

## Talent Attraction and Its Relationship to Organisational Productivity

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### Abstract

In this theoretical paper the authors discuss talent attraction and its relationship to organisational productivity. Using Vroom's (1964) expectancy theory as a framework, the authors argue that rewards are one of the more important elements to motivate employees for contributing their best effort to generate innovative ideas that lead to productivity within the organisation. This paper is part of a Master's quantitative research project that was conducted by one of the authors on: influence of employee rewards on talent attraction and retention. The empirical article has in this regard been submitted for peer review. From the literature review that authors found employee rewards improve organisational productivity.

**Key words:** Talent attraction; Talent retention; Rewards; Organisational productivity

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### INTRODUCTION

Aktar, Sachu and Ali (2012, p.9) assert that rewards are one of the more important elements to motivate employees for contributing their best effort to generate innovative ideas that lead to productivity within the organisation. Perrin (2007) asserts that reward systems

consist of compensation (pay and bonuses), benefits, learning and development and the work environment. In line with this thought, Sutherland (2004, p.55) suggests that rewards are the elementary component of the employment relationship which specifies the value employees receive by committing their time and effort towards the attainment of the organisation's intentions. In this regard, employers are obliged to create an appealing reward package to attract and retain valuable employees into their organisations. Thus, employee rewards become significant in supporting job satisfaction as it not only fulfils the essential needs over and above but also helps to attain the higher level of organisational objectives. Smit, Cronje, Brevis and Vbra (2007, p.334) are of the view that employee reward systems are used to strengthen the anticipated performance. In this regard, attracting suitable candidates, retaining suitable talent, motivating employees and complying with the law are all objectives of compensation systems (Grobler, Warnich, Carrel, Elbert, & Hatfield, 2006, p.351).

The World at Work (2011, p.5), a global human resources association in United States of America with main focuses on compensation, benefits, work-life and integrated total rewards, postulates that employee rewards is received as an exchange for services between employee and employer. Kreitner (2004, p.439) postulates that rewards are the material and psychological payoffs for executing different tasks at different levels in the workplace. Furthermore, employee rewards are also seen as anything perceived as value that is given to an employee as recognition for good contribution made. Such rewards can be a strong motivator for improved work performance (Okiogo, 2012, p.9). Armstrong and Murlis (2004, p.11) argue that total rewards typically encompass not only traditional, quantifiable elements such as salary, variable pay and benefits but also intangible non-cash elements such as scope to achieve and exercise responsibility. These

rewards also encompass career opportunities, as well as individual, team and organisational learning and development. Such rewards further enhance intrinsic motivation provided by the nature of work being executed and the quality of working life provided by the particular organisation.

Thus, reward systems consist of extrinsic and intrinsic rewards. Rewards are also referred to as pay an employee receives for a job that was executed (George & Jones, 2005, p.84), which can be divided into monetary rewards and benefits (Grobler et al., 2006, p.351). Shields (2007, p.30) proposes five elements of a total rewards strategy, each of which includes programmes, practices, elements and dimensions that collectively define an organisation's strategy to attract, motivate and retain employees. These five elements consist of compensation, benefits, work-life, performance and recognition as well as development and career opportunities. A reward system does not only encompass money; it also includes non-financial rewards that support intrinsic and extrinsic motivation. Intrinsic rewards incorporate challenging jobs, degrees of feedback, task variety and autonomy whereas extrinsic rewards stem from factors in job context which feature financial rewards, developmental rewards and social rewards. Financial rewards consist of base pay, variable pay and benefits. In addition, financial rewards are continuously principal in reward management. Moreover, organisations have to attain an accurate combination of financial and non-financial rewards (Shields, 2007, p.30). Shoaib, Noor, Tirmizi and Bashir (2009, p.2) support the notion that employee rewards are crucial and that they have the ability to leave a lasting impression on employees' opinion of their value to the organisations they work for. According to Snelgar, Renard and Venter (2013, p.10), employees weigh the quality of their job through intrinsic satisfaction and personal reward they earn from their work. Indeed, retention and commitment can be achieved by effective utilisation of intrinsic rewards. Globally, regionally and locally, there is expanding requirement for organisations to develop reward systems that motivate the employee to work harder and faster (Mutjaba & Shuaib, 2010, p.112).

Efficient reward systems funnel employees' efforts towards realisation of organisation goals (Mujtaba & Shuaib, 2010, p.11). Shoaib et al. (2009, p.14) posit that employee rewards are vital for employee retention as they act as a reminder to employees about the special achievement and the pleasure accompanied by feelings of job satisfaction. These feelings may tend to encourage employees to stay a little longer in the job and to repeat the good effort expended in future. Mujtaba and Shuaib (2010, p.113) ascertain that the more often the employee sees, thinks about, or utilises the reward, the more the employee is encouraged to realise that he or she is treasured by the organisation

and in so doing increase the level of employee retention. Terera and Ngirande (2014, p.486) contend that reward strategies that recognise value of employees and address attractive rewards for employees is essential to be implemented because an employee who feels treasured by the organisation is more probable to remain in employment than an unvalued employee would.

Talent attraction is significant for organisational productivity and thus human capital spending entails the attainment, management and maintenance of a talented workforce (Swanepoel, Erasmus, Schenk, & Tshilongamulenzhe, 2014, p.375). It is significant that every recruit who joins the company must be sufficiently skilled during orientation in order to be well versed with the necessary knowledge and skills to undertake the responsibilities and accomplish organisational objectives. Several studies reveal that when employees are rewarded fairly, they will be inclined to stay with their current employer (Kwenin, Muathe, & Nzulwa, 2013). Terera and Ngirande (2014, p.285) show that there is a positive relationship between employee rewards and employee retention. This means that the more an employee is rewarded, the more likely they are to remain with that same organisation. Their study also reveals that most employees stay in the same institution for a long time because of the economic gains they receive from that institution. Taylor, Murphy and Price (2006, p.651) state that while remuneration is adversely correlated to job satisfaction, most managers view it as principal retention factor. However, Chew and Chan (2008, p.507) state that remuneration is known as a possible antecedent of organisational commitment and the intention to stay in the organisation, therefore financial rewards play a major role in talent retention.

Hausknect, Howard and Rodda (2009, p.269) avert that employee retention includes policies and procedures that companies utilise to counteract a talented workforce from vacating their jobs. Browell (2003, p.5) describes employee retention as retaining a talented employee that is scarce and persuading him/her not to leave the organisation and be exposed to competitors. A talented employee is those who occupy positions that are pillars of success for the organisation, which include technical positions. Their occupations are regarded as the basis of competitive advantage. It is significant that the organisation craft strategies that focus on the retention of a talented employee that will act as driving force for success over a long time. Retention challenges have been widely reported over the globe. In addition, acquiring experienced employees is costly; on the other hand, retaining them is crucial for the success of the organisation. Human capital maintenance is an expensive but valuable effort. Talent maintenance is also referred to as employee retention (Okioyo 2012, p.12). Samuel and Chipunza (2013, p.100) attest that employee retention

is one of the most critical issues facing organisational managers since there is a shortage of skilled personnel, as well as high employee turnover. It is imperative for an organisation to implement systems aimed at preventing employees from leaving the organisation thus protecting the organisation's return on investment. Samuel and Chipunza (2013, p.99) are of the view that employees are likely to remain with the organisation only if they believe that the organisation shows more interest and concern for them and if they know what is expected of them while being given roles that fit their capabilities. In addition, employees remain longer in positions where they are well informed on relevant issues concerning the organisation's well-being. Retention strategies across the board have many common features such as a competitive package, good working conditions and human resource practices that offer advancement opportunities (Tithe, 2010, p.11). Therefore, by understanding the nature of retention problems, organisations can decide which retention initiatives to adopt in order to manage overall employee turnover (Musah & Nkuah, 2013, p.119). Netswera, Rankhumise and Mavundla (2005, p.35) argue that a retention process is designed to increase employees' control over their work by improving job satisfaction and enhancing organisational commitment. Hong, Hao, Kumar, Ramedran and Kadiresan (2012, p.60) postulate that in order to retain the best talent, strategies aimed at satisfying employees' needs should be implemented irrespective of the size of the organisation. Retaining talented employees are advantageous to any organisation in the attainment of a competitive advantage.

## 1. THEORETICAL FRAMEWORK ON TALENT ATTRACTION AND ORGANISATIONAL PRODUCTIVITY

The researchers found Vroom's (1964) expectancy theory to be relevant to the study of talent attraction and organisational productivity. Vroom's theory holds that behaviour results from conscious choices among alternatives whose purpose it is to maximise pleasure and minimise pain. Together with Lawler and Porter (1968), Vroom (1964) suggested that the relationship between people's behaviour at work and their goals (talent) was not as simple as was first imagined by other scientists. Vroom realised that an employee's performance is based on individual factors, such as personality, skills, knowledge, experience and abilities (Twum-Darko, 2011, p.14). The theory suggests that although individuals may have different sets of goals, they can be motivated if they believe that: (i) there is a positive correlation between efforts and organisational performance; (ii) favorable performance will result in a desirable reward; (iii) the reward will satisfy an important need; and

(vi) the desire to satisfy the need is strong enough to make the effort worthwhile (Twum-Darko, 2011, p.14).

The Vroom's theory according to (Ibid.) is based upon the following beliefs:

- (i) Valence (reward desirability), which enables employees to assign value to potential rewards (intrinsic and extrinsic rewards). Valence refers to the emotional orientations people hold with respect to outcomes (rewards). It is essential that management discovers what is the employee's value. Thus, valence means that employees will be motivated if they are rewarded with rewards that they value.
- (ii) Instrumentality (perceived performance-reward connection) refers to the degree to which employees trust that certain levels of performance will produce diverse rewards (high performance will lead to better rewards or outcomes such as pay rise, promotion or achievement.). Management must ensure that promises of rewards are fulfilled and that employees are aware of that.
- (iii) Expectancy (effort-performance linkage) relates to employee levels of confidence in performing a certain task. Employees have different expectations and levels of confidence about what they are capable of doing. Management must discover what resources, training, or supervision employees need. Khan and Mufti (2012, p.4618) argue that individuals typically expect benefits in exchange for the effort they put into their jobs due to the self-belief in their skills.

Vroom (1964) suggests that an employee's beliefs about expectancy, instrumentality, and valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain. Bagram (2007, p.90) asserts that the expectancy theory has been considered as the most advanced motivation theory. Therefore, it is important that managers recognise the diverse needs of employees by being alert to the well-defined association of performance and the rewards (instrumentality). It is thus imperative that managers communicate to employees the behaviours that will be rewarded for organisational productivity. In light of this, rewards ought to be crafted in such a manner that where possible they meet diverse individual employees' needs (valence). Furthermore, efficient expectancy training should be provided within the organisation in order to alleviate barriers associated with performance. Shields (2007, p.78) regards Vroom's theory as an assumption that work behaviour is influenced by personal expectations. Having said this, the following discussion focuses on an exposition of employee rewards for organisational productivity.

## 2. FUNDAMENTAL ELEMENTS OF REWARDS FOR ORGANISATIONAL PRODUCTIVITY

Reward structures can be designed in an indefinite number of ways and employers will use a combination of numerous techniques to design remuneration packages suitable for their organisations (Armstrong, 2012, p.9). According to Bratton and Gold (2007, p.291), a remuneration package of an employee is usually made up of a combination of fixed and variable pay. These include, fixed remuneration, base pay, fringe benefits, and they are briefly discussed below. For example, fixed remuneration refers to the guaranteed basic salary, allowance/s (housing, travel) and fringe benefits such as retirement funding and medical aid amongst others which are paid to employees (Swanepoel et al., 2014, p.614). With regard to base pay, Armstrong (2012, p.164) outlines base pay as the amount of pay (fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job. Base pay may be expressed as an hourly, weekly, monthly or annual rate. The base rate may be adjusted to reflect increases in the cost of living or market rates by the organisation unilaterally or by agreement with a trade union. When the base pay is related entirely to the value of the job, rather than the person it is referred to as a job-based pay. Internal and external relativities (going rates) may influence the base pay. P-E Corporate Services (2009), a reputable organisation which leads in providing well researched solutions to the remuneration challenges faced by South African organisations, posit that the organisation's decision to level base pay is usually determined by broad surveys to benchmark positions across the general industry inclusive of several factors, such as the size of the organisation and market pay level of positions. Furthermore, performance-based pay, also known as variable pay or contingency pay is the most popular merit pay scheme that was introduced. It is unfortunately badly managed and the high expectations of its impact on performance and its ability to change behaviour were not fulfilled (Armstrong, 2012, p.264). In addition, the use of performance-related pay relies on the following assumptions:

- It acts as an incentive and thus motivates people to improve their performance;
- Individual differences in performance can be accurately and fairly measured; and
- Pay difference can be fairly related to performance differences and be seen to be related.

For P-E Corporate Service (2009) performance-based pay constitutes an essential component of a remuneration package. This package includes the structure in which an employee's additional pay is based on individual, group or organisation performance, usually contingent upon reaching pre-set targets, which can either be accounting

measures, market measures or the combination of both. According to Aguinis (2013, p.265), performance-based pay means that individuals, teams or organisations are rewarded based on how well they perform on the job. Thus, employees receive increases in pay based wholly or partly on job performance. These increases can either be added to an employee's base salary or be once off bonuses. Initially, in many organisations within South Africa, contingent pay plans were used only for top management (Armstrong, 2012, p.11). Gradually, the use of contingent pay plans extended to sales jobs and higher education jobs.

Furthermore, fringe benefits include any variety of programmes that provide paid time off, employee services and protection programmes. For Bratton and Gold (2007, p.291), fringe benefits refer to the part of the rewards package provided to an employee in addition to the guaranteed basic remuneration. An employee remuneration package includes guaranteed employment benefits, such as retirement benefits, medical aid benefits, life and disability insurance, housing benefits, car allowance or cell phone allowance (Dulebohn, Molloy, Pichler & Murray, 2009, p.87). Martocchio (2013, p.6) elaborates that fringe benefits can also include prerequisite perks such as relocation payments, flexible start dates, sign-on bonuses, use of company-owned property, health club membership, tuition reimbursement, financial planning and clothing allowances.

The study by Baty (2006) in the United Kingdom revealed that 77% of the organisations are using contingent plans and only 6% of these were not using such plans. Aguinis (2013, p.265) further points out that when a performance management system has a direct relationship with a reward system, performance measurement and performance improvement or organisational productivity are taken more seriously. In other words, contingent pay plans force organisations to define effective performance clearly and to determine what factors are likely to lead to effective performance. Moreover, when contingent pay plans are implemented, organisations need to make it clear what is expected of employees, what specific behaviours or results will be rewarded and how employees can achieve these behaviours or results (Aguinis, 2013, p.265). Other fundamental elements of rewards include, short-term and long-term incentive schemes that are briefly discussed below.

### 2.1 Short-Term Incentive Scheme

Aguinis (2013, p.11) points out that short-term incentive schemes are designed to drive an organisation's short to medium term business strategies by rewarding the attainment of budgeted or targeted financial and strategic performance. In addition, Arguinis asserts that short-term incentives are also allocated based on past employee performance. Incentives are one-time payments and are sometimes referred to as variable pay. P-E Corporate

Services (2009) contends that short-term incentives are company specific and usually paid out within a period of a year in order to prevent the short-term performance from employees. They are paid in the form of performance bonuses, which is the common feature in many organisations within South Africa. Short-term incentives are mainly developed to measure a fair level of reward for the achievement of specified organisation performance targets. According to Bratton and Gold (2007), short-term incentive schemes vary as each organisation can design its scheme based on its own requirements, which include profit sharing bonuses which effectively profit pool-sharing arrangements.

## 2.2 Long-Term Incentives Scheme

P-E Corporate Services (2009) reveals that long-term incentive schemes are designed to drive an organisation's long term business strategies and to promote an entrepreneurial flair. Whilst short-term incentives usually involve an attempt to motivate performance in the short term (quarter or year) by giving cash bonuses or specific prizes, long-term incentives attempt to influence future performance over a longer period of time. In addition, the primary objective of long-term incentive schemes is to align participant interest with shareholders interest, incentivise and motivate participants, attract and retain scarce talents and reward superior and sustained long-term performance of the organisation. Anguinis (2013, p.11) states that long-term incentive schemes involve stock ownership or options to buy stocks at a pre-established and profitable price. The rationale for long-term incentives is that employees will be personally invested in the organisation's success and investment is expected to translate into a sustained high level of performance. The next discussion is on remuneration drivers.

## 2.3 Remuneration Drivers

Remuneration drivers are a strategy adopted by an organisation that constitutes the essence of its remuneration policy (Marchington & Wilkinson, 2008, p.462). These remuneration drivers comprise performance-related and non-performance-related drivers which in the aggregate enable an organisation to attract, recruit and retain talented employees, motivate performance through appropriate rewards and ensure internal, external employee equity. Kanime (2011, p.45) contends that the relative weight of each set of drivers within an organisation's remuneration policy depends on the organisation's own varying business circumstances, such as the need to retain specific skills or the need to outclass competition in the remuneration space in support of the business strategy. Moreover, remuneration drivers form an integral part of sound remuneration structuring within any organisation and a sound combination of these drivers is critical to provide an organisation with competitive advantage. The following drivers that are

discussed below outline both performance-related (i.e. merit pay, competency-related pay, seniority and longevity pay) and non-performance-related factors (i.e. market-base pay, market-competitive pay, qualifications-based pay and time-based pay) that drive remuneration increases in any organisation.

### 2.3.1 Performance-Related Pay Drivers

According to Armstrong (2012, p.264), performance-related pay drivers refer to a remuneration decision to adjust remuneration based on individual, group, corporate performance or the combination thereof. Performance-related pay is a method of compensation in which employees are being paid according to their performance (Lazear, 2001, p.1; Chamberlin, Wragg, Haynes, & Wragg, 2004, p.32; Marsden & Belfield, 2006, p.3; Ingvarson, Kleinhenz & Wilkinson, 2007, p.13). It is a part of a compensation system based on bonuses and incentive pay for high work performance. Performance-related pay schemes use performance and/or competence as criteria for deciding the size of increments and, therefore, also the rate of progress through a salary band (Irs & Türk, 2012, p.365).

### 2.3.2 Merit Pay

Perkins and White (2008, p.164), Armstrong (2012, p.262) and Martocchio (2013, p.57) describe merit pay as fixed payment to individuals or an increase in the employee remuneration based on the outcome of an annual evaluation of employee performance, competency or contribution. Merit pay is based on motivational theories, which include the expectancy theory, goal setting theory, equity and agency theory. These theories advocate that the achievement of organisational target results should lead to automatic payment of agreed and meaningful rewards. Martocchio (2013, p.57) is of the opinion that employees earn permanent merit increases based on their performance. Pay increases, therefore, are intended to reward excellent effort by employees and/or may motivate future performance and assure employers of retaining talented employees.

### 2.3.3 Competency-Related Pay

Competency-related pay rewards people wholly or partly by reference to the level of competency they demonstrate in carrying out their roles. It is a method of paying people for the ability to perform (Armstrong, 2012, p.266). Competency refers to an underlying characteristic of a person that results in effective or superior performance (p.266). Competencies include behavioural competencies, which comprise personal characteristics that individuals bring to their work roles while technical competencies relate to people's knowledge and skills to carry out their roles effectively.

### 2.3.4 Seniority and Longevity Pay

Martocchio (2013, p.53) observes that seniority and longevity pay systems reward employees with periodic

additions to base pay according to employee's length of service in performing their jobs. In addition, these pay plans are based on the assumption that employees become more valuable to organisations over time and valued employees will leave if they do not have a clear idea that their salaries will progress over time. The assumption is that over time employees presumably refine existing skills or acquire new ones that enable them to work more productively (p.54). In addition, seniority pay rewards employees for acquiring and refining their skills as indexed by seniority. Armstrong (2012, p.12) points out that service-related pay is supported by both the public and private sector because they are perceived as being fair in nature. Armstrong further argues that linking pay to time in the job rather than performance or competence avoids the partial and ill-informed judgements about people, which managers are prone to make. Furthermore, linking pay and time does not encourage good performance.

#### **2.4 Non-Performance-Related Drivers**

Nakine (2011, p.49) contends that pay drivers refer to the remuneration decisions to adjust remuneration based on factors that have nothing to do with performance. They comprise external factors and are beyond the control of the organisation, which include such factors as the need to pay premium rates for certain scarce skills given their shortage or unavailability from the labour market. For example, Perkins and White (2008, p.189) contend that market-base pay link salary levels to what other organisations pay for similar jobs. Constant changes in remuneration policies and practices as well as continuous monitoring inform the organisation to review market base pay. Wilkinson and Marchington (2008, p.462) posit that remuneration increases come about as a result of the need to align remuneration with the labour market in terms of the best practice. Martocchio (2013, p.145) states that a market-competitive pay system represents an organisation's compensation policy that fits the imperatives of competitive advantage. A market-competitive pay system plays a significant role in attracting and retaining the most talented employees. In addition, it is contended that well-designed pay systems should promote an organisation's attainment of competitive strategies. Perkins and White (2008, p.182) define qualifications-based pay as a payment system in terms of which employees receive increases in pay for acquiring additional qualifications or being professionally registered with recognised institutions. In addition, acquisition of additional qualifications or professional registration is rewarded through an additional increment or pay increase. Longo (2014, p.146) states that employers usually offer individuals working for their organisations additional fixed payments in relation to the education and vocational qualifications they have gained. The impact of education and qualifications on pay is not

just typical of high professional jobs or, more generally, of white collar professions. According to Kanine (2011, p.55), the system is flawed in that it is expensive to introduce and maintain since employees will be getting non-job related qualifications. Perkins and White (2008, p.156) contend that time-based pay normally rewards an employee for his or her attendance at the workplace. Employees are paid for the actual time they spend at work, usually based on an hourly rate, but paid out weekly, fortnightly or monthly.

### **3. ELEMENTS OF TOTAL REWARDS**

According to World at Work (2014), five elements of total rewards have been identified, each of which includes programmes, practices, elements and dimensions that collectively define an organisation's strategy to attract, motivate and retain employees. These are: (i) Compensation, which involves pay offered by an employer to an employee for services rendered which comprise of time, effort and skill. It consists of both fixed and variable pay attached to levels of performance. (ii) Benefits, which include packages an employer practice to supplement the cash compensation that employees receive. It comprises health, income protection, savings and retirement programmes which provide security for employees and their families. It also provides a specific set of organisational practices, policies and programmes, plus a philosophy that actively supports efforts to help employees achieve success at both work and home. (iii) Performance: the alignment of organisational, team and individual efforts toward the achievement of business goals and organisational success. It includes establishing expectations, skill demonstration, assessment, feedback and continuous improvement. (iv) Recognition: acknowledges or gives special attention to employee actions, efforts, behaviour or performance. It meets intrinsic psychological need for appreciation of one's efforts and can support business strategy by reinforcing certain behaviours like extraordinary accomplishments that contribute to organisational success. Whether formal or informal, recognition programmes acknowledge employee contributions immediately after the fact, usually without predetermined goals or performance levels that the employee is expected to achieve. Awards can be cash or noncash; for example, verbal recognition, trophies, certificates, plaques, dinners and vacation tickets. (v) Development, which is a set of learning experiences designed to enhance employees' applied skills and competencies. Development engages employees to perform better and engages leaders to advance their organisations' people strategies. (vi) Career opportunities, which involve the plan for employees to advance their career goals. It may include advancement into a more responsible position in an organisation. The company

supports career opportunities internally so that talented employees are deployed in positions that enable them to deliver their greatest value to the organisation.

## 4. REWARD MANAGEMENT FOR ORGANISATIONAL PRODUCTIVITY

The idea of managing rewards in organisations is crucial to all employers, and consequently, many definitions have been proposed that are now introduced. Bratton and Gold (2000, p.38) define reward management as a fundamental regulation of the employment relationship which acts as a central pillar of human resource management. Armstrong and Stephens (2006, p.3) produced a very similar definition, but added that the ultimate aim for the organisation is to be assisted in the realisation of its strategic goals. Reward management is involved with the formulation and implementation of strategies and policies, which suggest that employees should be rewarded fairly, equitably and consistently in accordance with the value they bring to the company while striving to assist the company to achieve its strategic goals.

### 4.1 Reward Strategy

Armstrong (2004, p.79) indicates that reward strategy is concerned with what the organisation wants to do about reward in the future. Armstrong (2009, p.739) points that the reward strategy sets out what the organisation intends to do in the longer term to develop and implement reward policies, practices and processes. Furthermore, Armstrong (2012, p.152) asserts that a reward strategy aims to provide answers to the following questions: (i) what do we need to do about our reward practices to ensure they are fit for the purpose; and (ii) how do we intend to get there? Additionally, Armstrong (2012, p.152) that it refers to the intent on what the organisation wants to do in future to develop and implement reward policies, practices and processes which will further the achievement of its business goals that meet the needs of its stakeholder. The primary aim of the reward strategy is to provide a sense of purpose and direction as well as a basis for developing reward policies, practices and processes which is based on an understanding of the needs of the organisation and employees on how they can best be satisfied. This contention finds support from Armstrong (2004, p.83), who considers reward strategy to be “a business-focused statement of the intention of the organisation concerning the development of future reward processes and practices which are aligned to the business and human resource strategies of the organisation, its culture, and environment in which it operates”. Wilson (2006) describes rewards strategy as a process by which a firm translates its competitive business strategy into a series of programmes and initiatives that will have a positive impact on human behaviour. When the strategy defines what new behaviours

are needed and builds systems and practices to reinforce these behaviours, the desired changes become real. More recently, reward strategy has been defined by Armstrong (2010, p.72) as “pathways that link the needs of the business and its people with the reward policies and practices of the organisation and thereby communicate and explain these practices”. However, Armstrong and Cummins (2011, p.31) do stress that “the reality of reward strategy is that it is not such a clear cut process as some believe. It evolves, it changes and it sometimes has to be reactive rather than proactive”. Emerging from the notion of reward strategy, is the concept of total rewards, which reflects the fact that a whole raft of changes in the business environment bring about dramatically different views concerning the nature of rewards.

### 4.2 Effective Rewards Systems

Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw and Oosthuizen (2006, p.280) make the point that in order for organisations to be successful, rewards must be aligned with that employee’s value. In light of this, Njanja, Maina, Kibet and Njagi (2013, p.42) argue that employees must be conscious of the relationship between their performance and the rewards associated with performance. We thus, argue that employee rewards should be utilised as a method to reinforce good behaviour of employees and improve productivity. Working overtime, taking initiative, team work, reliability, exceptional attendance, outstanding client’s feedback, meeting deadlines and productivity are among the types of behaviour that should be rewarded. In this regard, an effective employee rewards system needs to be designed to measure all these aspects so that rewards are given appropriately. Furthermore, an effective reward system should focus on remunerating employees and their groups since this will serve as a motivator for employees to have improved performance while undertaking organisational ambitions and objectives. Njanja et al. (2013, p.43) purport that immediate rewards are presented to employees for their outstanding performance and include praise by immediate supervisors while short-term rewards consist of cash benefits, special gifts for extraordinary performance and long-term rewards conferred to employees who perform exceptionally well. Receivers of these rewards may be more committed to their employer and thus increase organisational productivity. Yokoyama (2007) states that long-term rewards may include being incorporated as a business partner and cash benefits which mature after many years of service. These rewards are premeditated for retaining talented employees. Effective employee rewards’ system needs to be designed to measure all these aspects so that rewards are given appropriately. Furthermore, an effective reward system should focus remunerating employees since this will serve as a motivator for employees to have higher levels of performance while striving to meet organisational and personal goals.

## 5. REWARDS FOR TALENT AND SCARCE SKILLS

Bussin (2011, pp.315-316) identified a remuneration treatment for talent and scarce skills that includes base pay (i.e. guaranteed pay). In order not to distort the salary scales within an organisation, employees would be paid within the applicable grade range. It should be ensured that the guaranteed portion is in-line with the appropriate levels of employees within the same grade. Bussin further contends that variable pay which is the employee's total remuneration includes variable pay components such as a performance incentive scheme or a reward and recognition scheme. Thus, measurable targets should be in place, and payouts of these schemes should be inline with the rest of the organisation's remuneration policy in order to increase organisational productivity. Furthermore, market premiums and allowance are not guaranteed. The premium is usually expressed as a percentage of the midpoint of the organisation's pay scale, and the same level of premium is paid to individuals irrespective of their position within that scale. Bussin and Spavins (2009) indicate that remuneration based retention strategies are critical to an organisation's ability to retain employees. Therefore organisations should not attempt to have a one-size-fits-all retention strategy but should ensure that it is customised for employees who are motivated by different factors. Retention strategies must be targeted at individuals or groups of employees thus ensuring flexibility in pay structures.

### 5.1 Importance of Talent Retention

Chikumbi (2011, p.58) contends that achieving retention success begins by implanting organisation culture that regards people as the principal priority. In addition, executive management should drive this culture to the line managers. Interaction of departments, co-ordination and integration of activities, which comprise recruitment, training and performance management will demonstrate dedication and empowerment of employees to the company that will regularly contribute to retention efforts. Customer satisfaction, and increased sales promote working relationships, improves employee-manager relationships that enable valuable succession planning is fostered by employee retention. Inability to retain key talent is costly in any kind of business format.

### 5.2 Determinants of Talent Retention

#### 5.2.1 Rewards

Noe, Hollenback, Gerhart and Wright (2003, p.494) argue that rewards are a key factor to attract and retain the best workers, especially during economic or market place vitality or mergers or acquisitions when people are uncertain about their jobs. Pleasant reward packages are believed to be significant features of retention as they fulfil monetary and material desires (Shoaib et al., 2009,

p.5). Swanepoel et al. (2008) and Armstrong, Brown and Reilly (2010) reveal that remuneration impacts on the attraction and retention of employees. Phillips and Gully (2012) assert that competitive wages and benefits have been listed as a means of attracting and retaining employees. Milkovich and Newman (2009) state that among all types of rewards, monetary pay is considered one of the most important and significant factors in retention of employees. Tetley's (2006, p.3) study on employee retention in African universities reveals that dissatisfaction with salaries is the key driver for the lack of organisational commitment which propels academic employee to leave. Moncarz et al. (write all the names) (2009, p.441) state that the most notable and dominant organisational retention initiatives are compensation and benefits. In addition, research by Moncarz *et al.* (put page number only and delete the year 2009) reveals that highly competitive wage systems stimulate employee commitment, which improves the attraction and retention of talented employee. Beulen (2009, p.277) revealed that remuneration and career opportunities are the main reasons why employees leave or stay in organisations. Noe et al. (2003, p.439) note that when it comes to retention, employees who are recruited from another organisation are often attracted with promises of higher salaries.

#### 5.2.2 Leadership

Colquitt, Lepine and Wesson (2013, p.450) define leadership as the use of power and influence to direct activities of followers toward a goal achievement. Nel *et al.* (write all the names) (2001, p.349) define leadership as a process whereby one individual influences others to willingly and enthusiastically direct their efforts and abilities towards attaining a defined group or organisational goal. Ng'ethe, Iravo & Namusonge (2012a, p.300) state that a critical leadership role is to initiate a work atmosphere that connects the organisation to employees. Michael (2008, p.85) reasons that it is in the hands of leadership to encourage employees to be devoted with the organisation irrespective of existence of job opportunities externally. According to O'Neal and Gebauer (2006, p.9), leadership is one of the critical elements in the engagement equation. The higher the leader's leadership score, the higher the willingness to perform a task; and that the higher the employee's job satisfaction, the lower the employee's job stress and the lower the employee's turnover intention (Hytter, 2007, p.71). Taylor (2004) stresses that the organisation cannot leave the responsibility for the retaining of high achieving employees to human resource departments but that responsibility and accountability should be shared amongst leaders. Leaders who show interest in and concern for employees will encourage them to remain with the organisation. Gwavuya (2011) attests that incapable leadership causes poor employee performance, high stress, low job satisfaction and turnover intention. The study by

Netswera (2005) revealed that a management approach was the main retention factor in South Africa. The above discussion provides sufficient evidence that leadership plays a significant role in talent retention.

### **5.2.3 Work Environment**

Mrara (2010, p.23) asserts that working conditions in an organisation play a significant role in determining whether to remain or leave the employer. Pleasant working conditions can serve as a motivating factor for employees. The influence of service benefits on employee retention cannot be left unnoticed. Numerous employee service benefits are regulated by legislation in South Africa, and leave; working time; employment remuneration; and others are some of the benefits that employees are entitled to (Swanepoel et al., 2014, p.645).

### **5.2.4 Training and Development**

Bernadin and Russell (2013, p.275) define training as any attempt to improve employee performance in a currently held job or one related to it. This usually means changes in specific knowledge, skills, attitudes or behaviours. It involves a learning experience, planned organisational activity that meet organisational goals that simultaneously meet individual goals. Development refers to learning opportunities designed to help employees grow. Such opportunities are not only limited to improving employee performance in their current jobs. Development is aimed in the long-term to help employees prepare for future work demands while training often focuses on the immediate period to help fix any current deficits in employees skills. Advancement opportunities are classified as a vital motivator in terms of Herzberg's (1959) theory. Training and development opportunities for academic employee serve as the human capital investment that guarantees growth while ensuring meaning to the current job. Garg and Rastogi (2006) concur that employees who are engaged in life-long learning are required in the competitive environment since they are capable of meeting market challenges and investment in knowledge is crucial for surviving in any global markets. Thus knowledge is the most expensive asset of any firm (Handy, 2008). Moncarz, Zhao and Kay (2009, p.440) state that it is imperative to acquire attractive salary and benefits package, which serve as a guarantee to employees that their skills, efforts and abilities are being acknowledged and thus enforce retention. In addition, in organisations where employees attain proper training that is necessary to undertake greater responsibilities, turnover rates are generally lower.

### **5.2.5 Autonomy**

Ng'ethe, Iravo and Namusonge (2012, p.209) view autonomy as the degree to which an employee exercises power related to his or her job. It is the competence of employees to set organisational goals and to structure the organisation to exploit professional interests. Dockel (2003, p.19) points out that substantial freedom,

independence as well as procedures used to carry out the job rely on increased feelings of personal responsibility.

### **5.2.6 Recognition**

Ng'ethe et al. (2012, p.210) describe employee recognition as timely, informal or formal acknowledgement of a person's or a team's behaviour, effort or business result that supports the organisation's goal and values, which have clearly been beyond normal expectation. In addition, appreciation is a structural human need and employees react to gratitude conveyed through recognition of their excellent work as it confirms that their work is valued. Employees incline to remain with organisations which recognise and appreciate their capabilities, efforts and performance contributions. A study by Kwenin, Muathe and Nzulwa (2013) reveals that recognition has a positive relationship with employee retention. Employees desire not only financial rewards but recognition as well. However, it is without a doubt that recognition programmes that provide intrinsic satisfaction need to be implemented in an organisation. The Hay Group survey (2005) points out that it is uncomplicated for employees to depart when they are not appreciated for their good work. Rewarding employees with other aspects such as recognition is crucial in the retention of talent. Armstrong and Murlis (2007) concur that financial rewards are not sufficient to reward employees but recognition programmes should be established since they link with the need for self-esteem.

## **5.3 Factors Affecting Talent Attraction**

### **5.3.1 Company Reputation**

Doane (2009, p.4) states that good a reputation is one of the finest recruitment instruments for attracting superior prospective employees to an organisation. A company that is well-known for positive reasons tends to attract prospective candidates. Prospective applicants are inclined to search for job opportunities with that company simply because it is well-known for their good reputation as well as for the products or services offered by the company. Being in possession of a strong reputation can potentially allow reduced recruitment spending and increased retention (Berthon, Ewing, & Hah, 2005, p.154). A great deal of time and effort is required to build a quality reputation. Berthon et al. maintain that earning a reputation as "Best Employer or Employer of Choice" will attract prospective employees. In addition, being recognised and awarded these credentials also entice prospective employees. Numerous organisations attentively go to great lengths in order to achieve such prestigious reputation since it is a valuable asset.

### **5.3.2 Working Conditions**

The working environment is a significant factor for employees to be successful in their careers and for talent attraction. If working conditions do not motivate them to

work then it will be an excuse for not working. Employees will enjoy working in an environment that offers a positive work setting where they feel valued and where their efforts are capable of taking the organisation forward (Fauzi, Ahmad, & Gelaidan, 2013, p.646).

### 5.3.3 Compensation and Benefits

Significant characteristics that companies use to attract talent are compensation and benefits. Doane (2009, p.3) affirms that these can become very complicated due to the fact that businesses always try to account for their competitors while determining what is best for their own company. Competitors and various industry factors impact negatively because an organisation cannot afford to pay much below the benchmark without the loss of qualified employees. Therefore, most companies that compete in the same industry will offer compensation packages and benefits that are within a reasonable range of each other. Consequently, the competition on financial matters complicates the decision process for prospective recruits who receive similar offers from multiple companies. Numerous aspects may entice applicants and allow them to differentiate organisations from one another. This incorporates corporate culture, company policies, and the general atmosphere of the work environment.

### 5.3.4 Good Employment Practices

According to Hutchings, De Cieri and Shea (2011, p.17), employees will be attracted to organisations that have implemented a range of good employment practices, including competitive remuneration and bonuses, training and development, and improved workplace benefits, with a small number providing flexible, non-standard work. This indicates that some companies have high involvement work systems and suggests that companies support the view that the provision of a positive organisational environment can lead to attraction and retention of employees (Zatzick & Iverson, 2006, p.1001; Boxall & Macky, 2009, p.13).

## CONCLUSION

Sound employee reward programmes are of critical importance to organisations because the way they are designed and administered can have a significant influence on employee behaviour and on their commitment to achieve organisational goals. Effective utilisation of both intrinsic and extrinsic rewards constitutes a major part of the manager's role to manage his or her subordinates. Remuneration systems can be designed in various ways depending on what the organisation is willing to achieve. Organisations should develop rewards that are cost-effective while ensuring equal distribution of rewards. Consequently, factors that may cause organisations to struggle to attract suitable talent into their employment, such as recruitment strategies, human resource

development, working conditions and company branding were discussed in this chapter. Organisations should establish attraction strategies in order to attract and retain valuable employees to remain competitive in the corporate world.

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