Competitive Compensation Management

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**Overview of the total reward system**

The competitive salary packages are required to retain quality workforce with the company. However, in the modern era, a competitive salary is not sufficient to retain the quality employees and companies have to offer a total rewards system to the employees to retain them. The basic components of such a system are discussed in the following lines.

**Compensation**

The compensation includes the basic salary that will be paid to the employee but there are short or long term incentive pays given to the employees. A variable pay system is the one that rewards the employees on the base of their performance. This means that the employee will have to continue working with the same level of hard work to earn the same amount of salary over and over again. In the short term incentive pay, performance improvements are seen over a period of less than 1 year. In the long term incentive plan, the time period is more than one year. Both these techniques work well in order to motivate the worker to perform well. These aspects are also sufficient to motivate those employees who work to exceed the expectations in the work setting.

**Recognition**

In order to achieve the goals of any organization, the employees should feel that they are also playing an important part in the process of goal achievement. The system should be developed where the management at all levels is ready to provide timely feedback on the performance criteria of the employees (Schuler & Macmillan, 1984). This feedback should be specific to the tasks undertaken by the employees.

**Benefits**

The benefits component of the system should include the annual leaves, medical insurance and leaves and some casual leaves that can be used to spend time with family. This section will also include the minimum amount of contribution from the employee and employer towards the social security and unemployment. A satisfactory package that includes sufficient benefits can become an advantage for the company against the competitors and can result in keeping high quality work force.

**Work/Life Balance**

The system should be maintained in such a way that none of the employees feel over worked. The employees will remain much happier if their work flow is smooth and allows them to keep a balance between work and family responsibilities. Some of the employees may need to have specialized schedules due to their family demands. An effective system will keep these special needs in view and provide these employees with ample opportunities to cope with their family responsibilities as well as their professional responsibilities. Some of the employees may be facing some family or personal issues which are disturbing them and not allowing them to perform their duties in a proper manner (T.Milkovich, 1987). The organization should provide counseling to these employees to help them get out of these problems. Similar help can be offered to the employees who are nearing their retirements and will receive a considerable amount of money, they will be guided how to invest this amount of money to get the best rewards.

**Development**

There should be ample opportunities for the employees to develop themselves to higher positions in the organization. An organization can have a defined system which will give almost equal opportunities to the employees to get promoted (Vanornum).

**Total Reward strategy**

In order to make an effective total rewards strategy, we have to assess the meanings of the terms included in the above heading. Rewards are taken or received by the people who work for some organization and it has some value for them. A simple interpretation of rewards is the salary that is received by the employees. The rewards are given in return to a large number of events which may include the hard work put in to make a successful product launch. By total, we assume that everything that is associated with the rewards will be included. The total rewards may be intrinsic or extrinsic in nature. The extrinsic rewards are given as a result of what a person has done for the organization whereas the intrinsic rewards include the appreciation that has been given to the employees by their seniors. A strategy is a plan that forces the company to take some action. In other words, there is a documented action plan that has to be executed in order to fulfill some requirements. These requirements might be to achieve the goals and objectives of the organization. In the light of this discussion, a total rewards strategy is a statement that will identify the way in which an organization will reward the employees if they do the needful for achieving the organizational mission and objectives (G.Barkena & Majia, 2017).

The total reward strategy is based upon the core mission of an organization and it must explain the philosophy behind the total rewards system. This should identify the most important aspects relevant to the company. This will provide an important framework to know why the programs are focused in a particular manner. We consider that the most important aspect for the company is growth, then the statement should be “The employees in our organization know that they have to contribute towards our expansion and growth”. This statement shows that the employees know what is required from them (Lyons & ora, 2002).

There should be a statement that unifies the various strategic aspects of the organization to the rewards and compensation programs. This task is very difficult as all the parts of the organization should be considered while setting up this statement. The overall desired outcome from the total rewards systems should be properly communicated. In our example, the statement may be “The compensation and benefit program will reflect our philosophy of growth. These rewards will adequately represent the differences between responsibilities and seniority, the basic work out of these programs will remain the same.”

The last part of the strategy is to ascertain the purpose of each primary reward program. These may include the rewards, benefits, work/life balance and appraisal. The rewards exist to provide basic pay to the employees, employees will spend this amount for their basic necessities and a good rewards system will provide competitive advantage to the organization. The rewards program should be much more than a mere paycheck. The identification of your hard work is another aspect of the rewards system.

In summary, the strategy for total rewards will be focused on the growth of organization by keeping the workforce satisfied with the help of comprehensive rewards and benefits system.

**Advantages of the total rewards strategy and Employee needs**

The first advantage of the total rewards strategy is that there will be a clear path in front of all the employees including the top, middle and lower management to follow. This is growth in our case. All the resources will then be allocated to the activities that will be required to drive the maximum possible growth for the organization. The definition of growth is also very clear in terms of expansion across the country. This will mean that the organization has to generate maximum revenues to finance the growth opportunities. This will benefit the company as these smaller objectives will lead to successful implementation of strategy.

All the internal stakeholders will know what to expect from others and what will be the consequences if these expectations are not met. For the employees, this will mean that they will get paid handsomely if they put appropriate efforts to attain the organizational objects. If they do not put appropriate efforts, they will lose some or all of their pay. From the organizational perspectives, it has to reward the employees appropriately of the efforts are moving in the right direction, failing to do so will result in the loss of some valuable employees who will be dissatisfied because the organization did not fulfil its commitment.

Another advantage of this strategy is that a united effort will present a very positive image of the company to the outside world. The successful implementation of this strategy will improve the image of this company in the eyes of external stakeholders and it will become easier for it to take external funds required for the growth options.

The physiological needs of the employees will be fulfilled with the amount of money they will get as salary and pay. These needs include food, shelter and clothing. Once these needs are fulfilled, safety needs have to be fulfilled which include the surety that the job is secure and the employee will not be fired off this job. The growth is a long term process and organization cannot afford to bring in new employees after a certain time period, this means that the high performing employees will not lose their jobs. The social needs refer to the opportunity for the employees to spend sufficient time with their family and friends just as the work life balance in the characteristics of total rewards system. The employees who have been working effectively towards implementing the growth strategy will be allowed to avail the vacations with their families and friends as a part of compensation package. This will satisfy their social needs. Esteem needs refer to the fact that all employees are respected by their seniors even if there is an unpleasant incident in the work place. This need will be fulfilled because the organization needs to retain the high performing employees and nobody will be willing to work in a disrespectful atmosphere. The last need is the self-actualization where employees are allowed to implement their maximum abilities in the work place. In other words, the work will be challenging enough to bring the best out of them. The high performing and experienced employees will be given the challenging tasks that will also help the organization to grow in the long run.

**Key communication components**

The Shannon-Weaver model of communication considers that the intended message of the sender may not be received exactly by the receiver, this happens due to the presence of noise factors that distract the message sent by the sender. In the present scenario, noise may be the family pressures on some employees that may hinder their ability to correctly interpret the message sent by the strategy of growth and the objectives to successfully implement it. The organization must take steps to identify such employees who have family issues and help them resolving these issues so that they can focus effectively on their jobs. Similarly some of the job pressures may also work as noise. These pressures may come from the harsh attitudes from the immediate boss or some of the coworkers. In both cases, ample measures should be taken by the organization to improve the work atmosphere so that the strategy of growth can be properly implemented. Internally, there should be very strong communication between the employees to minimize the effects of any form of noise.

The Osgood and Dance Circular model suggests that communication is a process that is circular in nature. The message and feedback to it forms the whole circle. An increased number of circles completed in terms of sending message and receiving feedback will mean that the communication between the two parties is stronger. This applies well to the situation discussed by us so far. The more emphasis is placed on the growth strategy, there will be as much clarity among the employees as to how the objectives can be achieved in order to implement the strategy.

The communication will start with a clear message to all the employees about what the organization wants to achieve as a whole. Growth is the major theme that has to be communicated to all the employees. This will be communicated by the immediate bosses to all the employees which will mean that there will be a top-down approach to communicate the message to all the employees. There should be a constant recheck on the direction of the organization and any discrepancies should be immediately communicated.

The objectives have already been set as to increase the sales by 10% over the period of next 1 year. This objective is specific as to show what to do. It is measurable in terms of change in sales as well as in terms of time period.

The audience of this message is the set of employees working in the organization who need to work hard to implement the growth strategy.

**Strategy for devising a competitive pay structure**

Human resource has become a part of the organization that is now considered a competitive advantage under certain circumstances. Thus, this part of the organization is no longer seen as being separate from all the other departments of the organization. Consequently, the pays and rewards given to the human resources should also be competitive so that the organization can compete effectively with the competitors. In line with the growth strategy, the major strategy statement for this organization will be to recruit, train and retain the best employees available in the market.

In order to make a strategy, the organization will have to check the budgets that it can allocate for the payments to its workforce. Allocation will also include that the percentages of the various components of salary structure are also defined. If the salary is 90% of the total payment, then the 10% may be spent as 8% on health benefits and 2% on retirement savings. Since the organization has formulated a growth strategy, the overall budget allocated for the salaries will have to be increased.

The second step is to develop the ranges of salaries that will be paid at different levels of management and workforce. This will help our organization to keep the pays in line with the competing firms. Bench marking is a way to ensure that the salaries and other benefits are coinciding with the competing organizations. Comprehensive research will be required to analyze the appropriate salary ranges for different positions within the organization. The more critical a job is in the implementation of corporate strategy, the higher will be the salary range. Salary ranges should also match the job description as stated by the organization.

There should be audits conducted to view the changes in salary paid to the employees by the competitive firms. Such audit will help to reset the salaries within our organization. This may happen because of an economic boom. This audit will also determine the extent to which the jobs themselves are competitive as compared to the other firms. This will equate the things both from the worker’s perspective and from the organization’s perspective. The external aspects related to the compensation are also considered while conducting the audit. The instability on the political scenario will affect the ability of some firms to pay their employees well. An audit in this situation will bring out the strategy adopted by some other firms to cope with this situation. The failure to conduct such an audit frequently will affect the ability of the firm to retain quality employees.

Benefit packages are used to attract new employees as well as to retain existing ones. The main purpose of these benefits is to keep the overall package competitive compared to the other firms in the industry. Some aspects include health benefits, retirement benefits and tuition reimbursement. These benefits play an important role in deciding whether an employee will be accepting an offered position with an organization and whether any particular employee will leave any organization. There are certain instances where employees have stuck to a certain organization solely because of these benefits.

The current scenario requires that the performance of all the employees is measured against the objectives formed to implement the strategy. The efforts should be directed towards the attainment of organizational objectives. If there is considerable gap in the employee performance, then measures should be taken to rectify the situation.

All the federal and state laws should be adhered to while making the strategy for competitive compensation. Some laws may include the minimum wage and overtime pay.

The last part of the strategy is that there are certain people who are responsible for the implementation of strategy for competitive compensation. This will mean that the whole process has been overlooked by some person who has a responsible position in the organizational structure. This will also set up a culture where employees are engaged and retained on the basis of their performance.

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