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

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1. Introduction

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

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

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

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

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

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

Keywords:
Pay-for-performance
Strategic Rewards
Employee satisfaction
Global rewards
Compensation and Benefits
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Work-life
Flexible rewards
Total rewards
Reward communication

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

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

2.1. Input by line managers

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

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

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

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

2.2. Input by employees

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

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

Note. Response categories vary between 1 (completely disagree) and 5 (completely agree).
things, the participants were asked about their satisfaction with 43 different financial and non-financial reward elements. In order to measure satisfaction with financial reward elements, the Pay Satisfaction Questionnaire (PSQ) was used (Heneman & Schwab, 1985). Bonus satisfaction was measured based on Sturman and Short (2000). As no validated instrument was found for measuring satisfaction with non-financial reward elements, a number of items were developed that were then pre-tested and discussed with both employers and employees. As a result, this questionnaire enabled us to gain insights into employees’ feelings with regard to base pay, variable pay, benefits, and non-financial rewards.

Exploratory factor analysis suggested 8 underlying dimensions: (1) salary policy; (2) salary; (3) bonus; (4) employee benefits; (5) non-financial rewards; (6) work-life; (7) colleagues; and (8) security. Table 2 provides an overview of the employee satisfaction scores for these dimensions.

The table indicates that, in general, employees seem to be rather satisfied with their benefits and non-financial rewards—but they are clearly less satisfied with financial rewards. One of the interesting features of this study is that it focuses on satisfaction not only with salary and bonus but also with the salary policy itself (how the company manages its compensation and benefits). Apparently, employees are even less satisfied with the salary policy than they are with salary and bonus. This means that the main problem lies in the way compensation and benefits are managed, rather than in the actual salary and bonus levels.

The detailed results confirm the picture outlined in the paragraphs above. Amongst the items that received the lowest scores are the following: (1) how the company administers pay; (2) how pay raises are determined; (3) the pay levels for other jobs in the company; (4) differences in pay amongst jobs in the company; and (5) the supervisor’s impact on pay. Out of 43 items related to satisfaction with financial and non-financial rewards, the worst scoring items deal with procedural justice (Baeten & Vande Walle, 2009). This raises a clear signal for an avenue for further research, as well as for learning from practice how to improve (feelings of) procedural justice. Reward communication, which will be dealt with later in this paper, can be assumed to play an important role in this respect. As was the case with line managers, we believe that this input by employees also signals the need to develop, communicate and implement a clear reward philosophy and strategy.

### 2.3. Input by compensation and benefits professionals

On the occasion of the 50th anniversary of the journal Human Resource Management, Huselid (2011) called attention to a gap between research and practice in the field of HRM. He states that:

> “More work is needed to help understand the informational needs of HR and line managers” (Huselid, 2011:311).

Moreover, Fang and Gerhart (2012) maintain that research on the impact of pay systems has made too much use of laboratory settings. From the perspective of a two-way exchange between academic research and business practice—and specifically with the objective of writing this article—we asked the partners and members of the Vlerick Centre for Excellence in Strategic Rewards as well as the participants in an international compensation and benefits seminar about their main research needs and challenges. Concretely, the following questions were asked: (1) “What are important topics in your area in which you would like to see more research?”; and (2) “What do you consider to be the main challenges for the reward management profession for the coming years?” This resulted in 53 items, which we then grouped into 7 categories (Table 3 shows the results). In the following paragraphs, we will present the findings in detail. Later in the article, some topics will be discussed further.

Globally speaking, practitioners signal a clear interest in focusing on reward processes and procedures, closely followed by the more technical aspects of rewarding (i.e., reward systems). Here, we would like to make a reference to equity theory: this theory assumes that both the outcomes (i.e., distributive justice) and the processes (i.e., procedural justice) used to determine the outcomes have an impact on employees’ equity perceptions. Concretely, it has been shown that procedural justice has a significant impact on pay satisfaction (Folger & Konovsky, 1989). In this respect, practitioners are right to give (more) attention to the issue of reward processes and procedures.

### Table 2

Employee reward satisfaction.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Salary policy</td>
<td>3.05</td>
</tr>
<tr>
<td>2. Bonus</td>
<td>3.23</td>
</tr>
<tr>
<td>3. Salary</td>
<td>3.41</td>
</tr>
<tr>
<td>4. Non-financial rewards</td>
<td>3.83</td>
</tr>
<tr>
<td>5. Work-life balance</td>
<td>3.83</td>
</tr>
<tr>
<td>6. Work and job security</td>
<td>3.83</td>
</tr>
<tr>
<td>7. Employee benefits</td>
<td>3.89</td>
</tr>
<tr>
<td>8. Colleagues</td>
<td>3.99</td>
</tr>
</tbody>
</table>

Note. Average satisfaction scores for the variables underlying the factors, ranging between 1 (very dissatisfied) and 5 (very satisfied).

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2 The 3rd Annual Total Compensation and Benefits Conference, held in Brussels on 9 and 10 May 2012, organised by Teneo.
More concretely, practitioners signalled an interest in the following topics: (1) reward communication; (2) performance management (i.e., transforming performance management from a system into a culture; moving from performance management into performance development); (3) salary benchmarking; and (4) outsourcing compensation and benefits. Interestingly, reward communication was by far the most popular topic suggested by practitioners — they consider it to be a major challenge and one that needs more research.

Moving to reward systems, the most important themes of interest mentioned by our respondents include: (1) flexible rewards (i.e., cafeteria plans); (2) variable remuneration (e.g., indicators to be used); (3) financing vehicles for pension plans; and (4) linking career ladders with rewarding. These results indicate that there is an ongoing interest in performance-related rewards, while flexible rewards are gaining interest.

Considering the fact that the majority of the respondents in our survey work in large, international firms, it is not surprising that a number of them are also looking for research input in the area of global rewards. Various issues were mentioned in this regard, such as: (1) managing benefits for cross-border workers and international assignees; (2) rewarding in Central European countries; (3) grading processes in MNCs, ensuring equity across business units, regions and function families; (4) pan-European pension plans; and (5) asset pooling. A specific issue that was mentioned deals with the international alignment of executive remuneration in financial services firms, taking into account differences in national rules.

In addition to reward procedures, reward systems and global rewards, compensation and benefits professionals also seem to have a particular interest in the implications of some evolutions in the external business context, more specifically: (1) the ageing of the population; and (2) the impact of the economic context. As far as ageing is concerned, practitioners indicate a general interest in the impact of ageing on reward management and staff expenses, as well as on more specific issues, such as: (1) how to reward ‘older employees’ (i.e., 52 years old and older); (2) the impact of ageing on medical costs and retirement provisions; and (3) multi-employer employment for older employees. Apparently (and this is a second issue, which is related to the external context), firms are also struggling with the (motivational) effects of stricter cost management as a consequence of the economic outlook, leading to limited envelopes for salary increases, benefits and bonuses. In this respect, there is a need for research on the impact of a period of economic ‘flat-lining’ (or, at least, limited growth) on reward philosophies and systems.

Some practitioners are also interested in the impact of various aspects of the regulatory context. This concerns specific issues related to national contexts, but, in addition, compensation and benefits professionals with global responsibilities signal that it is very difficult to keep pace with local legislation, corporate governance codes, etc.

Finally, some interesting issues were identified which cannot be classified into one of the previous categories. Examples include: (1) measuring the return on investment of compensation and benefits; (2) structuring HRM and reward departments; (3) rewarding after M&As.

### 3. Translating stakeholder opinions and research insights into a future research agenda for reward management

The previous paragraphs have provided an extensive overview that has helped us gain insight into stakeholders’ (i.e., line managers, employees and compensation and benefits professionals) satisfaction and needs regarding compensation and benefits. This can serve as an important input for shaping the future research agenda for reward scholars — guaranteeing the practical relevance of future academic research and helping to fill the so-called “Research to Practice” (Huselid, 2011:311) gap.

Based on the stakeholder input discussed above, and further enriched by insights from other authors and studies, the following paragraphs will highlight the most important challenges and research topics to be considered in the field of compensation and benefits. Rather than being complete, a number of important research challenges and tracks will be presented. These include: (1) the impact of different facets of the external environment on compensation and benefits; (2) gaining further insights into employee perspectives on rewarding; (3) broadening the scope for total rewards; and (4) reward processes and procedures. Each of these will be discussed in the remainder of this article.

#### 3.1. The impact of different facets of the external environment on compensation and benefits

One of the comments on past compensation research is that it has a primarily internal focus, because it focuses on personnel practices and organisational characteristics rather than on the impact of external labour markets, economic outlook, etc. This is
considered to be a disconnect between academic research and business practice in the field of rewarding (Dulebohn & Werling, 2007). Moreover, a review of 396 articles on compensation (published in 20 top journals) revealed that the (limited amount of) research focusing on the impact of the external environment has focused on the legal environment, while other factors – including socio-cultural characteristics, the technological environment and the labour market – have been studied less (Werner & Ward, 2004). We will discuss the following topics: (1) the ageing of the population; (2) flexible rewards; (3) the impact of geographical context; and (4) the impact of economic context.

3.1.1. Ageing

Building further on what the practitioners have signalled, we consider a first important route for further research to be: the impact of the ageing of the (working) population on rewarding and its management. Even though this evolution in the external business context is well documented, virtually nothing is known about its impact on rewarding. In the words of Kooij, de Lange, Jansen, Kanfer, and Dikkers (2011:198):

“For human resource managers, the influence of aging on employee motivation represents one of the most pressing challenges to arise in this decade.”

The ageing of the population does not only have negative effects: it also means that the level of age diversity in firms will increase. Past research, taking the perspective of the resource-based view (RBV), has demonstrated the positive effects of an age-diverse workforce. In this context, it has been found that age diversity has a positive impact on firm performance (measured by Return on Assets) (Li, Chu, Lam, & Liao, 2011).

On a broader, more general HRM level, research has already yielded some interesting findings concerning older employees’ preferences. For example, it has been shown that, in general, intrinsic motives are more important for older workers (Kooij et al., 2011). While older workers are less interested in training and advancement as well as in status, they pay more attention to security and helping other people. Therefore, specific instruments should be used to motivate older employees.

Today, however, there is a need for research that will help firms develop compensation and benefits policies that are motivating for different age groups and, as a consequence, the firms will capitalise on the positive effects of workforce diversity. In order to achieve this, more knowledge is needed on age-related differences in employee reward perceptions and preferences. Some concrete examples: (1) Does variable pay have the same impact on an older employee’s behaviour and performance as it does on the younger employee? (2) Should the proportion of variable pay be higher or lower for older workers? (3) Should there be different performance indicators for older versus younger employees?

However, the issue of ageing and its consequences for reward management should not be studied solely from a pay perspective, but other factors should also be taken into account, such as flexible work arrangements. For example, it would be helpful to know which role of different ingredients can play in motivating older workers, such as flexibility in: (1) scheduling work hours; (2) the number of hours worked; (3) the place of work; and (4) leave arrangements (Giannikis & Mihail, 2011). In any case, we need to find out which reward instruments will be most successful in retaining and motivating older workers, as well as how these instruments need to be designed. In this respect, flexible rewards, which are discussed in more detail in the following paragraphs, might be one part of the solution.

3.1.2. Flexible rewards

In flexible reward schemes, employees can trade financial aspects and time as well as other elements of their reward package (e.g., exchanging holidays for pay, exchanging end-of-year premium for holidays, saving holidays for early retirement, annual bonus in shares). These plans are popular in the USA (92% of the employers offer them) and in the UK (35%) (Lin, Kelly, & Trenberth, 2011). Less is known about their occurrence in continental Europe, but we assume that national differences (caused by differences in tax treatments) play an important role (Baeten & Verwaeren, 2012). It is surprising that, even though flexible reward plans seem to have a rather strong penetration in Anglo-Saxon countries, academic research on the causes, design and consequences of these plans is rather sparse, even in those geographical regions.

Still, even though academic research on flexible rewards is underdeveloped, these plans have multiple theoretical foundations, specifically with: (1) expectancy theory; (2) the resource-based view; and (3) contingency theory. From the perspective of expectancy theory, flexible reward plans are assumed to increase the perceived value of the rewards. This reduces turnover and enhances a firm’s ability to attract employees. The resource-based view adds to this not only that flexible reward plans increase the ability to attract employees in general, but also that they might have an impact on attracting and retaining high-performing staff members. Contingency theory, in turn, offers the additional perspective that flexible rewards provide the opportunity to better match the reward package to the individual’s needs (Lin et al., 2011).

Returning to the issue of ageing – and, more generally, the evolution towards a more diverse workforce – it seems that academic research on rewarding should pay specific attention to flexible reward plans as a way to address the increasing diversity on the work floor. Some suggestions for research in this respect include: (1) what does a flexible reward plan look like, and what are the different possibilities as far as its design is concerned? (2) which reward elements and which choices should be included in a flexible reward plan (i.e., what is important from an employee perspective)? (3) which choices do employees make that are linked to age and other employee-specific features? (4) how should flexible reward plans be managed in order to make them more successful (e.g., involving employees in the design of these plans, providing guidance and advice to employees)? and (5) what about the administrative burden caused by flexible reward plans? To date, research has shown that flexible reward plans are
negatively related to employee turnover (Lin et al., 2011) – but we need more research on the concrete design of these plans as well as on their functioning.

3.1.3. Impact of geographical context

Earlier in this article, we stated that existing research has a strong geographical focus on North America, in both data collection and theoretical underpinnings (Chiang & Birtch, 2012; Vlachos, 2008; Werner & Ward, 2004). The past few years have seen more and more research being published that has been conducted in other countries (e.g., China). However, it would be interesting to have more multi-country and multi-culture research (i.e., including multiple countries and multiple cultures) and to focus on (explaining) differences related to these external context factors. In this respect, a recent study has focused on differences in the performance implications of financial and non-financial rewards in Hong Kong and Finland, two countries with very different cultural contexts. While Hong Kong’s culture is considered to be masculine, collectivistic, high power distance, and low uncertainty avoidance, Finland is feminine, individualistic, low power distance, and high uncertainty avoidance. The results revealed that, for respondents from Hong Kong, base salary and promotion are stronger performance motivators. On the other hand, alternative work arrangements, training and development, and team-based incentives are more popular with Finnish respondents (Chiang & Birtch, 2012). As a consequence, this study has proven that:

“Culture provides important insights into the cross-national variances that may exist in employee perceptions about the performance implications of different types of financial and non-financial rewards” (Chiang & Birtch, 2012:557).

From a practitioner perspective, this is especially relevant for MNCs, as it would make them aware of, and provide concrete information on, different employee reactions to reward systems depending on geographical location. To give another example: flexible reward plans will be more popular and will have more positive effects in societies characterised by low power distance and low masculinity (Lin et al., 2011). However, research in this field is still limited, and even existing studies would benefit from including more characteristics of the regulatory and institutional contexts. In short, there is a need for more research focusing on geographical and cultural differences in the occurrence of, and reactions to, specific reward systems.

3.1.4. Impact of economic context

Besides ageing and geographical issues, a third important element related to the impact of macro contexts on rewarding deals with the economic situation. Today, the world’s economies are evolving at different speeds. For example, Table 4 shows huge differences between European and BRIC countries as far as GDP growth is concerned. Concretely, between 2009 and 2010, growth in China (10.4%) and India (8.8%) was clearly higher than in the EU27 (1.9%) (Eurostat, 2012).

Such differences also have an impact on reward practices. For example, it is questionable whether reward systems that include an annual cost-of-living adjustment and seniority-based (or even merit-based) pay increases are tenable under conditions of more limited economic growth (together with the greying of the population), as is the case in the Western countries. In this respect, an important route for further research deals with finding out which reward strategies and systems fit best with macro-level economic situations and outlooks in order for firms to remain competitive, combining attractiveness on the labour market with a decent financial situation.

3.2. Employee perspectives

Research by Vlerick’s Centre for Excellence in Strategic Rewards has shown that the main factors driving employee engagement are related to non-financial rewards. More specifically, responsibilities and colleagues were found to play the most important role. Employee intention to leave, however, was found to be driven by other elements: namely, job and work security, career opportunities, firm values, and salary policy (i.e., pay structure, information on rewarding, the way in which salary increases are determined, and consistency of the reward policy) (Baeten & Vande Walle, 2009). However, when, during our courses, we ask practitioners to predict what drives engagement and intention to leave, the answers are very divergent. This means that, even though the employees’ answers were very clear, HR professionals do not seem to be well aware of employee perceptions and preferences about rewarding.

Table 4

<table>
<thead>
<tr>
<th>Growth rate</th>
<th>2009–2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-27</td>
<td>1.9%</td>
</tr>
<tr>
<td>Brazil</td>
<td>7.4%</td>
</tr>
<tr>
<td>Russia</td>
<td>4.0%</td>
</tr>
<tr>
<td>India</td>
<td>8.8%</td>
</tr>
<tr>
<td>China</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

How can this be explained? According to Van Buren, Greenwood, and Sheehan (2011), the strategic HR business partnership role has made HR more organisation- than employee-focused, leading to a lack of concern for employee welfare and perspectives. Consequently, there is a lack of consideration for employee views when developing reward strategies (Cox, Brown, & Reilly, 2010). The need to include employee perspectives more prominently in research on compensation and benefits is further stressed by what Ulrich (2011:5) has called an emerging movement:

“Build sustainable organizations that help employees find meaning, purpose, enrichment, or drive.”

As a consequence, there is a challenge to reconnect. For example, this is needed in order to prevent flexible reward systems (cf. supra) from becoming too provider-led and generic, rather than taking employee needs and preferences into account (Cox et al., 2010).

Going one step further: on top of being more knowledgeable about employee preferences, some studies have already proven the added value of employee participation in decisions regarding rewarding and the advantages of linking pay-for-performance with employee involvement (cf. Beer & Cannon, 2004; Schuler, 1980). In summary, more research is needed on employee perspectives in rewarding and the why and how of employee participation in compensation and benefits management. This need is further strengthened by the evolution towards a more diverse workforce, which we have mentioned above. Also in this respect, we need more research and tools for assessing employees’ attitudes towards, and preferences for, different reward systems. Moreover, including employee input should help us avoid the drawbacks of so-called “mechanistic contingency models” (Cox et al., 2010), which try to link business strategy and rewarding.

### 3.3. Total rewards: moving away from lip service

Even though the concept of total rewards is rather popular in consultancy circles, and a certain level of lip service is paid to it by practitioners (e.g., new job titles such as Total Rewards Manager), it is amazing that a survey by Mercer and World at work has found that merely 26% of the respondents reported having an integrated approach to rewards (Gross, Bundy, & Johnson, 2011). This lack of an integrated approach to rewarding also seems to be the case for academic research — where the focus has traditionally been on cash remuneration (and also, to a certain extent, on share-based remuneration) and much less on employee benefits and non-financial rewards. In this respect, Werner and Ward (2004) found that no more than 8.3% of the 396 articles on compensation that they reviewed dealt with the outcomes of employee benefits. In their opinion, the study of benefits has not kept pace with practitioner interest in this field.

Not surprisingly, we see a need for more research on benefits and non-financial rewards. These non-financial rewards are defined as tangible rewards without a direct monetary benefit (Chiang & Birtch, 2012). The need to broaden the scope is heightened by the fact that, as a consequence of the difficult economic circumstances (cf. supra), firms have fewer financial resources to invest in pay and benefits such as pension plans, company cars, etc. Therefore, they are highly interested in low- or no-cost benefits that still have motivational power. In this respect, and as an example, we see that firms have an increasing interest in wellness programmes and work-life benefits. In a recent survey in the USA, 40% of the respondents added these wellness programmes to their reward mix (Gross et al., 2011). This is also a trend in Europe. In this respect, it would be interesting to obtain research insights into employees’ opinions about these programmes, the outlook of such wellness programmes, their effects on productivity, satisfaction, etc. Moreover, it would be interesting to make a link with another important evolution highlighted in this article: the ageing of the population. In this context, wellness programmes might be even more interesting.

Another research need is to develop an inventory of non-financial rewards. Today, it is hard to find an article in a recognised academic journal that pays attention to non-financial rewards, let alone that makes an inventory of these rewards. However, there are anchors in theory — such as expectancy and self-determination theory — that could serve as a basis. On top of this, and building further on the Pay Satisfaction Questionnaire (Heneman & Schwab, 1985), there would be significant added value in developing a Total Reward Satisfaction Questionnaire.

Besides doing more research on the different ingredients of a total rewards package and their effects on employee well-being and performance, another important topic in this field relates to vertical and horizontal alignment.

As far as vertical alignment is concerned, broadening the scope to include total rewards would be an important add-on to the research stream based on contingency theory, which tries to connect rewarding with firm strategies (e.g., Balkin & Gomez-Mejia, 1987, 1990; Montemayor, 1996; Yanadori & Marler, 2006). These studies have focused on the link between firm strategy and cash compensation, and they have not included benefits or non-financial rewards. There is one recent exception: the study by Hsieh and Chen (2011) proposed that the main reward mode that goes together with a differentiation strategy is a focus on intrinsic rewards, whereas cost leadership strategies are associated with a focus on extrinsic rewards. But this line of research must be developed further. It would also be interesting not only to focus on strategic alignment but on alignment with firm culture, structure, and other HR policies as well.

As far as horizontal alignment is concerned, an interesting route for further research is to find out how different elements of the reward mix can strengthen or counteract each other, including in relation to their outcomes (i.e., performance, productivity, and satisfaction). An example of this is the study by Fang and Gerhart (2012), in which they found that pay-for-performance was associated with higher perceived autonomy and competence, which were, in turn, associated with higher intrinsic interest. According to the authors, this shows that not enough attention has been paid in the past to the competence-enhancing effects of pay-for-performance (Fang & Gerhart, 2012). However, more research is needed to test for effects between different reward...
elements and, also, to find out how internal alignment between different reward instruments can be developed. In the end, this will help organisations develop truly integrated reward policies. The external context should also be taken into consideration — for example, it can be assumed that empowerment practices will flourish more in Scandinavian countries (Humborstad, 2012).

3.4. Reward processes and procedures

As far as the processes and procedures underlying reward management are concerned, the main research needs are related to: (1) the impact of performance management practices; and (2) reward communication.

3.4.1. Performance management and performance-based remuneration

It would be interesting to adopt a more integrated perspective to performance management, including performance assessment, performance measurement, and linking remuneration with (different types of) performance. Considering the increasing importance of performance-related remuneration, its degree of success (e.g., in improving people performance, satisfaction and motivation) might be dependent on the goal-setting process, feedback mechanisms, quality of line management, etc. Today, it is not yet clear to what extent performance management processes impact the effectiveness of performance-related pay, and the same holds for which of these processes are the most important.

Even though numerous studies have focused on the outcomes of performance-related remuneration, there are still some important routes for further research in this field, such as finding out which form of performance-related remuneration (e.g., individual performance-related remuneration, team-based pay, gain sharing, and profit sharing) has which effects, and under which conditions (e.g., strategy, culture, structure, and employee characteristics) it is most effective. Partly related to this, it would also be interesting and relevant to find out whether hybrid systems of variable remuneration (i.e., systems in which individual as well as group-based and organisation-wide performance indicators are used) are more successful. Another interesting topic is determining the ideal proportion of variable remuneration, taking hierarchical levels into account.

3.4.2. Reward communication

Generally speaking, information sharing was found to be an HR practice with a positive impact on (perceived) firm performance. In this case, information sharing was conceptualised as employees being well aware of the firm’s objectives and strategy, as well as informing employees about firm performance (Vlachos, 2008). Following this line of thinking, reward communication might well yield positive outcomes too. From an equity theory perspective, this type of communication is believed to enhance employee feelings about procedural justice (Werner & Ones, 2000). As far as performance appraisals are concerned, for example, it was found that explaining the procedures enhanced the perceived fairness of these procedures (Greenberg & McCarty, 1990). Specific reasons for communicating about pay issues include: (1) increasing employee insight into the business in general; (2) making pay structures more effective by clarifying which attitudes, results, competences, skills, etc. play a role in increasing pay; and (3) aligning HR processes (e.g., an empowerment strategy should include information sharing, also in the area of rewarding) (Day, 2007).

In general, pay communication is underpinned by the following theoretical lenses: (1) individual motivation theories (e.g., equity theory); (2) agency theory (i.e., better interest alignment); and (3) industrial relations (i.e., stronger unionisation when the level of pay communication is low). A lack of pay communication will undermine employees’ perception that pay differences are the result of legitimate factors, will create uncertainty, and will have a negative impact on employee beliefs about the quality of pay systems (Shaw & Gupta, 2007).

Even though the advantages of reward communication are obvious in theory, business practice reveals another picture. Apart from communicating salary ranges, few organisations seem to provide information about pay (Day, 2007). Not surprisingly, a study of a large number of compensation and benefits professionals in the USA showed that only one third considered their reward communication to be effective or very effective (Shields, Scott, Sperling, & Higgins, 2009). Consequently, employees are rather sceptical towards pay communication: our own study found that 39.1% of clerical workers and 48.9% of middle managers are (rather) satisfied with the information the firm provides about pay issues (Baeten & Vande Walle, 2009).

Why are firms not exerting efforts regarding pay communication or, at least, why are these efforts not effective? In addition to the clear advantages of pay communication mentioned above, there are also some drawbacks, including: (1) control (i.e. maintaining a peaceful workforce); (2) privacy; (3) making it difficult for employees to make internal and external comparisons (Colella, Paetzold, Zardkoohi, & Wesson, 2007; Day, 2007). In our opinion, however, these motives are rather negative — certainly in a world characterised by a high degree of connectivity and more and more openness between (younger) employees about their pay. Nevertheless, business practice seems to focus on the drawbacks of pay communication.

The previous paragraphs have shown a need for more insight into the effects of pay communication in order to decide whether it is useful or not. What has existing empirical research in this field taught us? First of all, it should be mentioned that the number of studies that have been published on this topic is rather limited — but this simply makes pay communication a promising theme for future research. Regarding the research results: existing research has shown that pay communication has a significant impact on employees’ intention to stay with an organisation as well as on perceived (in) equity of the pay systems. More concretely, Shaw and Gupta (2007) have found that pay-for-performance has a negative impact on high performers’ intention to leave only when there is a high level of pay communication. Thus, the positive effective of pay-for-performance holds only when there is a high level of communication regarding the pay system (e.g., communicating drivers of pay raises, providing information when pay systems are changed, informing employees about how pay is determined). This is a strong argument in favour of pay communication. Another study, in which 88 MBA students participated, showed not only that: (1) employees are in favour of
performance-related pay differences (more than seniority); but also that (2) it is in the organisation's interest to communicate about the decision-making process regarding pay (i.e., job evaluation process, salary benchmarking, and calculation of merit increases), because perceived pay inequities were found to be less pronounced when explanation about the pay system was clear (Werner & Ones, 2000). On the other hand, however, the study by Day (2007) provides a less positive picture, as it shows that pay satisfaction is predicted better by age, pay level and referent choices than by pay communication.

What suggestions can be made as far as future research is concerned? First of all, as we have said, there is a need for more studies focusing on reward communication. Secondly, there is not only a need to take an equity theory perspective but also a resource-based view perspective. In this respect, it would be worthwhile to study whether (and how) pay communication can have an impact on employee motivation, recruitment, satisfaction and intention to leave. Thirdly, there is a clear need to broaden the scope by not only focusing on pay communication but also to include communication on benefits and non-financial rewards. Research questions that could be considered in this field, include: (1) to what extent does communication regarding employee benefits have an impact on employees' understanding and valuation of the benefits; and (2) does increased communication about the bonus system have an impact on employee behaviour/performance as well as employee acceptance of the system and differences in pay-out? Fourthly, existing research has not taken an integrated approach to reward communication. Therefore, we see a need to include more dimensions of reward communication and their impact, such as: (1) communication frequency; (2) communication about internal and external positioning and benchmarks; and (3) communication channels. From a more general perspective, however, it would also be useful to study the impact and need of communication about the general reward philosophy, i.e., the why rather than the what and how. Taking all these communication perspectives into account, it would be very interesting to find out which communication approach and which aspects of communication are most important and effective. Fifthly, an important aspect of reward communication that existing research has not really taken into account is to look further than strictly reward communication when 'on the job'. An interesting topic for research in this area deals with the role and impact of reward communication on company websites and in personnel advertisements. And at the other end of the spectrum, it would also be good to gain more insight into the what and how of reward communication at the end of employment.

As a general conclusion: an important area of research and knowledge still has to be developed in order to help organisations improve their reward communication approach. Today's economic context, in which organisations have to deal with more limited budgets for pay increases, further necessitates increasing employee knowledge about the current reward elements and philosophies.

4. Conclusion

This article has highlighted a number of important future research topics in the field of reward management, by taking a stakeholder perspective. According to line managers, reward systems are not effective at attracting and retaining employees, nor are they successful in helping to realise the organisation's strategic objectives. Employees, in turn, are not satisfied with the way in which reward systems are operated, including the information they receive with regard to their pay systems, the consistency of the pay systems, and the way in which salary increases are determined. Finally, compensation and benefits professionals have a specific need for more input and research regarding reward communication, the ageing of the population, flexible rewards, and the impact of the economic situation.

This stakeholder analysis has served as a major input for identifying topics for future research. Firstly, reward research should pay more attention to the impact of (changes in) the external environment, such as ageing and the economic climate. Secondly, there is a need to know more about employee perspectives on rewarding, such as employee preferences as well as outcomes of reward systems. Thirdly, there is a need to further develop the total rewards concept by means of academic research. Topics of interest include: developing a total rewards satisfaction questionnaire, and obtaining insight into horizontal and vertical alignment of the different reward instruments. Fourthly, more insights are needed to be able to develop better reward communication approaches and to better understand the effects of different types of reward communication.

References
