

# Total Reward Concept: A Key Motivational Tool For Corporate Ghana

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## Abstract

This paper examines the concept of total reward and its application in motivating employees in Ghana. Total reward as an integral element of reward management is the combination of financial and non-financial rewards given to employees in exchange for their efforts. The aim of total reward is to maximize the combined impact of a wide range of reward elements on motivation, commitment and job engagement. Hence, total reward embraces everything that employees' value in the employment relationship. In spite of the growing need to pay attention to the concept of total reward, it appears most Ghanaian organisations place more emphasis on traditional rewards that are typically extrinsic and financial in nature. Thus, most Ghanaian organisations pay too much attention to financial rewards at the expense of non-financial rewards. This paper thus examines existing literature on the concept of total reward to determine whether the adoption of total reward strategy could be the answer to corporate Ghana in its bid to obtain maximum efforts from employees.

**Keywords:** Total reward, Financial and non-financial rewards, Employee motivation, Ghana

## **1. Introduction**

The complexity of today's business environment has imposed continually changing settings in which organisations compete for survival. As a result, special emphasis is placed on acquiring and retaining quality employees as this is seen as a key factor underpinning organisational success. Although it takes a great deal of other resources to run a business, employees have been identified as the most valued resource which determines the success of every business. As Milkovich and Bondreau (1988) put it, 'plant, equipment and financial assets are resources required by firms but employees are particularly important'. Take away their creative minds and organisations are just pile of papers, blocks and metals. Thus, the ability of organisations to create a sustainable competitive advantage in today's dynamic business environment depends greatly on employees' ideas and innovations, making them the most valuable assets in organisational success. As rightly stated by Deeprouse (1994), effective reward system improves employee motivation and increases employee productivity which contributes to better enhanced organisational performance. Hence, total reward which is a combination of both financial and non-financial rewards to gain employee commitment cannot be over-emphasised. The implementation of total reward strategy improves not only employees' motivation, efficiency and performance but also their psychological contract and overall organisational behaviours. Moreover, as organisational success is tied to people innovations, rewards have become strategic which confirms why organisations whatever their size and business orientation are looking for better ways to reward their employees for a sustainable competitive advantage.

In view of these challenges, this paper seeks to examine how total reward management could be used as a key motivational tool in Ghana.

## **2. Total Reward Concept**

The concept of total reward has emerged quite recently and is exerting considerable influence on reward management. Total reward as an integral element of reward management is the combination of financial and non-financial rewards given to employees in exchange for their efforts. Worldat Work (2006) defines total reward as all of the tools available to the employer that is used to attract, motivate and retain employees and includes everything the employee perceives to be of value resulting from the employment relationship. Thompson (2002) also defines total reward to typically encompass not only traditional, quantifiable elements like pay and benefits, but also more intangible elements such as scope to achieve and exercise responsibility, career opportunities, learning and development, the intrinsic motivation provided by the work itself and the quality of working life provided by the organisation. As expressed by Lawler (2003), the greatest amount of motivation is present when employees perform tasks that are both intrinsically and extrinsically rewarding. Total reward strategies are vertically integrated with business strategies, but they are also horizontally integrated with other HR strategies to achieve internal consistency. This view has been shared by Kaplan (2007), who said that total reward is a holistic approach aligning with business strategy and people strategy. This reward strategy brings about maximum return and builds up employment brand, all of which create sustainable competitive advantage for organisations. The conceptual

basis of total reward is that of bundling, so that different reward processes are interrelated, complementary and mutually reinforcing (Armstrong, 2006).

The aim of total reward is to maximize the combined impact of a wide range of reward elements on motivation, commitment and job engagement. Hence, total reward embraces everything that employees value in the employment relationship. According to O'Neal (1998), a total reward strategy is critical to addressing the issues created by recruitment and retention as it creates a work experience that meets the needs of employees and encourages them to expend more effort. The significance of total reward is creating a challenging work environment in which individuals are able to use their abilities to do meaningful jobs for which they are shown appreciation is likely to be a more certain way to enhance motivation (Pfeffer, 1998).

According to Armstrong (2006), the benefits of a total reward approach include a combined effect of different types of rewards makes a deeper and long-lasting impact on the motivation and commitment of employees. Also, the employment relationship created by a total reward approach makes the maximum use of relational as well as transactional rewards and therefore appeal more to employees. Besides, a system of total rewards allows flexibility to meet individual needs as relational rewards binds employees more strongly to the organisation because they answer those special individual needs. Relational rewards also deliver a positive psychological contract and this can serve as a differentiator in the recruitment market which is much more difficult to replicate than individual pay practices.

Hutcheson (2007) also stated that organisations that practices total reward strategy are able to establish a distinctive set of rewards to support the institution's employment brand and enables the institution to attract and retain qualified workforce. According to him, it provides a roadmap for the HR function to review and enrich the total rewards offerings and also provides a clear and consistent communication device to remind employees of the full array of rewards.

Developing and implementing total reward strategy is a critical organisational intervention that requires top management support. It is important for top management to develop strong relationship between the organisation and employees to fulfil the continuous changing needs of both parties as the employees are seen as principal source of the organisation's competitive advantage. Management should acknowledge the increasingly important role of reward programmes in achieving business goal; thus ensuring that organisations deliver the right amount and mix of rewards to the right people, at the right time, and for the right reasons. Managers are also required to provide rewards that are valued, clearly linked to the desired behaviours and perceived as fair and equitable (Mullins, 2010). Top managers should not only verbally advocate the strategy or merely mimic the reward systems of other organisations but they should strive to get the right mix of financial and non-financial rewards to motivate their workforce towards achieving their strategic goals. As Morris (2006) puts it, management must deliberately create a customised total reward strategy to holistically create a program that best fits their unique human capital and business strategies as this differentiates the organisation from competitors. Management must also recognise the fact that involving employees in the design of the total reward strategy increase their acceptance and commitment towards effective implementation. It is also very critical for managers to consider their external environment and

organisational culture when developing total reward strategy as well as equity in the implementation of the strategy (Worldat Work, 2006).

A total reward strategy articulates in simple but powerful terms how organisations should invest their resources, reinforce their core principles and values, and create competitive advantage. According to Lawler (2003), an effective reward strategy should be designed to motivate employees to perform and give them the power to influence their performance. Wilson (1994) on the other hand, states that an effective reward strategy would impact positively on behaviour when they are meaningful and valuable to employees based on the organization's objectives and attainable goals, open and well-communicated to all and not based on competitive struggles within the workplace and balanced between extrinsic and intrinsic rewards. The UK Cabinet Office (2007) outlines that in developing a total reward strategy, organizations must build a good understanding of the organisation's strategy, goals, capability to deliver and sustain changes in total reward practice and key measures of success. They further posited that there must be an understanding of what motivates people, how they contribute to organisational success, the competences and capabilities required, the values and culture needed to secure high performance, the current HR strategy, the way key HR programs are focused and how current total rewards are perceived by employees. After these, a set of total reward programs, policies and practices could be developed for planned implementation. In deciding which of the many rewards to incorporate in the total reward strategy, managers must weigh the strengths and weaknesses of each reward as well as considering the kind of synergies that can be generated by combining these rewards. Understanding the rewards preferences and the value of rewards as perceived by the workforce helps organisations adjust the reward elements to attract and retain the necessary skill mix (Morris, 2006).

Since the 1990s, various total reward models have been developed to motivate employees to give their best. While each approach presents a unique point of view, all the models seem to recognise the importance of leveraging multiple rewards, HR practices and cultural dynamics to satisfy and engage the best employees to contribute and improve business performance and results. Some of these models include the World at Work Total Reward Model (World at Work, 2006; The UK Cabinet Office's Pay and Workforce Reform Team (2007); and Armstrong's Total Reward Model (2006).

The World at Work total reward model integrates five key elements, each of which includes programmes and practices that collectively define an organisation's strategy to motivate and retain talents required to achieve desired business results. These five key rewards elements are compensation; benefits; work-life; performance and recognition; and development and career opportunities. These components are not mutually exclusive and are not intended to represent the ways that companies deploy programs and elements within them. This model recognizes that total rewards operate in the context of overall business strategy, organizational culture, HR strategy and external influences such as competition. Indeed, a company's exceptional culture or external brand value may be considered a critical component of the total employment value proposition. The backdrop of the World at Work model represents the external influences on a business, such as regulatory issues; cultural influences and competition. An important dimension of the model is the exchange relationship between the employer and employee

where successful companies realise that productive employees create value for their organizations in return for tangible and intangible value that enriches their lives.

The UK Cabinet Office's Pay and Workforce Reform Team (2007), developed a Total Reward Model that organisations especially public institutions can adopt to be able to attract, motivate and retain the most sufficient and effective workforce.

The Armstrong Total Reward Model on the other hand combines the impact of two major categories of reward: transactional rewards and relational rewards. The transactional rewards are tangible rewards arising from transactions between the employer and employees concerning pay and benefits. The relational rewards on the other hand, are intangible rewards concerned with learning and development and work experience. According to Armstrong (2006), pay and benefits; represent transactional rewards which are financial and extrinsic in nature and are essential to recruit and retain staff but can easily be copied by competitors. Conversely, relational rewards are non-financial and enhances the value of transactional rewards.

According to Thompson (2002), an analysis of the various total reward models shows that almost all these models have certain common characteristics. For instance, they all appear to be holistic in nature. That is, they seem to address the entire employment value proposition using an array of financial and non-financial rewards. These total reward models are often programmed in such a way that they are tailored to suit an organisation's own culture, structure, work process and business objectives. Simply put, these models are *best fit*.

They also seem to be strategic and integrative. This is because these total reward models align all aspect of rewards to business strategy and are integrated with other HR policies and practices. More importantly, the various components appear to complement each other.

Whilst the total reward models proposed by Thompson (2002), seem more people-centered, thus recognise that employees are the key source of sustainable competitive advantage and focus on what they value in the employment relationship, they also appear customised and distinctive. They therefore identify flexible mix of rewards that offers choice and are better designed to meet employees' needs. These models use diverse rewards to create a powerful and competitive employer brand that serves to differentiate the organisation from its rivals.

Following from the above literature review, it appears financial rewards are just one part of a reward package and may not be sufficient in motivating employees for best results. It also suggests that for an effective and beneficial exchange between employer and employee to occur, the organisation's reward system must be all embracing, taking into consideration both financial and non-financial rewards. A total reward concept with an underlying holistic approach, must thus be adopted to gain a sustainable competitive advantage.

### **3. The Ghanaian Situation**

Many reasons have been attributed to the failure of some Ghanaian organisations in their bid to achieve their goals. Common among them is low employee motivation due to poor reward strategies that mostly concentrate on financial rewards (Gneezy, Meier & Rey-Biel, 2011).

Most organisations in Ghana typically place more emphasis on traditional rewards that are typically extrinsic and financial in nature in the bid to motivate the employees to achieve competitive advantage. These managers often pay too much attention to financial rewards at the expense of non-financial rewards such as work/life balance, employee recognition, job enrichment, career development, job security, and sense of affiliation, which all bear relational and personal orientation to the work itself. More often than not, these financial rewards are not equitably distributed and consequently employees are discontented and dissatisfied (Fehr & Fischbacher, 2004).

Also, pay increment initiated by most organisations do not produce corresponding rise in productivity which makes managers frustrated and disillusioned. One other worrying trend among most Ghanaian organisations is that employees do not seem to have a say in the composition of their respective benefit packages. Thus, one-fits-all approach to reward management mostly does not have the desired effect because of the uniqueness of employees' needs and wants (Bahaudin & Shandana., 2010). Still more troublesome, is the realization that the reward that effectively motivate some workers do not succeed with others. These result in low productivity, high turnover, poor customer service, and labour unrest which all impact unfavourably on organisational success (Armstrong, 2006). It is therefore important for organisations to understand what motivates their employees and reward them appropriately.

Existing literature, suggests that the African worker is more interested in the financial reward and may not be affected by the absence of non-financial reward. Perhaps, this may be attributed to the biblical saying that *money answers all things* (Ecclesiastes 10:19), as well as the high rate of poverty associated with African communities. According to Kanungo and Jaeger (1990), the African worker is often portrayed as being content with just having employment of any kind rather than facing the threat of hunger from unemployment. It is however suggested that as much as the Ghanaian worker may be interested in getting a job in exchange for financial gains for survival, it should be noted that financial rewards alone do not necessarily motivate the worker in employment to give up his best. It is thus argued that even though financial reward may entice a poverty stricken person to accept a job offer, it might not guarantee good or adequate value from the worker. The worker may irrespective of the financial reward not give his best. It is thus crucial for managers to note that employees can be well motivated to work without being perceived as driven purely by financial rewards.

All these challenges call for an understanding of the strategies that will truly motivate Ghanaian workers to expend more towards the achievement of organisational goals. A study conducted by Neghandhi (1985), in six African countries with similar work ethics and environment as Ghana revealed that, workers in Africa and those of other countries in Europe and America, want not only financial rewards but also non-financial rewards such as opportunities for advancement, fair treatment, better working conditions, challenging and interesting jobs, autonomy on the job and responsibility.

Consequently, it is suggested that Ghanaian organisations do more to make the work environment more challenging and interesting. Cognizant of this, managers in collaboration with human resource departments could formulate and implement total reward strategies to

ensure that both extrinsic and intrinsic motivational needs of their employees are well met. Ghanaian organisations could also improve their reward strategies by configuring modern rewards that embraces everything that employees' value. This balanced approach is more likely to drive employee commitment towards performance and effectively engage and retain vibrant workforce. It appears this approach, if used in reward management, could create a win-win exchange relationship between organisations and their employees as well as advance the overall HR and business strategies. This is because, total reward concept seems to take into account the needs of both the organisation and its employees as it integrates compensation with work content/context and employee growth opportunities (Armstrong, 2006).

It is further suggested that Ghanaian managers could adopt the cafeteria approach in order to obtain maximum efforts from workers. This is because the cafeteria approach allows employees to choose what really matters to them. Employees are thus allowed a great deal of choice as to how exactly their benefit package should be (Griffin, 1999). The overall value is set by the employer, but it is for employees to choose for themselves what balance they wish to strike between the different kinds of benefits (Torrington et al, 2005). Armstrong (2006) and Griffin (1999) shared the same view when they stated that flexible benefit schemes allow employees to decide within certain limits on the make-up of their benefit package according to their needs.

There are a number of reasons for considering this cafeteria approach instead of the employee benefit schemes which limits employees to certain limited benefits without any room for choice. Griffin (1999) for example, mentions that the flexible schemes encourage employees to stay in the organisation longer and even help attract new employees. One way of doing this, could be in the form of creating forums where benefits offered by the organisation could be discussed with employees taking into consideration the uniqueness of individual needs. Even though the success of this approach may depend on the organisation's ability to afford, it is suggested that organisations ensure that the various reward components are internally equitable and externally competitive. Corporate Ghana encourage or adopt open communication system to ensure free information flow. Corporate intranet, HR circulars, unit meetings, and shared folders could also be used for this purpose. Most importantly, reward policy could be effectively communicated to all employees to inform them about the various reward packages available to them and the basis for rewarding. Also, any changes to the policy should be communicated to forestall any negative perceptions that may arise. This is likely to promote equity, trust, and commitment (Armstrong, 2006).

Following from the above, it seems employee involvement is one key form of recognition and as such should be encouraged and practiced. Managers should therefore create opportunities for employees to participate in decision-making through meetings, workshops, and retreats. It appears reward strategies are more likely to be accepted and therefore more effective if employees who are affected by these decisions are allowed to make inputs to their design and implementation. Recognition of employees' efforts should thus be a deliberate strategic exercise for managers. As part of their key performance areas, departmental heads and unit supervisors who have direct contact with employees could continuously look for opportunities to recognise and appreciate employees for good ideas and work well done (Wilson (1994).

Having regard to the literature reviewed, it is suggested that the following could be adopted as a means of appreciating employees for good work done and motivating them to do their maximum best for the growth and development of the organisation:

- i) Besides the normal best worker or long service awards, managers could introduce employee of the month award partly nominated by fellow employees and management. One simple but effective way of doing this is to publish the employee's photo in the organisation's newsletter or on notice boards.
- ii) Cultivating a culture of caring by introducing personally signed birthday cards for employees celebrating their birthdays and wedding anniversaries.
- iii) Work well done or great ideas should be immediately acknowledged by way of praise or a simple thank you or a visible hand shake preferably in the presence of others.
- iv) Consistently giving positive feedback about their work and sharing positive feedback from customers with employees. A constructive criticism is critical to the employee's continuance or improvement of work but managers and supervisors should not dwell too much on negatives as this may kill creativity and innovativeness.
- v) Corporate souvenirs such as T-shirts, diaries and calendars could be given to employees once a year. The giving of these items could serve as a means of recognising employees as part of the organisation, as well as advocates of the organisation's identity and reputation, which further creates a sense of belonging.

#### **4. Conclusion**

Following from the literature review and discussion above, it appears total reward strategy is a powerful and useful tool for motivating employees to achieve higher performance. Ghanaian organisations could utilise total reward strategy to stay ahead of competition as it establishes distinctive set of rewards that serve as a differentiator in the recruitment market and may be difficult for competitors to replicate. Further, it seems the combined effect of both financial and non-financial rewards creates a deeper and long-lasting impact on employees' performance and commitment towards sustainable organisational success. Non-financial rewards therefore appears to bind employees more strongly to the organisation as they deliver positive psychological contract that meet those special individual needs.

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