

# HITTING THE MARK

With

# Total Rewards

How Will You Differentiate?



Total Rewards often represent one of the largest investments an organization makes. Over the last few years, companies have made significant changes to their strategy, their investments, and how they design, deliver, and communicate the value of their Total Rewards package.

Both the landscape of what’s considered the “norm” versus “differentiators,” and the need to quantify the ROI on Total Rewards spend have also changed.

Aon Hewitt’s Total Rewards survey gathered insight from over 400 employers about the current and future direction of Total Rewards programs in order to identify areas that require additional focus.

In the past, survey results have shown that many business leaders believe that when Total Rewards are properly aligned, designed, and delivered, the impact on individual engagement and organizational performance can be significant.

As employers seek to find ways to fully realize the potential of their Total Rewards programs, and what companies have tangibly done to drive changes and realize their ROI in Total Rewards, the Aon Total Rewards Study provides some insights into how companies hope to achieve their Total Rewards goals.

## Top Business and Total Rewards Priorities

### Business

The top business priority is profitable growth. For HR and Total Rewards, this means helping business leaders get more out of their people with the same or lower investment.

# 1 PROFITABLE GROWTH

# 2 REVENUE GROWTH

### Total Rewards

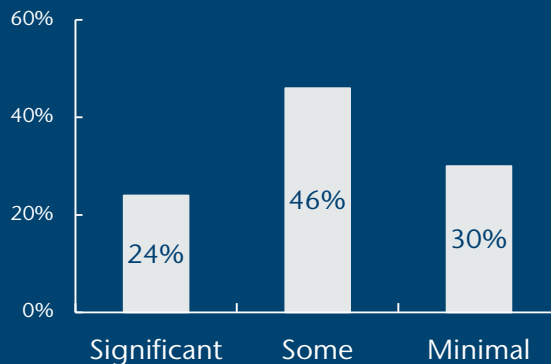
Total Rewards priorities center around alignment to business and workforce goals, and taking a holistic, integrated approach to all programs.



## Developing a Strategy Is Still a Challenge, and Shift Is Needed



## Degree of Change Needed to Total Rewards Strategy to Meet Business/Workforce Needs



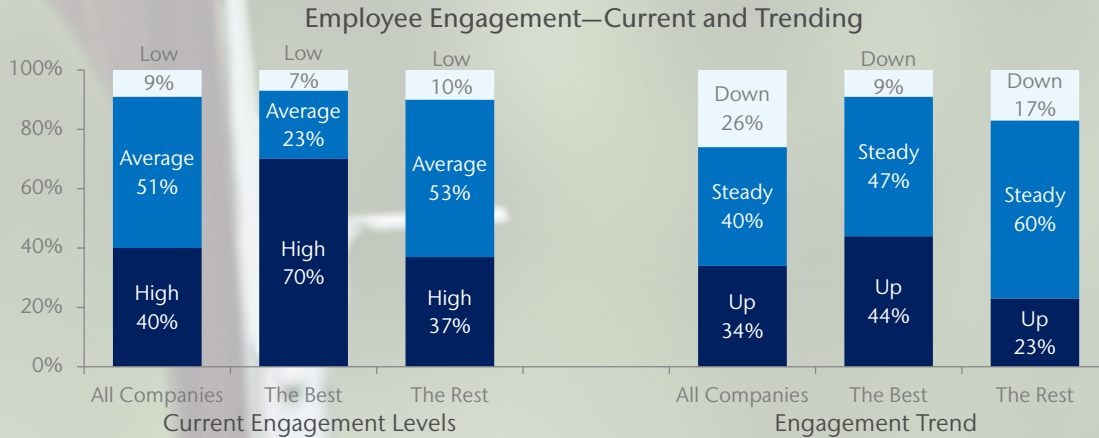
## Budget and Other Priorities Are the Biggest Barriers to Achieving Total Rewards Objectives

Main Obstacles	Ranking
Budget constraints	1
Total Rewards is a lower priority than other business initiatives	2
Little to no awareness of Total Rewards objectives	3
HR resource constraints	4
Organization structure changes	5
Employees have low perceived value of programs	6
Leaders are not aligned	7
Cultural barriers (resistance to change)	8
Communication is not aligned to objectives	9
HR structure, governance, and decision rights	10
Global/international framework and local application	11

# Three out of Four Companies Are Experiencing Steady Improvements to Engagement—The Best Are Outperforming the Rest

A shift is needed in how companies approach Total Rewards. Greater emphasis is needed in these areas:

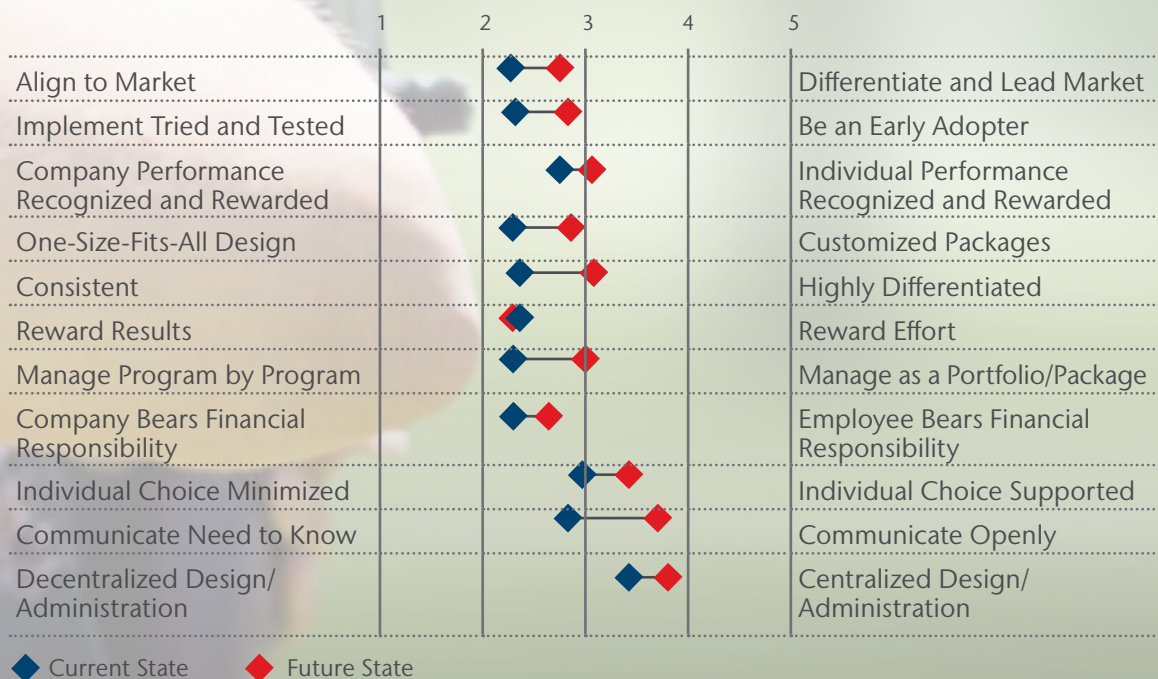
- ▶ Differentiating in the marketplace
- ▶ Ensuring that rewards realize the differentiation in employee performance
- ▶ Taking a more holistic approach to Total Rewards vs. program by program
- ▶ Emphasizing choice for individual needs without unnecessary administrative burden
- ▶ Transparency of value of Total Rewards to employees



## Who Are the Best?

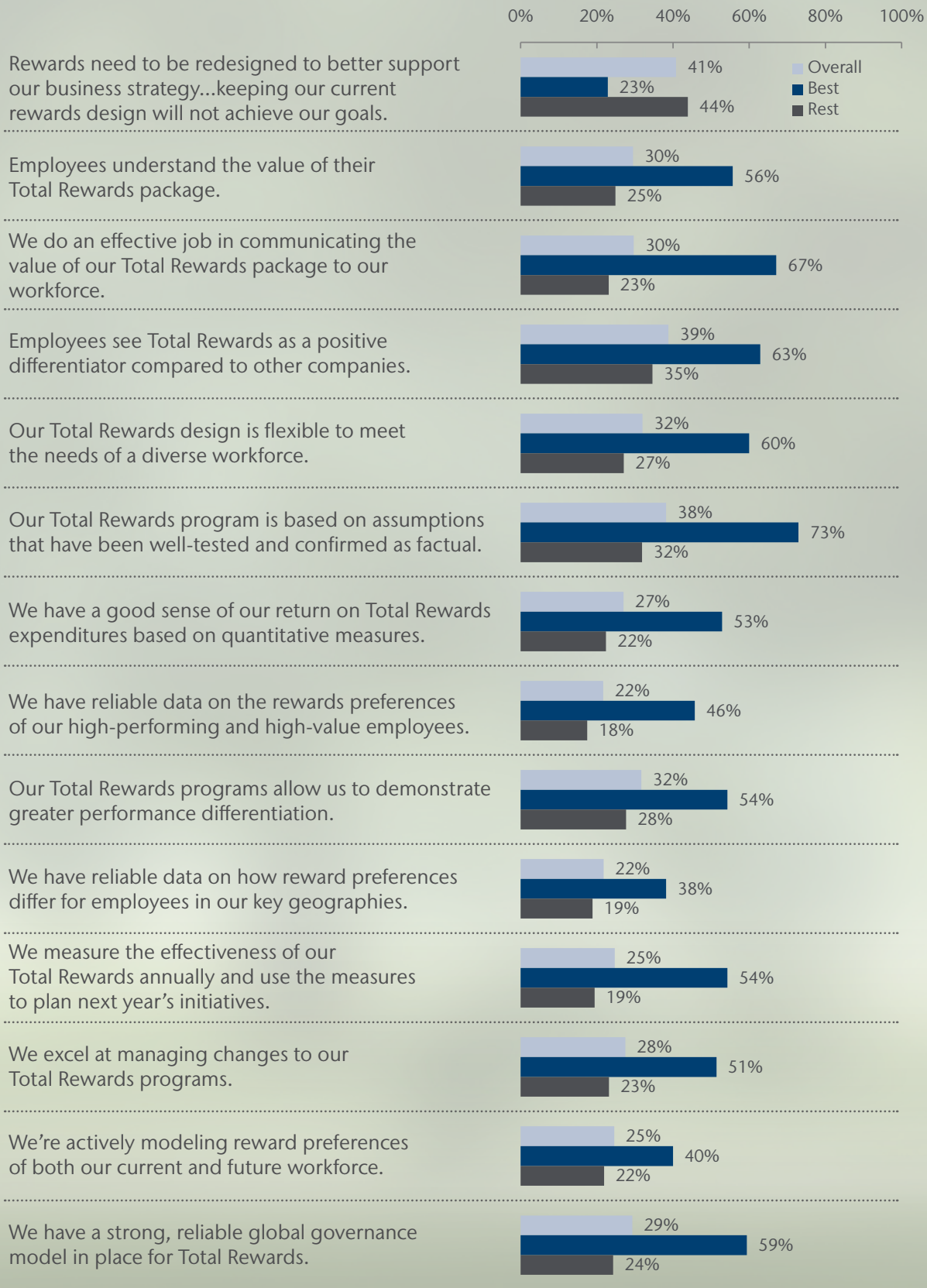
Companies who are deemed the best are outperforming on achieving business objectives, achieving high and steady employee engagement, and having a clearly stated Total Rewards strategy.

## What Leaders Say: Total Rewards Philosophy—Shift Is Needed



# The Best Are Outperforming the Rest on Execution

The best<sup>1</sup> are 2x more likely to have executed their strategy and are aligned to leader and business needs, and they've effectively communicated the value of their Total Rewards program.



<sup>1</sup> The Best have a well-articulated Total Rewards strategy, achieved their business and talent goals, and experience high employee engagement.

## Total Rewards Programs—Areas of Focus

Leaders across industries agree the ways to be differentiating go beyond financial elements (e.g., manager effectiveness, development, and culture)—but core financial elements need to be at levels that don't hurt their ability to compete for talent.

	Current Focus Area	Need to Get to Competitive Levels Compared to Today	Need to Be Above the Competition Compared to Today
1	Health care benefits	Short-term incentives	Manager effectiveness
2	Compensation	Workplace flexibility	Leadership development
3	Total benefits	Base salary	Learning and development
4	Wellness programs	Retirement benefits	Company culture
5	Total Rewards package	Health care benefits	Career opportunities

## What Leaders Say: Top 10 Total Rewards Levers for Critical Talent Pools

There are core elements of Total Rewards that leaders say are important for all critical talent groups, but they also recognize there are different levers that need to be pulled to motivate different groups. For example:

### Executives

Long-term incentives and benefits

### High Performers

Greater emphasis on financial rewards tied to performance

### Salesforce

Pay and recognition

### Millennials

Culture, greater emphasis on flexible work and career development

### Baby Boomers

Health and retirement savings

	Executives	High Performers	Salesforce	Millennials	Baby Boomers
Long-Term Incentives	1	6			
Base Pay	2	1	2	1	2
Short-Term Incentives	3	2	1	8	4
401(k)/DC	4	8	5	9	3
Health	5	7	4	7	1
Challenging Work	6	5			
Culture	7			6	9
Financial Planning	8				7
Pension/DB	9				5
Career Development	10	3	6	3	
Flexible Work			7	2	
Paid Time Off		9	8	4	6
Recognition		4	3	5	
Training/Learning			9	10	
Manager Quality		10	10		
Retiree Medical					8
Wellness Programs					10

# Key Headlines

- ▶ Greater focus on profitability and return on investment (ROI )
- ▶ Value of Total Rewards will be realized through greater alignment to business objectives, and supporting talent attraction, engagement, and retention
- ▶ A balanced set of data is still needed to build and execute the Total Rewards strategy—but companies still struggle
- ▶ Budget constraints is the #1 factor and obstacle in achieving Total Rewards goals
- ▶ Greater customization and choice is desired but not necessarily aligned with governance
- ▶ The best are using nonfinancial elements to differentiate while the rest are struggling to get to market levels on core financial elements
- ▶ Companies who are outperforming on achieving business goals and Total Rewards goals are getting better outcomes—and have a holistic Total Rewards strategy, 2x higher employee engagement, and employees understand the value of their Total Rewards

## Call to Action for Total Rewards

- 1** Start with strategy, then make it stick with data-driven and aligned design, delivery, and personalized communication
- 2** Leadership voice and alignment is critical
- 3** Strategy and decisions must be outcomes-driven, align to business and talent strategy
- 4** Assess your market position from a Total Rewards view to identify ROI
- 5** Pay and benefits need to be “right” before you move the engagement needle
- 6** Look holistically—Total Rewards vs. program by program—and link to employee experience
- 7** Know where and how you need to optimize your Total Rewards investments
- 8** Know the impact to employee experience and execution—they are as important as Total Rewards design
- 9** Understand what your employees want, and how it differs by life stage, career stage, and generationally

## About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of human capital, risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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## Total Rewards Study Background

Over 600 business and HR leaders from 400+ participating companies

Key industries represented, including Finance, Insurance, Retail, Health Care, Technology, Manufacturing, Consumer Goods

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### Alert! Results are in for other Aon studies related to Total Rewards:

- ▶ *2017 Workforce Mindset™ Study*, sponsored by Alight Solutions
- ▶ *2017 Hot Topics in Retirement and Financial Wellbeing*
- ▶ *Addressing Human Capital Challenges in M&A: A Total Rewards Perspective*