



Reward me, reward me not...

In the early 1900s, Sigmund Freud studied reward management from a psychological and behavioral perspective as part of his psychoanalytic theory.¹ It has since proven to be of vital importance in the workplace as it gained both, a managerial and a financial angle. More recently, this topic has reached a new level of complexity and importance in light of the mounting pressure that organizations are facing due to the ever-changing dynamics of the workplace, the shifting characteristics of the workforce and the strategic shift from a traditional process-driven performance management system into an agile, people-driven one. >

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Total Rewards has become a hot topic on the agenda of most board of directors as it taps into cash and non-cash compensation and, most importantly, into incentives (short- and long-term, fixed and variable.) This proven human reliance on rewards has pushed organizations to focus increasingly on the concept of "Total Rewards" as opposed to the more traditional compensation and benefits package. Total Rewards encompasses personal and professional growth opportunities and a motivating work environment: one that is instilled with recognition, valued job design and work-life balance. Total Rewards has in fact proven to be a strategic, potentially less costly, and more creative way for organizations to attract and retain top talent through a wide set of initiatives.

Key challenges

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New competencies

The workplace is increasingly demanding competencies that are not necessarily catered to in university curricula, creating a mismatch between acquired and required skills. A recent Deloitte study with Injaz Al Arab showed that 56 percent of Arab fresh graduates perceive themselves to be unprepared to join the workforce in the Middle East and North Africa (MENA) region. Members interviewed also expressed their preference to work in traditional industries primarily, due to perceived job security.

Some industries, such as technology, are requiring a higher level of specialization. Due to its continually evolving nature and fast-paced growth, the technology industry has generated a demanding and competitive workplace, particularly in the Middle East. This is mainly driven by the need for highly specialized employees in areas of constant innovation and advancement.

From a Total Rewards perspective, there is a need to consider compensating specialization differently while looking at it from a talent management angle: Attraction and retention.

Changing workforce

The workforce is changing and so is the workplace. Millennials are now joining the labor market and with them come their needs and specifics. These are not Generation X nor the Baby Boomers: They have been molded by the Internet, social media, unified communications and smartphones. They are motivated and increasingly engaged through continuous learning and development. Millennials require recognition that is not necessarily financial. In addition, they seek a deeper meaning in their careers, be it from a social or a cultural perspective. In general, they express little loyalty to their current employers due to a lack of engagement from leadership and a diminished sense of ownership on their part.² Millennials often put their personal values ahead of organizational goals and several have shunned assignments (and potential employment opportunities) that contradict their beliefs.

In contrast, Generation X is mainly motivated by financial incentives, additional compensation or bonuses. In fact, this generation values mass market luxury, media and marketing liberalism

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and financial security.² Baby Boomers are also specific in their own way, as they mostly value loyalty, tradition and stability.³ Catering to their needs and particularities is also a must for organizations that wish to retain their aging workforce and the organizational memory.

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Talent management

New performance management trends suggest that performance reviews should not be linked to salary increases. Research also reveals that even if employees were able to decide how much they earn, they would probably not enjoy their job more. Additionally, the association between compensation and job satisfaction is fragile and research indicates that salary increases do not improve employee performance after a certain point in time.⁴ Organizations are exploring new approaches to performance management, thus looking into how Total Rewards might follow.

Equity is also a key challenge that is faced across organizations in the Middle East.

Equity defines the extent to which organizations are fairly compensating employees both internally (within the organization) and externally (vis-à-vis peer organizations.) While organizations usually rely on the weight of the job to assign a relative monetary and non-monetary worth, this practice might be perceived as subjective due to potential biases and, more importantly, dissociation from market dynamics.

Institutional performance

With mounting political and economic pressures, organizations in the region are looking to optimize their Total Rewards programs. That being said, they have been careful to identify means to balance between employee value proposition and financial implications of the cash and non-cash compensation. It is critical that organizations consider institutional performance against the welfare of employees.

Institutional performance can no longer be strictly considered from a local and micro perspective. Globalization has now extended organizations' reach to global talent pools. Similarly, individuals now have access to global markets and are increasingly mobile. Accordingly, organizations are now invited to look at Total Rewards from a different angle, one

that takes into account taxation, mobility requirements, salary hedging, cost of living considerations and pension plans among others. While cautious about the financial impact, organizations are aware about the importance of accommodating for global mobility requirements from a monetary and non-monetary perspective.

Key guidelines

Cater for the specialized talent in the organization

Organizations should look into opportunities to reward and differentiate the specialized and scarce talent in the market. To enable a more effective market positioning that would help with attracting and retaining employees, organizations should develop greater sensitivity to sector and functional expertise.

Organizations struggling with attracting fresh graduates should look into opportunities to develop the required talent skillsets internally. Such initiatives will help organizations appeal to fresh graduates while nurturing the required competencies internally. These initiatives could take the form of graduate programs involving job rotation, regional or global mobility programs or accelerated training initiatives.

Retaining and attracting the specialized experienced workforce could be achieved through identifying the critical segment of the total workforce. This identification will inform appropriate talent management and rewards initiatives with the aim of supporting the identification, management and development of the critical workforce. This segment of the workforce drives a disproportionate share of key business outcomes, influences the organization's value chain significantly and is in short supply from the respective labor market. Such 

positions require a unique set of knowledge, skills and abilities from their job holders, which makes replacing them a difficult and costly process.

This could be further addressed through monetary and non-monetary interventions, such as targeted monthly allowances aimed at attracting and retaining specialized talent or succession management initiatives meant to pave a fast track for potential leaders and holders of critical positions.

Reward the organization one generation at a time

It is critical to work properly on addressing your Total Rewards in a changing workplace, a changing marketplace and a changing workforce. Accordingly, a proper approach is one that takes into consideration the eligibility for rewards, the kind of employee behaviors and values that should be rewarded and the types of rewards that would work best for your own organization, while meeting the demands of your workforce.

Catering to the needs of each generation within the organization is essential. It is true that financial rewards are a must, however, each generation preserves its preferences regarding the type and shape of rewards. Baby Boomers expect rewards elements related to job security and stability such as pension plans, long-term incentives, retirement plans or healthcare benefits. Generation X expects to be treated differently, mainly through immediate financial incentives and tangible recognition rewards.⁵

Millennials value career progression and development opportunities and expect to make their way up in the organization rather quickly.

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Therefore, organizations are looking into internal developmental opportunities to retain top talent through successor and leadership programs, learning initiatives and technical track possibilities. Also, catering for consistent feedback loops has proven effective as it gives room for continuous and timely employee achievements recognition, which is highly appreciated among millennials.

In a nutshell, the best incentive for your millennials is not a salary raise nor a hefty bonus, it is a promotion.

Establish the link with the changing performance management landscape

Research has shown that discussion around remuneration often triggers an emotive response, which negates open and honest discussion. Separating remuneration from performance discussions should shift conversations towards a greater focus on enabling employee growth and development rather than focusing on the monetary reward.⁶ In order to achieve that, line managers should understand the organization's rewards strategy and be well equipped to support effective conversations.

On the other hand, although basic salary should compensate employees fairly for

their work efforts, it is important for salary bands* to be mapped to relevant and accurate market data points, which will contribute in minimizing outliers and ensuring that employees are paid within the desired ranges. Organizations should start considering increasing employees' basic salary annually in line with regulatory and market activity only. Continuously increasing base salary to reward additional contributions from employees will not only be ineffective, but will also be unsustainable for the organization.⁶

Rewarding employee performance should take a new shape through different initiatives such as providing leaders with authority to distribute a pool of short-term incentives in a way that drives high performance.⁷

A different alternative could be removing annual distribution curves to force organizations to consider how to reward employees throughout the year—especially for outstanding high performers/potentials who may be driving additional business growth or coaching others to reach their full potential. Incentives can be paid on a monthly, quarterly or half yearly basis depending on the frequency of performance checkpoints.

Agile job evaluation for internal equity

Job evaluation is the process of judging the relative worth of jobs in an organization. The outcome of job evaluation is the development of an internal structure or hierarchical ranking of jobs. Job evaluation typically helps ensure that pay is internally aligned and perceived to be fair by employees. However, organizations have clearly voiced the need for a simpler and more

* A group of jobs that are similar in their nature of work. The band is used to define the range of compensation given for a certain role based on different factors such as location, experience or seniority. Multiple job grades can be part of a single job band.

flexible approach to job evaluation that enables a move away from the control of uniformity to the management of diversity. This will make use of techniques such as job family modeling and computer-assisted job evaluation.

Organizations are increasingly aware of the need to adopt more flexible job evaluation techniques. This is mainly driven by the demand for greater internal job role flexibility and by external market pressures. Job evaluation can no longer be applied rigidly as a system for preserving existing hierarchies.

Balance between institutional and individual interests

What do employees really want? Is it new forms of pay such as team-based pay? Or is it traditional form of pay such as merit pay? There is no one-size-fits-all answer. In fact, the true solution lies in communication. Employees in many organizations are unaware of, or do not understand, the benefits offered by their employer. When employees lack this understanding, they tend to be dissatisfied with the available benefits. Dissatisfied employees are in turn less likely to attend to work requirements and more likely to leave the organization. Organizations should not only provide monetary incentives to their employees.

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Other often overlooked or inefficiently communicated and advertized talent management interventions provide a solid baseline for talent attraction and retention. For instance, learning and leadership development programs have proven to be appreciated developmental and motivational tools in the workforce, benefiting both employers and employees. Talent management interventions could also help organizations to align their Total Rewards philosophy with the overall organizational strategy, while also providing a solid tool to address globalization challenges at a local level.

Conclusion

Total Rewards has proven to be critical in building the appropriate talent landscape within the organization as it strongly contributes to the employee value proposition. In fact, we are increasingly witnessing the introduction of design thinking and the architecture of an employee experience in the workplace, and potentially in the marketplace.

We would highly emphasize that it is always important to keep abreast of what leading practices are in the region and across the globe. In the Middle East, organizations are rethinking their Employee Value Propositions via Total

Rewards programs catering to the specifics of the workforce. This is achieved through the introduction of different initiatives aiming at differentiating between the local and expatriate workforce, as well as establishing a robust talent management foundation potentially serving as a key non-financial Total Reward component. Accordingly, the ultimate choice for your organization resides in its compatibility with other human resource interventions and with your overall strategy. ●

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