

The Growing Importance of Value-Based Benefits



An Investment – Not an Expense

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BayPoint Benefits

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BayPoint Benefits tailors its innovative benefit and human resource solutions specifically for each client. We specialize in structuring, implementing, and administering turnkey-benefit programs for companies in the U.S. and abroad.

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Introduction

There are a lot of different benefits that are offered to workers in various companies, but there is a growing trend that indicates that monetary compensation is not the only benefit or motivator that employees want. Instead, companies are paying more attention to what their employees want and are trying to offer them benefits that will help to enhance both their productivity and their health (Pitt, 2001). This ultimately means greater success for the company and for the employees as well, so it is being seen in more settings, and not just in companies where it would 'make sense' such as those that are affiliated with health care.

Looked at here will be some of the value-based benefits that companies are offering their employees and how these are helping the companies and the employees to have

more success (Pitt, 2001). There are specific and important points that must be addressed when it comes to motivation and how employees react to different benefits that are offered. These will be addressed here, because it is necessary for a complete understanding of the issue, and it will help to sum up what has been seen recently when it comes to what motivates individuals where their benefits are concerned and what they need in order to continue to succeed (Pitt, 2001).

What's Important?

While one benefit of a job might seem more important to a particular manager, that does not mean that same benefit is as important to the employee. What motivates an employee to have interest in the benefits that he or she is offered will often be very different, depending on the employee (Pitt, 2001). All

components of motivation are important, and whether one component of motivation is more important than another is largely determined by the perceptions and opinions of those who are asked. In other words, while the employer might want to provide an extra vacation day, insurance, or some other compensation, the employee might need something entirely different to motivate him or her and make the employee want to continue with the company and do the best job that is possible (Pitt, 2001). At that rate, the employer would need to find what kind of benefit he or she could offer that would be cost effective and that the employee would want.

Safety & Goal Setting Theories

The safety content theory offers the best explanation for the issue of motivation regarding benefits to some degree. Employees need to feel safe, and they need to feel as though they have security (Pitt, 2001). If the employer is motivating them in ways that provide this, they are more likely to remain with the company and to perform at or above the expectations that the employer has for them – and sometimes above the expectations that the employees have for themselves as well. Benefits that make them feel valued and that help them to feel more secure can provide a lot of value to the employees and to the company as well, making them very cost-effective (Pitt, 2001)

The goal setting theory is the best process theory when it comes to the motivation of the employee, though. Employees set goals that they need to accomplish, and employers also have important goals when it comes to where they need their companies to go and what they need from their employees (Tonnessen, 2000). When employers and employees can work together so that their goals are in-line with one another, everyone stays more highly motivated and much more gets accomplished

(Tonnessen, 2000). One of the best ways to do this is for the employer to provide benefits that the employee actually wants and needs and that are also good investments for the employer. This helps make the benefits cost-effective and means that an employer will benefit from them, often as much as the employee does (Tonnessen, 2000).

Various theories show that individuals have to be given benefits that give them satisfaction, not just things that keep them from being dissatisfied. This shows that job enrichment is necessary for there to be employee motivation and that different things motivate different individuals (Tonnessen, 2000). The sequence of events goes from the lower needs for safety and security to the higher needs for self-actualization and other issues when it comes to what employees need from their employers, and individuals who want to give their employees the best benefits will look for ways to motivate and satisfy those employees while still getting the most out of them. Individuals are motivated to a large degree by what they need (Tonnessen, 2000). If no need deficiencies existed, this process would not work because individuals would not be striving for something more, but everyone needs something or wants something that they are motivated to work for, and if they can get it as one of their benefits, they will be more likely not only to work harder for it but to use that benefit, as well.

Intrinsic Motivation

It would be better in some ways for an employer if individuals were all intrinsically motivated. These individuals find ways to motivate themselves and they have their own reasons for staying motivated and working hard (Tonnessen, 2000). The only problem with these individuals is that they sometimes have their own agenda and it does not always fit with what the company needs. It makes it harder for the company to find benefits that

work with these employees because they are harder to please in that sense. Managing a business where all employees were self-actualized would be good in a lot of ways, however (Gill, 2001). These individuals would know their value to the company, and they would be self-assured enough to work well together and avoid problems (Gill, 2001). Unfortunately, these individuals also would be demanding and would not work as hard on tasks that they saw as unimportant, so giving them benefits can be much more difficult for employers. Because they know their value, they would use that as leverage to get what they needed from their employers instead of being willing to accept cost-effective benefits that the employers have to offer (Gill, 2001).

Perception is extremely important when it comes to whether employees are receiving equitable treatment when it comes to their benefits (Gill, 2001). Employers who talk openly with all of their employees about their concerns and what they need and want are more likely to help adjust their employees' perceptions of the way that they are actually being treated. Employers should also make an effort to ensure that all employees really *are* being treated equitably and address any areas where this might not be the case (Gill, 2001). Benefits can sometimes appear this way, depending on what employees want from their employers and whether they feel that everyone in the company can make the most of the particular benefits that are offered (Gill, 2001).

Installing goal setting is difficult because everyone has different individual and professional goals, and they often do not agree (Gill, 2001). Business owners should make an effort to show how the goals for the business tie in with the individual and professional goals of a lot of individuals, so that those individuals will be more likely to help the business accomplish what it needs to accomplish and so that benefits can be created that help both the employer and the employees (Gill, 2001). If business owners can show the goals of the company and the

goals of the individual coming together, the employee will feel as though he or she is working for what he or she needs, but is also working for the greater good of the company. The employee is therefore, in a way, receiving double the benefit for the same amount of work.

As can be seen, the benefit strategies that companies use affect their employees, how motivated they are, and what kind of compensation they ultimately receive (Gill, 2001). This is true of the sales industry and of other industries as well. In addition to this, the career anchors that an employee has (i.e. what is important to them), strongly influence what will motivate them to work harder and continue to perform at a high level, so companies have to look for value-based benefits that appeal to their workers as well. The job of the employer, therefore, is to determine what the employee really needs and wants when it comes to compensation and benefits (Gill, 2001). Once this has been discovered, this can be used to both compensate the employee for the work that has already been completed and motivate the employee to keep performing high-quality work. This will help not only the employee but the employer as well (Gill, 2001).

Continuing this pattern usually does well, unless what is important to the employee changes, and then the tactics that are used by the employer and the benefits that are offered will likely need to be changed as well when it comes to what is used to compensate and motivate employees. This can happen if circumstances in the employee's life change drastically (Gill, 2001). For example, an employee who comes into a lot of money but chooses to keep working will likely not be motivated as strongly by money in the future. Conversely, an employee who goes through a rough individual time such as high medical bills or a divorce will likely be much more interested in money than in other forms of compensation (Gill, 2001).

The downside to motivating employees by what each one of them wants and needs is this idea of change. An across-the-board benefit that is good for the bottom line of the company and also good for most of the employees is the best way for the company to provide a value-based benefit system that works for everyone (Gill, 2001). In order to get the best value-based benefits, though, a company has to understand the way that people are motivated. There are two models of human motivation; the content model and the process model. They are both very simple to understand. The content model largely focuses on needs and the deficiency in those needs (Perry, 1993). In other words, the individual has an internal motivation and they are working to satisfy specific needs that they have. This is the only motivation that these individuals need and it will prompt them to work for the goals that they wish to achieve, regardless of what else is going on in a person's life.

Content & Process Models

The other model is the process model. Unlike the content model which deals primarily with the content of the actual work and how it influences motivation, the process model deals with the content in which the work is actually performed and how the specific individual feels about that work. Two theories will also be briefly discussed here. The first theory is that of equity. This was proposed by Adams and indicated that individuals seek "equity and fairness in their work" (Perry, 1993). They want fair treatment and good relationships with their employer and this is something that many individuals are motivated by. If they do not receive this type of treatment they will often fail to complete their work and much of their work will not get done in a satisfactory manner. This is largely due to the amount of

stress that these individuals feel when their perceived equity relationship with another individual is out of balance (Perry, 1993).

One theory that belongs to the content model is the Hierarchy of Needs. This was developed in the 1940s by Abraham Maslow (Carpenito-Moyet, 2003). It lists five different needs and would have the opinion that individuals are somewhere on that hierarchy. In other words, there are needs that each individual has and where they are in that list of needs depends on what motivates them and how hard they are willing to work to get to the next level. It can be hard for employers to find these needs and then find benefits that help meet them but still improve the company's bottom line. Most individuals agree with this but there are some who have a hard time understanding it. Many do not feel that they travel their lives in the specific levels that Maslow has discussed and sometimes things at the top levels "are much more important to certain individuals than things at the bottom levels" (Carpenito-Moyet, 2003). At that rate, a company would never be able to find a benefit that would work for all of their employees.

Another theory, that of Herzberg, shows that "people have to be given motivators that give them satisfaction, not just things that keep them from being dissatisfied" (Chapman, n.d.). It shows that job enrichment is necessary for there to be employee motivation and that different things motivate different people (Chapman, n.d.). In other words, a person cannot simply assume that paying an employee more money will be enough to keep that employee coming to work every day and doing the best job possible. There are few employees that would not like to get paid more money, but there are many employees for which other types of benefits would provide them with a much more rich and satisfying experience (Chapman, n.d.; Gill, 2001). For these people, money really is not everything.

The Safety Issue

The safety issue that is on Maslow's hierarchy offers the best explanation for the issue of motivation. Employees want to feel safe, and they want to feel as though they have security (Pitt, 2001). If the employer is motivating them in ways that provide this, they are more likely to remain with the company and to perform at or above the expectations that the employer has for them – and sometimes above the expectations that the employees have for themselves as well. Goal setting, though, is also a strong theory where motivation is concerned, and this type of theory would belong not to Maslow, but to Herzberg.

Employees set goals that they want to accomplish, and employers also have important goals when it comes to where they want their companies to go and what they need from their employees, so the benefits that they have to offer have to work for the company and for the employees (Clarke, 1995; Bowen & Radhakrishna, 1991). When employers and employees can work together so that their goals are in-line with one another, everyone stays more highly motivated and much more gets accomplished (Pitt, 2001; Tonnessen, 2000). The goals that employees set are things that give them satisfaction, not just keep them from dissatisfaction, as Herzberg indicated, and when the company can provide value-based benefits to help its employees meet their goals, everyone wins.

For Further Contact

If you would like to discuss our findings in greater detail, please contact the author.

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