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AMERICAN UNIVERSITY OF BEIRUT

DEVELOPING A TOTAL REWARDS SYSTEM FOR A

MULTINATIONAL FINANCIAL SERVICES FIRM

by

SOUGHIT KOULY ABDELNOUR

A project

submitted in partial fulfillment of the requirements

for the degree of Master of Human Resource Management

to the Suliman S. Olayan School of Business

at the American University of Beirut

Beirut, Lebanon

May 2015

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DEVELOPING A TOTAL REWARDS SYSTEM FOR A

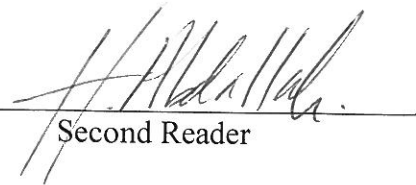MULTINATIONAL FINANCIAL SERVICES FIRM
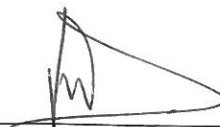

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AN ABSTRACT OF THE PROJECT OF

<u>Soughit Kouly Abdelnour</u>   for   <u>Master of Human Resource Management</u>

<u>Major</u>: Human Resources Management

Title: <u>Developing a Total Rewards System for a Multinational Financial Services Firm</u>

The purpose of this study is to investigate current practices in applying total rewards at a Multinational Financial Services Firm, provide a framework to measure the effectiveness of the existing plans, perform literature review on the critical success and critical failure factors related to Total Rewards, and recommend changes that would ensure a more suitable structure that will enhance current employees' condition hence motivating and retaining them and assist in attracting new talent.

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To My Beloved Family

CHAPTER I

INTRODUCTION

Organizations nowadays are facing significant challenges both external and internal, in identifying, motivating and retaining talent (Deloitte Consulting LLP, 2014). Research conducted on leading companies across the globe show that successful businesses grow because of their ability to build a solid understanding of their external surrounding environment and its challenges, be it at the economic, political, demographical, cultural, and societal context; and their internal critical drivers such as cost-cutting pressures, importance of innovation, emergence of new technologies, mergers and acquisitions, ethical issues, and most importantly shortage of talent .

The attraction of applicants is an important component to an organization's overall success (Chapman, Uggerslev, Carroll, Liasentin, & Jones, 2005). As such, recruitment is extremely important because through it, applicants learn about the organization, which ultimately influences their job choice decisions (WorldatWork, 2010). Compensation, at the recruitment stage, is one of the key factors that play a major role in determining the decision to join an organization. Other elements however greatly influence people's preferences, like benefits, work-life balance, recognition, and development and career growth – collectively known as rewards (WorldatWork, 2010).

Research, from over the years and across many disciplines, tells us that the combination of rewards offered by an employer represent a system of inducements, where different reward elements drive different behaviors and outcomes. Some rewards are strong attractors, while others play a more important role in motivating or engaging employees (Aon Hewitt, 2012).

Rewards are "everything employees perceive to be of value resulting from the

employment relationship" (Chen & Hsieh, 2006) and are representative of what can be offered to employees by the organization. Designing a rewards strategy begins with the broadest view and understanding of the concept of "total rewards". This term includes all types of rewards, indirect as well as direct, and intrinsic as well as extrinsic (Manas & Graham, 2003). Total rewards include monetary as well as nonmonetary rewards. Total rewards systems are seen as one way of both attracting new employees and supporting organizational effectiveness and employee well-being in the workplace (Kiisa, Daria, Anu, & Chrisitna, 2012).

World at Work has published a complete inventory of Total Rewards for each category. The five categories in the framework are as follows: Compensation, Benefits, Work-Life, Performance and Recognition, and Development and Career Opportunities (WorldatWork, 2010). Benefits represent one of the largest investments a company makes in its talent. It makes up an important component of the employment relationship, providing employees with financial protection, access to health care and programs to support work/life balance (Jane, Aon, & Pam, Employee Benefits in a Total Rewards Framework, 2013).

At the heart of Total Rewards, is rewards management. Rewards management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably, and consistently in accordance with their value to the organization. It deals with the design, implementation and maintenance of reward processes and practices that are geared to the improvement of organizational team and individual performance (Armstrong & Murlis, 2007). Properly designed, delivered and communicated total rewards program can provide an incentive for talented people to join a company, to perform at levels that produce desired business results and to remain with the company as long as they continue to produce. In short, companies can achieve a higher return on their investment in benefits and other programs by operating within a total rewards framework.

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Research Aim

Implementing a total rewards strategy tightly linked to the business is an essential factor in differentiating organizations and positioning them as "employers of choice" that attract, motivate and retain employees. Conducting this study is timely as it is aligned with the plan that the leadership at the Multinational Financial Services Firm have to revisit the current total rewards practices. The purpose if this paper is to investigate the existing rewards strategy at the Multinational Financial Services Firm, measure the effectiveness of the existing plans and propose recommendations to the existing framework that would ensure

that as a multinational, the Firm is able to attract, engage and retain its talent. The recommendations as a result of investigating the latest academic research and theoretical contributions on performed on the topic of Total Rewards, and getting an understanding of the vision of the leadership of the Multination Financial Services Company on Total Rewards and how it is being applied at the Firm.

At any given time, strategies and programs designed on Total Rewards are recommended to be flexible, able to adjust to the changes of the business to ensure meeting the company's strategy in rewarding the sought-after behaviors and targeted company results. Rewards strategies should be up-to-date, competitive and market driven to ensure attraction and retention of the coveted talent.

Research Objective

The objective of this project is to investigate current practices in applying Total Rewards at a Multinational Financial Services Firm, perform literature review on the critical success and failure factors related to Total Rewards and recommend changes that would ensure a more suitable model that will enhance current employees' condition hence motivating and retaining them and assist in attracting new talent. Updating the Total Rewards strategy is dependent on changes in the business or behaviors to reflect new business realities. Different components will be explored with varying depths and details; such as Compensation, as a key factor. Understanding salary structures and salary ranges in addition to the other Total Rewards components.

Drawing on thorough literature review and the Case Study approach, this paper aims at answering the following research questions in the objective of meeting our research aim:

1. What are the concepts of total rewards in a Multinational Financial Services Firm?

2. Is the existing Total Reward strategy at a Multinational Financial Services Firm using prevailing theories and frameworks? What are the recommended changes?

More specifically, this project looks at Multinational Financial Services Firm with operations across the Middle East. The researcher has disguised the company's name and other identifying information for confidentiality reasons. Ease of access to the leaders of this company, due to the fact that the researcher is one of its employees, in addition to the business model whereby several Business Units operate under one name, were reasons for using Multinational Financial Services Firm for this study.

The Multinational Financial Services Firm is characterized by its diversified, dynamic, specialized and experienced workforce and by its continuously growing business.

With a globally connected network of member Firms in more than 150 countries and territories, and an uninterrupted presence in the Middle East since 1926, the Financial Services Firm has a fully-fledge and enacted Total Reward strategy already set in place. However, at the time the study was launched it was at a stage of a revisiting current practices in order to ensure that it is addressing contemporary issues and the predominant challenges of attracting and retaining its top talent.

CHAPTER II

LITERATURE REVIEW

Total Rewards

Rewards represent all the tangible benefits and provisions an employee obtains as a part of "employment relationship" (Milkovich & Newman, 2004); Bratton and Gold (2003) (2003) define "rewards" as all the cash, non-cash and psychological payments provided by an organization in return of their contribution. Stone et al. (2008) found that financial incentives are not always welcomed by all employees and material incentives generally do not tend to satisfy the basic psychological needs and discern the individual variance.

History of Total Rewards

During the twentieth century, a significant body of knowledge regarding reward systems was developed. Basic principles were established such as the need to link pay to performance in order to increase productivity. Research was conducted that clearly showed positive impact of reward systems on employee and organizational performance (Heneman, 2001).

In the 1950s, psychologist Abraham Maslow first published Motivation and Personality, which theorized that a person could not recognize or pursue the next higher need in the hierarchy until her or his currently recognized need was substantially or completely satisfied. In the 1960s, sociologist Frederick Herzberg established that factors such as company policy, supervision, interpersonal relations, working conditions, and salary are "hygiene factors" rather than motivators. According to his theory, the absence of hygiene factors can create job dissatisfaction, but their presence does not motivate or create satisfaction. In contrast, he determined from the data that motivators are the elements that

enrich a person's job; he found five factors in particular that were strong determiners of job satisfaction: achievement, recognition, the work itself, responsibility, and advancement. These motivators (satisfiers) were associated with long-term positive effects in job performance while the hygiene factors (dis-satisfiers) consistently produced only short-term changes in job attitudes and performance, which quickly fell back to their previous levels. Thus, Herzberg's paradigm essentially described an early framework for total rewards. (Aon Hewitt, 2012)

The 1970s and 1980s, saw further advancements in the concepts of total rewards. This ranged from comments by Ed Lawler and Peter Drucker, who began advocating flexibility and choice-making. Concurrently, Edward Demming advised that "joy in successful performance and recognition" are the most effective means of optimizing employee commitment and self-driven performance. Duncan Brown explains that in the 1990s, it was as inevitable progression to flexible, performance, market, and cash-based rewards. In recent years, management consultant Jon Katzenbach and author Daniel Pink present compelling arguments for taking a "total rewards view" of the world that balances financial rewards with experiential or intrinsic motivators in order to increase motivation and improve organizational performance (Aon Hewitt, 2012).

What started of being a means for satisfying basic various personal needs in the context of work developed into a "Total Rewards Model that include programs, practices, elements and dimensions that collectively define an organization's strategy to attract, motivate and retain employees" (WorldatWork, 2010). Figure 1.

Figure 1. Total Rewards Evolution – Soughit Kouly Abdelnour
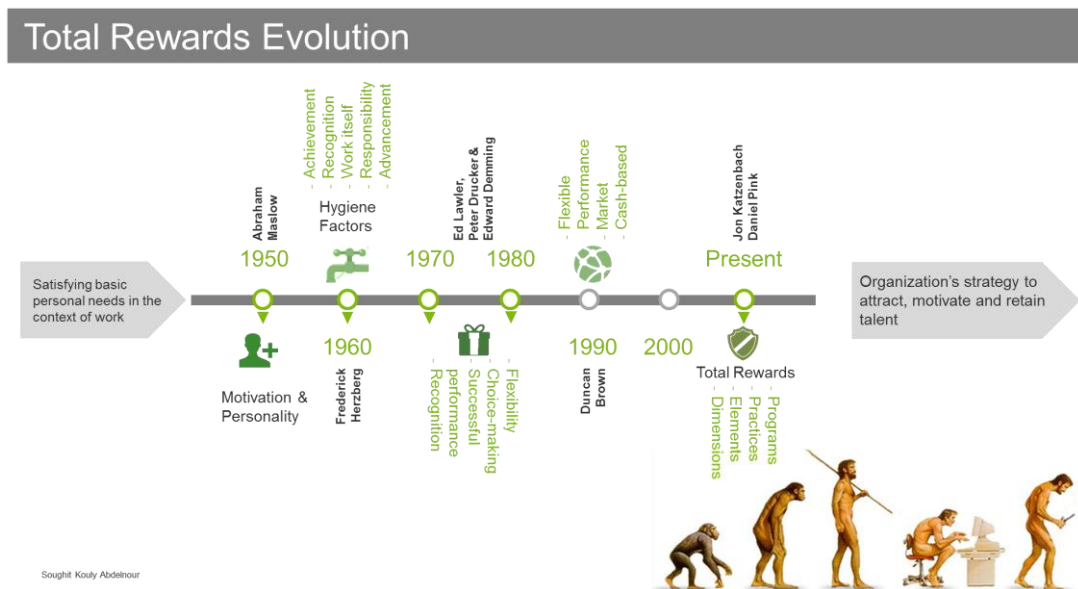
Total Rewards Components

Reward strategies play a major role in defining the company's capability to attract

qualified candidates, to retain talented employees, and therefore to accomplish greater levels

of performance (Fay & Thompson, 2001).

In the past two decades, the workforce has become more diverse, less likely to stay at

the same organization for an extended period of time and more sophisticated about

compensation rendering traditional pay plans ineffective at best and in many cases

counterproductive (Manas & Graham, Creating a Total Rewards Strategy, 2003). Hence,

more than ever, Total Rewards has become the keystone for attracting the right new hires, as

well as retaining existing talent (Levykh, 2013).

The total reward concept emphasizes the importance of considering all aspects of

rewards as an integrated and coherent whole (Armstrong & Murlis, 2007). A reward can be

intrinsic or extrinsic. The intrinsic variables include achievement, recognition, the work itself,

responsibility, advancement, and growth. The extrinsic variables include company policies,

company culture, management styles, salary, work conditions and security (Basset-Jones &

Lloyd, 2005).

The financial part of extrinsic rewards is divided in direct and indirect financial elements earned by employees in return for labor rendered for the company. Direct financial element or the monetary components can include but are not limited to base pay, adjustment and merit pay, cost of living, incentive, and a variety of cash allowances. Indirect financial elements include among other benefits leaves, retirement plans, and educational compensation (Renard, 2008) .

Each of the elements of Total Rewards, namely pay, pay contingent on performance, competence or contribution, employee benefits and non-financial rewards, which include intrinsic rewards from the employment environment and work itself, are linked together (Armstrong & Murlis, 2007).

Figure 2. Components of Total Rewards
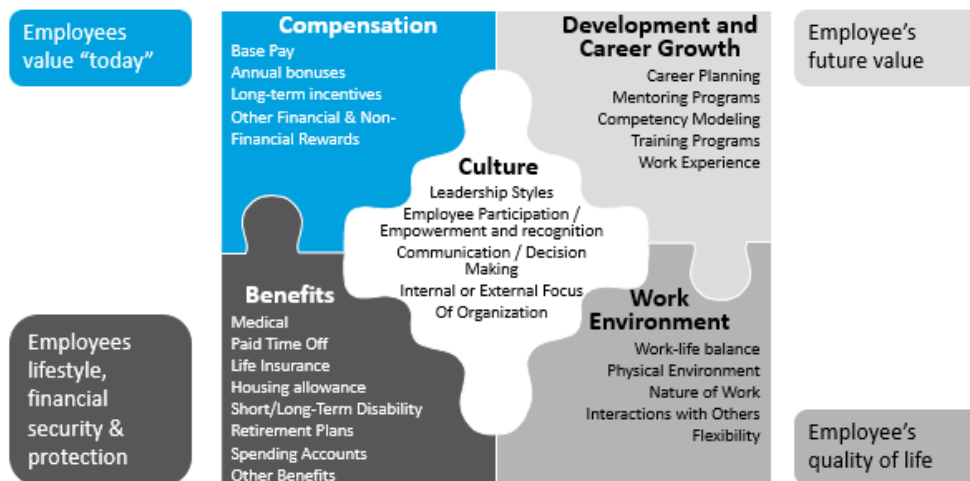

Compensation: An overview

By definition, compensation is Pay provided by an employer to an employee for services rendered (i.e., time, effort and skill) (WorldatArt). Compensation management is one

of the most challenging human resource areas because it contains many elements and has a

far-reaching effect on the organization's goals. The purpose of providing compensation is to

attract, retain and motivate employees. There are two main types of financial compensation.

Figure .3

1.   **Direct financial compensation** - the pay that a worker receives as wages,

salaries, commissions and bonuses, and

2.   **Benefits | indirect financial compensation** - all financial rewards that are not

included in direct compensation (i.e. benefits).

Figure .3 Compensation composition
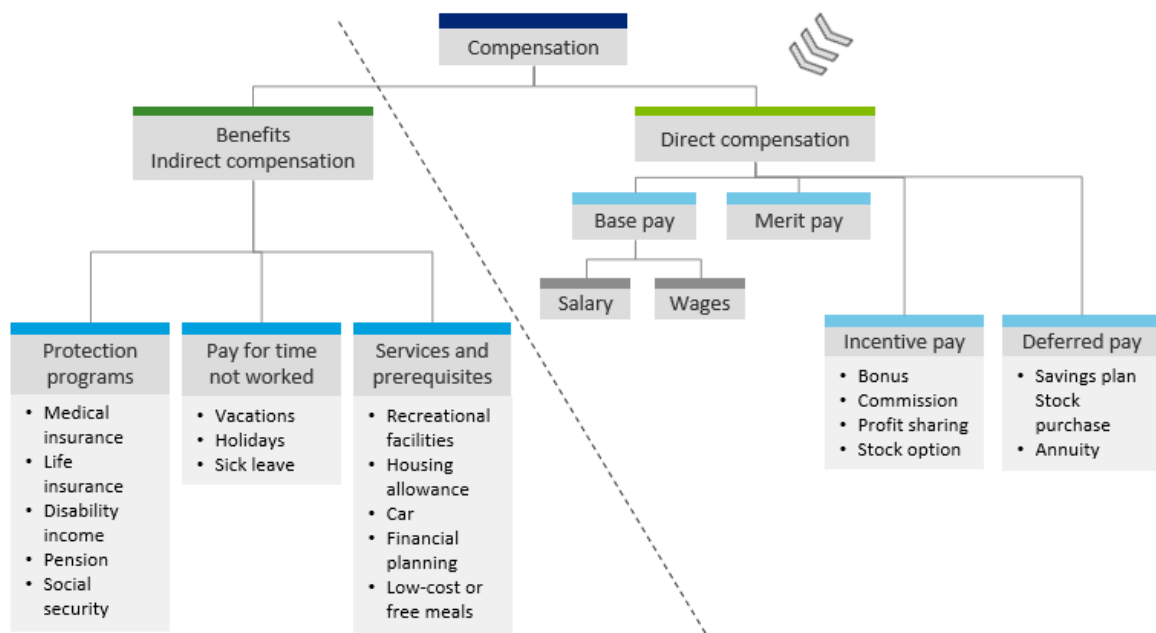
Direct Compensation

Salary structures serve as the foundation of administering base pay within

organizations (Society of Human Resources Management, 2012). Salary structures are an

important component of effective compensation programs and help ensure that pay levels for

groups of jobs are competitive externally and equitable internally. A well-designed salary

structure allows management to reward performance and skills development while controlling overall base salary cost by providing a cap on the range paid for particular jobs or locations (Culpepper and Associates, 2010).

Salary Ranges and Structures Defined

A salary range is the span between the minimum and maximum base salary an organization will pay for a specific job or group of jobs. A salary range structure (or salary structure) is a hierarchal group of jobs and salary ranges within an organization. Salary structures often are expressed as pay grades or job grades that reflect the value of a job in the external market and/or the internal value to an organization (Culpepper and Associates, 2010).

Pay Bands are components of an organized salary compensation structure. Pay Bands set and rank jobs by experience, education and responsibility within the organization. As the pay band number increases, job responsibilities correspondingly increase .The structure is determined based on multiple factors and assigned pay grades should correlate with the salary range for the position with a minimum and maximum (PayScale Human Capital , 2012).

Salary range structures should be reviewed regularly to maintain a competitive edge in attracting and retaining top talent. Salary structures types: Traditional, Market-based, Broadbands, and Step structure.

Methods Used to Design Salary Range Structures

The two most common methods companies use to design base salary structure ranges are market pricing using external market data and point factor focusing on internal pay equity (Culpepper and Associates, 2010).

1. **Traditional salary structures:** are organized with numerous layers and range

structures (or pay grades) with a relatively small distance between each range. This provides a hierarchal system enabling employees to be promoted from one pay grade to another (Culpepper and Associates, 2010). Typically has range spreads of 20-40 percent and midpoint progressions of 5-10 percent (Society of Human Resources Management, 2012).

2. **Broadband Salary Structures:** are more flexible and consolidate pay grades into fewer structures with wider salary ranges. Broadband structures tend to be used by relatively flat organizations with few levels and small companies without a dedicated compensation staff to establish traditional structures (Culpepper and Associates, 2009). Typically have range spreads of 80-200 percent with no defined midpoints (Society of Human Resources Management, 2012).

3. **Step Salary Structure:** typically employ the same range spreads and midpoint progressions as traditional structures (20 percent to 40 percent, and 5 percent to 10 percent, respectively) and essentially have a minimum (the first step), midpoint and maximum (the top step). Unlike traditional structures, however, the salary grades or ranges of step structures are divided into equal steps, either by absolute dollar amounts or a constant percentage progression to the top step (WorldatWork, 2002). Typically has range spreads of 20-40 percent and midpoint progressions of 5-10 percent with defined points (steps) within the ranges (Society of Human Resources Management, 2012).

4. **Market based Salary Structures:** describe salary structures that fall somewhere between traditional ranges and broadbands. Market based structures allow for flexibility in meeting market rates while also providing some level of control over unreasonable pay rates or pay levels too far from

the range of pay encompassing the 25th, 50th and 75th percentiles for jobs within each grade (WorldatWork, 2002).

Many organizations seem to be gravitating toward it in today's "post-broadband," total rewards era. To develop market-based ranges companies take the target market competitive rates for all jobs in the grade (i.e., the 50th or 60th percentile) and develop a midpoint representing the average of all jobs. From this midpoint, a range spread and respective minimum and maximum is developed, ideally wide enough to encompass both the first quartile (25th percentiles) and third quartile (75th percentiles) of all or most of the jobs within the grade. This provides a range that reflects appropriate salary levels for incumbents ranging from those with entry-level skills to those critical skill experts or long-term, outstanding performers (WorldatWork, 2002). Typically has range spreads of 30-80 percent and midpoint progressions of 10-15 percent (Society of Human Resources Management, 2012).

In general salaries communicate how much the organization is willing to pay each job, salaries are the reflection of company's compensation philosophy, market competitiveness, and internal equity.

Benefits

Employee benefits are elements of remuneration given in addition to the various forms of cash pay. They provide a quantifiable value for individual employees, which may be deferred or contingent like a pension scheme, insurance cover or sick pay, or may provide immediate benefit like a company car. Employee benefits also include elements which are not strictly remuneration, such as annual holidays (Armstrong & Murlis, 2007).

Every benefit – from dry-cleaning services and family day care to company-sponsored retirement plans and health-care benefits – should reflect the organization's benefits philosophy and be driven by its business strategy (Jensen, McMullen, & Stark, 2007). Benefits rewards deliver the message that long terms tenure is important (Manas & Graham, Creating a Total Rewards Strategy, 2003).

The Key strategic issues when dealing with the benefit component of Total Rewards Strategy are eligibility, participation, value delivered, funding (and cost), timing, distribution, and administration. The benefits program can be broken into key program groupings consisting of plans that have similar objectives. These major groupings are:

1. Income Replacement Programs: These benefit plans are designed to replace an employee's income when he cannot work due an illness or an accident. Examples: sick pay, workers' compensation, short term disability, long term disability.

2. Incomes Protection Programs: These benefit plans are designed to protect an employee's income from unforeseen expenses, which would be difficult or impossible to save for as an individual.

3. Future Financial Security Program. These benefit plans are designed to provide for the future financial security for the employee and her family. They are known as retirement plans.

4. Pay for time not worked. These benefit plans are designed to provide for holidays, vacations, and sabbaticals; they give the employee the chance to enjoy the fruits of his labor (Manas & Graham, Creating a Total Rewards Strategy, 2003).

Benefit plan costs are a large and growing portion of reward programs (Hiles, 2009). Benefits represent one of the largest investments a company makes in its talent (Kwon & Hein, 2013).

Work environment

A specific set of organizational practices, policies, programs, plus a philosophy, which actively supports efforts to help employees achieve success at both work and home. There are seven major categories of organizational support for work-life effectiveness in the workplace. These categories encompass compensation, benefits and other HR programs. In combination, they address the key intersections of the worker, his or her family, the community and the workplace. The seven major categories are:

- Workplace flexibility

- Paid and unpaid time off

- Health and well-being

- Caring for dependents

- Financial support

- Community involvement

- Management involvement/culture change interventions (WorldatWork, 2010).

Development and Career Growth

This key area focuses on the concept that motivating and engaging the workforce entails planning for the advancement and/or change in responsibilities to best suit individual skills, talents and desires. In this way, both the business and the employee benefit from this symbiotic relationship. Tuition assistance, professional development, sabbaticals, coaching and mentoring opportunities, succession planning and apprenticeships are all examples of career-enhancement programs (Christofferson & King, 2006).

Strategic Total Rewards management

Reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly, equitably, and consistently in accordance with their value to the organization. It deals with the design, implementation and maintenance of reward policies that are geared to the improvement of organizational, team and individual performance. Strategic reward management is the process of looking ahead at what an organization needs to do about its reward policies and practices in the middle or relatively distant future. It is concerned with the broader business issues the organization is facing and the general direction in which reward management must go to provide help in dealing with these issues in order to achieve longer-term business objectives (Armstrong & Murlis, 2007). However, successful organizations understand that total rewards must be designed and administered in the context of not only an organization's internal environment (for which organizations have direct control), but also influences external to the organization (for which there is little or no control). The global economic landscape has a profound effect on organizations in general, and on total rewards in particular. Total Rewards costs are among the highest expenses incurred by the business. Consequently, these costs need to be monitored and, if necessary, adjusted to ensure continued financial viability (WorldatWork, 2010).

Cultural norms and social customs are other critical components related to external influences. Rewards that are valued and appreciated in one culture may be less valuable (even offensive) in another. Therefore, Total Rewards professionals must have a firm grasp of the customs and drivers of the diverse makeup and expectations of the workforce to effectively tailor programs for maximum efficacy. Finally, in the realm of external influences, regulatory issues pertaining to total rewards vary widely by country and region. These laws affect the design and implementation of pay, benefits and work rules. (WorldatWork, 2010).

Acknowledging that rewards strategies should be based on the organization's business strategy, Human Resources professionals also account for the unique organizational cultures shaped by the external influences in the world, senior leadership, geography, employee demographics when designing their Total Rewards strategies. Figure 4. and Figure 5.

Figure 4. Total Rewards Strategy Drivers

Figure 5. Aligning Rewards with the Business Goals (Deloitte & Touche)
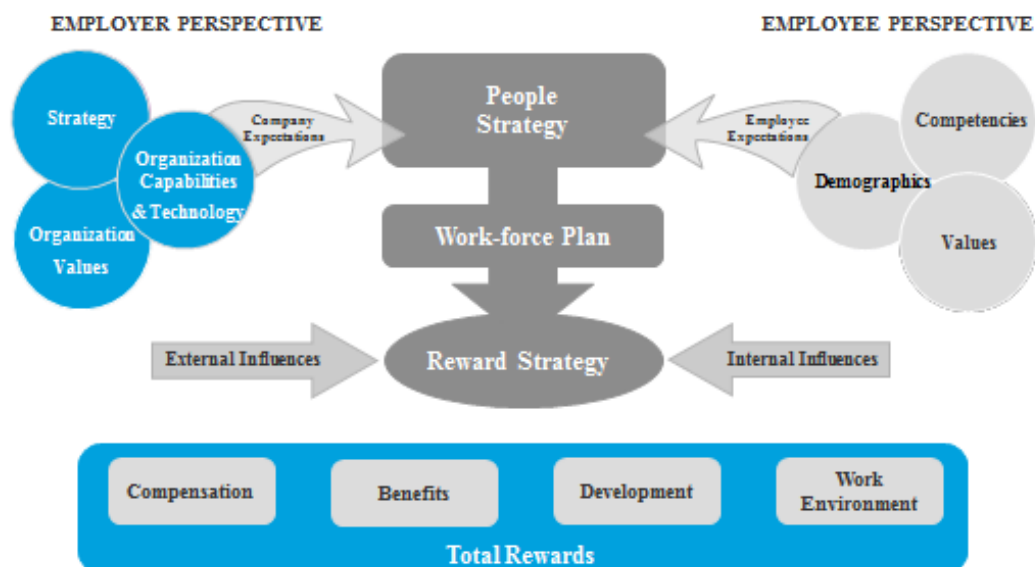
The aims of rewards management

The strategic aim of reward management is to develop and implement the reward policies, processes and practices required to support the achievement of the organization's business goals. The specific aims are to:

- Create total reward processes that are based on beliefs about what the organization values and wants to achieve;

- Reward people for the value they create;

- Align reward practices with both business goals and employee values;

- Reward the right things to convey the right message about what is important in terms of expected behaviors and outcomes;

- Facilitate the attraction and retention of the skilled and competent people the organization needs, thus "winning the war for talent";

- Support the development of a performance culture;

- Develop a positive employment relationship and psychological contract (Armstrong & Murlis, 2007)

Pitfalls in Administering Total Rewards

In the benefits world, total reward strategies are one area where many employers often fail to recognize they could be getting a much greater bang for their benefit buck. Some of the problems associated with Total Rewards include:

1. Employers telling staff how valuable a career is with them, typically hiding other messages about cuts and controls around benefits, slow pay progression and low levels of incentive awards (Centaur Communications Ltd. , 2011).

2. Viewing total reward statements as a total reward strategy, a common mistake

which leads to the underutilization of total reward and leads to missing a trick when it comes to communicating the bigger picture to their staff (Centaur Communications Ltd. , 2011).

3. Adopting a paternalistic approach that generosity equals relevance; a mismatch, reward packages not aligned to the workforce demographic (Centaur Communications Ltd. , 2011).

4. Designing, delivering and communicating benefits programs independently, without fully considering how those programs fit within a bigger picture of total rewards (Jane, Aon, & Pam, 2013).

5. Employers managing their benefits programs independently of other programs such as:

   - No clear link to business strategy or desired outcomes

   - Failure to rely on hard data and metrics

   - Not listening to employees or asking leaders

Employers have seen the potential of total rewards for many years. Each year they invest vast sums on their total reward programs, often as an inducement for talented people to join their organization, to perform at levels that produce outcomes that the employer is seeking, and to remain with the organization for as long as they continue to produce results. But, are organizations reaping the rewards of their investment? (Aon Hewitt, 2012)

CHAPTER III

METHODOLOGY

Introduction

This chapter highlights the research methodology used to achieve the objectives of this study. It describes and explains the research method and the data collection instruments, as it will cover the limitations encountered during the implementation process.

Research Approach

Given the objectives and nature of this study, qualitative research methods will be used to collect and analyze information. Qualitative research is mostly used to clarify and interpret issues. It helps in having a better understanding of the nature of variables by giving meaning to the world and making it visible (Denzin & Lincoln, 2000). Though a combination of quantitative and qualitative research can be used to conduct social research, there are times where qualitative research is the only approach to answer a research question. This depends on the complexity of the subject matter which requires having specialists or experts that are more likely to give distinctive perspective to the issue being discussed. Qualitative research also depends on the intangibility that certain subjects have knowing that they can be hidden, and on its sensitiveness leading to the use of well-designed questions that help people in expressing their thoughts (Ritchie & Lewis, 2003)

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This study relies on a single case methodology (Yin, 1999). A case study is expected to capture the complexity of a single case, and the methodology which enables this has developed within the social sciences. Such methodology is applied not only in the social sciences, such as psychology, sociology, anthropology, and economics, but also in practice-oriented fields such as environmental studies, social work, education, and business studies (Johansson, 2003). As opposed to other qualitative or quantitative research strategies, such as grounded theory or surveys, there are virtually no specific requirements guiding case research. This Allows tailoring the design and data collection procedures to the research questions (Meyer, 2001).

The study relies on three data collection methods: The first data collection method is a literature review on the critical success and critical failure factors related to Total Rewards. The second data collection method used was semi-structured interviews. Interviews are the most appropriate approach to be used to collect information knowing that we have a small number to interrogate. The interviews were conducted with the professional experts from the fields of Total Rewards and Human Resources to recommend developed and enhanced changes to the existing Total Rewards System in a Multinational Financial Services Firm. One of the two interviewees is the Regional Talent Partner who holds a role overseeing the whole Talent function in the Middle Eastern Firm. The second person interviewed in the Regional Human Resources Director who has been working closely with the Talent Partner and the Firm's Chief Executive Officer (CEO) on Total Rewards within the Multinational Financial Services Firm. The third data collection method is the analysis of secondary data relevant to the topic investigated.

The semi-structured interview is an appropriate method for the purpose of this study, and this can be supported by several reasons. First, it is a flexible method since it allows the interviewer to expand or narrow the scope of the interview depending on the knowledge, background and expertise level of the interviewee (Bryman & Bell, 2007). Secondly, it is appropriate since the study is interested in the diversity of opinions and for that two senior professional experts from the Multinational Financial Services Firm were interviewed from different angles on the same core subject (Hesse-Biber & Leavy, 2011). Moreover, the validity of the results were ensured by triangulating the results (data triangulation) with those obtained from the secondary data analysis to ensure a deeper understanding of the subjects being studied. .

Research methodology is the means by which we collect data to answer research questions or to test hypotheses (Munro, 2006). A research design "expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence on the relations of the problem" (Kerlinger, 2011).

Hence, the case study approach was the most appropriate method to gather data for the purpose of this study, as it covered a small sample, 2 key HR professionals, and provided accurate information that facilitated drawing conclusions. Consequently, data was collected through the semi-structured interviews addressed to HR professionals working in Multinational financial services Firms that are already employing Total Rewards programs.

Research was also conducted by means of a literature review. Literature was reviewed to analyze the needed information to define Total Rewards and the way it is being used in Multinational Financial Services Firms. The kind of data that provided valuable information for this project was public industry specific Total Rewards results from relevant industry recognized surveys and reports. This was a cornerstone in reviewing what are the practices and the components of reward strategies being offered on the market. They were

reviewed and analyzed to identify top market trends specifically the pharmaceuticals in the

Middle East.

Sample

The sample of interviewees targeted by this study constituted of two professional

experts who have experienced the issues, problems and opportunities facing Total Rewards in

a Multinational Financial Services Firm. These experts included the Middle East Regional

Talent Partner and the Middle East Regional HR Director in a Multinational Financial

Services Firm. The interviewees were not solicited to provide any data or information that is

specific to any Firm in particular. Rather, and to avoid any ethical conflicts or issues, the

focus was on getting their reflections vis-à-vis best practices in general.

Data Collection Instruments

Data collection instruments are selected in accordance with the research objectives

and approach (Bryman & Bell, 2007). The Typology data analysis method (Lofland &

Lofland, 1995) was used throughout the study. Data can be defined as a collection of scores

obtained when a subject's characteristics and/or performance are assessed (SAS Institute Inc.,

2003).

Since this research is more of a context and exploratory nature, and since an analytical

approach and case study method were used, data collecting instruments must therefore be in

tune with the goals of the study. Hence, primary data and secondary data were collected.

1. **Primary Data**

Primary analysis is the initial analysis of data in a research. It is the application of

statistical methods. Secondary data analysis is the "reanalysis of data for the purpose of

answering the original research question with better statistical techniques, or is the data

collected firsthand by the researcher for processing to accomplish research objectives"
(Glass, 1976).

The primary data collection instrument used for this study is a semi-structured interview.

2. Secondary Data

As early as 1963, Barney Glaser (1963) was suggesting that secondary analysis carried out by an independent researcher could, among other things, 'lend new strength to the body of fundamental social knowledge'. Secondary data was collected from peer-reviewed books, articles, and publications available at the AUB Libraries databases such as ProQuest and others and which were accessed online.

Sampling strategy

The sampling strategy for this research was done within the framework of the Institutional Review Board (IRB) guidelines at the American University of Beirut. Ethical concerns were taken into consideration while formulating the questions and choosing the audience. The main concern was to ensure anonymity and that the kept records of the interview responses do not contain any identifying information about the interviewees. Interviewees were equally guaranteed anonymity. Results were only used for project purposes.

Research Site

All the interviews were conducted inside the interviewees' offices at the Multinational Financial Services Company premises.

Invitation Process

As per the objectives of the study, the goal was to recruit HR Senior Professionals in charge of the development of their organization's Total Rewards Strategy and/or implementation. Hence, those candidates were recruited via email messages sent to their professional addresses placed on publicly available LinkedIn platform.

The email explained the objective of this study including disclosure of risks, benefits of this research, the privacy/confidentiality clause, who will access the data, who has access to the identity of the participants, their rights to withdraw at any point, and the consequences of withdrawal. As previously stated, all participants were not identified in the study but coded.

Information and data obtained from the interviewees gave valuable insight on the status of Total Rewards in Multinational Financial Services Firms.

Interview Questions

Below are the set of interview questions which were used in the interview sessions:

1. **The Total Rewards concepts of in a Multinational Financial Services firm**

   a. Tell me about the current total reward strategy at your Firm?

   b. Who designs the reward system?

   c. What types of rewards are currently offered?

   d. How is it implemented?

   e. What would you see improve in the new plan and how will the plan be funded?

   f. Under what business conditions the plan is intended to operate?

2. **Is Total Reward system at a Multinational Financial Services firm using prevailing theories and frameworks?**

a. To what extent is remuneration linked to the achievement of Key business performance measures?

b. To what extent is remuneration encouraging the behaviors the Firm want employees to adopt?

c. How many of the Firm's critical success factors facilitated by the reward strategy?

d. How does your Firm motivate employees and executives to increase revenues, profits, and customer base?

e. To what extent is the Firm's reward strategy truly aligned with your business and/or people strategy?

f. What kind of a mix among rewards components does the Firm have?

g. What are the direct and indirect messages that the current reward program is sending to the workforce?

h. What are the strengths and weaknesses of the current reward program versus the competition?

i. How are employee contributions recognized?

j. Who is eligible for rewards?

k. How is reward system communicated?

l. What training for the reward system is offered?

m. How is the reward system evaluated?

Data Analysis

Once the data was collected from the publicly available sources and through the semi-structured interview, the findings were transcribed and analyzed to gain an understanding of Total Rewards in Multinational Financial Services Firms. The outcomes of the interviews supported the in depth research made on this study that constituted the core elements of the

actual information as intended by this study. However, the purpose of this study should not be only perceived as explanatory.

Carefully examining the answers of both interviewees from the semi-structured interviews showed close alignment in the thinking. When investigated, the reason for this "unified' thinking was attributed to the fact that both are the principal leaders / contributors to the Total Rewards strategy.

Relatively little literature is written on Total Rewards in Multinational Financial Services Firms within the Middle East Region, and hence the study is also considered as exploratory. The scientific significance of this study is that the results will add new literature to the relatively untapped field of Total Rewards.

In order to meet the research goal and answer the research questions, a thematic analysis was conducted where the data collected from the interview was coded and analyzed to identify specific patterns.

The data analysis method is not confirmatory since no hypothesis was determined at the onset and therefore a theory is not tested in this case with the data but rather a couple of focused questions were asked. Responses to the questions asked in the interviews, gave insight on the current Total Rewards practices in Multinational Financial Services Firms and how functional those have been so far.

Ethical Considerations

There were various ethical considerations that had to be contemplated during this study. The researcher was vigilant to abide by the IRB standards and requirements and hence provided all the needed assurances to the participants in terms of interview anonymity and confidentiality of the results. The participants' rights to withdraw at any point and the consequences of withdrawal were also clearly stated.

CHAPTER IV

RESULTS

Total Rewards at the Multinational Financial Services Company

Thematic analysis of the interviews with key leaders in the Multinational Financial Services Company revealed that:

- Total Rewards at the Firm is driven from the business strategy; and that

- The currently existing Total Rewards strategy is believed to be "successful" despite the fact that it is not yet totally aligned with the metrics and the success factors of the Firm. This success is measured by the fact that the Firm:

  - Attracts highly "sought after" talent;

  - Motivates and retains its current employees;

  - Witnesses moderate annual turnover rates compared to other multinationals with the same profile, and companies within the similar industry. That being said, turnover decreases measurably at the senior management level.

Out of this analysis exercise, two themes emerged which are: Talent retention and engagement and Uniform employee representation in the design of the Total Rewards strategy. In the following sections, we will summarize each theme.

Theme 1: Talent Retention and engagement

Participants described the Total Rewards Strategy at the Multinational Financial Services Company. They spoke about the alignment of the strategy with the Firm wide business goals, how the strategy is a reflection of the company culture and how all that is directly linked to the Human Resource function.

During the interviews, talent was identified as the biggest asset of the company and

emphasis was put on the significant value this talent to achieving company goals. Both participants shared that as a "professional services" firm who is concerned with selling services, talent is recognized to play a critical role in achieving the business vision. However, discussions revealed that within the Multinational Financial Services Company there are of pockets of employees in certain geographies that can be better retained with higher levels of engagement.

Theme 2: Uniform employee representation in the design of the Total Rewards strategy

Interviews revealed that the top 2 tiers of Firm employees only, get involved in the design of the Total Rewards strategy while the rest are being secluded to this date. Part of the reason behind this limitation might be driven by the culture in the Middle East, where it is not customary for businesses to include employees at the lower end of the pyramid and decision making is usually more centralized at the top.

Reward strategy was discussed in depth to have a clear understanding of the concept of Total Rewards in the Multinational Financial Services Firm.

Total Rewards at the Multinational Financial Services Company

When asked about the Firm's understanding of Total Rewards, participants shared a common understanding of the concept of Total Rewards and a clear identification of the five Total Rewards components, namely:

- **Financial compensation**, comprising of:
  a. Base salary,
  b. Incentives,

c. Allowances, etc**.**

Financial rewards at the Multinational Financial Services Firm are market driven, comparable to those paid by the competition. This is ensured by the fact that the Company takes part of a compensation benchmarking study performed annually by an international research Firm (a third party). The research is specifically tailored for the international management consulting industry.

- **Benefits**: The Multinational Financial Services Firm offers its employees an array of benefits. These benefits include: Health care benefits (medical, life insurance, etc.), education, etc. The Firm, at the moment, does not offer pension schemes to its employees.

- **Learning and development**: leaders of the Multinational Financial Services Firm take pride in the existing learning and development platform that it offers to its employees where over 60,000 learning solutions are available to all:

  a. 20,000 online books

  b. 15,000 online courses

  c. On-the-job & formal learning opportunities

  d. Harvard Learning Materials

  e. High-quality online programs – Harvard Certifications

  f. E-Learning resources

  g. Certifications

- **Work environment**: empowerment, autonomy, accountability, work life balance, communication, recognition schemes, rewards, etc. The Firm considers this as a very important component of its currently existing Total Rewards strategy. The Multinational Financial Services' work environment encourages participation to a great extent. Information is shared openly and in a timely fashion to ensure that all

of employees have access to the information they need.

Management at the company adopts an open approach where employees:

a. Are encouraged to participate in work decisions

b. Have clear directions through the Firm's:

    i. "Career Value Plan" that is shared with the employee as part of the induction process. The career value plan helps:

        1. Shape employees' career experience

        2. Identify goals & plan employees' development

        3. Leverage the available professional expertise

        4. Chart employees' progress within the Firm

    It provides information about the resources and programs available through the organization.

    ii. A Performance Management system: the performance management system adopted by the Multinational Financial Services Firm requires employees to set clear annual goals in alignment with their assigned Counselors who are expected to provide systematic and periodic feedback.

- **Company Culture**: The Firm describes its culture as "collaborative" where people interact, work with and learn from seasoned and cooperative skilled professionals. "Commitment to each other" is of the company values, which the company believes are key to shaping its culture. Teams in the Multinational Financial Services Firm are described as accountable, progressive, and diversified.

In additional to collaboration, the Multinational Financial Services Company uses formal and informal recognition to build a "culture of recognition" where

employees are rewarded for good work and talent. The Firm has a well structure Rewards Program that provides a wide variety of recognition rewards to appeal to individual preferences. The Rewards Program was built to recognize each and every employee for living the Company's vision and demonstrating the role model behaviors and characteristics that drive the Firm "To be the Standard of Excellence". Rewards are linked to specific business objectives and/or cultural values. Through its current recognition scheme the Firm:

- Emphasizes recognition of increased quality in performance over quantity of effort

- Recognizes employees regularly rather than waiting for the end of year performance reviews

Other rewards offered by the company include:

- Employee referral program: through the employee referral program, the Multinational Financial Services Firm pays a referral fee to employees who introduce a candidate for recruitment who subsequently joins the Firm as a result of the introduction.

- Part-time and flextime work arrangements: As an "Employer of Choice", the Firm aims to foster and promote an environment that accommodates different needs during the career of its employees. The Firm supports part-time and flextime work arrangements to allow employees the opportunity to balance business demands with their personal needs. That being said, it is at the work-life balance level, however, that the Multinational Financial Services Firm recognizes that despite the different initiatives it is taking, this is a still challenge to achieve simply because it is not within the nature of the business.

Total Rewards Design

The philosophy of Total Rewards at the Multinational Financial Services Company as well as its design are performed at the level of the Firm's leadership, business as well as Human Resources.

As a Multinational, spread over a large number of countries with a complex structure and wide outreach, company leadership decided to adopt an "elastic" Total Rewards strategy. This elasticity allows senior level management of the different countries and Business Units, to have a certain level of autonomy in tailoring the general Firm-wide Total Rewards strategy and adapting it to fit their needs. Management at the Multinational Financial Services Company believes that the design of the Total Rewards Strategy is a shared responsibility that should include insights from country and business unit leaders. The adopted thinking style led the Firm to design a "high level" Total Rewards model, flexible to cater for the needs of the employees in the different countries the Firm operates in and the different Business Units they are part of. In fact offices are mandated to adapt their strategies and modify them after benchmarking with the local markets to ensure the recruitment of outstanding talent and the engagement and retention of the existing employee population, while honoring the same principals of Total Rewards applied by the Firm generally. The leaders of the Business Units are mandated to adapt to the local markets they operate in to ensure that they are competitive in attracting and retaining the best talent by modifying the company's offerings.

Although generally positive, adopting such a philosophy in designing and administering Total Rewards, creates some challenges for the Multinational Financial Services Company. Sensitivities at the level of other Business Units and geographies is one example. Seeing that the different Business Units and geographies are part to a unified

member Firm, employees and sometimes senior level leaders of the other Business Units, fall into the dilemma of comparing existing Total Rewards schemes that apply to them with those applied by other Business Units and geographies. In such cases, it is the responsibility of top management to ensure that others business unit leaders are aware of the offerings before they are implemented within the Firm. Hence, when business unit leaders do propose changes, these changes should communicate the thinking ahead of time to ensure the buy in to avoid creating a rift. Therefore, when top management leaders of a certain business unit or of certain countries, propose significant enhancements to the Total Rewards scheme, they are requested to align with and seek the approval of the Firm leadership (Business and Talent) and that of the board before going into implementation. Minor adjustments pass without board or Firm leadership involvement.

Total Rewards Criteria

Different principles guide the design of the Total Rewards Strategy at the Multinational Financial Services Company. To the Multinational Financial Services Company, Total Rewards:

- Should Reward/incentivize employees who exhibit the required skills, the desired competencies and the sought-after behaviors needed to ensure the company's success.

  The Multinational Financial Services Company measures the achievements, skills, and behaviors of its employees though predefined Key Performance Indicators (KPIs) that are clearly identified in its performance management system. The launch of the new Performance Management System in 2012 further supported the company's philosophy to reward employees based meritocracy. People who perform better are better rewarded and follow a fast career track.

That being said, the company acknowledges that in a metrics like selling business, the leaders recognize that it is sometime difficult to identify in precision whose efforts actually resulted in the selling due to the involvement of different people in the process. To deal with this ambiguity, the company decided to tie reward to the achievement of key performance measures.

- Follows a market-driven compensations scheme. The compensation philosophy of the Multinational Financial Services Company is to be aligned with the pay levels that other multinationals in same industry are currently offering in the respective markets it operates in. The company does not want to position itself over the market nor below it. Compensation, however, does take into account the business needs, the job profile, scarcity of a specific skill, talent and market demands.

- Treats employees fairly and equitably across the different Business Units respecting the particularities of the counties in which they are operating.

To ensure fair compensation, the Multinational Financial Services Company carefully considers the different compensation components and their relation to different factors, such as employee level within the Firm. In other words, variation between guaranteed income (base pay) and variable income (bonus) in the compensation scheme of the different employee grades or levels where for:

- Junior level employees: the guaranteed income or base salary should form the biggest bulk of the compensation package, versus the variable (bonus or percentages of sales) that should account for the smallest portion of the package.

- Senior level employees: the variable (bonus or percentages of sales) should form the biggest bulk of the compensation package, versus the guaranteed income or

base salary that should account for the smallest portion of the package.

Figure 6. Compensation Model
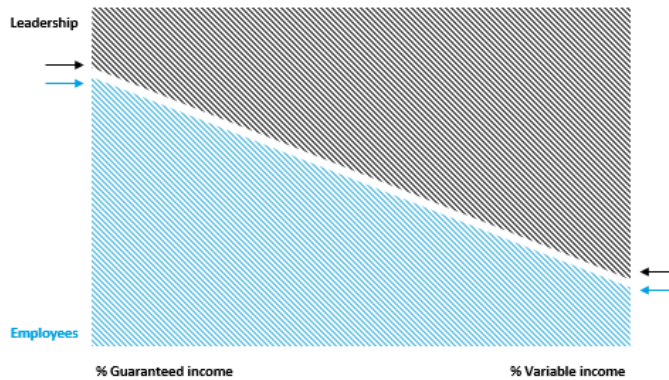
Current Company Rewards

The types of rewards currently offered by the Multinational Financial Services Company are: transportation, Health care benefits (medical, life insurance, work risk, disability), education, incentives, bonus scheme, housing, travel, memberships in professional associations, support for child education.

Total Rewards Implementation

At the level of awareness: Total Rewards are communicated in the Firm's policies, specifically in the Employee Policy Manual. As a Multinational, and since the Firm brings on a number of ex-patriates from different parts of the world, the Firm is extremely clear on the offerings to avoid any ambiguities.

In terms of implementation: The Multinational Financial Services Firm adopts a decentralized implementation approach in managing Total rewards. Total Rewards are managed by the different business unites, they are not centralized with Regional Human Resources. Different methods were used, however, this proved to be the most effective way for the Firm under study.

Total Rewards and Critical Success Factors

The Multinational Financial Services Firm identifies its' critical success factors in terms of:

- Growth in revenues

- Profitability

- Growth in market share

- Retention of people

- Attraction of talent

- Making an impact on the societies it is part of and leaving success stories

To ensure that employees are well informed of its success factors, the Multinational Financial Services Firm introduced a new performance management system entirely designed around these criteria. When setting annual performance goals, employees align with their counselors to ensure alignment on deliverable and clarity on the areas they will be rated on. Contributions made towards Clients, Firm & Brand, Talent, in addition to Personal competencies drive rewards at the Multinational Financial Services Company.

Mixing rewards components

Rewarding good performance at the Multinational Financial Services Firm does not solely focus to compensation and bonus. To better understand key motivators of its workforce, the Multinational Financial Services Company assesses its strategy and progress regularly through running a companywide People Survey. The survey is conducted every two years, and is considered to be the employees' platform to providing input on areas that are integral to the Firm's success. The survey indices are Employee Engagement and Performance Excellence. The survey dimension are: Job itself, Career-life fit, Team work,

My manager, Performance Management, Onboarding, Service Excellence, Leadership and

Growth and Development.

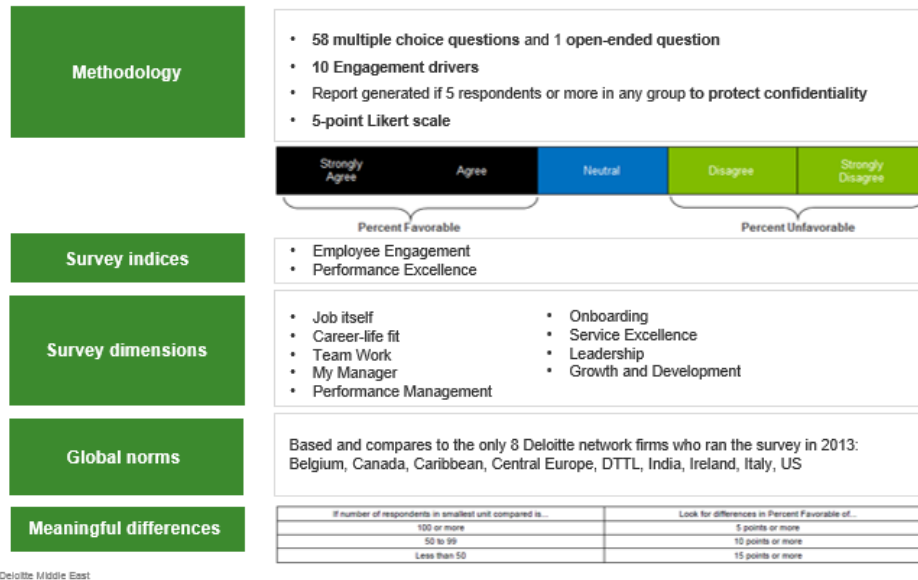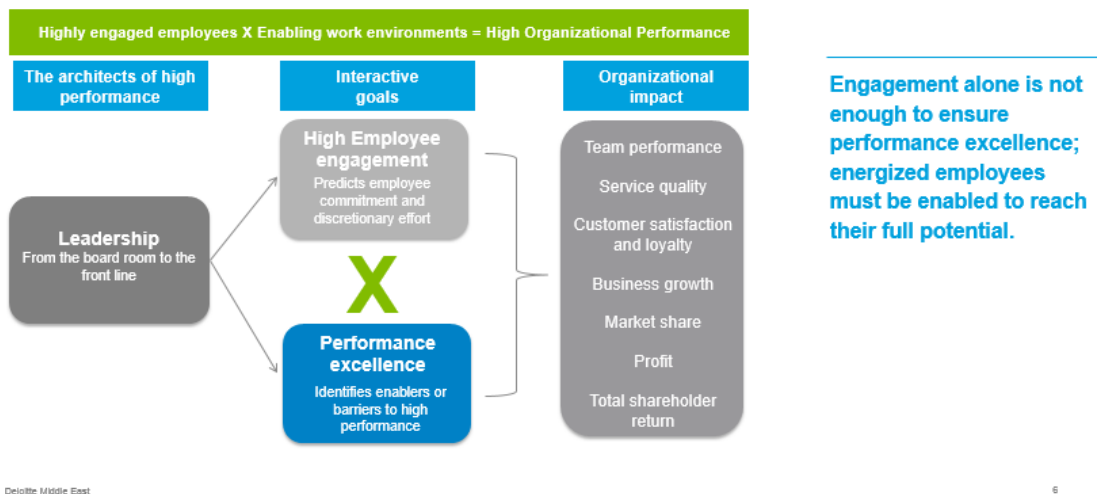**Figure 7.** The People Engagement Survey facts – IBM to Deloitte Middle East 2014

Figure 8. The People Engagement Model – IBM to Deloitte Middle East 2014

Analysis of the results of the People Survey conducted within the Firm since 2010 clearly indicate that "Pay and benefits" do not drive Engagement. Employees are more concerned with the Firm "recognizing high performing people" and ensuring "career advancement" opportunities to its people. The results from People Survey shifted the Firm's thinking, and since then the Firm started focusing on advancement and recognition as means of rewarding its employees, areas identified by the employees themselves.

Employees with a consistently high performance are rewarded financially (compensation and bonus) but more importantly they are recognized and placed on a special career track. This is done to acknowledge and support high performance as a sought-after behavior, to further motivate, engage and ensure the retention of high performers.

While learning and development is in fact part of Total Rewards, it is uniformly offered to all the employees of the Multinational Financial Services Company because it is essential for the business and not tied to entitlement based on high performance.

Total Rewards Approach and Philosophy

The approach of Multinational Financial Services Company to rewards has increasingly focused on providing distinctive and competitive 'Total Rewards'. Total Rewards cover employee base pay, bonus opportunity, substantial benefits packages, cutting edge learning and development, extensive career development opportunities and a supportive environment ripe for success.

As a Multinational Financial Services Company, it strives to reward and recognize its top talents to attract, retain and motivate high performing individuals. The Firm's compensation philosophy is to 'pay for performance'. The Firm pays strong performers competitively in the professional services industry; and pays its top performers top-of-the-

market salaries. They guarantee that their total compensation package including base salary, performance bonus and allowance is competitive in today's market.

CHAPTER V

DISCUSSION

Different criteria should be kept in mind and met in order for any reward strategy, total or not, to be effective. Reward goals should be driven by the business strategy to ensure that the Firm is rewarding the sought-after behaviors from its employees, and that people are actually growing in areas that Firm wants them to grow in as a result of the designed reward strategy. The strategy should be a fit to the organization and the nature of business and the type of services it provides.

The Multinational Financial Services Firm under study runs different offerings under different Business Units. The company operates in 150 different companies, 15 of which are in the Middle East region; it has a headcount close to 220,000 employees with over 3,300 within the Middle Eastern Firm. To be able to provide these different professional services, the company employs a diversified mixture of employees, groups of people with specialized set of skills at different levels. This diversification in employee composition is further emphasized by the Firm's international spread which makes it challenging and to a certain extent dysfunctional, to have a single static Total Rewards scheme that would achieve its role in motivating and retaining critical workforce, as well as attracting new talent. It is therefore recommended that the reward structure, the Total Rewards scheme, to be designed in way that would tailor for needs of the different employee groups and that can be implemented locally, while leaving room for flexibility to accommodate adjustments as needed.

In the context of the Multinational Financial Services Firm, for example, the reward strategy for the Audit Business Unit should incorporate differentiating elements from that of Financial Advisory, or Consulting. Even within the same Business Unit, the Total Rewards scheme should be tailored to account for employee level within the Firm, the different work

generations, as well as the country the Firm is operating in and in which that specific Total Reward strategy will be implemented.

Aligning rewards with Business goals are essential to designing a Total Rewards Plan, however, and since Total Rewards is in fact about rewarding the people of the Firm, involving as many stake holders as possible in the design stages is key to ensuring an effective Total Rewards Strategy that would speak to the people of the Firm. Securing representation from different levels, top management to employees.

Equally important to designing an effective Total Rewards Strategy is the implementation and the practices around Total Rewards. Total Rewards practices should be perfectly aligned with and reflective of the Firm wide Total Rewards Strategy. Reward practices in the different counties and offices of the Multinational Financial Services Firm, should be implemented uniformly across its different services.

Once launched, Total Rewards Strategies should be continuously measured to evaluate success, identify gaps and detect areas for improvement. Total Rewards are not static, but rather need continuous improvement and adaptions.

CHAPTER VI

RECOMMENDATIONS

In the benefits world, Total Rewards strategies are one area where businesses in general and the Multinational Financial Services Company under study can make a bigger impact. The recommendations that came out are the following:

Set Clear Total Rewards Priorities

Different Priorities influence Total Rewards, and more specifically Talent and Compensation in the Multinational Financial Services Company. These priorities are:

- Balanced and continued pursuit of both growth and cost management

- Human Resources and finance strategies aligned to the multinational/global organization priorities

- Culture of high performance enabled through performance differentiation

- One global organization view to business strategies

- Talent as a global organization resource

- Focus on holistic approach to compensation

- Global employee value proposition and compensation strategy aligned to drive organizational performance and Return on Investment (ROI)

Involve a wider range of employees in the Design

At the design level, it is recommended that the Multinational Financial Services Company involves a wider range of employees, securing representation from the different work segments. Proper employee representation helps ensure an all-inclusive and effective

Total Rewards Strategy.

In terms of Total Rewards management at a Multinational Financial Services Company that offers services under different Business Units, and looking at the existing rich blend:

- Employee levels (Staff, Senior, Manager/Senior Manager, and Principal, Director and Partner - PDP)

- Countries

- Generations

- Gender diversity

- Nationalities

Total Rewards can have a bigger impact and be more rewarding if employees are given the flexibility to select the benefits that address their needs the most. Total Rewards can be looked at more as "a bucket of rewards" from which employees can pick and choose a combination (respecting the originally approved value allocated for the employees) that suites them at this specific point of time in their career.

While this seems to present an ideal solution at the employee level, running such a program can be extremely challenging in terms of managing "Total Rewards Buckets" in 15 different countries.

Properly Manage Bonuses

Another suggested enhancement would be at the management of bonuses. Interviews with key leaders in the Firm revealed that the company runs very well structured bonus scheme at the senior management level (PDPs). However, they lose this structure at the 3 lower levels, where bonuses become slightly discretionary. Bonuses in general are tied to annual employee performance that is measure by the highly advanced Performance

Management System that the company operates. More structure needs to be placed start at Manager/Senior Manager level and moving upward. Once the structure is set, it can be communicated to employees giving them clarity on the process and assurance on the consistency in the Firm's philosophy of "pay-for-performance".

Refine Company Data Analytics

Different catalyst drive enhancements in and sometimes redesign of Total Reward Strategies. Issues such as employee turnover, changes in the business environment, shift in the strategy of the Firm, mergers, acquisitions, new CEOs, etc.

Discussions with leaders of the Multinational Financial Services Company revealed that the organization's rolling year turnover rate is rather moderate (a healthy percentage for this type of business) and that the biggest bulk of leavers fall into the category of employees who have been with the Firm over 5 years. To retain this talent, the Multinational Financial Services Company, should proactively look into analyzing reasons for the exit at this specific level and look into redesigning the Total Rewards Strategy specifically targeting this category of employees.

Adopt a global compensation philosophy

To ensure an effective global Total Rewards approach, the Multinational Financial Services Company need to adopt a global compensation philosophy and strategy translated into a global compensation model that can be customized locally.

a. **A Global Compensation Philosophy and Strategy:** A compensation philosophy provides overall direction and guiding principles for how the Multinational Financial Service Company will deliver pay. A comprehensive compensation philosophy includes:

- A statement about the purpose of the compensation philosophy,

- A statement about the desired competitiveness of compensation,

- Primary objectives of the compensation program,

- A description of the components of total compensation provided (e.g., base pay, short-term incentives, long-term incentives) and how each might vary by geographic region, business unit, and employee group,

- Guiding principles that reflect the values and activities of the organization related to the way employees are compensated.

A compensation philosophy provides a foundation for making pay-related decisions that can be shared with executives and employees. The Multinational Financial Services Company Compensation Philosophy Guiding Principles:

- Business Driven: Total compensation programs structured to drive value creation through cost-effective rewards which encourage innovation, team behavior, and continuous learning, thereby facilitating the successful achievement of business objectives.

  The compensation philosophy should support the current business strategy and financial goals and can address the company's strategic or operational goals, cultural aspirations, and geographic demands.

- Assign authoritative responsibility: The compensation philosophy can state who is responsible for various elements of the compensation program.

  o The Compensation Committee of the Board of Directors is typically responsible for approving the compensation philosophy, performance goals, pay mix, etc., for the top senior executives.

  o Senior management generally develops a company's overall

compensation philosophy and is typically responsible for establishing performance goals, compensation program design, etc.

- o The Regional HR departments work in conjunction to administer plans and provide communications related to compensation.

– Market Competitive: Total compensation programs are competitive with other industry competitors. Total compensation is the standard for measuring competitiveness externally, thereby allowing the company to attract and retain the level of talent necessary to grow the business. This can differ by geographic location and local market forces and may include companies in the same industry and/or comparably-sized companies across different industries.

– Contain a Pay Mix: the compensation philosophy should address the portion of pay that should be:

- o Fixed versus variable
- o Short-term versus long-term

Pay mix can vary among executive level and below-management employee groups.

– Identify Market Targets: The compensation philosophy should indicate the position at which each component of compensation and Total Direct Compensation should be positioned relative to the defined market. "TDC" is the sum of base salary, annual bonus, and long-term incentives.

- o A majority of companies target the median and allow high performance to drive pay above median.
- o If above-median pay is targeted, the performance goals should reflect above-median performance and management should be able to verify that performance targets exceed industry norms.

– Ownership Oriented: Compensation programs encourage the partnership in the company wherever local law permits as a means of fostering an ownership interest among employees, thus aligning employee rewards with shareholder interests.

– Performance Sensitive: All employees have some portion of compensation at risk in relationship to total company performance, organization, team and/or individual performance. Higher levels of responsibility have more compensation at risk.

– Globally Focused: As a multinational, total compensation programs maintain worldwide excellence and facilitate mobility between units and / or countries using the same goals, standards, and guiding principles consistently around the world, as evaluated at the total compensation level.

– Locally Customized: Compensation practices are customized as necessary by country to address specific socio-economic factors, local needs, market conditions, tax and legal / regulatory requirements, but must fit consistently within the total compensation context described in these principles.

– Equity Grounded: A consistent philosophy in the design, application, and administration of total compensation programs throughout the company ensures fair and equitable treatment for all employees. Equity between employees and the company is achieved when employees receive compensation from the company that is proportional to the contribution the individual makes to the company.

– Choice Based: Programs meet the needs of a diverse, multi-cultural workforce by providing an appropriate degree of choice relative to the benefits and allowances programs, and relative to the mix of cash and non-cash programs.

– Clear communication of Compensation Program Purpose Objectives: The broad purpose of the philosophy should be communicated to all employees. Compensation programs should be clearly defined, explained, and communicated in ways that are relevant and understood by all employees. The compensation philosophy should state the overall objectives for the compensation program. For example:

   o   To attract and retain the top sought-after talent the Company needs to realize its objectives

   o   To motivate employees to achieve business objectives

In other words, to ensure an effective and competitive global compensation strategy, the Multinational Financial Services Company should be clear on:

1. **Competitive positioning**: What is the desired level of competitive positioning for total compensation, and how will it be measured or assessed? Should the competitive position vary by critical workforce segment?

2. **Performance orientation**: How is performance defined, measured and rewarded? What is the desired level of differentiation for performance and how does this impact each component of compensation? What are the processes, resources and tools utilized?

3. **Desired skills and behaviors**: What are the desired and required skills, competencies and behaviors for employees? How do these vary across leadership and different employee segments? Should talent be viewed as a Firm wide resource?

4. **Globally consistent / locally applicable**: Is there a global framework to provide the basic architecture, with business unit or geographic modification to address

measurable business factors or regulatory issues?

5. **Role in employment decision**: What is the role of compensation in attracting, retaining and motivating desired talent? Should this be a competitive differentiator?

b. **A Strategic Global Compensation Model:** A global compensation model allows leaders of the Multination Financial Services organization to evaluate and compensate employees in the same way, using the same process and measures, regardless of their geographic location.

The compensation model encompasses: Base Pay, Short-term Incentives, Long-term Incentives as well as Alternative Rewards. The combination of these components will vary for:

- leadership and different employee segments

- critical workforce segments

- competitive positioning for total compensation

- skills, competencies and behaviors for employees

- geographies

Regardless of the different mix of compensation components, compensation model should maintain the global outlook making sure that the "Pay-for-performance" philosophy is clearly communicated across the Firm.

The main role of compensation strategies is to support the implementation of the Human Resources Strategy driven by the Business Strategy and build a high performance organizational culture. Compensation strategies focus on leveraging alternative rewards and differentiating by critical workforce segments.

To achieve competitive advantage, it is recommended that the Multinational Financial Services Company work on differentiating its offerings to critical workforce segments, groups of employees within an organization that drive a disproportionate amount of value creation in comparison to their peers, who are in short supply, who are key to successful accomplishment of the company's primary vision and mission, and without which the organization would have limited chances of achieving its objectives.

Implement Market-based Salary Structure… The New Norm

Building Global Compensation Programs

Building a comprehensive approach to compensation requires adopting a layered approach that starts with:

- Job analysis / Job Understanding: Identifying, understanding and transcribing accurate Job Descriptions compliant with local laws, to

- Performing Market Analysis & Job Evaluation, to

- Defining clear Salary Structures & Administrative Guidelines, to

- Ensuring that Business Units have aligned Short-Term Incentives, to

- Setting Strategic Long-Term Incentives, to

- Securing effective Communication and Training.

This is achieved by:

- Strong internal equity based on systematic job evaluation

- Proper market alignment through comparison and positioning against reliable external market data on pay and benefits

- Structuring the "package" to get the right balance between, base salary, bonus, allowances and benefits

– Developing effective links between remuneration and job performance

In terms of selecting the most suitable type of salary structure, it is recommended that the Multinational Financial Services Company implement that Market-based salary structure, the most prevalent type of structure. Market-based salary structure have salary ranges wide enough to encompass 25th and 75th percentile of market rates for jobs in grade to allow flexibility for employees with various skills and expertise. Market-based salary structure provides a certain flexibility to recognize differing market rates of pay based on performance, skill level or market conditions while maintaining reasonable control over salary costs and internal equity.

Figure 7. Market-based Salary Range versus Traditional Salary Range – Stoskopf Deloitte & Touche, 2002
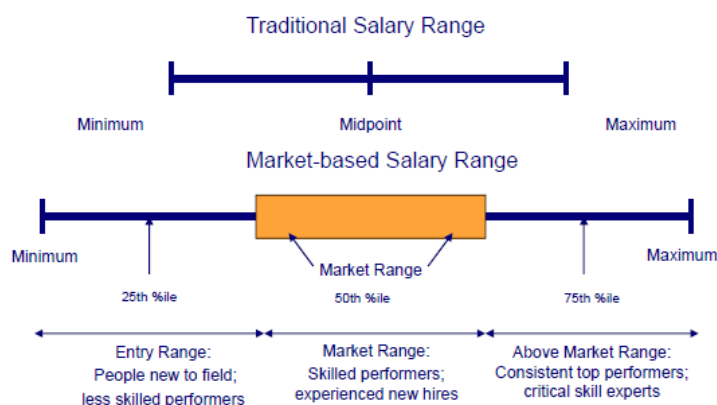

Table 1. Example of a global pay structure that utilizes Bands and Zones within each band – Deloitte & Touche

Band	Zone(s)	Level	Representative Positions
A	1	Chief Executive Officer	CEO
B	1, 2, 3	C-Suite / Direct reports to CEO	SVP and CFO, SVP and President
C	1, 2	Direct reports to Band B / Senior Leadership	Vice President, General Manager
D	1, 2	Directors / Leadership	Director Division
E	1, 2, 3, 4	Managers with and without direct reports	Senior Manager, Manager, Lead
F	1, 2, 3	Professionals and Analysts	Supervisor, Analyst, Specialist
G	1, 2, 3, 4, 5	Administrative	Technician, Assistant, Representative
H		Hourly	

In the 2002 study, Stoskopf stated that investment and financial services companies, pharmaceutical companies, professional services or other organizations "desiring to win the war for talent" were best suited for market-based structures. In the 2012 survey results, market-based ranges were as the predominant type of structure across all the defined industries (table 2) and across organization sizes (table 3) (WorldatWork and Deloitte Consulting LLP, 2012).

Table 2. Type of Salary Structure by Industry – WorldatWork

Industry	Traditional	Market-based	Broadbands	Step Structures	Other
Finance and Insurance (n=108)	19.8%	68.3%	14.9%	1.0%	3.0%
All Other Manufacturing (n=120)	22.2%	71.7%	15.2%	8.1%	4.0%
Health Care & Social Assistance (n=58)	25.9%	66.7%	25.9%	14.8%	7.4%
Consulting, Professional, Scientific and Technical Services (n=59)	15.4%	78.8%	13.5%	1.9%	3.8%
Utilities, Oil and Gas (n=58)	20.0%	68.0%	12.0%	10.0%	6.0%

Table 3. Type of Salary Structure by Organization Size - WorldatWork

Organization Size (No. of Employees)	Traditional	Market-based	Broadbands	Step Structures	Other
Less than 100 (n=8)	14.3%	71.4%	14.3%	0.0%	14.3%
101 to 999 (n=79)	23.4%	59.7%	6.5%	6.5%	6.5%
1,000 to 4,999 (n=320)	21.6%	69.3%	10.8%	6.6%	3.1%
5,000 to 19,999 (n=303)	20.2%	64.8%	14.2%	9.4%	4.9%
Greater than 20,000 (n=188)	24.4%	66.5%	14.0%	6.7%	3.0%

Market-based salary structure is increasingly becoming the new normal. Organizations with the profile of the Multination Financial Services Company are best suited for this type of salary since they value flexibility is valued consistently updating salary structures to maintain competitive positioning. These companies are readily open for variation by job function, job level, critical workforce segment, and/or geography.

For the Multinational Financial Services Company, global compensation administration seems to be the most appropriate way for handling compensation. This does not mean a "one size fits all" philosophy, but rather a "think globally, act locally" one with a compensation strategy sensitive to the regional tax and accounting implications of compensation vehicles, as well as the cultural expectations and implications in different geographic locations.

HR professionals leading compensation should leverage the capabilities of the organization of a global basis. By developing a framework for global standard processes that are then implemented locally HR leaders can serve local needs without duplicating efforts or wasting organization resources.

Lastly, it is through timely and clear communication that HR professionals of Multinational Financial Services are able to efficiently administer Total Rewards. Relaying critical information to project teams in timely manner reduces potential organizational resistance that may arise due to changes, creates buy-in among key stakeholders (leaders, managers, and employees).

CHAPTER VII

CONCLUSION

Different criteria should be kept in mind and met in order for any reward strategy, total or not, to be effective. Reward goals should be driven by the business strategy to ensure that the Firm is rewarding the sought-after behaviors from its employees, and that people are actually growing in areas that Firm wants them to grow in as a result of the designed reward strategy. The strategy should be a fit to the organization and the nature of business and the type of services it provides. In other words, Total Rewards should come out as a result of a transparent Organizational Culture, a clear Business Strategy and aligned with a well-developed Human Resources Strategy.

Although slightly broad, the results of the study validated the importance of implementing the shared recommendations if the Multinational Financial Services firm was to employ a state-of-the-art Total Rewards strategy. Once taken into account, leadership at the Multinational Financial Services Company should work on a detailed action plan that is tightly time bound to start injecting the suggested amendments / enhancements making sure that key identified "pain areas" and handled first. A well thought of phased approach should be adopted to secure buy-in and minimize resistance to the suggested amendments.

Important to highlight that the results and recommendations that came out as the result of this study are not solely applicable to huge multinational organizations. The depth of the analysis, the suggested structure, recommendations and proposed enhancements can be easily adjusted and applied at Small and Medium Sized Enterprises (SME). This can be achieved by adopting the Total Rewards Structure, in other words ensuring that integration of the five main components – key to ensuring "best practice" Total Rewards. Moving forward, companies can move on to making an informed and strategic decision of implementing any of

the four main Salary Structures that best fits their nature and size, a decision based on sound understanding of which model works best for that specific type of SMEs. In other words, tailoring the model to fit the size of the different companies.

Limitations

Most research methodologies has limitations. While qualitative methods do not provide the precision offered by quantitative approach, qualitative research on the other hand provides depth and details to topics being discussed. The data also represents information that might be bound by the nature of the interview interaction or in some way impacted by factors beyond the control of the participant.

Although measures are taken to reduce generalities and minimize errors to the study process and environment, possibility to negatively impact the overall study and the data generated by it, is always present. Study findings may differ as the composition of the sample changes. The sample for this study was not sufficiently varied in order to provide a wider and broader array of experiences from which to draw conclusions. The limitations were the result of internal risk and compliance regulations set by the Multinational Financial Services Company. The key role and position of the person undertaking this study in addition to her association with the Multinational Financial services firm were other restriction that added to the limitations.

A major limitation was the scarcity of literature covering studies on Total Rewards in this region.

Suggested Future Research

Repeating the study with a more diverse sample might provide different findings. Conducting the same study by a researcher that is not part of the Multinational Financial

Services industry might give her / him better chance of conducting semi-structured interviews from different companies that will not have concerns on the possibility of sharing this information with competitors.

Conducting the same research after addressing all the limitations would be ideal as it would potentially result in a study that integrates theoretical and empirical data to verify the practicability of designing a Total Rewards Reward Strategy that would ensure the attraction, retention, and engagement of Talent at Multinational Financial Service Firms.

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