



Shaping the future research agenda for compensation and benefits management: Some thoughts based on a stakeholder inquiry



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ABSTRACT

This article highlights some avenues for future research in the field of compensation and benefits management. In order to achieve this, the author has included multiple stakeholder perspectives. First of all, the article provides an overview of the opinions and attitudes of line managers, employees and compensation and benefits practitioners. Based on these results, and taking existing empirical research into account, the article proposes that further research be conducted on the following aspects of rewarding: (1) the external environment – and more specifically, the impacts that an ageing population, geographical differences, and the economic situation have on rewarding; (2) employee perspectives towards rewarding; (3) total rewards; and (4) reward processes and procedures, such as performance management and reward communication.

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1. Introduction

This article provides some thoughts and data which should be instrumental in determining the future research agenda for the field of compensation and benefits management.¹ Rather than relying solely on personal opinions or on published academic research, we opted for a stakeholder-driven approach.

Therefore, in the first part of this article, we focus on what we can learn from studies of line managers' and employees' perspectives on rewarding. In addition, we provide a synthesis of the results of a short investigation of compensation and benefits professionals on their main needs from a content perspective. This investigation was conducted specifically for this article.

Then, in the second part of this article, we propose a future research agenda for compensation and benefits scholars, based on the findings of our stakeholder inquiry, and further enriched by insights from our own and others' academic research.

This article also provides an overview of the results of some existing studies. However, our main focus has not been to make a complete synthesis of academic research in the fields addressed in this article, but rather to find out whether existing academic research can already help address some of the business needs, and, from that point onwards, to identify future research streams.

Our contribution takes a European perspective, as it has focused on stakeholders located in Europe, and because it includes a number of research materials that were collected in Europe. This adds an important dimension to existing research in the field of rewarding, which has been rooted primarily in North America. In this respect, this article contributes to the challenge of taking a wider geographical scope in compensation and benefits research (Werner & Ward, 2004).

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¹ The terms 'compensation and benefits' and 'reward' are used interchangeably, except when we talk about financial as well as non-financial rewards, in which case only the term 'reward' is used.

2. Stakeholder opinions and needs in the field of compensation and benefits

In the first part of this article, we give an overview of the results of some recent investigations by Vlerick Business School's Centre for Excellence in Strategic Rewards. In these studies, we collected data and opinions on rewarding, and the way in which rewarding is operated from important stakeholders in this field, including: (1) line managers; (2) employees; and (3) compensation and benefits managers. Their opinions serve as input for determining reward management's future agenda, which will be developed further in the second part of this article.

2.1. Input by line managers

In 2010, Vlerick's Centre for Excellence in Strategic Rewards organised a study to measure (amongst other things) line managers' perceptions of the effectiveness of the reward systems and policies applicable to their subordinates. Line managers are an important, though often overlooked, source of insights into the functioning of reward systems. Sixteen organisations participated in this study, which yielded 1037 usable responses.

To measure reward effectiveness, we adopted items developed by Balkin and Gomez-Mejia (1990). However, we made the following refinements: (1) the item measuring the contributions that pay policies and practices make to attraction, motivation and retention was split into three items; (2) we added an item measuring whether the compensation strategies provide a good balance amongst the interests of several different stakeholders, rather than just focusing strictly on shareholders; and (3) we added an item measuring external equity by asking to what extent pay policies and practices are competitive compared to other firms. Table 1 gives an overview of the results.

In general, the scores vary between 2.60 and 3.12 on a 5-point scale, which means that line managers do not consider reward policies and systems to be highly effective. At best, the score is slightly above neutral. The highest scores pertain to external equity – i.e., the competitiveness of pay policies and practices compared with other firms. This might not be surprising, considering that larger firms, by which most of our respondents are employed, spend considerable attention to benchmarking. Furthermore, line managers are critical towards the extent to which the reward policies of their firms contribute to attracting and motivating employees, and they are not happy with the degree to which the reward system contributes to the achievement of organisational objectives. In summary, this means that, according to line managers, compensation and benefits policies and systems do not achieve their strategic role. In brief, this stakeholder's opinion (i.e., line managers) does not provide a positive answer as far as the effectiveness of reward policies is concerned.

Although it is beyond the scope of this article to look for causes and consequences of the findings reported in the paragraphs above, we would like to put the concept of *reward strategy* in the picture. Neither academics nor practitioners pay enough attention to the importance and the concretisation of this concept. In its reward strategy, a firm makes concrete choices, fed by a thorough analysis of the external (i.e., economic, social and legal context) and internal (i.e., strategy, culture, employee characteristics and preferences, structure, share ownership) business contexts. In a next step (i.e., implementation), these choices are translated into concrete reward systems. The choices are related to: (1) market positioning; (2) reward mix (i.e., occurrence and importance of different reward instruments); (3) reward criteria (i.e., what drives base pay, bonus, and benefits – individual performance, team performance, competencies, etc.); and (4) reward governance (e.g., role of line management and communication on rewards). Unfortunately enough, this concept of reward strategy is not sufficiently underpinned by academic research. On the practitioners' side, we see that the occurrence of reward strategies is still rather limited. In this respect, research by the Chartered Institute for Personnel Development (2010) showed that only 31% of the firms in their sample have adopted a reward strategy (www.cipd.co.uk). Therefore, we would already like to signal a clear need for more research on, and further development of, the concept of *reward strategy*. In any case, the lack of a well-thought-out reward strategy explains the less-than-positive reactions from line management concerning reward effectiveness.

2.2. Input by employees

The Centre for Excellence in Strategic Rewards has frequently focused on measuring employee opinions in the field of compensation and benefits. In 2008, the Centre conducted an employee survey in which 5424 private sector employees participated. Amongst other

Table 1
Reward effectiveness from line managers' perspective.

Items	Mean	SD
1. Our pay policies are highly effective	2.74	1.01
2. Our pay policies and practices are competitive compared to other companies	3.12	1.04
3. As a manager, I am happy with the way the compensation system contributes to the achievement of overall organisational goals	2.70	0.99
4. All things considered, the compensation strategies used in our organisation truly give shareholder 'their money's worth'	3.12	0.89
5. The compensation strategies used in our organisation provide a good balance between the interests of the different stakeholders	3.08	0.89
6. Our pay policies and practices appear to enjoy widespread acceptability amongst employees	2.93	0.99
7. Our pay policies and practices greatly contribute to retention of employees	2.97	1.07
8. Our pay policies and practices greatly contribute to attraction of employees	2.80	0.97
9. Our pay policies and practices greatly contribute to motivation of employees	2.60	0.98

Note. Response categories vary between 1 (completely disagree) and 5 (completely agree).

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