particular organization.

Even the talent reward system, total rewards talent system will vary in the same group, in the same corporate; but at the different units, there will be totally different reward strategies.

What is my submission here is to identify your Organization's Citizenship Behavior, OCB. To retain the talent, attract that talent, what rights and duties are there?

Citizenship behaviour means the rights and duties of a citizen of the organization. And if you find that there is a proper match between the requirement as a citizen, so when you give the green card, or you give them citizenship, so there are certain requirements. Requirements of the roles and duties. If you are able to perform those roles and duties, then definitely, in that case, you will be getting the output; performance is there.

But to perform that output, it is necessary that as per your organization structure, organizations culture, organizations practices, conventions, you have to design your total reward strategy, here, organization means I would like to clarify. Organization means that is the particular unit. Unit means and like the corporate office maybe at Bombay, Delhi and then, the units maybe in Madhya Pradesh, maybe in Maharashtra, maybe in Gujarat right.

But the total reward strategy for the unit in Maharashtra, for the unit in Madhya Pradesh, for the unit in Gujarat has to be specific. Geographical location based specific simple examples are like D.A; dearness allowance. So, we provide the dearness allowance and we provide the HRA on the basis of the where your location is of the organization.

So, the employee is a talented employee, who is working into a particular organization, then what type of the structure it is existing in that geographical location that is to be followed. It is not new. I know it is not new. But many times, what happens in the organizations, those who could not become successful in retention of the talent.

One of the major reasons is they could not customize the reward strategy, keeping in mind the geographical location of the unit. Corporate is Bombay, Delhi and they are deciding the policies from there and they think that these HR practices will be applicable all over the country.

But it is not true. I am not going to give you the international example like if the person is into the USA, but again it will come in which state the person is, then again you have to customize. The submission is customization; customize the reward strategy, and when you customize the reward strategy, not only of the organization; it has to be customized from talent to talent.

When you identify the talent, then a very beautiful exercise has been given into Stephen P Robbins book, in the first chapter only itself, that is the Martha is the lady and she is having the 3 children's, her age is the 34 and she is divorcee and then, they design; design the incentive plan for Martha.

So, therefore, in that case, it becomes very very interesting that is the customization to attract and retain and develop the talent that is to be done. When there is a huge number of employees, thousands of employees are there and then, I talk about the customization from individual to individual. Is it possible? What do you think?

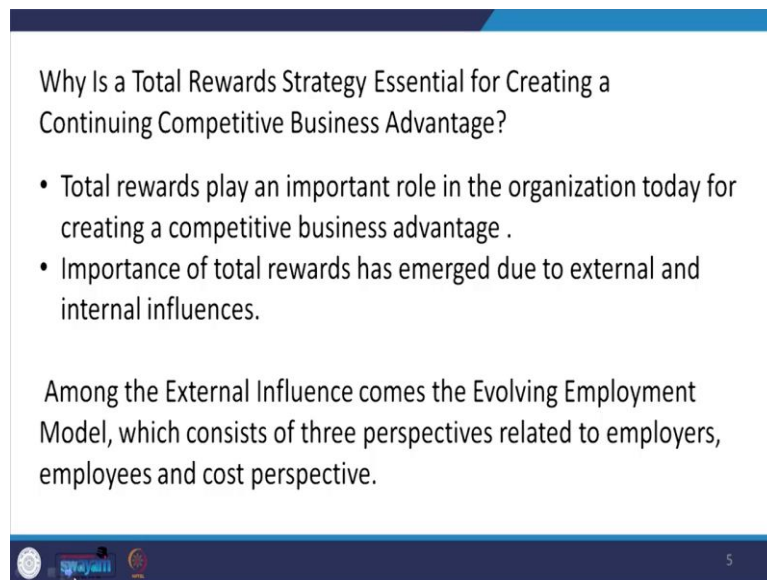
For thousands of people, making the customized incentive plan, is it possible? Yes, it is possible. How is it possible? So, that is the exercise which I was talking about from Stephen P Robbins book, that talks about a bouquet. What is the bouquet? In Bouquet there are 22 incentives; list of 22 incentives and the employee has to pick and choose, that, I want this incentive.

Simple example is education; children's education allowance. If you want to retain a very highly qualified talented employee in your organization and he is bachelor and if he is having entitlement for the children's education allowance; but he cannot avail. But when you talk to him, negotiate with him, you say it is a CTC, cost to company.

On the papers, it is cost to company; but practically, it is no cost. Because it is never claimed, it will be never claimed; then he is losing that amount. If you are not customizing that reward system or that particular strategy. So, strategy should be pick and choose type of strategy.

So, how does an organization design a total reward program that is very interesting to notice there. Because total rewards play an important role in the organization today for creating a competitive business advantage and total rewards emerge due to the external internal influences.

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Why Is a Total Rewards Strategy Essential for Creating a Continuing Competitive Business Advantage?

- Total rewards play an important role in the organization today for creating a competitive business advantage .
- Importance of total rewards has emerged due to external and internal influences.

Among the External Influence comes the Evolving Employment Model, which consists of three perspectives related to employers, employees and cost perspective.

Now, you see what are the external and internal influences? External influences are social, political, economical, legal and technological and the same factors are affecting the internal employees also. Why? Because social, political, organizational politics, the range will be different; but the effect is the same.

So, therefore, we have to find out that in the total rewards, what is the person getting individual to individual. Among the external influences comes from the evolving employment model, which consists of three perspectives related to the employers, employees and the cost perspective is also there. Here I would also like to mention that whenever I say customize it, this does not increase the cost.

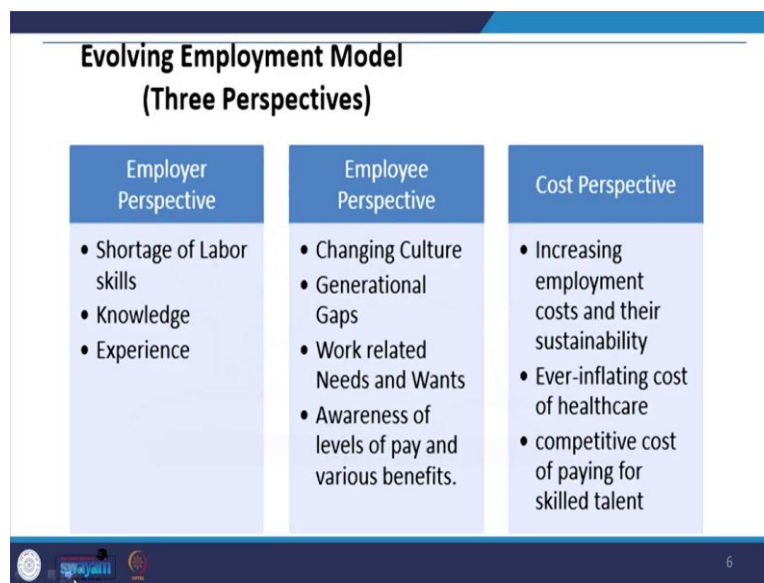
You have framed the cost; the total cost is this much. So, that cost will not change, it will not increase; do not worry. But that cost will be as per the choice of the talented employee and you will be surprised to know that many organizations do not have customized incentives programs or total rewards programs. Why?

They say we are giving this, you avail this, this is the cost of the company; but there is no flexibility and if there is no flexibility, how will the person pick and choose? So, that is important. That when we are talking about the total reward system, let the employee choose, let the employee decide what he wants.

So, there are 10 dishes; let us have a buffet and let him take as per his choice; which he does not like, do not force to join; which he cannot eat, he is not eligible, he is diabetic, he cannot eat the sweets and you keep all the sweets in the menu, how the person will feel?

So, he will feel hungry and if he is hungry, then he will go to the other place to eat and that is the employee's turnover. So, employee's turnover will be there. So, customization of the total reward program is required.

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So, evolving the employment model, there are three perspectives; employer perspective, employee perspective and the cost perspective. So, from an employer perspective, the shortage of labor skills is a big problem. Even today, organizations during the campus placement, during the policy platforms, they always keep on saying what manpower we require, we are not getting that and I always keep on mentioning this point shortage of labor.

So, it is not that the manpower is not there. The appropriate manpower, the skilled manpower which the organization is looking for is not available. Second is the level of knowledge. The knowledge level is required K 5. There are five levels in the knowledge; knowledge level 1, knowledge level 2, knowledge level 3, knowledge level 4 and knowledge level 5.

So, what is the employee's perspective? Employee's perspective is getting to the highest level of knowledge that is a level 5 knowledge is there. Then, experience. The employer is looking for experienced people. So, they are not making the trial and error at the cost of the employer.

They are well trained, they are well learned, they know how to run the machine, they know how to do the job and therefore, employers are looking for skilled manpower. What skills is he looking for? The knowledgeable manpower and the employee who is having enough experience as an employment that will be the employer's perspective is there.

What is the employee's perspective? So, in the employee's perspective changing the culture from one organization to the other organization, generational gap. Because the children they want are supposed to work into a very highly reputed and well known organization; I mean USA based organization right just for example. Work related needs and wants. Then what are the needs and wants are there work related? And the awareness of the levels of pay and various benefits are there.

So, the employee is having enough knowledge that what is the level of pay and benefits are going to be offered to him and if he wants to be at a higher level. So he will either ask the management to provide or management has to take care, he may not even ask and then in that case, it is to be taken care by the employer.

The third factor dimension which is affecting is cost perspective. In the cost perspective increasing employment cost and their sustainability. Because the cost for recruitment is that is the increasing right. However, when we talk about taking the importance of these technologies, use of technology, technology management.

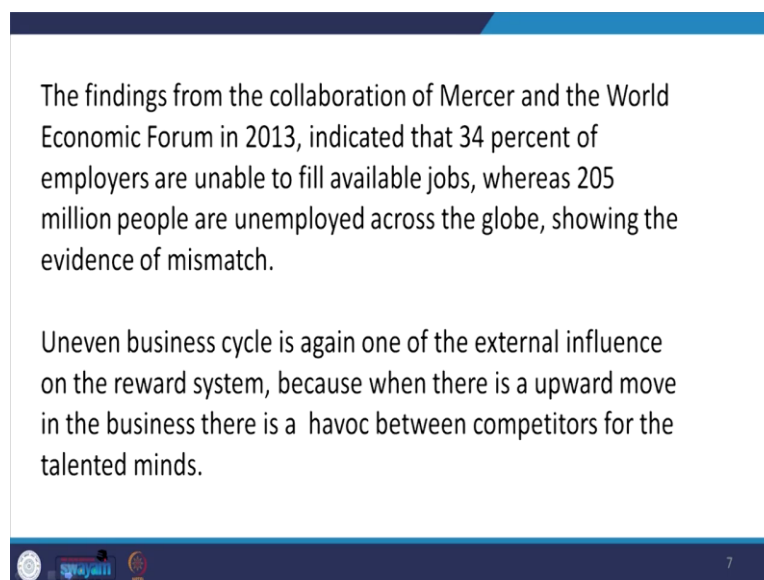
Whenever we are using the technology, then our employment cost and their sustainability, that should be very less. For example, you are going through this, the website you are not going for the paper advertisements. So, therefore, then definitely in those advertisements, you are getting the less cost or when you are putting the cost at the particular platform and the cost that particular platform is comparatively is less or lesser as compared to the print advertisement.

Then, definitely you will prefer that particular advertisement. Ever inflating the cost of health care that is whatever the health care issues are there. So, recently we have seen the Corona effect and therefore, that will affect the cost of these employees. Competitive cost of paying for skilled talent. Now, you have to see as I mentioned, we have to classify between who are talented and who are not talented.

If the employees are not talented, there is no need for making the investment or even the unskilled workers, if the unskilled workers are more, no need to make much payment. But the skilled workers rate is to be high. So, if you want to make use of those skilled workers, then definitely that competitive cost of paying for the skilled talent, that you have to keep much higher.

So, your reward strategy should differentiate between these skilled workers and unskilled workers and also, see that is what skills are most of the time required, rather than the unskilled workers. So, please be careful that you are going for the competitive cost of paying for the skill talented. So, skilled workers are retained, you know it should not be like this. That is the unskilled workers are retained and skilled workers are leaving.

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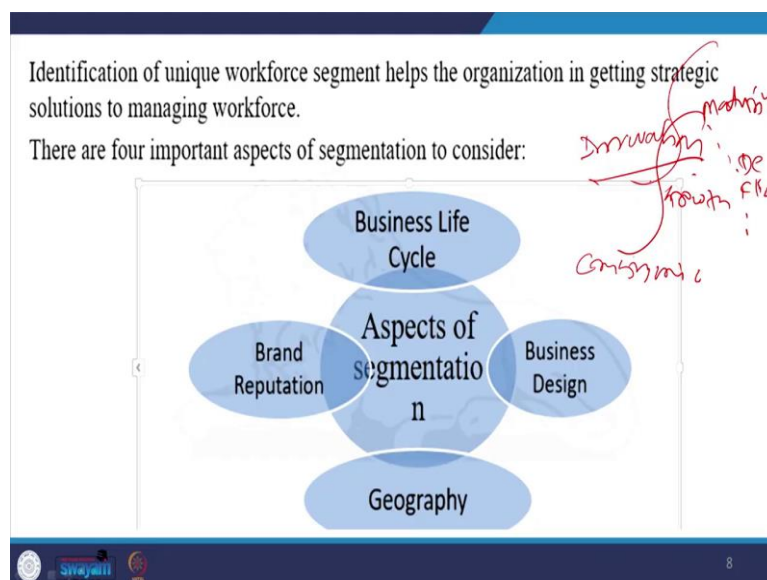
The findings from the collaboration of Mercer and the World Economic Forum in 2013, indicated that 34 percent of the employers are unable to fill available jobs; whereas, 205 million people are unemployed across the globe. Now, you see 34 percent of the 205 million people. How much of the mismatch is there. The role of academia becomes very important.

If the academicians are able to develop that sort of the course curriculum, that sort of the learning outcome you know, when we talk about the teaching learning outcome, what should be the outcome? The outcome is that it is a development of the skills. So, showing the evidence of the mismatch here, that is this.

However, we are putting in a lot of effort, still we find that the efforts are not enough. There is a need to change the efforts. Uneven business cycle is again one of the external influences, as we have seen in the Corona time also on the reward system, there is an upward move in the business, there is a havoc between competitors for the talented minds.

So, people will be known. You know that in the industry, if you are performing very well, you will immediately come to know that people are watching you. So, how the identification of the unique workforce helps the organization in getting strategic solutions to the managing workforce.

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So, here are the four important aspects of segmenting the workforce in getting the strategic solutions for managing the talented workforce. First is the business life cycle and we know that is this business life cycle is that is the S curve is there and in the S curve, when we are going for this the life cycle business life cycle is like this.

If it is like this, it is the embryonic stage; this is the growth stage; this is the maturity and this is the decline. Now, whenever we want to make this talent management through the reward strategy, we have to see where our organization is. Our organization is into the embryonic stage, then you have to be very careful.

You want to retain and establish the project so that project establishment accordingly the reward strategies will be there. If the growth is there, here it is the earning. It is a question of

earning; here, it is a question of sharing. How are you sharing? If you are balanced by sharing, making people happy, earning also, definitely you will go towards maturity. Because one day, one has to go for maturity.

The person who is born, he has to die. So, the organizations are also there. But can we extend the age? Yes, we can extend the age. By what? By doing yoga. So, what is yoga? Yoga is here, that is when you are increasing this particular at the growth stage even the research and innovation at growth stage.

Normally, most organizations, they are more into performing. Because the ROI is better here. So, they are more interested in the performance rather than the potential. So, they are not focusing on the growth, they are looking for earnings at this time. So, there should be a separate division also.

Naturally, those who are busy, that is fine; but those who are having the potential, so they that we have to create and then, you will find that this goes like this. So, dear friends, it becomes very important, that is what is the stage of your business life cycle.

The Second one is business design. Simple examples are like the online or you talk about e-commerce. On what design, you are working? If you are working on this business design, then you have to take the decisions accordingly. The geography, I mentioned.

You cannot take it separate; allow from your decision-making process. You have to keep in mind the geography; you cannot just make a statement sitting in the metros or in the abroad, that is in another country in another unit this will be applicable. No, as I mentioned earlier you have to take care of the geography and what is the value of your brand.

There is a brand reputation, goodwill. If you are having a high goodwill, definitely your talent management practices will be totally different; but when there is a brand reputation is just at the embryonic stage or at the growing stage, then also we have to communicate this to the employees, that is what sort of the performance, they are doing and what will be the reward strategy for them.

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Business life cycle. A company's position on the business life-cycle curve: whether it is experiencing rapid, moderate, or declining growth. A young startup will have different characteristics from those of a mature firm in a flat market.

Business design. A company's business model: how the entity is organized and the types of competencies required to create value. There may be one overall design or different emphases for units or divisions within the company.



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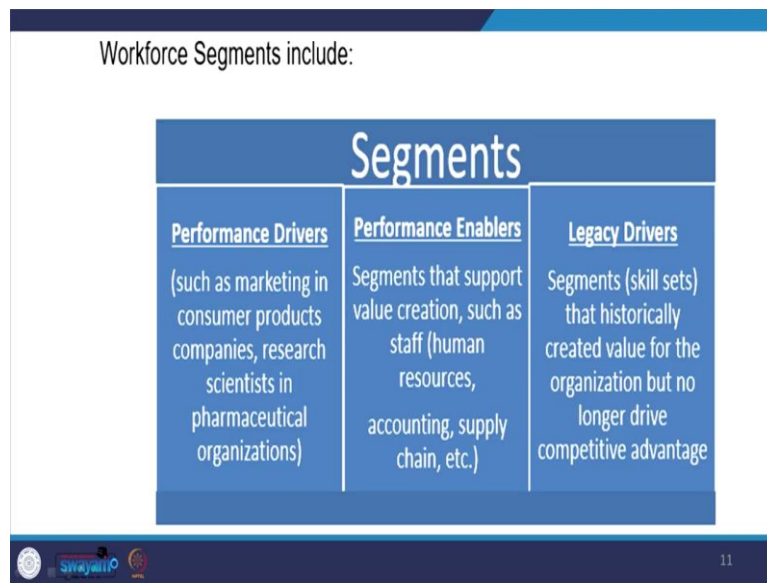
Geography. A company's geographic breadth and complexity, as well as its need for cross-border interconnectedness and mobility: mature versus emerging markets.

Brand reputation. The extent to which a company's brand is an asset or liability in attracting and retaining both customers and employees



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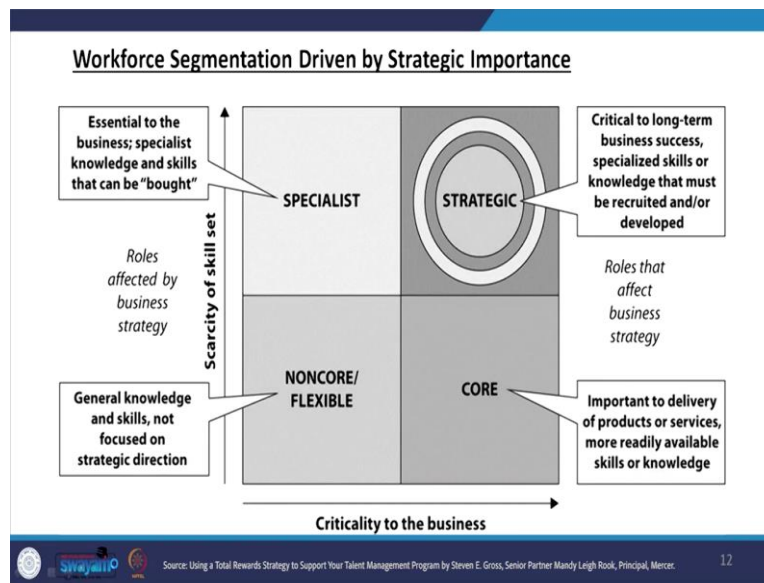
So, I have talked about the business life cycle, business design, geography and the brand reputations. Now, we will talk about the segments. What segments are there? Performance drivers, performance enablers and legacy drivers are there. So, when we talk about the performance drivers such as the marketing in consumer products companies or the research scientists in the pharmaceutical organizations, these are the examples.

They are the drivers. So, when we talk about the FMCG company, marketing is there; when we are talking about the pharmaceutical company, R and D is there, scientists are becoming the performance drivers. Now, those who are the performance drivers, their reward strategy has to be different as compared to the performance enablers.

Who are the performance enablers? They support value creation such as staff, human resources, accounting, supply chain etcetera. Now, this particular segment is especially for the HR and accountants that you have to take care in a different manner.

When the legacy drivers are there as per the law, segments, the skill sets that historically created value for the organization; but no longer drive competitive advantage. If that is so, then you have to manage accordingly.

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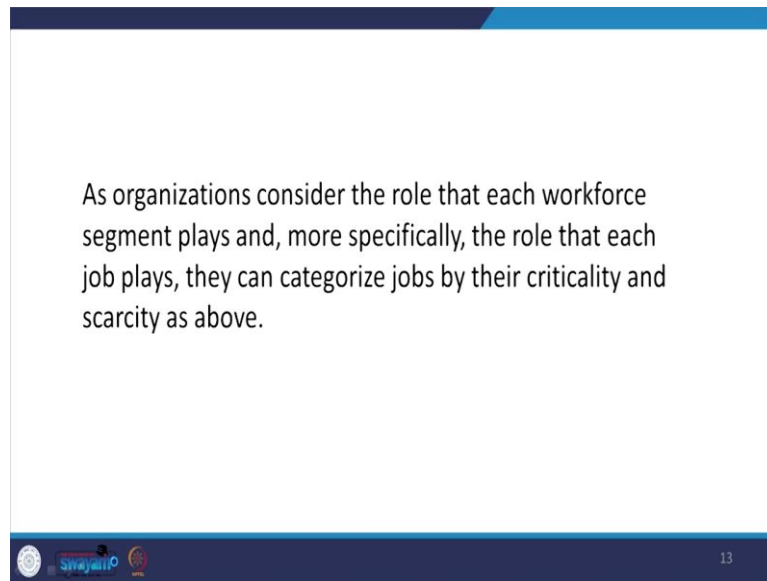
So, workforce segmentation driven by the strategic importance are specialist, strategic, core and noncore/flexible are there. Again, classification of the talent. Roles affected by the business strategies are essential to the business specialist knowledge and skills that can be bought. So, naturally, what do you require? A specific knowledge and skill is required. Suppose, it is an oil industry.

So, what will be the talent? Those who have worked into the oil industries. Second is strategics. Critical to long term business success as your strategies will not continue for long. Specialized skills are knowledge that must be reluctant or recruited and or developed.

So, therefore, whatever the specialized skills are required that is required to be developed by the organizations. Roles that affect the business strategy is the core, that it is important to deliver a product or services, what output you are giving and what are your products and services are there, more readily available skills are knowledge, whatever skills and knowledge they are having and as far as the non core/ flexible is concerned.

General knowledge and skills are not focused on the strategic direction. However, this non-core flexibility will be a totally different strategy.

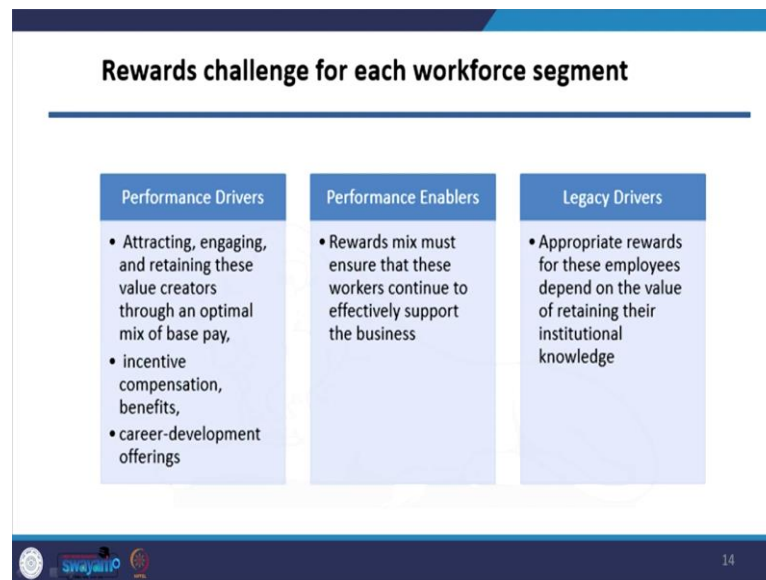
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As organizations consider the role that each workforce segment plays and more specifically the role that each job plays, they can categorize jobs by their criticality and scarcity as above. So, therefore, we have to understand that whenever we are talking about the workforce and their role. Accordingly, we have to play a specific design of the program.

When you are having a specific design for their program by understanding their roles, then each job will play and there will be the criticality and scarcity as the above. Now, the reward challenge for each workforce segment; performance drivers, performance enablers and legacy drivers are there.

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So, we have talked about earlier those who are the performance drivers, who are the performance enablers and who are the legacy drivers. And now, we will talk about what should be the reward strategy for them. Attracting, engaging and retaining these value creators through an optimal mix of the base pay because they are the performance drivers.

Incentives compensation and benefits that can be the part of structure and career development offerings will be there. While in case of the performance enablers, rewards mix must ensure that these workers continue to effectively support the business. So, therefore, those who are the enablers are like we have taken the example in the previous slide that is the HR and marketing and all.

So, therefore, they are required to support the business there. Legacy drivers appropriate rewards for these employees depend on the value of retaining their institutional knowledge is there and whenever institutional knowledge is there, they will decide about how the organizations are to be played.

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Understanding the workforce segments within an organization, as well as the best approach to staffing, is a key ingredient to creating a competitive business advantage and building a total rewards program that will resonate with the workforce.

Image source: <https://pharmaclogicsrecruiting.com/progressive-perks-build-strategic-employee-benefits-package/> 15

So, understanding the workforce segment within an organization as well as the best approach to staffing, is a key ingredient to creating a competitive business advantage and building a total rewards program that will resonate with the workforce.

And whenever we talk about these employee benefits, that is paid vacations, health insurance, employee allowance, achievement award, social security, pay raise. So, they all will be the meal breaks and will be considered.

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How Does an Organization Design a Total Rewards Program?

Strategic allocation of total rewards means taking both a holistic (recognizing all the tools in a rewards tool kit) and a customized (using the right tool for the right job) approach.

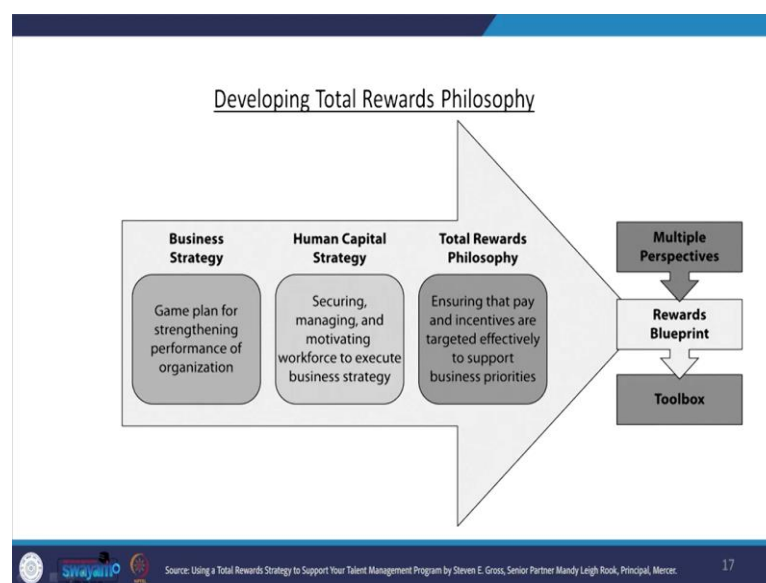
Approaching total rewards begins with a top-down review of the business strategy and the human capital strategy and what implications they have on total reward philosophy

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So, how does an organization design a total rewards program? That is a strategic allocation of the total rewards means both are holistic. There are tools in a reward tool kit and customize as I already mentioned about the customization.

Approaching the total reward begins with the top down review of the business strategy and the human capital strategy and what implications they have under total reward philosophy. So, whenever we want to design a total rewards program, please take care of the holistic and the customized approach.

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So, what is the holistic approach? You are considering the business strategies - game plan for strengthening performance of the organization; human capital strategies - securing, managing and motivating the workforce, executing the business strategies and total rewards philosophy will be ensuring that pay and incentives are targeted effectively to support the business priorities.

So, what will it bring? Multiple perspectives will be there, rewards blueprint will be there and the toolbox will be there. So, what will be the compensation? Compensation will be the base pay, short and long-term incentives, guaranteed allowances, financial recognition awards and what will be the benefit?

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Compensation	Benefits	Carrier	Work life
1. Base pay, short- and long-term incentives	1. Includes health and other group benefits	1. Includes training and development,	1. Flexible working arrangements, telecommuting
2. Guaranteed allowances	2. retirement plans, life insurance, disability,	2. Stretch assignments and other career opportunities,	2. Dependent care, wellness programs,
3. Financial recognition awards.	3. Accidental Coverage.	3. Formal career and succession planning	3. Commuter programs, and other nonfinancial recognition.

Includes the health and other group benefits right; retirement plans, life insurance, disability, accidental coverage. Then, the carrier includes the training and development stretch, the assignments and other career opportunities, formal career and succession planning.

And the work life will be flexible working arrangements, keeping in mind. This type of the rewards, telecommuting, dependent care, wellness programs, commuter programs and other non non-financial recognitions will be there. So, not necessarily, always it will be there.

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A ranking of the top six reward elements is provided in the table below

Rank	China	India	UK	Germany	Brazil	USA
1	Career advancement	Career advancement	Base pay	Base pay	Career advancement	Base pay
2	Base pay	Base pay	Type of work	Type of work	Base pay	Retirement savings or pension plan
3	Supplemental retirement savings plan	Training opportunities	Bonus/other incentives	Bonus/other incentives	Training opportunities	Type of work
4	Training opportunities	Type of work	Retirement savings or pension	Flexible work schedule	Type of work	Low healthcare costs
5	Bonus/other incentives	Working for respectable organization	Flexible work schedule	Working for respectable organization	Health ins. with broad coverage	Bonus/other incentives
6	Supplemental medical ins. coverage	Bonus/other incentives	Paid time off	Training opportunities	Flexible work schedule	Working for respectable organization

Source: Using a Total Rewards Strategy to Support Your Talent Management Program by Steven E. Gross, Senior Partner Mandy Leigh Rook, Principal, Mercer.

A very important ranking of these top six reward elements provided in the table below that is in the China, India, UK, Germany, Brazil and USA and you will find in India, specially that is the career advancement is becoming the top priority, that is the people are not looking for, there is only the monetary benefits. It is not that they are not considering, the base pay is there in the second ranking.

But they are looking for career advancement and that is why in the third position, you find the training opportunities are there and they are providing the training opportunities. Type of work that is a job profile. The working for the respectable organization, the brand of the organization and the bonus or other institutions are there which is coming into the sixth.

So, therefore, the top six reward systems which will be focused in India, you will find that it is becoming totally different as compared to the others there. So, this is all about the total reward strategy which you can plan and you can design, keeping in mind the nature of the job profile, keeping in mind the holistic business strategies and human capital development and then, the output keeping in mind the performance and potential.

Thank you very much.