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## Total Reward Architecture Chapter 7 Abstract

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### Total Reward Architecture

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Total reward architecture can align the successes of the company to the successes of your executives. Start by leveraging everything you know about your company and determine how that links executive success to overall company success. The next step is to demonstrate to executives how that connection is made.

The most effective executive reward strategy is one that allocates rewards in a way that directs the business to meet its goals and objectives. When developing your plan there are three factors that will make up the reward plan's total value. Used correctly together, these three strategic axes provide all the leverage you need while communicating to executives how their success is linked to the success of the company. So what are these three strategic axes? We like to call them the three Ms—money, mix, and messages.

*Money.* We define “money” as the competitive market attachment. Money is the level of rewards, and is how total rewards are defined in terms of total cost to the company (internal) and relative competitive level (external) of the total of all of the rewards components paid to the executive.

*Mix.* Mix is how executive total reward architecture is designed to distribute the reward elements most successfully.

*Messages.* Messages are the philosophy behind your total reward program. Messages should make it clear to everyone what the reward plan is designed to accomplish.

When you put money, mix, and messages together, you have a “total reward architecture” that when done thoughtfully will vary from company to company.

The total reward architecture should be:

- A function of the organization's overall size, as well as a function of performance;
- A function of the division, group, and/or team performance;
- A function of individual executive performance;
- Easy to communicate and easily understood by all participants;
- A regular portion of the business metrics;
- Able to tie high performers to the organization;
- As small a change to earnings as possible.

A successfully designed program can draw linkage between the relative influence of the external environment, key stakeholders, business strategy, organizational capabilities, and people strategy on money, mix, and messages.