



DRIVING GROWTH THROUGH TOTAL REWARDS

Introduction

Business leaders recognize that to keep their best talent, they must invest in competitive compensation and benefits packages. These benefits are often communicated to employees and prospects as part of a Total Rewards package. Total Rewards programs offer visibility to employees into the range of compensation and benefits their employers offer. The effectiveness of a Total Rewards program relies on thoughtful design and communication. With the significant investments companies make in their Total Rewards packages, understanding how to develop truly impactful and meaningful programs that drive the desired outcomes for the company and its employees remains a topic for interest within companies of all sizes.

This summer, the Incentive Research Foundation and Insperity partnered to survey 1,200 executives who use Total Rewards to uncover best practices. In this study, top performing companies were examined to better understand winning tactics related to designing and managing Total Rewards packages. The study explores organizational performance, culture and talent strategy, elements of Total Rewards offered (cash and non-cash rewards and benefits), key outcomes driven by individual components of Total Rewards, and communication.

The research makes it clear the keys to unlocking maximum impact from a Total Rewards program lie in ensuring the program is deeply embedded within the company culture, selecting specific Total Rewards components with a clear understanding of the expected business outcomes to be impacted, and communicating intentionally and regularly.

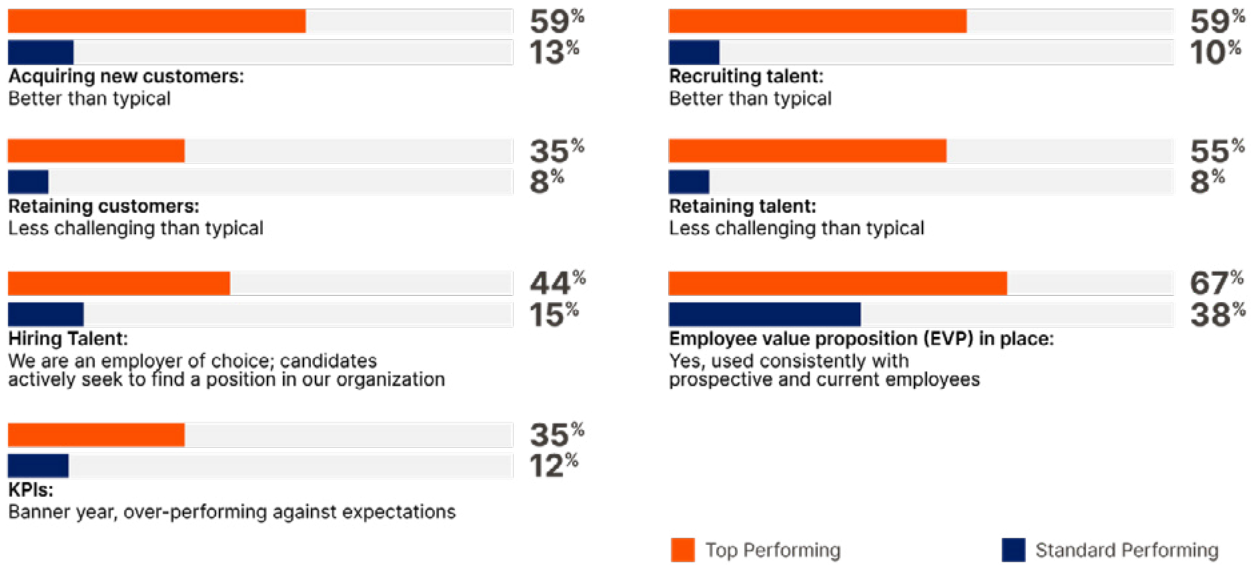
The learnings from this research can be used by Total Rewards program designers who want to enhance the return on investment for improved employee motivation and, ultimately, business results.

Identifying Top Performing Companies

In this research, all survey respondents were asked a series of seven questions regarding the general performance level of their organization in the following areas: recruiting and retaining top talent, acquiring and retaining customers, and overall performance against key performance indicators (KPIs). Cluster analysis was used to identify a segment of respondents (50% of the total respondent base) whose businesses are performing strongly across these seven indicators. This segment of companies is hereafter labeled as “Top Performers” (See Figure 1).

The seven questions in this cluster analysis are fundamentally intertwined. Top performing companies have skilled, loyal, and motivated employees, who are needed to drive the customer acquisition and retention that are important in driving business results. An employee value proposition (EVP), which provides employees with a clear understanding of what their employer offers in exchange for their expertise and commitment, has a significant impact on being able to attract and retain the top talent who have the needed skills. The top performing companies are successful across many of these outcomes.

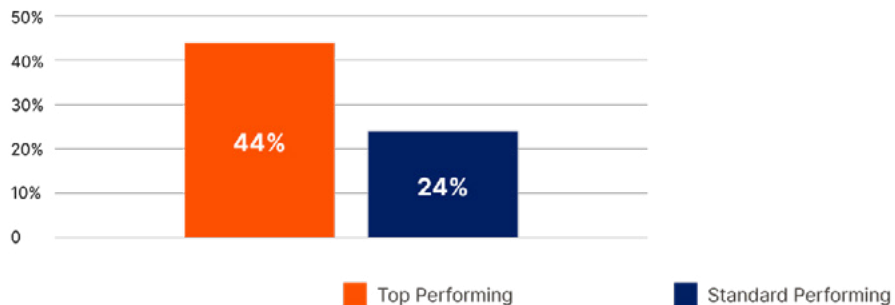
Figure 1. Identifying Top Performing Companies



Talent Strategy as a Firm Foundation

The foundation of a healthy Total Rewards program is a mature talent strategy. Top performing companies are significantly more likely than others to have a mature talent strategy from which to build their Total Rewards program (See Figure 2). Talent strategies are important because they allow a company to be proactive and intentional with how their resources are allocated in support of both overall business goals and employee needs. Otherwise, companies could find themselves in a position of pouring money into programs that do not result in the outcomes they need to drive their business to success, or, in a worst-case scenario, that could result in hindering their progress and damaging their company culture.

Figure 2. Talent Strategy Maturity (Excellent)



Companies with a more mature talent strategy tend to foster a culture that emphasizes people over results. Even so, that does not mean these companies fund the most robust compensation programs available. Rather, top performing companies can use the talent strategy to design Total Rewards programs that foster their people, driving engagement and empowering employees through their workforce lifecycle, while simultaneously driving business results.

For example, many top performing companies opt to reward fewer employees but with more robust rewards. This type of behavior is what you would expect to see in companies with a more mature talent strategy and Total Rewards program, as they strategically use rewards to reinforce the behaviors that drive business outcomes for their unique needs. As a result, the top performing companies report higher talent readiness and engagement.

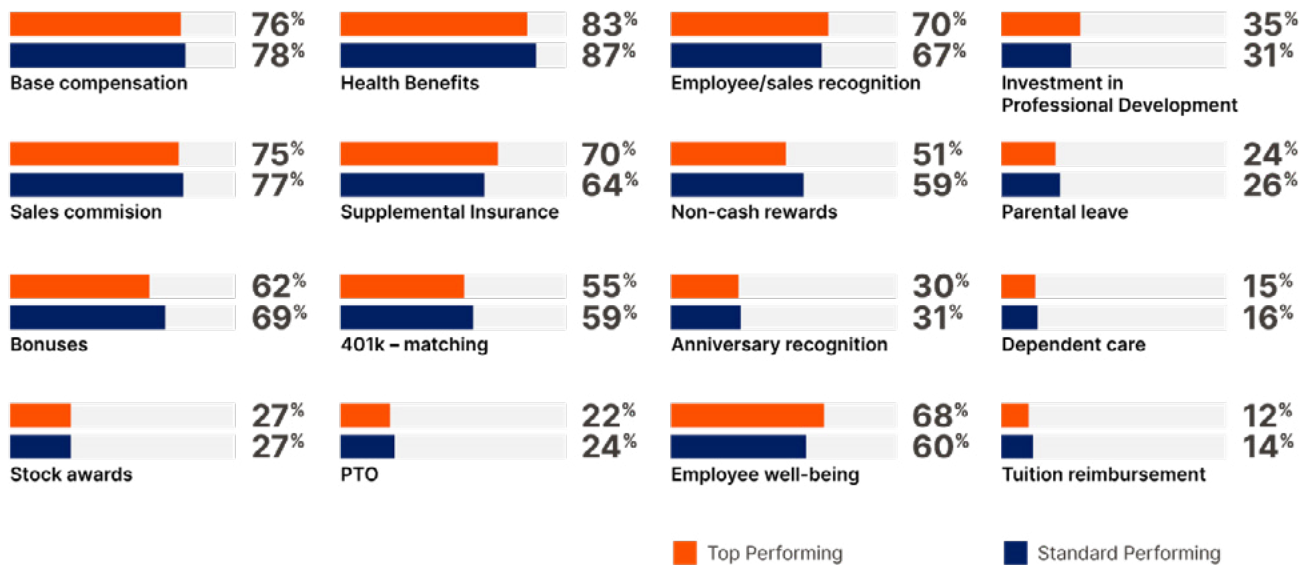
Total Rewards Components

Total Rewards include four types of components a program designer can use to drive key outcomes:

- **Base compensation** (e.g., salary and wages)
- **Variable compensation** (e.g., commissions, bonuses, and stock awards)
- **Non-cash rewards and recognition** (e.g., gift cards, merchandise, and travel)
- **Other benefits** (e.g., paid time off, health insurance, and wellbeing)

There is high consistency in the Total Rewards components offered between top performing companies and all others.

Figure 4: Total Rewards Mix



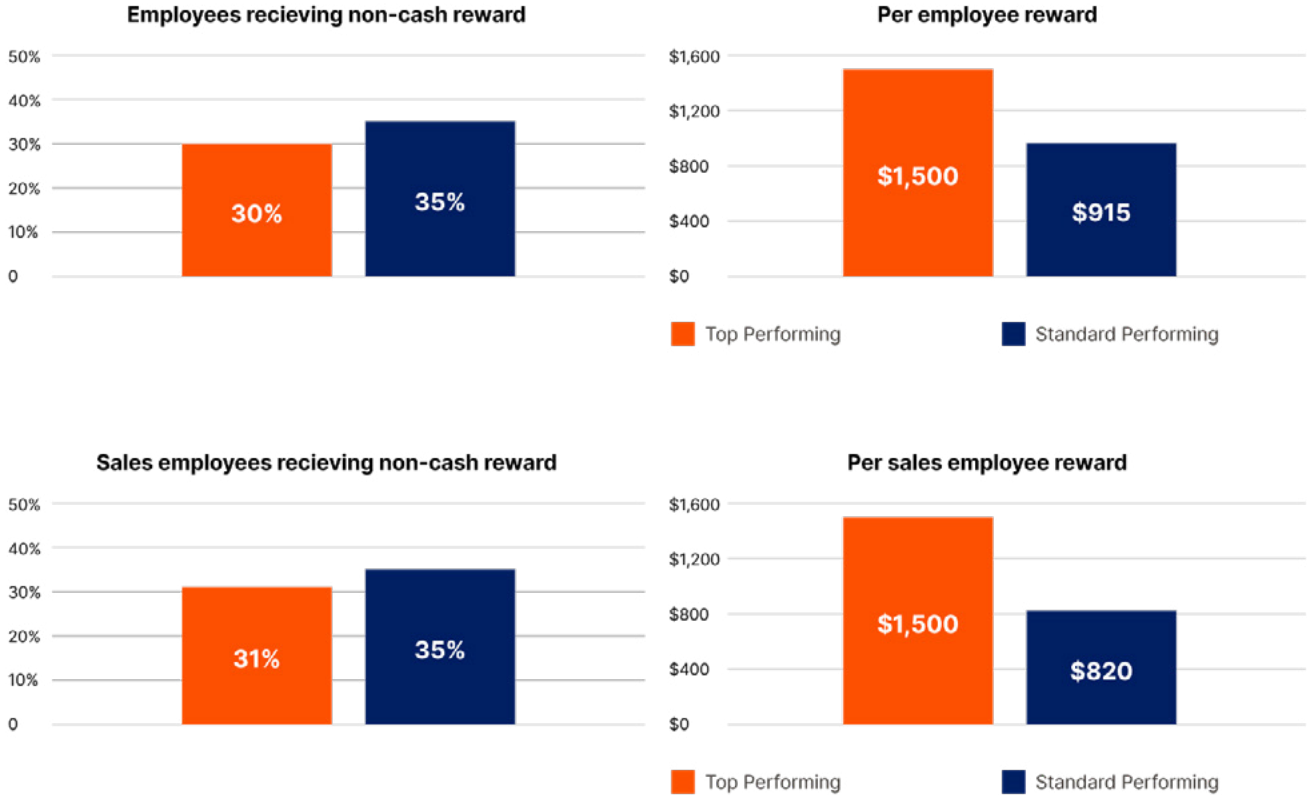
There is also general agreement across these companies about which business outcomes are most impacted by particular components of a Total Rewards package. Best practices for leveraging Total Rewards components indicate the following:

Figure 4. Primary Impact of Total Rewards Components

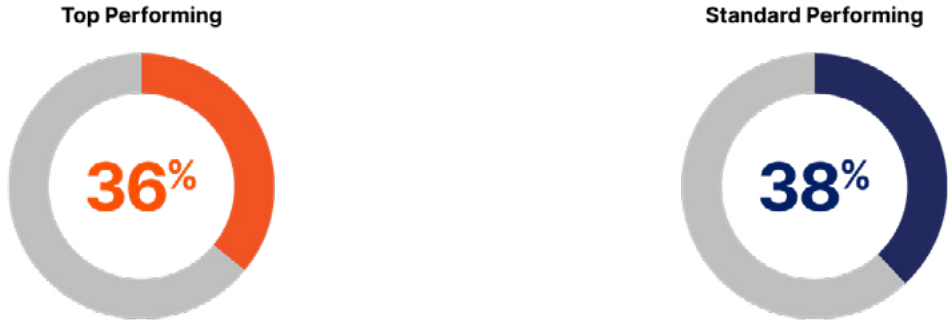
	Base Compensation	Variable Compensation	Other Benefits	Non-Cash Rewards and Recognition
Recruiting	✓			
Employee Retention	✓		✓	
Company Culture			✓	
Employee Performance		✓		✓
Business Results				✓

- Top performing companies use base compensation to recruit and retain the best talent. Program designers can use compensation benchmarking tools to review the competitiveness of the salaries and wages they offer annually for each role in their business to stay attractive in the labor market.
- Employee performance is most impacted by variable compensation, which rewards employees based on their efforts.
- Benefits like paid time off, health insurance, and wellbeing help companies to retain talent and build the company culture. For example, many tech companies do not offer paid time off, but rather allow their employees to take personal time whenever they need so long as their job duties are performed. This approach works well for some companies and cultures, but not for others.
- Non-cash rewards and recognition help to reinforce the behaviors that drive the business forward. Top performing companies tend to reward fewer employees but with more robust rewards like gift cards and trips than other companies. To ensure these rewards are directed towards key business outcomes, top performing companies allow each department to determine the budget spending for non-cash rewards and recognition (See Figure 5).

Figure 5. Non-Cash Reward Budgeting



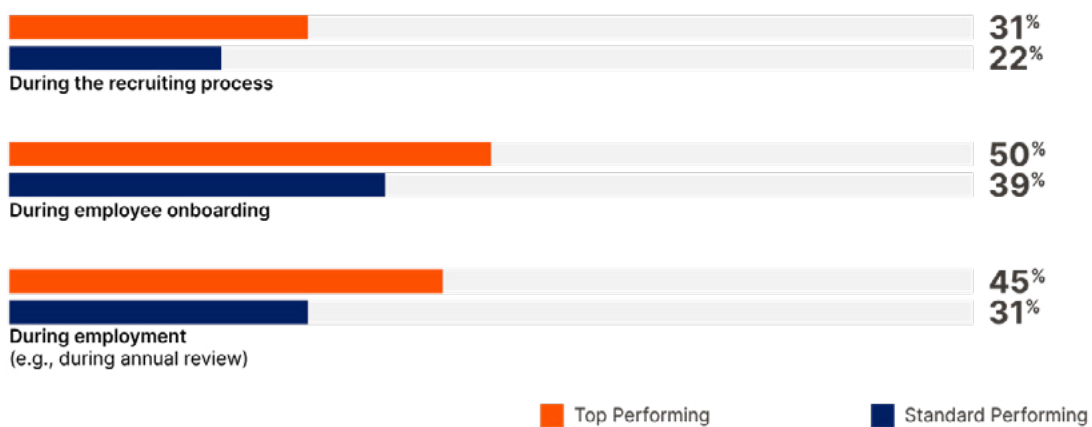
Percent of Annual Non-Cash Rewards Budget Used



Consistent Communication

Putting the time and attention towards designing a Total Rewards strategy that is uniquely built to take care of your people will make employees feel valued and appreciated. It is also very attractive to top talent. The right strategy has a direct impact on your recruitment, retention, and employee engagement. However, even with a competitive Total Rewards strategy in place, companies and their employees will struggle to reap the benefits if not communicated often. Top performing companies provide more frequent communication about the Total Rewards available to employees during recruiting, onboarding, and during annual reviews (See Figure 6). When combined with a people-centered culture, communication is essential to strengthening the relationship between a company and its employees.

Figure 6. Communication of Total Rewards Strategy and Package



Unique Dynamics Across Industries Require Unique Strategies

Each company or industry has its own unique combination of business needs and cultural dynamics that must be considered through the guidance of a talent strategy when designing the Total Rewards strategy that will drive their business forward. Let's examine some of the elements through the lens of the industry.

Professional Services

The professional services industry has a strong proportion of Top Performers. These top performing companies are significantly more likely than others to foster a people-centered culture and nearly all (89%) communicate the Total Rewards strategy and package to their employees at least once, with a large proportion of Top Performers (58%) communicating during employee onboarding.

Companies in this industry are significantly more likely than companies in many other industries to use non-cash rewards to drive business results and use benefits like health insurance, PTO, and well-being to drive company culture.

Top performing professional services companies reward a higher percentage of employees with robust non-cash rewards, averaging \$2,215 per employee rewarded vs. \$1,500 among standard performing companies, yet still only use a little over one-third of their allocated non-cash rewards budget (36%).

Health

Companies in the health industry also have a strong proportion of Top Performers. Similar to professional services, the top performing companies are somewhat more likely than others to foster a people-centered culture and nearly all (91%) communicate the Total Rewards strategy and package to their employees at least once. A large proportion of Top Performers (59%) communicate the Total Rewards during employment, such as during annual reviews.

Non-cash rewards are used among many companies in the health industry, however with little difference in the proportion of employees receiving non-cash rewards between top performing and standard performing companies. While Top Performers provide more robust rewards than standard performing companies, averaging \$2,900 per employee rewarded vs. just \$300 among standard performing companies, the top performing companies use a smaller proportion of their allocated non-cash rewards budget than standard performing companies (32% vs. 42%).

Retail

Top performing companies in the retail industry report a more mature company culture than standard performing companies (54% vs. 34%), leaning more towards a people-centered culture than standard performing companies. While communication about Total Rewards is less frequent among retail companies overall, almost half of top performing companies (47%) communicate Total Rewards during employment (e.g., during annual reviews).

Retail companies are significantly more likely than companies in many other industries to use non-cash rewards to drive business results, however with no real differences evident between top and standard performing companies in how rewards are allocated. Retail companies reward over one-third of their employees with \$100 or less and use about 40% of their allocated non-cash rewards budget.

Companies in this industry are more likely than companies in many other industries to use benefits like health insurance, PTO, and well-being to drive retention.

Finance

Finance companies use non-cash rewards and benefits like health insurance, PTO, and well-being to drive company culture. Interestingly, the company culture is somewhat less mature among Top Performers compared to others in the finance industry (37% vs. 45%), with no difference in the proportion of companies who report having a people-centered culture. Over half of top performing companies (52% vs. 37% of standard performing companies) communicate Total Rewards during employee onboarding.

There is no difference between top performing companies and all others (30%) in the proportion of employees who receive non-cash rewards. The rewards average \$2,000 among Top Performers, but jump to \$2,750 among all other companies, which leads to a higher proportion of allocated non-cash reward budget being used among standard performing companies (32% among Top Performers vs. 42% of standard performing companies).

Companies in this industry are more likely than companies in many other industries to use base compensation to drive recruiting and variable compensation to drive employee performance.

Technology

Technology companies are significantly less likely than companies in many other industries to use benefits like health insurance, PTO, and well-being to drive company culture, but are significantly more likely indicate non-cash rewards drive employee performance, although this industry is the least likely to actually leverage non-cash rewards in general.

The company culture is somewhat more mature among Top Performers than standard performing companies (54% vs 45%), leaning more people-centered. Top performing companies in the technology industry are more likely than in any other industry to communicate about Total Rewards during the recruiting process.

The top performing companies in the industry reward significantly fewer employees with non-cash rewards than standard performing companies (24% vs. 40%), with rewards among top performing companies averaging \$1,450 vs. \$1,850 among standard performing companies. There is little difference in the proportion of allocated non-cash reward budget used between Top Performers and standard performing companies (39% vs. 43%).

Manufacturing

Manufacturing companies are more inclined to communicate Total Rewards to employees during onboarding than at other stages, with top performing companies in this industry significantly more likely than standard performing companies to communicate at least once (79% vs. 66%). The company culture is significantly more mature among Top Performers than standard performing companies (60% vs 46%), leaning more people-centered.

In this industry, the top performing companies reward fewer employees than standard performing companies (25% vs. 35%) but with more robust rewards averaging about \$600 vs. \$150 among standard performing companies. There is little difference in the proportion of allocated non-cash reward budget used between top performing and standard performing companies (37% vs. 40%).

A detailed review of Total Rewards practices by industry is available in the full research deck on the IRF website.

In Summary

Despite the broad availability of information on how to design a Total Rewards strategy, the data makes it clear that many companies are not realizing the full benefit of these efforts. Beyond the actual components of the Total Rewards package, most companies have not incorporated discussions of Total Rewards into key employee conversations, including at recruiting. It is evident from the research that top performing organizations provide a more consistent cascade of information about the Total Rewards strategy and package they have in place.

Within the full span of compensation and benefits that comprise a typical Total Rewards package, the research found that HR and Sales executives see a very clear role for non-cash reward and recognition, primarily in impacting employee performance and driving overall business outcomes. Top performing companies report rewarding slightly fewer employees and salespeople during the year, but the reward values for those earners are significantly higher.

Of particular interest, the research found that less than 40% of non-cash budgets are utilized, on average – a finding that is consistent across top and standard-performing organizations. With the market's clear acknowledgement of the impact these programs have, program owners and designers should direct their attention to optimizing the design, engagement, and utilization of these business tools.

Thank you to our Research Partner

