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# Total Rewards



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# Macro Economics

- Economic recession is here for the US and Europe
  - Credit crunch
  - Increasing unemployment
  - More organizational restructuring, M&A, and cost control plan to come
  - “Nationalization” ... more government intervention
- China is seen safe and to continue growing
  - Financial system is stable
  - Economic outlook is positive, especially if domestic market demands maintain
  - 2008 FDI increased, even with the impact of Sub-prime Mortgage crisis
  - Government loosens up fiscal and monetary policies

# Today's Business Environment



## Past

- Production driven
- Protected markets
- Stable technology
- Familiarity with domestic political, legal, cultural framework

## Current

- Era of discontinuity and hyper competition at a global level
- Service driven
- Technology intensive
- Global markets with unpredictable economic, political and cultural scenarios

# Human Resources Management



	Traditional	Contemporary
<b>Organizational Response</b>	<p>Growth at any cost business strategy</p> <p>Mechanistic, product, functional, divisional structures</p> <p>Hierarchical, multiple management levels</p> <p>Supervisor-based performance appraisal</p> <p>Seniority-based, time-bound promotions</p> <p>Command and control management style</p> <p>Responsible for individual career planning and development</p> <p>Uni-dimensional career movements</p>	<p>Knowledge and information technology driven learning organization</p> <p>Strategic collaboration with competitors</p> <p>Network, cellular structures</p> <p>Small component of core employees and big component of part-time, casual and contract staff</p> <p>Empowerment of people</p> <p>360-degree feedback</p> <p>Competency-based outsourcing</p> <p>Self-directed teams</p> <p>Delaying</p> <p>Multi-dimensional career movement</p>
<b>Individual Response</b>	<p>Loyalty to organization in return for lifelong and steady growing employment</p> <p>Minimum responsibility for career management</p> <p>Emphasis on specialization of skills</p> <p>Collective bargaining of employment issues</p>	<p>Diminishing loyalty for organization</p> <p>Focus on employability rather than job</p> <p>Portfolio of jobs and skills</p> <p>Increasing emphasis on life-style issues</p> <p>Acceptance of near-total responsibility for career management</p> <p>Life-long learning</p>

# Re-look at Career Management



## In the past...

- Organizations intent to attain stability, efficiency, order and control whereas individuals relied on specialization, organizational loyalty, steady and predictable career progression under the watchful supervision of their employers.

## At present...

- Organizations intent for “transactional” employment commitment
- Organizations are turning towards extremely organic structures, knowledge and technology based learning systems and empowerment of people whereas individuals are taking more responsibility for their careers and are adopting portfolio careers.

# The Paradox

**Today's organizations need super achievers with commitment, not just ordinary compliance.**

**Paradoxically, organizations expect employees to show “transformational” characteristics in return for “transactional” employment conditions.**

\*Data source: “Help us but help yourself: the paradox of contemporary career management”, Mohan Thite

# People Challenge

## Three biggest people challenges:

- Attracting and retaining right people (multi-skilled employees, innovative, entrepreneurial, and e-literate)
- Ensuring they have the right set of skills that support company's value proposition
- Motivating those people to invest their time, effort, and creativity in business

# Managing Total Rewards

# Two Organizations

## Medium to large organization

- Stability and order is needed, which can only be achieved by permanent employees who can institutionalize the knowledge base that is unique to the organizations by codifying it and passing it on to successive generation of employees

## Small organizations

- Extreme flexibility in hiring and firing, hence long-term investment in permanent employment relationship is seen less necessary

# Three Employees

## Core employees

- Core employees primarily look for employability, stability and caring and nurturing career environment

## Contract employees

- Professional contract employees would look for opportunity to work with emerging technologies and top class remuneration

## Temporary employees

- Temporary employees may emphasize flexible hours, opportunity for permanent employment

**Today, compensation/human resources management is inextricably linked to business strategy and structure.**

# The Compensation Conflict



## Business Requirements

- Flatter/delaying
- Controlled by managers and employees
- Team focused
- Adaptative—require mobility
- Flexible/decentralized
- Externally focused
- Retain key performers and high-potentials

## Traditional Compensation Program

- Built around hierarchy/gradations
- Controls managers and employees
- Job focused
- Slow, bureaucratic
- Policy-based/structured
- Internal equity is driver
- Structured merit guidelines

# Overall Direction of Compensation

## *More Interest in...*

- A business-oriented, strategic approach
- Simplified, market-based, externally focused programs
- Multiple pay delivery programs
- Paying the person
- Being more open about compensation decisions
- Maximizing return on payroll investment
- Support development opportunities

## *...and Less Reliance on*

- An administrative, follow-the-leader approach
- Administratively driven, complex internally directed programs
- Centralized, “corporate” programs
- Paying for the job
- Keeping compensation decisions in the “black box”
- Just maintaining competitive pay posture and minimizing costs
- Hierarchical promotions

# What Lies Ahead?

**Manager-directed portfolio of compensation tools**

**Emergence of individual “contracts”**

**Expense and risk management equally weighted**

**Greater differentiation across  
employers...innovators, not followers...having a  
people brand or value proposition**

**Demystifying compensation for employees**

**Focus on the “whole package”**

- Shift from “Pay Management” to “Employer Brand Management”

# Selling the Total Value of Employment



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