Going the Extra Mile

The relationship between reward and employee engagement

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Introduction

The term 'employee engagement' has entered the corporate lexicon in the past few years. Mounting evidence indicates that engaged employees – loosely defined as workers who are emotionally committed to their jobs – give better customer service, are more productive and are more willing to go that 'extra mile' for the organisation. According to one study, revenue in organisations with high levels of engaged employees is 6% higher than in those with a less engaged workforce (Higgs, 2006), while US research found that increasing an individual's level of engagement can improve their performance by up to 20% and reduce the probability that they will leave by 87% (Corporate Executive Board (CEB), 2007). Some organisations, notably B&Q, Nationwide Building Society and the Royal Bank of Scotland (RBS), have even developed sophisticated ways of showing how employee engagement drives business performance.

Despite the potential advantages of an engaged workforce, the CIPD (2006a) found that almost two-thirds of UK employees are either only partly engaged or totally disengaged with their work. Although the UK tends to fare better than some other developed economies, such as Australia and the US, the CIPD figures still suggest that a large proportion of workers are either uncommitted or not entirely devoted. Identifying why some employees are more engaged than others and how best to generate higher levels of engagement among the vast majority of workers that inhabit the middle ground between being engaged and disengaged – often called the moderately engaged – is now high on the agenda of many HR professionals. Strengthening engagement among this group of employees, who could quite easily slide toward the wrong end of the engagement scale, is critical.

Research suggests that involvement in the decision-making process, the extent to which employees feel they can contribute ideas and develop in their jobs, and whether or not the organisation is concerned for employees' health and wellbeing are some of the main factors driving engagement (Robinson et al., 2004). Feeling valued and involved also extends to the reward strategy: employees are more likely to be engaged where fairness and transparency underpin how rewards are allocated. Towers Perrin (2005), for example, found that disengaged workers are often negative about the 'employment deal', with many believing that pay programmes are not designed or implemented fairly or consistently, and that few companies truly differentiate between high and mediocre or poor performance when allocating bonuses or other forms of variable pay. Speaking at the CIPD/e-reward conference on reward management in 2005, Duncan Brown also referred to the 'engagement gap', where employees simply do not understand or trust decisions on pay (e-reward, 2005).

The CIPD (2006b) highlighted the importance of a package of various financial and non-financial rewards in generating levels of engagement. The research reported that the 'pay package', consisting of pay, bonuses, share options and benefits, is one of the three elements along with job satisfaction and employability that make up the 'engagement triangle', which organisations need to embrace in its entirety if they are to engage people. A total reward strategy – a mix of extrinsic (financial rewards and benefits) and intrinsic rewards (personal development and working environment) – encompasses all the elements of the triangle and is seen by a number of HR consultants as the most effective way to build engagement. Pay guru Michael Armstrong believes that if people receive both extrinsic and intrinsic rewards, it will foster engagement with the job, commitment to the organisation and positive discretionary behaviour, for example, by staff undertaking more work than is expected of them or tasks outside of their job description (Wilkinson, 2007). An increasing number of companies are embracing total reward as a way of promoting engagement. Utility Centrica defines total reward as a 'mix [of] extrinsic and intrinsic rewards to encourage employees' discretionary effort', for example, while total reward at Nationwide Building Society – which takes in financial rewards as well as learning and development opportunities, work environment, quality of work and leadership behaviours – is geared towards supporting committed and engaged employees.

Employee engagement is not a static thing, but an ongoing process, changing, as individual needs and wants alter. A key characteristic of a total reward strategy (encompassing, as it often does, flexible benefits) is adaptability, which allows employers to offer a mix of rewards based on employee needs and wants at any one time, and to change them to accommodate changing circumstances.

Employees willing to 'go the extra mile' by solving problems, taking the initiative, learning new or better ways of working, and by helping colleagues and customers are likely to be those who find their work challenging and have reasonable autonomy in doing their job. Positive discretionary effort also depends on an organisational culture that fosters openness, allowing employees to express their opinions upwards to their manager and beyond (CIPD, 2006b).

Failure to offer the right set of rewards may lead to disengagement. Disengagement is not a simple mirror image of employee engagement, not least because what turns people off varies just as much as what turns people on, and the part it plays may also vary with circumstances. For example, Towers Perrin (2005) found that 'competitive pay' is a principal attraction driver, but not as important as an engagement driver. Similarly, 'pay' was third behind 'the way the organisation is managed' and 'chances for promotion' in a league of factors having the most impact on work disengagement, according to CIPD research (2006b). And given the importance of equity, workers who perceive that rewards are not fairly allocated or feel their efforts are not properly rewarded will quickly become disengaged.

Background

'An engaged employee is one who is willing and able to contribute to company success. It is not a measure of happiness or satisfaction but the extent to which a person puts discretionary effort into their job, beyond the required minimum to get the job done, in the form of extra time, brainpower or energy. It's about going the extra mile.'

Jim Crawley, principal at Towers Perrin (2005)

Overview

Levels of employee engagement across the developed economies are not particularly high. A global study of engagement by Towers Perrin (2005) shows that, on average, only 11% of workers in Europe could be described as 'highly engaged'. The figure for the UK was slightly better at 12%. The CIPD (2006a), which polled a stratified sample of 2,000 employees in Great Britain in July 2006, found a higher level of engagement, with 30% rated as being engaged in their work.

Whichever figure is closer to the true level of engagement in the UK, both surveys indicate that a huge proportion of workers are, at best, only moderately engaged in their work, while a substantial minority is totally disengaged – 65% and 23% respectively in the UK according to Towers Perrin. Is that a problem? There is mounting evidence that engaged employees lead to superior business performance, with studies revealing that high engagement levels are positively correlated with increased sales, rising profitability and improved customer satisfaction. Engaged employees are also less likely to leave or take sick leave, suggesting that by strengthening engagement levels, organisations can save considerable sums on the costs of recruitment and absence.

In order to raise engagement levels, particularly among the large proportion of staff that are only moderately engaged, employers need to understand what engagement is. There are a number of different definitions, but most agree that engagement is a mix of emotional and rational factors relating to work and the overall work experience. These factors determine whether or not an individual is willing and able to give discretionary effort or go the 'extra mile' at work. All definitions and descriptions make it clear that employee engagement is clearly distinguishable from either employee satisfaction or employee commitment.

High levels of engagement will only emerge where the employer gives something in return: employees need to feel valued and involved at work. A reward 'package' (consisting of pay, bonuses, share options and benefits) combined with a working environment that enhances job satisfaction (through achievement, recognition and autonomy, for example) and ample opportunities for development and to be involved in projects that advance a person's career are all part of an engagement 'triangle' that needs to be implemented in its entirety if organisations are to generate high levels of employee engagement. As much of the triangle depends on the role of line mangers, they are crucially important in raising engagement levels.

What is employee engagement?

Employee engagement is defined in a variety of ways. A 2006 study from the Conference Board (2006) reported that there had been 12 major studies into employee engagement published in the preceding four years, and each adopted a different definition. As a result, the Conference Board applied its own definition: 'a heightened emotional connection that an employee feels for his or her organisation, that influences him or her to exert greater discretionary effort to his or her work.' Other definitions of employee engagement include:

- 'The measure of people's willingness and ability to give discretionary effort at work' (Towers Perrin, 2005)
- 'Passion for work' (CIPD, 2006b)
- 'An individual's involvement and satisfaction with, as well as enthusiasm for, their work' (Harter et al., 2002a)
- 'The measure of an employee's emotional and intellectual commitment to their organisation and its success' (Hewitt Associates, quoted in Robinson, 2004)
- 'A combination of commitment to the organisation and its values plus a willingness to help out colleagues (organisational citizenship). It goes beyond job satisfaction and is not simply motivation. Engagement is something the employee has to offer: it cannot be "required" as part of the employment contract' (CIPD, 2007a)
- 'A positive attitude held by the employee towards the organisation and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organisation' (Robinson et al., 2004)
- 'The degree to which workers identify with, are motivated by, and are willing to expend extra effort for their employer' International Survey Research (ISR)
- 'Employee engagement represents an alignment of maximum job satisfaction ("I like my work and do it well") with maximum job contribution ("I help achieve the goals of my organisation"). Engaged employees are not just planning to stick around. They are not just happy or proud. They are enthused and "in gear", using their talents to make a difference in their employer's quest for sustainable business success' (Blessing White, 2006)

The flipside of employee engagement is the requirement for employers to offer something staff want/need in return for them going the extra mile. According to the

CIPD (2006b), staff wants and needs form an 'engagement triangle' made up of the following three elements:

- 'package' – consisting of pay, bonuses, share options and benefits
- 'job satisfaction' – includes achievement, respect and recognition, autonomy, work–life balance, congruent values and a sense of fun
- 'employability' – opportunities for development, involvement in prestige projects and career advancement as well as working for a respected organisation.

Social exchange theory suggests that all human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. So, for example, people will generally choose to leave a relationship/job when they perceive that the costs of the relationship outweigh the perceived benefits. Engagement embodies this. Purcell (CIPD, 2006b) notes that there is a reciprocal relationship between perceptions of organisational support provided to employees and their willingness to maximise their performance and that of the organisation.

All definitions and descriptions make it clear that employee engagement is clearly distinguishable from either employee satisfaction or employee commitment. The Royal Bank of Scotland contrasts employee 'engagement' with 'commitment' and 'satisfaction'. Whereas an employee's satisfaction is defined as 'how much I like working here' and their commitment as 'how much I want to be here', engagement is described as 'how much I want to and actually do improve our [RBS] business results' (Cowan, 2006). Paul Turner, general manager for people at West Bromwich Building Society, which has implemented an employee engagement strategy, told IRS that though the terms 'satisfaction' and 'engagement' are often used interchangeably, there are important differences: whereas satisfaction can be highly influenced by factors outside the organisation's control and can fluctuate greatly, engagement is more consistent and influenced more by internal factors, such as leadership, communication and involvement (Suff, 2006a).

Nonetheless, Robinson et al. (2004) say that employee engagement has similarities to, and overlaps with, some types of commitment. According to these authors, of the different types of commitment, the closest relationship with engagement is 'affective' commitment, which emphasises the satisfaction people get from their jobs and colleagues as well as a willingness to go beyond the call of duty for the good of the organisation. Affective commitment also recognises the two-way nature of the engagement relationship, in so far as employers are expected to provide a supportive working environment. This kind of commitment contrasts with 'structural' commitment, which is linked more to the transactional nature of the employment relationship. Robinson et al. also note the similarities between engagement and organisational citizenship behaviour (OCB), such as helpfulness, loyalty, compliance and initiative. However, the authors acknowledge that engagement is not a perfect match with either commitment or OCB: indeed this might be why is has such descriptive value for employers.

Emotional and rational factors

Towers Perrin (2003 and 2005) says that employee engagement involves both emotional and rational factors relating to work and the overall work experience. According to the firm, emotional items relate to people's personal satisfaction and sense of inspiration and affirmation they get from their work and being part of an organisation, while rational factors relate to the relationship between the individual and the broader organisation. To put these into perspective, Towers Perrin (2005) says that how strongly individuals agree with emotional-based statements – such as 'My job provides me with a sense of personal accomplishment' – and rational-based assertions – for example, 'I am willing to put in a great deal of effort beyond what is normally expected to help my organisation succeed' – provide a measure of their engagement.

The CIPD (2007) says that engagement has three dimensions. These are:

- emotional – being very involved emotionally in one's work
- cognitive – focusing very hard while at work
- physical – being willing to 'go the extra mile' for your employer.

Baumruk (2004) also talks about employee engagement in terms of individual emotional as well as intellectual commitment to the organisation, with the following three attributes central to his definition:

- engaged employees are passionate advocates for their workplace, consistently speaking positively about the organisation to colleagues and customers
- engaged employees have a strong desire to be a member of the organisation, despite opportunities to work elsewhere
- engaged employees routinely go above and beyond, exerting extra effort to produce extraordinary results.

Similarly, Harter et al. (2002b) refer to employee engagement as a combination of cognitive and emotional antecedent variables in the workplace, while Kahn (1990) found that employees become more cognitively and emotionally engaged when their basic needs are met. Accordingly, the positive emotions that result when basic needs are provided in the workplace serve to broaden employees' attention, cognition and action in areas related to the welfare of the business (Harter et al., 2002b). Basic needs include clarity of expectations (so outcomes that have to be achieved are clear) together with having the basic materials and equipment to do the job. If expectations are unclear and basic materials and equipment not provided, negative emotions, such as boredom or resentment, emerge that can ultimately cause disengagement. The inclusion of cognitive and emotional features in the engagement paradigm led Jones (2005) to conclude that it is a broader concept than job satisfaction.

Harter et al. (2002b) also note that employees need to feel that they are contributing to the organisation. This is best achieved if they have the opportunity to do what they do best in their job. The authors quote one employee, who said: 'I like working in a company where my talents, knowledge and skill are understood and put to good use and respected.' Another factor in generating positive emotions among employees is frequent and immediate recognition for good work, often encouraging them to think about how they could contribute more. Positive emotions at work are also generated by strong friendships with colleagues and an environment that provides ample opportunities for individuals to discuss their progress and develop their skills.

Fredickson (2001) has championed the view that positive emotions lead to good functioning, now and in the future as individuals become better at developing responses/resources to deal with specific situations. At an organisational level, the creative potential stemming from positive emotions can lead directly to increased productivity, profitability and customer satisfaction. In the CIPD (2006b) report *Reflections on employee engagement,* Nic Marks analyses survey evidence examining both positive emotions (feeling enthusiastic, cheerful, optimistic, content, clam and relaxed) and negative emotions (feeling tense, miserable, depressed, worried, uneasy and gloomy), and their relationship with different work performance indicators, such as job satisfaction, cognitive engagement (absorbed in work tasks), physical engagement (commitment to completing task) and loyalty. The author found that negative emotions undermine performance in these areas, while positive emotions support good performance, albeit to differing degrees.

Baumeister and Leary (1995) believe a sense of belonging is an important element of employee engagement and a basic human need. Involving staff in workplace decisions can enhance a sense of belonging and encourage interest in the organisation. According to Wrzesniewski et al. (1997), employees who are able to connect what they do with the organisation's mission or purpose tend to have higher levels of interest in the business as well as ownership of organisational outcomes.

Jones (2005) notes that one common theme running through the engagement literature is the notion that desire and/or willingness to participate are fundamental components of engaged behaviour. Indeed, Finn (1989) characterises engagement as a multidimensional construct, including compliant/non-compliant behaviour (ie willingness) and initiative-taking behaviour (ie desire). A further variable is business performance, with higher levels of engagement often associated with business success (Harter, 2000).

Employee characteristics

Research suggests that personal characteristics influence levels of engagement, indicating that engagement is not a static thing but is susceptible to changes in personal circumstances and the working environment. Towers Perrin (2005) notes that people want different things from their company at different stages of their employment life cycle. The corollary is that employers can no longer apply a 'one-size-fits-all' approach in their reward and other HR strategies. For example, high levels of engagement have been found among older workers, and may be bolstered further where an organisation is proactive is preparing and supporting them as they near retirement, while engagement among those in their 40s and 50s could be increased if employers help them to find a better balance between work and home life – something this age group finds particularly hard to achieve.

According to the CIPD (2006a), women are generally more engaged with their work than men, and older workers are more engaged than younger employees. Among its other findings, the institute's 2006 survey found that:

- around 25% of under-35s report feeling engaged compared with 40% of over-35s
- workers aged 55 or older are more engaged than younger employees and also take less sick leave
- women are more engaged with their work than men and more satisfied; they feel more positively about their senior management team and are more loyal
- women work shorter hours, are happier with their work–life balance, and feel they get more support in this than do men
- employees who are happy with their work–life balance are more engaged with their work than those who are unhappy with their work–life balance
- women, employees over 55 years of age, part-time workers and those working in small organisations are happier with their work–life balance than others
- managers are significantly more engaged with their work than non-managers
- managers feel more positive about communication and involvement and feel they have more support and recognition and are listened to more than non-managers
- more public sector workers find their work worthwhile and personally meaningful compared with private sector employees.

In their examination of engagement in an NHS organisation, Robinson et al. (2004) also looked at the personal characteristics that may impact on levels of engagement. Unlike the CIPD research, the authors found no difference in engagement scores between men and women, though they also discovered differences between age groups, specifically that older employees (those aged 60 or more) have the highest levels of engagement. Robinson et al. also report:

- higher engagement levels among ethnic employees than their white colleagues
- employees with carer responsibilities have significantly lower levels of engagement than those with no such responsibilities
- workers with a disability/medical condition have lower engagement levels than those who do not have such a condition.

The NHS study also revealed that though older workers tend to be more engaged than their younger colleagues, this is not necessarily the case if workers remain with one organisation. According to the study, engagement levels decline as length of service increases. Robinson et al. (2004) say the reasons for the relatively low engagement levels among long-serving staff may include career frustration (passed over for promotion), boredom (job has become routine), cynicism (seen it all before) and perhaps disappointment (with themselves and/or the organisation).

Drivers of employee engagement

The strongest driver of engagement is a sense of feeling valued and involved, according to IES research (Robinson et al., 2004). The engagement model they developed shows the main drivers of employment engagement and focuses on measures that increase perceptions of involvement in, and value to, the organisation. These are:

- employees are involved in decision making
- employer demonstrates concern about employees' health and wellbeing
- senior managers show employees that they value them
- employees feel able to voice opinions
- good suggestions are acted upon
- employees have the opportunity to develop their jobs
- managers listen to employees.

IES (Robinson et al., 2004) has also produced a list of the main drivers of employee engagement among staff in an NHS organisation, with each one rated for its degree of importance. In descending order, the drivers were:

- training, development and career
- immediate management
- performance and appraisal
- communication
- equal opportunities and fair treatment
- pay and benefits
- health and safety
- cooperation
- family friendliness
- job satisfaction.

Robinson et al. also suggest the following areas are of fundamental importance to engagement:

- Good quality line management – managers who:
    - care about their staff
    - keep them informed
    - treat them fairly
    - encourage them to perform well
    - take an interest in their career aspirations
    - smooth the path to training and development opportunities.
- Two-way, open communication – where employees are able to voice ideas and suggest better ways of working; where employees are kept informed about things that affect them.
- Effective cooperation – within the organisation.
- Employee development – organisation takes development seriously, delivering training that staff need now as well as providing fair access to further development opportunities.
- Employee wellbeing – a commitment to wellbeing that is demonstrated by taking health and safety seriously, including actively working to minimise accidents, etc.
- Policies – clear, accessible people-management policies and practices, particularly in relation to appraisals, equal opportunities and work–life balance. Both line and senior mangers must be committed to such policies.
- Pay and benefits – fairness, both within and outside the organisation, in the distribution of financial and non-financial rewards.
- Working environment – one that encourages harmony, with staff having respect for, and a willingness to help, each other.

The CIPD (2006a) provides similar findings, reporting that the main drivers of engagement are:

- having opportunities to feed your view upwards
- feeling well informed about what is happening in the organisation
- thinking that your manager is committed to your organisation.

The Conference Board's (2006) examination of 12 studies into employee engagement found that around a quarter agreed that the following are the eight key drivers of engagement:

- trust and integrity – how well managers communicate and 'walk the talk'
- nature of the job – is the work mentally stimulating on a day-to-day basis?
- line of sight between employee performance and company performance – does the employee understand how their work contributes to the company's performance?
- career growth opportunities – are there future opportunities for growth?
- pride in the company – how much self-esteem does the employee feel by being associated with their company?
- colleagues – significantly influences individual levels of engagement
- employee development – is the company making an effort to develop the employee's skills?
- relationship with manager – does the employee value his/her relationship with their manager?

Where an organisation pursues a strategy to enhance engagement levels, it tends to concentrate on improving management behaviour, involvement and communication. The engagement strategy at West Bromwich Building Society, for example, focuses on leadership, management style, communication, involvement and the employer brand (Suff, 2006a).

Numerous studies reinforce the idea that line management in particular is central to engagement. The CIPD (2005), for example, notes that the high-performance business model emphasises the important role of line managers in releasing employees' discretionary behaviour, while a later study from the institute (CIPD, 2006a) reported that staff with positive views about their managers (and senior managers) are the most engaged with their work, perform better and are less likely to quit. Tritch (2003) reports that variation in engagement levels from site to site in the same organisation (in this case B&Q) was due to differences in the skills/behaviour of managers. The Conference Board (2006) found that all 12 of the engagement studies it examined agreed that employees' relationship with their line manager is the strongest of all engagement drivers. At a senior level, leadership is the key to engagement. Hay Group (2001) estimates that between 50% and 70% of an organisation's climate, such as how it feels to work in the organisation and the atmosphere in the workplace, can be traced to organisational leadership. Basically, good leadership creates a good working environment, while poor leadership creates a poor climate.

Most of the proprietary questionnaires used by consultancies to measure levels of engagement tend to focus on views on management behaviour and leadership. West Bromwich Building Society has used Hemsley Fraser's 9Factors Employee

Commitment Survey since 2000 (Suff, 2006a). It contains 36 questions, including: 'Does your manager treat people in a way that makes them feel valued?' 'Are work meetings effective and valuable?' BT's annual CARE (Communications and Attitude Research for Employees) survey was developed by the consultancy Kenexa and includes the following statements, with employees indicating whether or not they agree: 'My manager actively promotes safe working behaviours' and 'My manager is supportive if I have to take time off for home/family emergencies' (BT, 2007). DIY retailer B&Q has used the Q^{12} survey from Gallup since 2000. According to the market research organisation, Q^{12} focuses on the 12 'universal' employee needs that, when met, evoke strong feelings of engagement, including aspects that can be influenced by supervisors, such as recognition and communication (Tritch, 2003). And, at Centrica, the annual employee survey uses a zero to five scale to measure employee engagement in five key areas, including 'management impact' as well as 'me as an individual', 'customer focus', 'leadership' and 'performance and development' (Centrica, 2006).

Why is engagement important?

There is clear and mounting evidence that high levels of employee engagement improve organisational performance in a number of areas. A great deal of research (for example, Heskett et al. 1997; Koys, 2001), particularly in the retail sector, has looked at the impact of employee commitment/behaviour on sales/customer satisfaction. Most has found a favourable correlation, with high levels of employee commitment/satisfaction/engagement associated with increasing sales and customer satisfaction levels and lower levels of employee absence. Harter et al. (2002a) have conducted one of the largest studies into the link between employee perceptions and business performance. Their meta-analysis of almost 8,000 work units in 36 companies found small but significant correlations between productivity and profitability and employee engagement. They also found that engagement was also positively associated with customer satisfaction. Research, in the UK retail sector, by IES showed conclusively that employee commitment had a direct impact on sales as well as improved customer loyalty and employee attendance. 'Broadly speaking, as employee commitment increased, sales went up; in addition, employee absence decreased, while customer satisfaction and customer spending intention increased, causing sales to go up even more,' report Barber et al. (1999). This supported the famous service-profit chain research conducted at Sears (Rucci et al., 1998).

In pure financial terms, Higgs (2006) says that a 5% increase in employee satisfaction will produce a 3% rise in customer satisfaction and a 0.25% increase in shareholder value, while companies with high levels of employee engagement generate 6% more revenue than organisations with lower levels of engagement. Towers Perrin/ISR (2007) report substantial increases in operating margin and net-profit margin in organisations with highly engaged staff. The consultancy compared high-engagement to low-engagement companies over three years and found that the operating margin in the former was 3.74% higher than the average, while the net-profit margin was more than 2% higher. By contrast, the operating margin and net-profit margin in low-engagement firms were 2% and 1.38% below the average respectively. The examination by the Conference Board (2006) of 12 separate studies of employee engagement found that, though performance differences between engaged and disengaged staff varied from study to study, on average highly engaged employees outperform their disengaged colleagues by between 20% and 28%. US research found that increasing an individual's level of engagement can improve their performance by up to 20% (CEB, 2007). And, Whiteley (2006) quotes the group head of human capital management at Standard Chartered Bank, which has been measuring engagement levels since 2000, as saying: 'We have found that bank branches with high levels of engagement outperform those with weaker engagement on a range of measures, including revenue and profit margin growth.'

In terms of HR measures, the CIPD (2006a) found that engaged employees take less sick leave and are less likely to leave than disengaged employees. It also says that engaged employees are more likely to act as organisational advocates than disengaged colleagues, so may have a powerful role to play in promoting the company as an employer of choice. The CEB (2007) research reported that by raising individual levels of engagement, firms reduce the probability that staff will leave by 87%.

Other reported benefits from engaged employees include lower staff turnover – engaged employees are 87% less likely to leave (Corporate Leadership Council, 2004); improved safety performance (Vance, 2006) and improved customer service (Salanova et al., 2005).

Case studies

B&Q

The DIY retailer has been measuring employee engagement at its 320-plus UK stores since 2000, believing that high employee commitment and satisfaction translates to better customer service, which in turn drives higher profits (Wustemann, 2003). Twice a year all employees receive a card with a personal identification number and are asked to call an automated voice-response phone line within two weeks to record their answers to Gallup's 12 engagement questions (the Q^{12}). The process is voluntary and between 80% and 90% of B&Q's 39,000-strong workforce usually take part. Gallup processes the data and returns the results to B&Q's senior management within four weeks. Store managers and team leaders then receive a local/regional breakdown of the figures. Managers' bonuses are linked to engagement scores.

According to the company, there are now 5.4 engaged staff for every actively disengaged employee (*Personnel Today*, 2007). The company has recently sought to raise engagement levels further throughout the business, and it says that as a result, like-for-like sales since 2005 have increased from –8.8% to +1.4%, while its mystery shopper score has risen from 65% in February 2005 to 80.4% in January 2007.

Centrica

As part of its drive to become an employer of choice, Centrica has been seeking to raise employee engagement levels (Wolff, 2005). In 2003, the utility firm changed its focus from employee satisfaction to employee engagement, believing that engagement drives satisfaction and is a major influence on profitability. The company conducts an employee engagement survey, consisting of 23 core questions, each year. It uses a zero to five scale to measure engagement in five key areas: 'me as an individual', 'management impact', 'customer focus', 'leadership' and 'performance and development'. Managers' bonuses are linked to team engagement scores. Managers and local teams are responsible for analysing their own results, looking for strengths and weaknesses within their own areas and developing action plans to increase engagement levels.

According to the company, in 2006 86% of employees participated in the survey and the overall engagement score increased by 2%, despite what the firm describes as a 'very challenging period for the business' (Centrica, 2006). The company says the improvement in the score was mainly because of a strong showing in the 'management impact' category, with 79% of participants saying they are satisfied with their relationship with their line manager. The 2006 results also show that 77% of respondents are aware of how people's work affects Centrica's performance; 80% know their objectives; 77% say their managers hold regular team meetings; and 75% feel they have a manager who cares.

Nationwide Building Society

Since 2002, the Nationwide has been running its Genome project, looking at the links between employee engagement, customer commitment and business performance (Suff, 2005). 'We now have proof that improved employee commitment translates into better business performance,' says John Lenihan, personnel consultant, data modelling, who heads up the project. After analysing the results of 'Viewpoint', its staff survey, and customer satisfaction and branch performance data, the building society was able to isolate the five main influences – pay, length of service, coaching, resource management and values – on the commitment levels of its workforce. Nationwide found that fairness and transparency in employees' pay, longer length of service, having the right person in the right place at the right time, and training and development opportunities are all important to staff engagement levels. The organisation's value system – its PRIDE common goals (putting members first, rising to the challenge, inspiring confidence, delivering best value and exceeding expectations) – is the other key influence. A simulator allows the building society to accurately estimate the level of improvement in its business performance from raising employee engagement in one area. 'We can now determine the biggest return from our HR-related expenditure,' says Lenihan. For example, increasing the average length of service across the organisation by one year will raise the value derived from mortgage sales by £5.6 million.

Results of Nationwide's 2006 employee survey show an overall employee satisfaction score of 77% (proportion of employees giving a positive response) (Nationwide Building Society).

Reward and engagement

Overview

Reward is not the number one driver of engagement, but it has an important role to play. Rewards are the most visible measure of how much an organisation values someone. Most people will compare what they earn with others doing similar work. If the rewards being offered are not comparable, employees are likely to feel they are of little value to the organisation and seek alternative employment. But is it not just pay levels that may raise doubts among individuals about how much they are valued. Of more importance is how pay decisions are determined. Studies have shown that employees tend to be more concerned with fairness and equity than with levels of pay. Employees want to know that, even if their own level of pay is less than others, the process for allocating rewards is fair and transparent, and they can trust the people making the decisions.

Elements of the reward package have a greater impact on engagement levels than others, and how much effect each one has often depends on individual circumstances, such as their personalities, preferences, stage of life and role in the organisation. So an organisation needs a reward strategy that is flexible enough to appeal to different people at different periods in their lives. It needs, for example, to accommodate within the same reward system a competitive starting salary and development opportunities for recent graduates, as well as enhance the pension benefits and flexible working opportunities for employees close to retirement. Total reward is becoming the preferred reward strategy for organisations wanting the build or strengthen engagement.

Total reward consists of tangible or transactional rewards, such as pay and benefits, and intangible or relational ones, like learning and development opportunities and a good work environment. It is not a 'one-size-fits-all' approach, but offers organisations the flexibility to vary the reward mix, tailoring it to specific employee groups, individuals or business units.

Role of rewards

If, as Robinson et al. (2004) suggest, one half of securing engagement is to ensure employees feel valued, then one of the biggest measures of value is the financial rewards afforded employees. Pay communicates a sense of how much the organisation values an employee (Gardner et al., 2004). Individuals will compare pay levels both inside and outside the organisation, believing that comparable jobs should attract similar levels of compensation. Research suggests that it is people's perception of their tangible rewards vis-à-vis others that is the key to the impact of rewards on levels of engagement. There is also evidence that rewards are more important, if *not* the critical factor, when employees are not engaged (Harter et al., 2002b). According to Towers Perrin (2005), which in 2005 polled more than 86,000 workers in 16 countries to assess engagement levels, employees are more concerned with fairness and equity than with levels of pay. The study revealed that only 27% of respondents believe that the criterion for determining salary and wage levels is fair and consistent in their organisation. And less than a third (32%) give a favourable response to the statement: 'I am fairly compensated compared to others doing similar work in my organisation.'

Although reward is not in itself always a key factor in engaging staff, there is evidence that the lack of appropriate financial rewards or a fair way of distributing rewards can be the source of disengagement. Similarly, Dilys Robinson, speaking at a joint CIPD/e-reward pay conference, commented that getting pay wrong – for example, withdrawing benefits, failing to promote or allocating bonuses unfairly – has a huge impact and is very disengaging, as these aspects of working life are held as proxies of the extent to which the organisation values the individual (e-reward, 2005). Towers Perrin (2005) found that disengaged workers are often negative about the 'employment deal', with many believing that pay programmes are not designed or implemented fairly or consistently, and that few companies truly differentiate between high and mediocre or poor performance when allocating bonuses or other forms of variable pay. Duncan Brown, former assistant director general at the CIPD, has also referred to the 'engagement gap', where employees simply do not understand or trust decisions on pay (e-reward, 2005).

Analysis of the Towers Perrin (2005) data reveals that 'competitive base salary' is the third most important feature, behind 'challenging work' and 'work–life balance,' that attracts people to an organisation/job. However, financial rewards tend to only have a short-term influence on engagement. The consultancy concluded that the 'things that attract people to a job are not the same as the elements that engage them and persuade them to perform consistently well'. Its data for the UK shows that though 'competitive pay' is the number one attraction driver, pay does not feature at all in the top 10 engagement drivers. Harter et al. (2002b) note that monetary satisfiers can be easily matched or topped by other organisations, so organisations need to rely on more than rewards to generate engagement.

The CIPD (2006b) highlighted the importance of a package of various financial and non-financial rewards in generating levels of engagement. Its research reported that a 'pay package', consisting of pay, bonuses, share options and benefits, is one of the three elements along with job satisfaction and employability that make up the 'engagement triangle', which organisations need to embrace in its entirety if they are to engage people. Jensen et al. (2006) believe it is the intangible rewards, such as good job design, career development opportunities, recognition of good performance and the provision of regular feedback, rather than tangible, monetary rewards, that have an enormous influence on engagement levels. Intangible rewards are also the hardest things for competitors to duplicate, making it less attractive to leave. Reward expert

Michael Armstrong says that if people receive both extrinsic and intrinsic rewards, it will foster engagement with the job, commitment to the organisation and positive discretionary behaviour, for example, by staff undertaking more work than is expected of them or tasks outside of their job description (Wilkinson, 2007). Centrica, Nationwide Building Society and the Royal Bank of Scotland (RBS) are just three of an increasing number of UK companies employing a mix of extrinsic and intrinsic rewards to encourage employees' 'discretionary effort' and build engagement.

Financial rewards should not be dismissed as an effective way to boost engagement, however. Where incentives, for example, are used innovatively, so that individuals can do what they do best to boost their own rewards, and employees are clear about what is expected of them, then financial rewards can improve engagement. As Harter et al. point out: 'Providing employees [with] the opportunity to expand their monetary rewards – by clarifying outcomes, providing material support to achieve the best rewards, and putting them in positions in which they can do what they do best and contribute to the organisation – expands the chance for positive emotions to occur more frequently.' According to Jim Cowan at RBS, engagement is a key principle underlying the bank's approach to the design of reward programmes. He acknowledges that the impact of a good manager is significantly greater in driving engagement than reward. However, because the impact of good managers is limited by their narrow spans of control, he says reward done well can drive engagement across the whole organisation (2006).

Incentives

It seems reasonable to suppose that pay incentives affect employee behaviour and thence organisational performance. Indeed, in some functions, like sales, incentive pay is the norm because the 'effort-reward bargain' is assumed to work.

Research support for this notion exists. Huselid and Rau (1997) found that firms in more profitable industries were more likely to adopt the incentive and performance management elements of high-performance working. A meta analysis by Kling (quoted in Bosworth 2005) on US studies, and research by Ashton and Sung (2002), confirmed the finding that compensation linked to either worker or firm performance lifted labour productivity. Guest (2000) also found that individual performance-related pay was one of 18 key practices associated with high performance or high commitment management. And there is much more research besides.

However, the latest insights into the people–performance link (Tamkin 2005 and et al., 2008 and Bryson, 2007) suggest that:

- if such reward practices are to be effective, they must be part of a bundle of HR activities that are mutually reinforcing

- the most powerful of these reward elements are mechanisms such as gainsharing, profit sharing or share schemes, ie those approaches that share the value created for the organisation by employees
- individual performance-related pay schemes have in themselves only a neutral impact on organisational performance.

We should not take this research to mean that performance-related pay does not work, rather that it will deliver in some circumstances – that is, among particular employment groups where targets can be easily and objectively measured, and where employees are influenced by extrinsic motivators. For others, reward plays a part, but less as an incentive and more as a tool of recognition – to acknowledge employee contribution.

Fair pay

Fairness has long been seen as an important element in how employees respond to pay systems. For example, Adams published research in 1965 where he found that people are better motivated if they feel they are being treated equitably and consistently, and de-motivated if they perceive that the opposite is occurring. Adams describes two forms of equity: distributive equity – individuals' perceptions about how they are treated and rewarded compared to others; and procedural equity – individuals' perceptions of the fairness of the process of setting pay.

Jacques (1961) had already developed a 'felt-fair' principle, which means a pay system will only be considered fair if employees feel it is. His approach is based on the following assumptions:

- an unrecognised standard exists of what is fair pay for a given level of work
- a workforce has an unconscious knowledge of the standard
- pay is only 'felt fair' if it matches the level of work and the capacity of individuals to do it
- employees feel pay unfair when they receive less than they deserve by comparison with their colleagues.

(Brown and Armstrong, 1999)

Armstrong (1999) has therefore argued that an 'equitable reward system ensures that relative worth is measured as objectively as possible, that the measurement processes are analytical, and that they provide a framework for making defensible judgments about job values and grading'.

Given this background it is not surprising that fairness, particularly internal equity, has played a central role in pay determination for many years (Suff and Reilly, 2007). The most recent CIPD (2007b) reward survey reveals that almost half of participating organisations still regard internal fairness or equity as an important goal for their reward strategy. Towers Perrin's global study of engagement levels concluded that employees are more concerned with fairness and equity than with levels of pay (Towers Perrin, 2005). The research suggests that employees generally are realistic about pay and tend to have an accurate view of how their remuneration compares with pay levels in other organisations. Annette Cox, when at the Manchester Business School, also reported that staff tend to be more concerned about how pay decisions are made than who gets what (e-reward, 2005). Harter et al. (2002b) argue that employees who are heavily underpaid relative to others they perceive as being in similar jobs are likely to be disengaged and place more importance on pay than staff who perceive their pay to be similar to that of comparable workers elsewhere. Heneman and Judge (2000) also discovered that the process of setting pay was more important than the actual level of pay.

Pay satisfaction

This is a closely related concept to fair pay because it draws upon the same insights. One of the clearest expositions of the importance of pay satisfaction was research commissioned by the US WorldAtWork. This showed that pay satisfaction can lead to employee engagement, but for satisfaction to be present, employees had to feel comfortable with their pay levels and, as we have said, with the process of its determination, but also they had to have knowledge with how pay is constructed. Brown and Armstrong (1999) make it clear that transparency is crucial, believing that people are more likely to feel they are rewarded fairly if they understand the basis upon which pay decisions affecting them are made.

Total reward

Although fairness and equity in pay decisions is a prerequisite for preventing disengagement, highly engaged staff expect more in terms of rewards than levels of pay that are comparable to those of people in similar jobs. It is increasingly acknowledged that, though necessary for recruitment and retention, financial rewards alone are unlikely to deliver employee behaviours that really add extra value, and engender the attitude required for an employee to voluntarily commit to going the extra mile at work (Bloom and Milkovich, 1998). Total reward – which includes all types of financial and non-financial rewards, as well as both direct and indirect rewards, such as career development – is increasingly seen as being the best reward strategy to underpin employee engagement. Hay Group's Helen Murlis told delegates to a joint CIPD/e-reward conference that because people go to work for a wide range of reasons that arise from their personalities, preference, stage of life and role in the organisation, they have diverse engagement factors (e-reward, 2005). 'If you don't take account of these, you're unlikely to get high performance with any reward mechanism that you introduce. Total reward is therefore an important consideration,' she added.

The CIPD (2007c) defines total reward as a term to 'describe a reward strategy that brings additional components, such as learning and development, together with aspects of the working environment, into the benefits package. It goes beyond standard remuneration by embracing the company culture, and is aimed at giving all employees a voice in the operation, with the employer in return receiving an engaged employee performance.' Armstrong and Murlis (2004) define total reward as a 'value proposition, which embraces everything that people value in the employment relationship and is developed and implemented as a coherent whole'. Organisations that have embraced a total reward approach define it in a similar way. Nationwide Building Society, for example, describes total reward as 'a mixture of pay elements, with a defined cash value, benefits which have an intrinsic value, a positive work environment, and opportunities for learning and development', while Unilever says it 'encompasses all the elements of "what it means to come to work"'.

Pfeffer (1998) says the rationale for total reward is 'creating a fun, challenging and empowered work environment in which individuals are able to use their abilities to do meaningful jobs for which they are shown appreciation is likely to be a more certain way to enhance motivation and performance – even though creating such an environment may be more difficult and take more time than simply turning the reward lever'.

Brown and Armstrong (1999) present a total reward model that consists of tangible or transactional rewards (pay and benefits) and intangible or relational ones (learning and development and the work environment). The various elements are:

- pay – base pay, annual bonuses, long-term incentives, shares and profit-sharing
- benefits – pensions, holidays, perks and flexibility
- learning and development – training, on-the-job learning, performance management, career development and succession planning
- work environment – organisation culture, leadership, communications, involvement, work–life balance and non-financial recognition.

Similarly, the Hay Group has developed the 'Engaged Performance Model', which embraces both tangible rewards – described as everything from base salary and performance pay to share schemes and benefits tailored to individual needs – and the more intrinsic rewards, such as autonomy and work–life balance as well as effective leadership and management style. The model consists of the following six clusters, each of which employers can analyse to determine where employees' priorities lie:

a. Inspiration/values
    - reputation of organisation
    - organisational values and behaviours
    - quality of leadership

- risk sharing
- recognition
- communication

b. Quality of work

- perception of the value of work
- challenge/interest
- opportunities for achievement
- freedom and autonomy
- workload
- quality of work relationship

c. Enabling environment

- physical environment
- tools and equipment
- job training (current position)
- information and processes
- safety/personal security

d. Tangible rewards

- competitive pay
- good benefits
- incentives for higher performance
- ownership potential
- recognition awards
- fairness of reward

e. Work–life balance

- supportive environment
- recognition of life cycle needs/flexibility
- security of income
- social support

f. Future growth/opportunity

- learning and development beyond current job
- career advancement opportunities
- performance improvement and feedback

All of these will be important to some employees, but they will not be equally important and their importance will differ at times during the person's employment life cycle. Total reward is not a 'one-size-fits-all' approach, but offers organisations the flexibility to vary the reward mix, tailoring it to specific employee groups, individuals or business units. So, for example, an organisation is free, on the one hand, to combine a competitive starting salary and development opportunities for recent graduates, while, on the other, enhance pension benefits and flexible working for employees close to retirement. The emphasis on flexibility and fit with personal choice makes flexible benefits an obvious and, perhaps, the easiest manifestation of total reward.

Total reward in practice

Certainly, total reward is proving popular as organisations strive to build engagement. The most recent reward survey from the CIPD (2007b) finds that 41% of the organisations polled have adopted a total reward approach, while a further 32% reported planning to take this approach in the next 12 months. The survey suggests that total reward is being adopted across the private and voluntary sectors, but practice lags behind somewhat in the public sector. This is rather surprising given that the public sector is more constrained in its ability to use pay to attract, retain and motivate. A conscious approach to emphasising the non-financial rewards on offer would seem to be sensible. Indeed, the Cabinet Office developed a total reward model based on the Hay methodology.

However, it has to be acknowledged that total reward is a strategy that may fail. This may be because it fails to meet all of the criteria set out by Thompson (2002) in describing the characteristics of a total reward strategy. These are that it should be:

- holistic – focuses on how the organisation attracts, retains and motivates employees to contribute to success using an array of financial and non-financial rewards
- best fit – tailored to the organisation's culture and work processes
- integrative – the reward system is integrated with HR policies and practices
- strategic – aligns reward and business strategies
- people-centred – focuses on employee needs and wants
- customised – provides a flexible mix of reward that offers choice
- distinctive – uses rewards to create a distinctive employer brand
- evolutionary – long-term, incremental approach.

Problems in particular occur when organisations use off-the-shelf models of total reward (thereby failing the distinctiveness and best fit tests); are more dominated by spin than substances (for example, not offering 'customised' choice); or are just an HR fad disconnected from the needs of the business (ie it is not strategic). In such circumstances, total reward is not really part of a 'holistic' approach to people management but just a management trick to inflate the nature of the rewards on offer. This is why trade unionists are often sceptical about total reward, preferring the solidity of extra pay to the perceived ephemera of a buzzword.

The obvious solution for employers is indeed to go beyond the rhetoric to ensure that total reward is a meaningful concept and speaks to the variety of *real* elements in the employment proposition. Some of these may be hard to describe or give too much publicity to, but organisations should be aware of what attracts people to their workplace and keeps them there in a motivated way.

Case studies

Cisco Systems

Reward at Cisco is not viewed as a single concept; the company's approach is a holistic one, consisting of many interconnected threads – both financial and non-financial – linked to the company's business aims (IRS, 2001). It is also a flexible approach, allowing the company to alter its people management practices as circumstances change. Cisco offers a diverse package of pay, benefits and amenities. There is a strong performance theme to compensation, so employees have the opportunity to both contribute and share in the company's success. Variable pay (for example, a cash bonus scheme linked to individual performance, customer satisfaction and corporate performance) is an element of the remuneration of all employees, while staff can acquire a stake in the firm through its employee stock purchase scheme and approved share option plan. The firm's benefits package is basically the same for all staff, regardless of seniority. Its non-financial rewards – which the company believes helps to build long-term commitment – include intrinsic motivators that are inherent in the job itself. For example, staff are encouraged to increase their autonomy by improving their levels of knowledge, skills and competencies. Fostering a positive culture characterised by a hands-off, but supportive, management style underpins it total reward strategy.

First Choice Airways

The Manchester-based airline decided to alter its reward strategy for its pilot workforce after a survey revealed they were feeling undervalued (Suff, 2006b). Its new 'total reward' strategy covers almost every aspect of the employment experience, ranging from direct communication and consultation practices to work-life balance opportunities. The key elements of the overall reward offer include:

- competitive base pay
- two final-salary pension schemes
- a money-purchase pension scheme
- free medical checks
- private medical insurance
- concessions (£1,000 a year to spend on First Choice holidays, plus an option to buy further holidays on a tax-efficient basis

- free uniforms
- duty and subsistence allowances
- share plans (based on internal measures of performance)
- voluntary benefits (for example, childcare vouchers and other insurance)
- generous leave entitlement (pilots have 37 days' annual leave).

A new incentive bonus scheme aims to encourage greater engagement with the firm's goals by incorporating a performance measure of average flying hours of pilots. The firm has also introduced greater opportunities for pilots to exercise more control over the balance between work and home life – something that emerged as a key reward issue following consultation with pilots. In addition, First Choice has established more direct and two-way communication practices. As well as base visits, where pilots have the opportunity to interact with board members, the company now conducts an annual survey (Pilot Voice) exclusively among its pilot workforce.

Nationwide Building Society

The mutual financial services business operates what it calls a total remuneration package (Suff, 2004). It is a mix of cash and non-cash elements, including pay, benefits, training and development and a high-quality working environment. Paul Bissell, senior manager, rewards, describes the reward proposition at Nationwide as something akin to a Swiss army knife: 'On one level, it provides an overall view of the strategic activities that the company needs to engage in. Total reward is also a basic tool to support our communications framework, and it integrates our reward activities with the overall personnel and development infrastructure. It is also a key lever used to reinforce Nationwide's cultural values.'

The following elements make up the building society's total reward system:

- base pay (as good or better than competitors')
- relevant and valued benefits with the flexibility to tailor them to individual needs
- variable pay linked to contribution
- a share in the society's success
- recognition and loyalty
- salary progression to help recruit and then accelerate pay to market levels
- reward principles that are understood and linked to the society's core values
- equal pay
- competitive pension arrangements
- work–life balance programme
- training and development opportunities
- a culture and working environment that engages staff.

The remuneration mix is as follows: fixed pay (base pay, salary progression, etc.) is 66.8%; benefits (allowances, healthcare, pensions, cars, etc.) account for 22%; and variable pay (employee bonus, other bonuses, recognition pay, etc.) make up 11.2%. The organisation's value system – its 'PRIDE' common goals (putting members first, rising to the challenge, inspiring confidence, delivering best value and exceeding expectations) – is supported by the reward framework, with managers allowed to reward (for example, personalised gifts, vouchers or cinema tickets) individual employees for exceptional conduct and loyalty. Organisational values are also reinforced through inspirational leadership, empowerment and encouraging capable and approachable line management. The working environment is described as both safe and enjoyable.

Royal Bank of Scotland

RBS has adopted a total reward approach (Cowan). Aiming to support the business strategy, it is made up of three common elements: market competitive, reward contribution and individualisation. The bank takes a holistic view, but is clear what the various components of the strategy are designed to achieve. Its pay ranges are built around a position of market median practice; it operates clear salary ranges linked to sector/local markets; there is pay progression transparency; pay is linked to performance; there is freedom for staff to tailor individual packages (vis the firm's RBS*elect* scheme); and there are group-wide benefit and share plans. RBS has repositioned its benefits, moving from a structure of defined individual benefit entitlements to one with a defined funding level. This provides staff with the ability to tailor their benefits to better meet their needs, while making the value of their package transparent. RBS*elect*, a flexible benefits system, consists of core benefits, such as a final salary pension scheme, profit share and holidays, and elements of individual choice, including discounted childcare, a share-save scheme, private medical cover and additional pension contributions.

Conclusions

Strengthening employee engagement has become a key objective for an increasing number of organisations. There are various definitions of employee engagement, but most agree it's about individuals giving greater discretionary effort at work; going the extra mile. The rationale for raising engagement is that it improves individual and organisational performance. Numerous studies have concluded that engaged employees provide better levels of customer service and, as a result, generate higher levels of sales and profitability.

Organisations must understand what drives employee engagement in their environment and whether this differs by employee group. For many organisations, ensuring that staff feel valued and involved will be key and the role of managers in this regard will be critical. Good quality managers care about their staff, keep them informed, treat them fairly, encourage them to perform well and take an interest in, and help achieve, their career aspirations. Engagement is likely to be higher in a working environment that encourages harmony, with staff having respect for, and a willingness to help, each other, and where there is good two-way communication. The nature of the work is also important, with people working in stimulating jobs that give them a high degree of autonomy more likely to be engaged than those in monotonous jobs that allow very little control. Additionally, career advancement is vital and, where good learning and development and promotion opportunities exist, can strengthen engagement levels.

Well designed incentive or profit-sharing schemes can be part of the mix in generating organisational high performance. While financial reward is not a primary driver of engagement in many workplaces, disengagement can occur where rewards are perceived as being unfairly allocated or lagging behind those made to similar workers, it can provoke disengagement. There is evidence that if staff fail to understand how pay decisions are made, or do not trust the process of reward decision making, then disengagement will result. Ensuring fairness and equity in the allocation of financial rewards can, therefore, strengthen engagement. However, this is not enough. It is increasingly acknowledged that financial rewards alone will not deliver employee behaviours that really add value, and encourage staff to regularly go the extra mile at work. The overall reward strategy needs to accommodate the different wants and needs that determine someone's level of engagement.

Total reward, which goes beyond the traditional reward strategy and combines financial and non-financial rewards together with elements that provide intrinsic motivation, is fast becoming the preferred reward strategy of organisations wanting to raise engagement levels. Importantly, total reward is not a 'one-size-fits-all' approach, but offers organisations the flexibility to vary the reward mix, so that they can tailor their offering to specific employee groups, individuals or business units, and, therefore accommodate the diverse engagement factors that will exist in any workforce.

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