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**Commentaries on “The Changing
Landscape of Employee Rewards:
Observations and Prescriptions”**

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Commentaries on “The Changing Landscape of Employee Rewards: Observations and Prescriptions”

This paper first summarizes key themes from a recent paper by Gerald Ledford that was published in Organizational Dynamics. That paper reviewed changes in employee reward systems during the past 35 years, looked at factors explaining the changes, and recommended a set of five changes in the future. Five distinguished corporate HR leaders then comment on the paper, exploring a number of important topics in contemporary employee rewards. Finally, Ledford summarizes and responds to the commentaries.

Keywords:

Rewards, Rewards trends, Compensation, Benefits, Performance incentives, Reward mix

Overview of the Commentaries on “The Changing Landscape of Employee Rewards: Observations and Prescriptions”

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I recently published an overview of how employee rewards have evolved during the past 35 years, and offered my prescription for how employee rewards should change in the future. The citation for the article is: Gerald E. Ledford, Jr., 2014, “The Changing Landscape of Employee Rewards: Observations and Prescriptions,” Organizational Dynamics, vol.43, pp.168-169. The article was part of a special issue in which my colleagues and I celebrated the 35th anniversary of the Center for Effective Organizations with a series of articles that looked at how various organizational practices have changed during the history of the center, and suggesting where they need to go in the future. My piece focused on rewards.

The Editor of this journal, Howard Risher, believed that my article was important to the rewards field and that it needed to receive attention in a leading journal in that domain. The exchange here provides this opportunity. I will begin with a brief synopsis of the article. (Note: The original publication provides extensive data to support the arguments; readers interested in the details may consult the full article.) Next, five distinguished professionals, all with decades of experience in managing rewards and people, will comment on the article. Finally, I will offer a brief rejoinder to the commentaries.

What Has Changed in Employee Rewards?

The article outlines a number of changes in employee rewards over the past 35 years. Rewards have become far more market-oriented, as exemplified by the nearly universal use of market pricing data and the decline of internally oriented point factor systems for job evaluation. Strategic rewards designs have ebbed and flowed, at times

overcoming the inertia of the field's perpetual instinct simply to copy the practices of others, most notably in the 1990s. The Silicon Valley model emerged in the 1980s and has evolved, driven by the incredible competitiveness and extremely tight labor market in high tech. This model offers generous pay, benefits, rewards for performance, and mind-boggling perks. In the economy overall, base pay increases have stagnated, with annual increases dropping from 10% in 1981 to around 3% today, and employee wages have barely outpaced inflation in the past 35 years. While base pay has stagnated, benefits costs have increased steadily, and benefits now represent 30% of **total rewards** (and 43% of **wages and salaries** only). Retirement plans have received steady funding, but pensions are disappearing in favor of defined contribution plans. Work-life benefits have become the fad of the age for a variety of reasons. Pay for skills, knowledge, and competencies has become a standard part of the rewards toolkit, and use has expanded, but typically relatively few people are covered in companies using this practice. Incentive pay has surged in a variety of forms, but still is used far more heavily with executives and managers than with other employees. My estimate is that, on average, a mere 1% of total rewards for nonexempt employees take the form of performance incentives. Given that benefits are 30% of total rewards and incentives 1%, the ratio of benefits to incentives is 30 to 1. Finally, governance issues have become far more prominent in recent years.

What Factors Explain the Changes?

Why have these changes taken place? I argue that two sets of factors explain the changes. Some factors are micro forces internal to the rewards field, such as the availability of market data, the rise of consultancies, and the emergence of new rewards models and practices. Other factors are macro forces that affect the entire economy. These

macro forces have led to increased labor supply, reduced bargaining power of labor, and increased pressure on management to resist higher rewards. The entry of the baby boomers and the higher percentage of women in the workforce increased the labor market 48% in this era. At the same time, waves of automation reduced the need for labor, and increasingly technology is a threat even to higher skill employees. During the entire period of 35 years, labor supply could be considered tight for only a few months and unemployment has remained stubbornly high.

On the other hand, competitive pressures have escalated throughout this period, giving executives justification for holding the line on wages. Globalization, the decline of manufacturing employment, and the rout of the union movement have made it possible for executives to be very conservative with rewards increases.

Finally, regulatory and legislative changes have been a mixed blessing. Recent moves to increase the minimum wage nationally and locally have helped low paid workers. Other changes have hastened the decline of pensions and employee stock options, and deregulation has led to lower wages in a number of industries.

What Changes Are Needed In The Future?

The article calls for five changes in the practice of employee rewards in profit-making firms.

1. Business leaders must lead on employee rewards. Business leaders have overemphasized cost control as a goal of rewards since about 2001, in contrast to earlier periods in which business leaders exerted considerable effort to develop innovative rewards that proactively met business needs. Few rewards leaders have the standing to challenge the rewards status quo, and in any case many appear to prefer copying others

(“adopting best practices”) to innovating. If rewards are going to fulfill their promise of meeting business needs, business leaders will need to show the way.

2. Rewards design needs an investment perspective. Rewards costs are like any other business costs. The best investment is not always the cheapest or the most expensive. The best investment depends on the options and potential returns on them. A greater range of options needs to be considered in most companies.

3. Reverse the benefits revolution. Organizations would be more effective and employees would be more engaged if a large percentage of benefits costs were converted to cash and especially incentive opportunities. Benefits are entitlements that go to top performers and nonperformers alike. Employees – especially high performing employees – prefer cash to benefits. Why fight this? How can we justify spending 30 times as much on benefits as on performance incentives for employees?

4. Increase investment in pay for skills and knowledge. These approaches are underused as a way of developing employee capabilities in an era in which continual learning and development are needed. The most promising systems focus on “hard” technical skills, not the fluffy competencies in most corporate competency systems today. In addition, bonus-oriented plans may make more sense in the current era than more static base pay systems.

5. Increase pay for performance – in whatever forms best fit the organization. I argue that almost every employee should be part of an incentive plan with an opportunity to earn at least 5% and preferably 10% of base pay. The percentage at risk should increase from there as organizational level and salary increase. This represents a vast increase in the use of incentives at lower levels of the organization. Companies today resist expanding

incentives because they are difficult to design and administer. They forget that the difficulty of doing incentives well holds the key to their potential competitive advantage. Incentives that work are highly customized and difficult for competitors to imitate.

These recommendations represent a major change for employee rewards. Suppose two competitors are similar in every respect except that Company A adopts these recommendations and Company B does not. Assume that Company A offers only a barebones benefit package and spends only half as much on benefits as before, while spending perhaps 5% of rewards on average to reward skill development and 10% of reward dollars on incentives. The total rewards expenditures would be equivalent in Company A and Company B but the rewards pie would be sliced very differently. There is no doubt in my mind that Company A would be the one better able to attract and retain talented employees, would have a more engaged workforce, would perform better, and would represent a better investment for shareholders.

Frank Wagner
Director, Compensation
Google Inc.

My comments here reflect my past compensation consulting work and my experience at Google, which has been primarily with professional/exempt workforces. While I agree with most of the points by the author, there are several areas in which I disagree. I provide brief critiques of those below.

Trends

I agree on most significant trends listed at the beginning of the article: movement to market based pay (which I believe is the most important and impactful change on the list), the Silicon Valley model (which is designed to support employees who work very hard, not to make work a “party”), incentive pay growth, and the elimination of defined benefit pensions.

I don't agree with the author's stance on shrinking base pay increases (in my view, 3% post-recession versus 4% pre-recession is not a large delta) or skill-based pay (since I haven't seen its use in exempt work forces except when it is selectively applied for certain technical areas of knowledge).

Also, on Benefits Value in Table 1, the display masks the fact that about half of the value is government mandated or pay practices such as overtime pay (included in supplemental benefits). Including the cost of these benefits, which employers cannot modify, artificially boosts the benefits to incentives ratio noted later in the paper.

A larger trend implied is the movement from guaranteed pay (e.g., salary, pension) to variable pay (e.g., incentives, defined benefits plans). In effect, this change transfers risk

from employer to employee. A challenge to compensation practitioners is the degree to which we continue to reinforce this change (versus mitigate it).

Companies that have conducted conjoint studies on compensation, such as Google, have found that employees favor the certainty of fixed over variable pay. Their employees prefer a less risky mix than most compensation experts would typically recommend. I believe the movement in the Technology industry toward restricted stock from stock options reflects this trend (aided by the need to expense those options). If a goal is to retain employees perhaps more (versus less) fixed pay be more effective in retaining employees.

Why have rewards practices changed?

I agree with the author's list of what has influenced changes to rewards practices. On labor supply, it is interesting to see the trend for 2008 to 2013, which shows a lack of robust recovery that has influenced outcomes. The authors suggest there is no shortage of talent. Although the competition for talent may not occur consistently across industries, in Tech it remains a key concern.

My experience is counter to observations in the Technology section, though I think that might be due to the fact that I deal with employees whose work cannot be automated easily.

What changes are needed in the future?

I agree with the following recommendations: business leaders must lead on rewards, rewards design needs an investment perspective, and companies should increase pay for performance in forms that fit the organization. On incentives, I expect that most

companies with a professional workforce would likely have bonus targets much higher (2x or greater) than the 3-4% bonus targets noted in the article.

At Google, bonuses are based on performance ratings determined by role expectations. At a WorldatWork conference several years ago, I asked Daniel Pink about bonuses that are based on performance ratings determined by goal achievement (with the compensation impact assessed after-the-fact). Pink agreed that such a design would not dampen intrinsic motivation, which he believes may be an issue in *a priori* (“if you achieve goal x then you make y”) incentive plans.

On skills-based pay for professional workers, I believe that most technical skills are built into market value. While I agree that the use of competencies is not a good basis for the foundation of a pay system, I don't think competencies are often used that way. From what I've seen, they are included as part of a performance rating (which would likely include results/output) which then influences incremental merit increases. That seems reasonable to me - competencies impact a rather small fraction of salary.

On benefits choice, I'm not sure the authors' proposal is workable or wise beyond modest choice of relatively low value. While conjoint studies show workers value current cash versus a future benefit, given that workers under-fund retirement already, I don't think we should encourage less responsible behavior. Instead, at Google, we use regular “nudges” (e.g., emails, notifications) to move folks toward better outcomes (like saving more or making healthy eating choices). Also, lots of companies already offer high deductible health care plans as a choice, which are more frequently chosen by younger, healthier workers versus older workers who are more likely to select HMO or PPO

options. Is the author's recommendation to allow them to opt out of healthcare and retirement completely to their long-term detriment?

Instead of allowing the movement of benefit funds to compensation or implementing complex skill-based pay programs, I think it better we continue to ensure pay is both market- and performance-based, and includes competitive incentive opportunities.

Morten Rasmussen
Director, Operations Human Resources and Compensation
B. Braun Medical Inc.

From a practitioner point of view, I found Dr. Ledford's article very insightful, perceptive and in tune with the realities of the current compensation environment. His description of the evolution of compensation over the last thirty-five years brings to mind the old advertisement slogan of "it's not your father's Oldsmobile". From a Generation X perspective, I saw my father work for the same company for thirty-seven years, working his way up to middle management largely through seniority only to be forced into early retirement due to technology, but now living very comfortably on his pension. Like the Oldsmobile however, gone are the reward systems of my father's generation – entitlement base pay increases, promotion by seniority, pension and life time employment. The paternalistic days of rewards systems are either gone or going.

I agree with Dr. Ledford's two main variables for the changing landscape of our rewards systems. First, external to the company we have seen the growing (or explosion) of market surveys and external consulting services. Market based compensation systems and job benchmarking have become so standard that managers actually ask for the benchmark data when looking to hire or promote. Second, internal to the company we have sought to limit our liabilities as to not become the next Bethlehem Steel, GM, or any airline of the past you care to name. Our annual base pay increases have become a modest 3%, replaced by pay as you go (and for performance) annual incentive systems across the organization. The albatrosses of pensions systems have been replaced by the cash and carry defined contribution plans.

Although, Dr. Ledford touches on it with his thoughts on globalization and technology, I think greater emphasis in the article is need on what I believe to be the third key element - the psyche of the American Worker. The article seems to emphasize the “push” part as in what companies have done as well as what the external economy has forced in shaping our new rewards systems. No less important is the “pull” part by the “free agent” employee created by the mass layoffs of the 1980’s and 1990’s as well as the off-shoring and whole industry wipeouts of the 2000’s. The American worker has also been forced to rethink the employment proposition and resulting rewards systems. Gone are loyalty and security replaced with “what have you done for me lately” and the need for instant gratification by both parties in the proposition. Employers want results, performance, limited liability and employees want to “get what they can while they can get it”, and thus have become free agents constantly seeking the better deal. Its become Capitalism at its finest for both parties. As a company we constantly need to meet this “pull” for the better deal, or at least create a new deal. As such while the company’s needs and economic factors most certainly have shaped our rewards system, more so than ever have the needs and psyche of the employee.

Regarding the future, I think Dr. Ledford makes some very astute points, partially around the value of benefits in the Total Compensation model. As mentioned, my belief is the paternalistic compensation systems of my father’s generation are either gone or going. To that point, what could be more paternalistic than the company being responsible for the health, welfare, and retirement of its employees? As such and to Dr. Ledford’s point on the demising value of benefits in the Total Compensation model, I actually see the traditional benefits function disappearing altogether. Health benefits will be replaced by employers

providing payment to employees to seek their own level of health care on the Exchanges (i.e. Affordable Care Act model) and all pensions (outside of government) will be replaced by 401k type plans. I believe such “social” benefits will continue to develop into “cash and carry” models that the free agent employee can take with them to the next company. I also agree that the work life benefits maybe a passing trend. Ultimately I believe the migration of all benefits will be “cash in the pocket” that allows the employees to choose what benefits they want or need, rather than the company determining. (But then again, I’m a Compensation and not a Benefits Specialist!)

I also agree with Dr. Ledford that we will continue to see “the rise of the incentives” in the Total Compensation Model. As Dr. Ledford points out, employers are looking for employees to increase skill level and performance. Employees are looking for the instant gratification a 5% or 10% incentive plan can provide them. The big base pay increase will come from moving companies, not the 3% annual merit budgets.

I agree with Dr. Ledford’s closing assertion that the company that invest their compensation dollars wisely in progressive performance based Total Compensation Systems will both win the battle for talent and create greater shareholder / stakeholder value. As with any system, our rewards systems must progress to meet the ever-changing needs of the company, economy and the employee. I don’t want to drive my father’s Oldsmobile and my son’s already told me he doesn’t want to drive my car, nor will he want my rewards system.

Matthew Lucy
Senior Director, Compensation, HRIS, & Workforce Analytics
DIRECTV

Challenges to Change: The reason technology will slow innovation in rewards

As Ledford clearly articulates, the landscape of rewards and recognition systems has changed dramatically in the last 35 years. However, don't expect the landscape to change radically in the next 35. We have seen innovative companies (typically small and start up, like Netflix) adopt radically different compensation models (pay high to market, fire quickly, and offer a great severance package), but the very same innovations that enabled new companies to experiment and grow are the same innovations that may very well stifle future changes in rewards systems.

One of the greatest benefits of the Internet and social media is the increasing transparency and access to information you normally didn't have access to. From a compensation perspective, this has allowed companies to gather more accurate market data more quickly. Some third party compensation surveys have tried to move to real-time market data (as opposed to an annual refresh of market rates) given the ability to aggregate massive amounts of data in a short time, and automate data collection.

But while data is more accessible for Compensation professionals, it's also much more available to employees. While the information age has democratized information access, employees now have more access to more competitive information than they ever had before. We saw the first wave of this issue when potential employees would attempt to negotiate pay packages using Salary.com information (or worse, current employees would use that data to justify raises for themselves). And as more information is available (e.g. Glassdoor), this will continue to exert pressure on rewards systems to adopt a "common

practice” approach to design instead of a “best practice” approach to design. The main issue is education: maintaining common approaches allow companies to educate employees on an “apples to apples” approach, as opposed to attempting to “tell the story” of an innovative culture and demonstrate value of unique reward schemes.

Moving to a “common practice” approach is actually more cost effective in the long run. Compensation professionals continue to struggle to educate employees on the economic value of long term incentives, and often in a competitive offer scenario, we are forced to increase the economic value of long term incentives to off-set the discount employees place on rewards they don’t understand. Smaller companies have the ability to be innovative simply because they have a limited number of positions to fill, but the largest of the Fortune 500 companies may need to hire 10,000 to 20,000 workers every year. For example, if GE had a 5% attrition rate in 2014, that means they had to hire 15,000 workers. Compensation innovation would make that prohibitively difficult.

The primary barrier to innovation: transparency. The disruptive technology that allows companies like Hulu, Facebook, and Netflix thrive is the very same technology that will drive companies to revert to the “common” reward strategies that companies have begun to adopt. We can see this in plenty of companies: as they mature, their reward strategies tend to become more common and less innovative.

There is another reason that innovation in Human Resources is occurring more quickly in other areas (Analytics, Performance Management, etc.). These other areas can potentially have a large positive impact on retention, motivation, and engagement. Yet, they also have limited downside risk if a company tries to innovate and missteps. If a new performance management system fails to increase motivation, the fact is that the current

performance management system probably wasn't motivating most employees in the first place. If workforce analytics is unable to identify the drivers of turnover and predict future attrition, a company simply reverts back to normal anecdotal decision making.

However, if a company tries to innovate in rewards and fails, the impact is increased turnover, inability to attract top talent, and potentially loss of engagement and motivation. The risk of failure increases as information about rewards becomes increasingly transparent. Worse yet, there is a high likelihood that a company's missteps in rewards would become transparent to competitors.

So while employee reward systems can become more innovative and unique, the biggest risk is that they simply don't.

Robert Cenek
Director, Corporate Initiatives
Minerals Technology Inc.

In *“The Changing Landscape of Employee Rewards: Observations and Prescriptions,”* Dr. Ledford outlines a very concise and well researched explanation of the societal and competitive forces that have shaped the theory and practice of employee rewards over the past decades. His call for the various actions needed to make rewards a more significant driver of business performance captures much of the mainstream thought among compensation and human resource experts on how to do so. Here are a few thoughts that struck me as I was reading his article.

Expanding Business Leader Leadership in Rewards

Business leaders’ assumptions and actions in leading organizations, including use of reward systems, are significantly driven by their educational base, as well as their personal values and beliefs shaped by the work cultures of the organizations where they’ve worked, their upbringing, and a multitude of societal forces. All would be better served through deeper and wider education in business schools on the theory and practice of employee rewards – and effective human resource management in general. Curricula should emphasize greater learning in this arena, not unlike the current emphasis on quantitative methods, cost accounting and other core business subjects taught in every institution of higher learning on the globe.

Reward Systems Need an Investment Perspective

Dr. Ledford’s prescription for a greater understanding of the link between overall rewards costs and wage levels is often confused in mainstream organizations. It’s not that many leaders would not agree with his prescription; the real difficulty is in isolating the

causative factors behind superior business performance. Most leaders will accept the proposition that an organization with highly capable employees, the so-called “A players,” will realize better outcomes in terms of strategy, market dominance and innovation, all other factors being equal, but there still will be a question or desire to prove a strong link between those elements. Establishing this link is incredibly daunting as there are no commonly accepted models for looking at reward systems in this manner.

Reverse the Benefits Revolution

Many employees, particularly Millennials, would no doubt “high five” Dr. Ledford’s call to shift more benefits expenditures to direct cash payments, in the form of base pay or incentive compensation. Some will raise the question however of whether this is a prudent social policy. Medical and health benefits ensure, notwithstanding the Affordable Care Act, that such cost burdens are not shifted to taxpayers who are covered via their employer’s total compensation structure. Mandating insurance coverage may be an effective countermeasure, and may yield a variety of creative responses, such as purchasing pools of employees who are not affiliated with the same employers.

Increase Investment in Pay for Skills and Knowledge

Through my own experience I’ve personally witnessed the effectiveness of pay for skills and knowledge. It tends to be well embraced by workers in production and associated fields where technical know-how is easy to define. Supplementing pay for skill/knowledge with individual performance assessment is paramount, and tends to reduce resistance by those who fear that individual performance, rather than capability and skill, will take a back seat.

Increase Pay for Performance

Dr. Ledford's call for expanding pay for performance seems like a worthy prescription for non-exempt employees who typically are either not covered by such a plan – or if covered – their incentive targets border on being meaningless. Some companies that have adopted greater forms of incentive compensation have done so by shifting costs from other elements of the total compensation equation. Most lower-paid employees are averse to having more of their pay at risk if it does not provide the opportunity for a greater level of compensation than what they would normally accrue, sans variable pay. cursory research will show that some of the greatest organizational success stories have occurred in those enterprises where gainsharing, or proxies of gainsharing, have enabled employees to share in the wealth creation that they've helped build.

Robert Cenek is an organizational development professional with over thirty years of experience in some of America's best managed companies.

John Biermann
Director of Physician and Executive Compensation
Mayo Clinic

The strongest point that Dr. Ledford makes is that compensation methodology needs to be tied to business plans and strategies. The majority of healthcare organizations pay their physicians on a productivity basis. Physician pay-for-productivity evolved to tie physician pay to Medicare and private insurance reimbursements. Other organizations such as Mayo Clinic and Cleveland Clinic pay physicians on an all-salaried model. The salaried model is favored at Mayo Clinic to support our integrated team approach to patient care.

The entire healthcare industry is under great pressure to reduce expenses while improving outcomes. Many organizations are considering moving from pay-for-productivity (fee for service) models to multifactor pay-for-performance models.

Healthcare organizations are designing incentive plans to drive improvements in quality, safety and patient satisfaction. In my opinion, pay-for-performance/incentive models need to be very carefully designed to be effective. I am troubled by some of the new physician compensation models being proposed and implemented, industry-wide.

Unlike the traditional productivity programs, which allowed physicians to earn more than their market target, new plans limit earnings. There is usually no upside earnings potential. In order for a physician to achieve their market level of pay, they must achieve all of the metric goals. This may be a great cost-saving idea but it is not an effective way to motivate.

There are way too many metrics in typical plans. I have seen plans with 8+ primary metrics and multiple sub-metrics. Plans are becoming excessively confusing. WorldatWork

advises us to incorporate fewer metrics, as it is much easier for participants to focus on those. It is impossible to maintain focus on more than 2-3 metrics.

If healthcare organizations intend to move to pay-for-performance, they need to be careful which outcomes they incent. We can't hold physicians accountable for metrics that they can't control. Providing healthcare is a complex service. Most incentive plans have a shelf life of about 3 years. Unique to healthcare organizations are community health goals that may take 20 or more years to effect. In a team environment, one must consider who will get the incentive payment.

While I agree with Dr. Ledford's points, I am less enamored with pay-for-performance models. While this might work well in other industries, in healthcare it is incredibly difficult to attract and retain the most highly skilled physicians in the world. Physician burnout is already widely recognized. In this environment one must be very careful when experimenting with pay.

Rejoinder

Gerald E. Ledford, Jr.
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The commentaries are a welcome and illuminating response to the original article. I wish to thank each of the authors for their thoughtful commentary.

There was more agreement about how employee rewards have evolved and what has caused the changes than there was about what to do differently. There is general (if imperfect) agreement that the article captures the major trends in employee rewards in the past 35 years and the causes of those trends. However, the commentaries do point to some factors that my article could have addressed more effectively. Morten Rasmussen points to the replacement, to a large degree, of full-time, permanent employment with a free agent workforce. One reflection of this is the huge number of employees who are part-time, self-employed, or employed by contractors. Recent estimates are that about a third of the workforce is now contingent. This certainly has a negative effect on wage levels (typically, cost control is part of the motivation) and greatly increases the uncertainty of rewards for many in the workforce. Matthew Lucy's discussion of the effects of increased transparency on rewards practices is fresh and insightful, and this topic deserves greater attention. I will say more about this below.

Frank Wagner and John Biermann remind us that rewards design, like real estate, is local and specific to the industry dynamics, business model, and strategic choices of the company. Wagner provides insights into choices that fit the world of highly paid professional employees in high tech. Biermann identifies incentive practices that the Mayo

Clinic has rejected because they have the potential to undermine the integrated team approach that Mayo helped pioneer.

As expected, my recommendations of the future of employee rewards received the most attention. Rasmussen embraces the recommendations and pushes them even further, in particular by projecting an intriguing “cash and carry” model as the future of employee benefits. However, some of the recommendations are troubling to others. Wagner and Cenek question whether drastically reducing benefits costs is desirable social policy. My response would be “yes,” but I have no trouble in seeing the pitfalls. Wagner points out that reducing benefits so drastically may not even be possible, since half of benefits costs are government mandated (e.g., Social Security). That is a good catch, but I continue to believe that benefits costs have become excessive and have crowded out rewards (especially performance incentives) that are more useful to the organization. Exactly what form a drastically reduced benefits package would take is going to need to be worked out in practice with daring organizations willing to look different from their competitors.

As a Business School researcher, I am in complete agreement with Cenek that future managers need to learn much more about rewards than they do today if we want them to think strategically about rewards. He is completely correct that we teach them all about finance and marketing, but most business schools teach them little or nothing about rewards. He also rightly notes that academic work that is needed to come up with better ways of modeling rewards alternatives and their effects.

Most commentators were supportive increased performance incentives. Biermann and Wagner point to complications relevant to their industries. After reading Biermann’s critique of contemporary physician incentives, we can only hope that the Mayo Clinic

pioneers in “getting this right” in the same way that it has pioneered new forms of medical practice. Wagner indicates that professionals in high tech already have a relatively high level of incentives compared to nonexempt employees elsewhere. Cenek points out that incentives cannot be an excuse for cutting the size of the overall rewards pie in the name of offering incentives, and this is a good caution. Incentives need to offer greater opportunity to earn rewards based on performance, not less.

The most arresting challenge in the commentaries is from Lucy, who indicates that increasing rewards transparency is a barrier to innovation. He suggests that transparency is forcing large companies to be more and more similar in their rewards practices, because it is not worth the effort to communicate differences. In addition, rewards failures are more visible and dangerous than ever. This reminds us that changes in rewards are “noisy” – they always receive more attention than changes in other HR practices – and executives who are not willing to take the heat should stay out of the rewards kitchen. Although I do not agree that transparency is a reason to stop innovating in rewards, in the future I will pay far more attention to the communication aspects of change management to address this issue. I suspect that technology can be used in a positive way here to help with the communications challenge.

I will close by offering perhaps the highest compliment than an academic researcher can pay to these authors: I learned something from all of these commentaries. Thank you for the dialogue.