



**BUSINESS  
SCHOOL**

**How to leverage personalised rewards  
to enhance performance, employee  
experience and engagement**

# **PERSONALISED REWARDS**

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# PERSONALISING REWARDS – INCREASING ENGAGEMENT, PRODUCTIVITY AND SATISFACTION

What employer wouldn't want their teams to be more engaged, productive and innovative?

There is now mounting evidence that organisations can enhance employee attraction, satisfaction and retention through one activity that touches everyone in an organisation – reward. Specifically, research shows that the more personalised a reward system is, the greater positive impact it has.

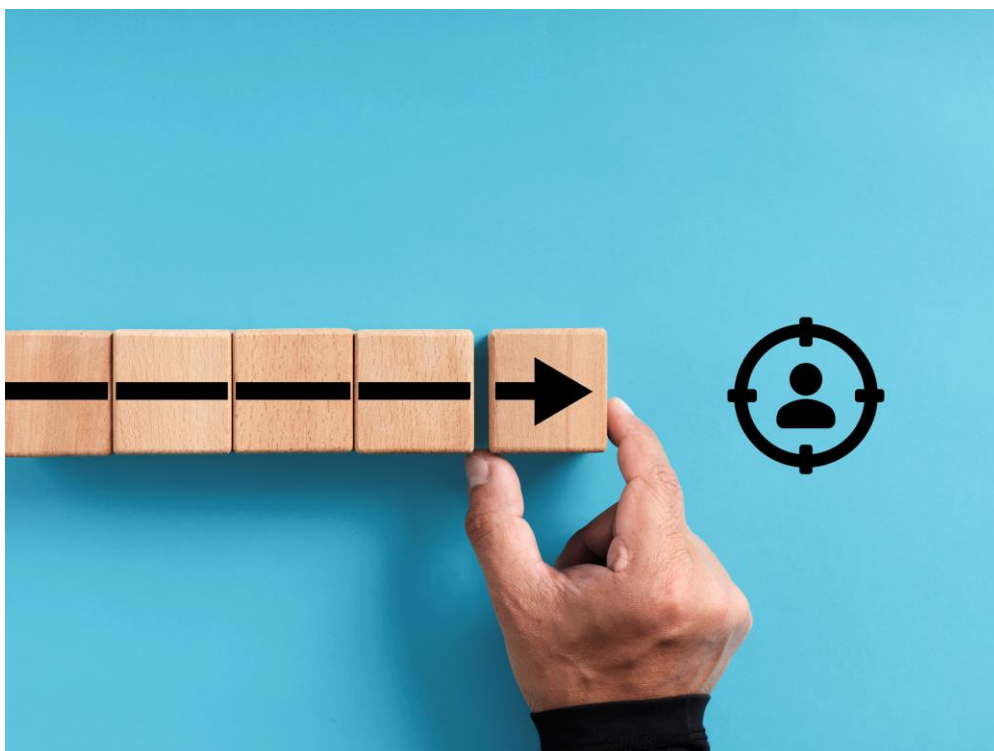
According to Hudson's annual Generic Salary Survey, the number of organisations in Belgium that offer a flexible remuneration plan, which is a concretisation of the concept of personalised rewards, has quadrupled in the past five years. Today, 169 out of 781 Belgian organisations offer some kind of flexible plan to their employees. It has become important for organisations to differentiate themselves from other employers. A flexible reward plan is one way of offering more personalised rewards to employees according to their different life stages.

Could be time for your organisation to focus more on personalised rewards? Discover more in this paper!

This white paper sets out:

- What personalised rewards are
- The benefits of introducing them
- Making the shift to personalised rewards
- Business cases of companies that are already benefiting from personalised rewards

We warmly welcome the input and data provided by Hudson on flexible rewards, which are a popular concretisation of the concept of personalised rewards.



# WHAT ARE PERSONALISED REWARDS?

At the heart of personalisation are two key concepts – flexibility and choice. Flexibility in the way people manage their working time and location. And choice in how they are compensated.

## Flexibility in when and where to work

We now live in a world where hybrid working has become the norm for many.

It's a situation that gives employees the best of both worlds – the flexibility to harmonise work and life, as well as opportunities to interact and engage on site with colleagues<sup>1</sup>.

It's also a beneficial arrangement for employers, who are embracing it for three reasons:

- Flexibility can boost productivity
- It has a positive impact on retaining employees
- And employees who have greater work-life harmony tend to be more satisfied

Greater flexibility results in situations that work for everyone, including families and other stakeholders<sup>2</sup>.

<sup>1</sup> JLL Research. (2021, January 12). *Shaping the future of work for a better world*. Jones Lang Lasalle.

<sup>2</sup> Society for Human Resource Management. (2014). Workplace Flexibility – Overview of Flexible Work

Arrangements. Retrieved from: <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Pages/2014-workplace-flexibility-survey.aspx>

# Making the transition to flexible working

The case for flexible work arrangements (FWA) is strong. However, there is evidence that companies are poorly prepared for a shift to flexible working<sup>3</sup>.

To make the transition, organisations need to think differently – and this starts with listening, setting goals and providing resources. These building blocks can provide a good starting point<sup>4</sup>:

	Flexible worktime schedule	Flexible workplace	Flexible time off	Flexible workload
OVERVIEW	Employees can vary their schedules, so long as they meet timetabled expectations.	Employees can work in different places.	Employees can choose to take leave from work.	Employees can reduce their workload and accept a corresponding pay cut.
POLICY IMPLICATIONS	<ul style="list-style-type: none"> <li>• Flexitime</li> <li>• Self-scheduling</li> <li>• Compressed work week</li> </ul>	<ul style="list-style-type: none"> <li>• Telework</li> <li>• Work in satellite offices</li> </ul>	Different types of leave: <ul style="list-style-type: none"> <li>• Family leave</li> <li>• Sickness leave</li> <li>• Parental leave</li> <li>• Educational leave</li> </ul>	<ul style="list-style-type: none"> <li>• Job share</li> <li>• Part-time work</li> <li>• Lighter workload</li> </ul>

<sup>3</sup> Dutch businesses say working from home is here to stay, but expect some limited offshoring of jobs. (2021, January 25). Wills Towers Watson. <https://www.wtwco.com/en-NL/News/2021/01/dutch-businesses-say-working-from->

home-is-here-to-stay-but-expect-some-limited-offshoring-of-jobs  
<sup>4</sup> Kossek, E., Gettings, P., & Mirsa, K (2021). The future of flexibility at work. *Harvard Business Review*.

## Choice of benefits – flexible rewards

Giving employees the ability to choose some of their rewards is now a feature of many employers’ reward strategies.

The extent of this flexibility can range from giving employees the ability to pick options on a form, all the way through to creating completely personalised reward packages. This framework is a useful overview of flexible award approaches.<sup>5</sup>

Salary reduction	Modular options	Core plus options	Mix and match
Employees can convert base pay and/or bonus into benefits	Employees can choose different combinations – with the same benefits at different levels	Core – basic mandatory coverage, e.g., health, life, disability  Plus – Flexible credits in core or supplemental areas, e.g., childcare, vacation days, trade-in for cash	Flexible credits  Employee can buy any type of reward at any level
LOW FLEXIBILITY	←—————→		HIGH FLEXIBILITY
LOW COST	←—————→		HIGH COST

**Helping employees to choose**

Bear in mind that too much choice can lead to low levels of adoption. So it’s critically important to communicate options clearly. Using data and AI can also help to match rewards to individual needs. Consequently, this provides a nice opportunity for the application of digital technologies to reward management.

<sup>5</sup> Beam, B. T., & McFadden, J. J. (2001). *Employee benefits*. Dearborn Trade Publishing.

# WHY SHOULD YOU CONSIDER A MOVE TOWARDS MORE PERSONALISED REWARDS?

There are many benefits of offering personalised rewards. The most notable are:

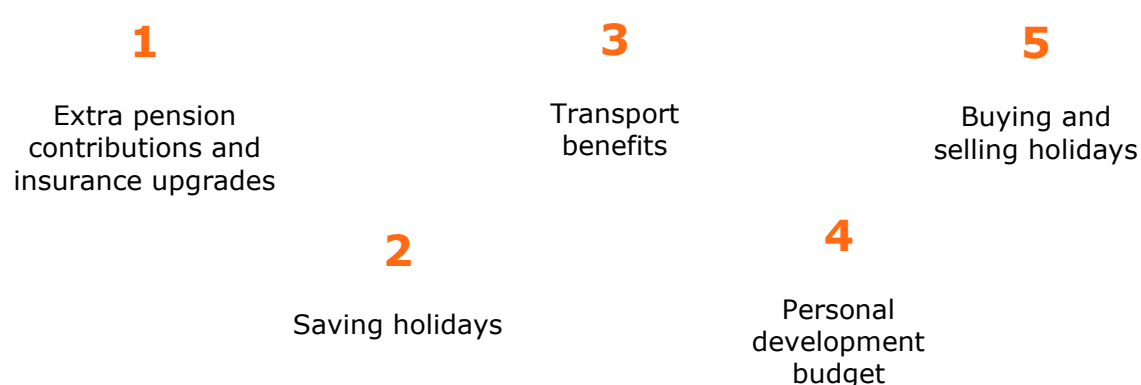
- Boosting performance
- Increasing understanding of benefits and satisfaction with them
- Improving the employee experience

## Boosting performance

Research shows that having a choice of rewards can lead to employees feeling that their organisations are fairer, and perceptions of fairness lead to improved performance.<sup>6</sup>

However, simply providing choice isn't enough. A survey of 3000+ private sector employees, carried out by the Centre for Excellence in Strategic Rewards<sup>7</sup>, found that the benefits on offer must be attractive.

In the survey, the most popular reward options were revealed to be:



## Identifying the most attractive benefits

Research also shows that providing attractive benefits – and attractive choices in benefits – is directly linked to improvements in overall performance<sup>8</sup>. So it's important to keep asking these questions:

- What do employees want?
- Do our benefits align with these wants?

Engaging with employees is key. Facilitating colleague workshops can be extremely beneficial. First, they provide a forum where colleagues can be actively involved in creating the approach to benefits. Second, they can help teams to understand the full range of benefits available to them.

Post-launch, it can also be useful to dig down into the data to find which options are the most popular, and review the analytics regularly.

<sup>6</sup> Caza, A., McCarter, M. W., & Northcraft, G. B. (2015). Performance benefits of reward choice: A procedural justice perspective. *Human Resource Management Journal*, 25(2), 184-199.

<sup>7</sup> Baeten, X. (2019). *Flexible Rewards*. Vlerick Business School.

<sup>8</sup> Caza, A., McCarter, M. W., & Northcraft, G. B. (2015). Performance benefits of reward choice: A procedural justice perspective. *Human Resource Management Journal*, 25(2), 184-199.

## Increasing understanding of rewards and satisfaction with them

Studies show that understanding – and appreciation – of rewards increases after personalisation is introduced<sup>9</sup>.

Partly, this is because of the choice of rewards themselves. It's also because having a choice forces employees to engage with their rewards, which leads to a better understanding of everything that's on offer.

## Improved employee experience

An employee's perception of their workplace starts before they join a company – and is refreshed with every contact they have with the organisation. Research shows that better experiences of the workplace lead directly to improved performance, across a number of metrics.

Companies that score highly for positive employee experience, for example, are twice as likely to be innovative and collaborative. This then leads to increased customer satisfaction – and profitability<sup>10</sup>.

Reward is an important part of the employee experience. And personalised rewards have the potential to further enhance this experience.

## From employee experience to life experience

Employees are increasingly concerned about mental health, financial stability and flexibility – and look to their workplaces for support with:

- Mental health
- Learning and development
- Families

This goes beyond the experience of simply being an employee – and it means that organisations are providing enhanced life experiences, as well as employee experiences.

A study by Gartner<sup>11</sup> highlighted that employees who were given access to these "life experience" benefits reported a 20% increase in better mental and physical health – and a 21% increase in the number of high performers.

<sup>9</sup> Barber, A. E., Dunham, R. B., & Formisano, R.A. (1992). The impact of flexible benefits on employee satisfaction: A field study. *Personnel Psychology*, 45(1), 55-74

<sup>10</sup> Building Business Value With Employee Experience. (2017, June 15). *MIT Center for Information Systems Research*.

<sup>11</sup> Kropp, B. (2021, April 30). 9 Trends That Will Shape Work In 2021 and Beyond. *Harvard Business Review*. <https://hbr.org/2021/01/9-trends-that-will-shape-work-in-2021-and-beyond>

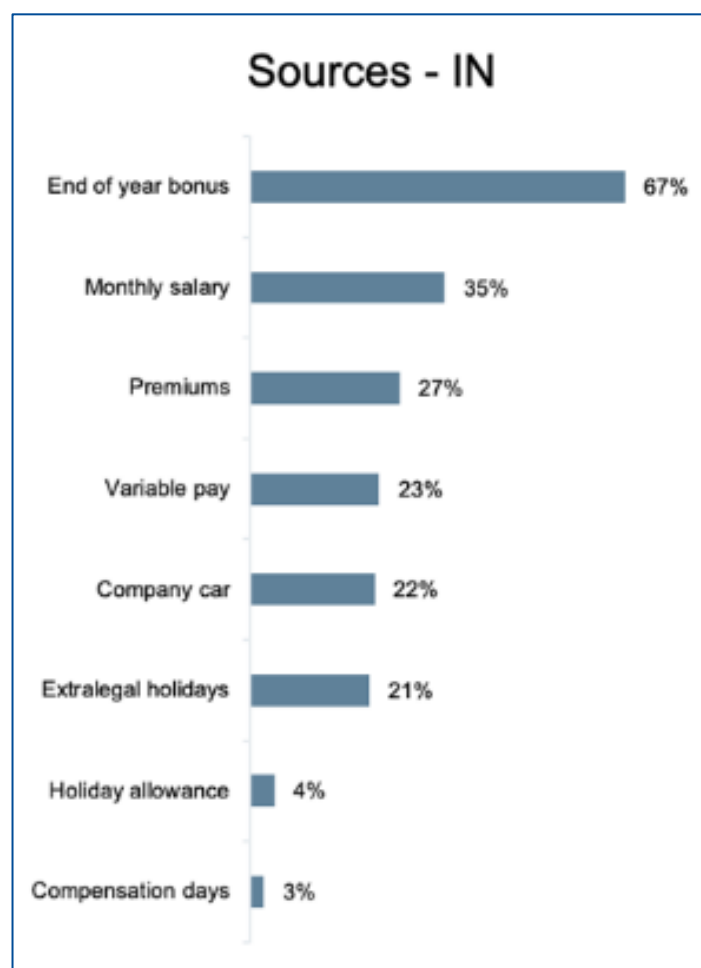
# HOW TO PERSONALISE REWARDS? A FOCUS ON FLEXIBLE REWARDS

When you're looking to attract and retain brilliant people, boost performance and engage teams, strategic reward has been proven to achieve powerful results.

But in a changeable world, it can be difficult to know where to start. The concept of flexible rewards, being providing employees with choice, also based on the tax treatment, has gained momentum over the years. There are many ways to introduce a flexible reward plan. The first decision is about how the budget for the flex plan will be created – and it can be as straightforward or complex as your organisation needs it to be.

## Deciding how to fund your flex plan

According to Hudson<sup>12</sup>, the most popular flex plan budget component is the end of year premium. In most cases, the entire end of year premium goes into the flexible reward plan – but it's also possible to put part of it into the plan. The second most common component is part of an employee's base salary. Premiums, variable pay, company cars and additional holidays are also common components. In addition, organisations can add funds to the flexible fund – typically by contributing the amount "saved" when an employee contributes part of their salary.

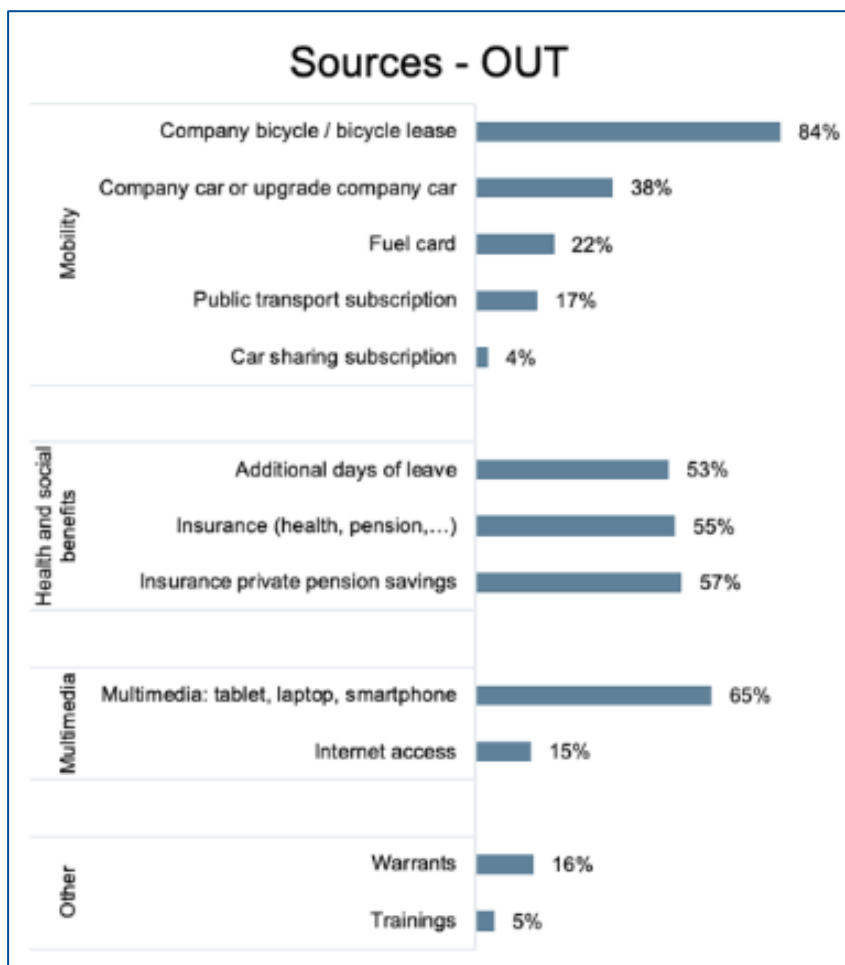


<sup>12</sup> Hudson Generic Salary Survey, <https://www.hudsonsolutions.com/be-en/services-tools/reward-management/salary-surveys/our-salary-surveys>

## Deciding which choices to provide

When setting up a flex plan, you also need to decide which choices to provide within it.

In the Belgian market, transport options are always popular. And for employees who value work-life balance, additional leave can be a prized option. Being able to purchase multimedia is also popular – especially when organisations can secure employee discounts.



## COMPANIES ALREADY BENEFITTING FROM PERSONALISED REWARDS

There's no better way to understand personalised rewards than to see them through the eyes of employers who've already implemented them.

**Bayer** has implemented a framework to clearly communicate its employment proposition, including reward options.

**AG** has rolled out an innovative salary sacrifice scheme, which gives employees flexibility in choosing their rewards.

**Unilever** gives flexibility in where and how employees work, the kinds of benefits they can choose – and the learning and development they can pursue.

And **Ingka** provides a great example of a core-plus approach – where standardised global benefits form the core offer, to which localised benefits can be added.



# ENHANCING EMPLOYEE EXPERIENCE AT BAYER

## Approach

Rewards integrated into overarching employee proposition

## Eligible employees

Everyone

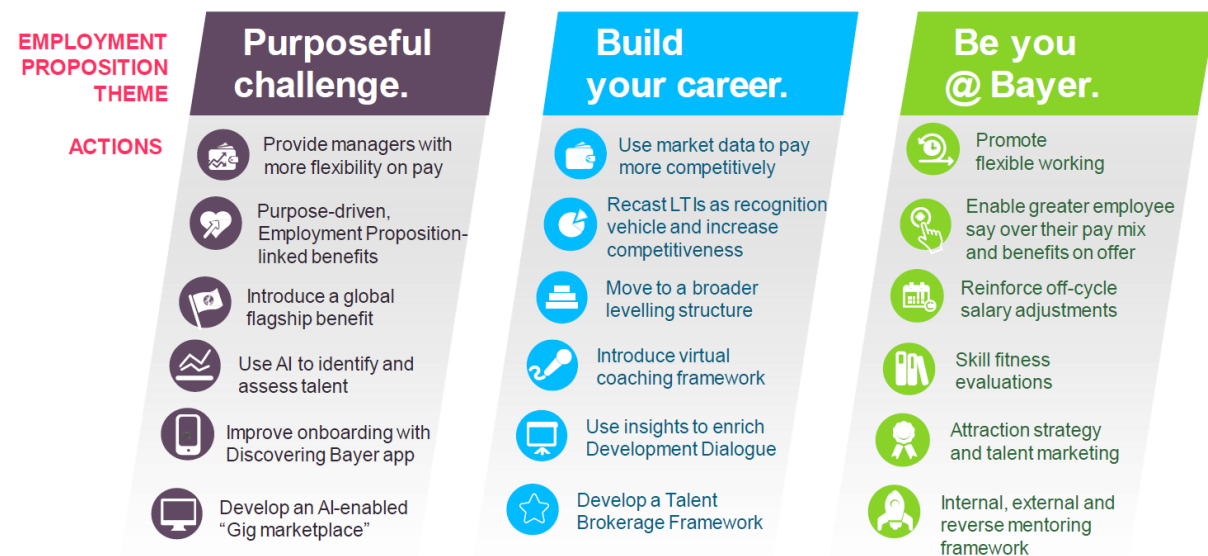
## Focus

Flexible working, flexible rewards and flexible careers

## Overview

The German pharmaceutical and life sciences multinational provides flexibility across career paths, working times and location, learning and development and benefits options.

This flexibility is a key driver in the company's three-pillar Employment Proposition framework:



**Purposeful challenge** – this pillar gives employees the flexibility to work at their own speed, as well as when and how they want.

**Build your career** – this pillar gives employees the flexibility to build personally meaningful careers, at their own pace.

**Be you @ Bayer** – this pillar creates opportunities for employees to express views and ideas – and have a say in which benefits work for them.



# EXCHANGING CASH FOR BENEFITS AT AG

## Approach

Benefits provided flexibly through a system where defined rewards can be exchanged for tax-friendly benefits

## Eligible employees

Everyone – with the ability to take cash instead

## Focus

Flexibility around reward options

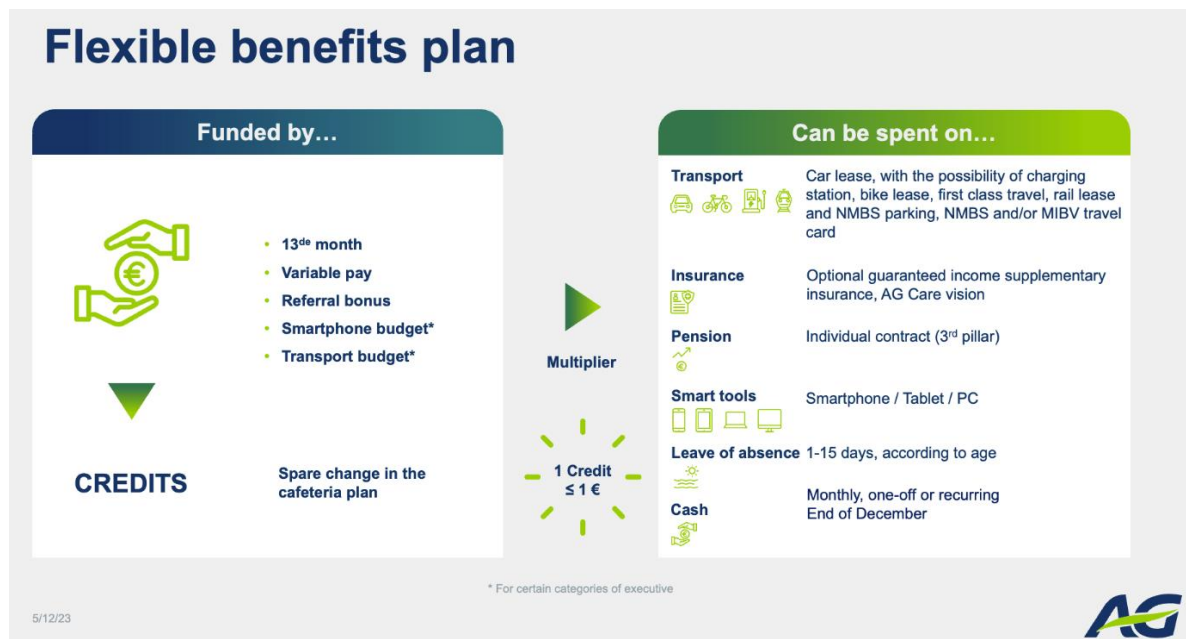
## Rewards cycle

The benefits shop is open 12 months a year, with credits resetting each January, rather than rolling over

## Overview

AG's flexible rewards programme allows employees to exchange the 13th month of their salary – or other predefined premiums and budgets – for credits. They then "spend" these credits on a wide range of options including insurance, pension, holidays and IT. Some employees are also entitled to spend credits on smartphones and transport.

Credits are worth a minimum of one Euro – and more for some exchanges. For example, one credit is worth 1,27 Euro towards a bike lease.



## Protecting employees

- Participants in the scheme are only allowed to “spend” any amount above their fixed salary on credits
- Their whole variable pay is taken into account for group insurance, rather than their remuneration, minus rewards credits purchased
- The scheme allows participants to continue to purchase hospitalisation insurance at a competitive rate after retirement
- Employees can buy additional insurance via the plan to top up their basic income care insurance

# TAILORING WORK AND REWARDS TO LIFESTYLE NEEDS AT UNILEVER

## Approach

Wide-ranging, integrated system that goes beyond traditional ways of working and rewarding

## Eligible employees

Everyone – with the ability to opt out and take cash instead

## Focus

Radical flexibility in working arrangements, flexibility in learning and development and a personalised approach to reward

## Overview

Unilever's innovative approach challenges workplace norms at many levels:

**U-Work** – employees in this programme receive a monthly retainer and package of benefits – and then pick and choose internal contract roles. This “internal freelancer” system gives employees in the programme the ability to gain exposure to different areas of the business – and also to take time off to travel, be with their families or study. Towards the end of their careers, some colleagues transfer to U-Work to transition to retirement. U-Work offers huge flexibility for employees – and also means that the company's “freelance” community knows the organisation inside out, and can hit the ground running.

**U-Renew** – this initiative allows employees to sacrifice part of their salary to fund skill development and education. At the same time, they get financing, time off and job security from their employer.

**uFlexReward**<sup>13</sup> – this innovative platform shows employees the value of all their rewards, including non-monetary benefits. It also gives users the flexibility to change their rewards as their circumstances change and create highly personalised reward packages.

The image below shows some of the functionality of uFlexReward. In this example, an employee can use the slider to understand the effects of electing to sacrifice a fixed income for a bonus-based system of remuneration.

The screenshot displays the 'uFlexReward' dashboard for user Lyubina Yoncheva. The interface is divided into two main sections: 'Create your reward package' and 'Reward package preview'.

**Create your reward package:**

- Annual salary:** 50 000\$
- Bonus:** 10 000\$
- Performance factor:** 125%
- Semi monthly salary:** 6 000\$
- Percentage of salary:** 7%
- Annual salary:** 50 000\$
- Bonus:** 10 000\$

A slider scale is positioned below the bonus field, with a blue arrow pointing to it from a text box labeled 'Slider scale'. The slider is currently set to the right, indicating a higher bonus value.

**Allowances:** 200\$

- Food vouchers: 100\$
- Parking: 100\$

**Benefits:** 4100\$

- UniCare Saving Program: 100\$

**Reward package preview:**

A bar chart compares four scenarios: 'Current US\$ Your current package', 'Preview US\$ Your selection', 'All fixed', and 'All flex'. The chart shows the total value of each package broken down into components: Annual salary, Bonus, Allowances, and Benefits. The 'Preview US\$ Your selection' bar is highlighted, showing a total value of 75 000\$ (50 000\$ Annual salary + 10 000\$ Bonus + 4 100\$ Benefits + 200\$ Allowances).

Buttons for 'SAVE' and 'SUBMIT' are located at the bottom right of the preview section.

<sup>13</sup> <https://www.uflexreward.com>

# COMBINING A GLOBAL APPROACH WITH LOCAL PERSONALISATION AT INGKA

## Approach

Supplementing a set of core benefits available to all employees worldwide with the ability to add localised benefits that take account of personal needs and local taxation. Localised benefits are relevant to the local labour market, social security and tax systems.

## Eligible employees

Everyone

## Focus

Support, time, wellbeing and sustainability

## Overview

With IKEA retail operations in 31 markets, Ingka Group is the largest IKEA retailer, representing about 90% of IKEA sales. It acts as a strategic partner – developing the IKEA business, helping to define common IKEA strategies and innovating. Ingka Group owns and operates IKEA sales channels under franchise agreements with Inter IKEA Systems B.V. Its three key business areas are:

- IKEA Retail
- Ingka Investments
- Ingka Centres

Ingka is the holding company that controls most IKEA stores – making it the largest IKEA franchisee. Its global benefits framework allows employees to make their own choices, personalising their benefits package. This is underpinned by a set of guaranteed benefits. Strategically, this approach combines two elements:

- **Core benefits** that are offered to all workers, safeguarding a decent living standard and reflecting Ingka’s culture and values. This is provided universally, with minimum standards provided by the Centre of Expertise.
- **Flexible benefits** that can be chosen by workers. Benefit selections vary from market to market to correspond with local labour markets, social security and tax systems.

Ingka’s benefits approach aligns with the company’s sustainability and health and wellbeing agendas. There is also a strong focus on equal benefits, with no distinction between managers and store workers, for example.

<b>Ingka’s core benefits, that are available to all employees worldwide, include...</b>	<b>In addition, flexible benefits can be chosen in these categories...</b>
<ul style="list-style-type: none"> <li>• Medical insurance</li> <li>• Pension</li> <li>• Life insurance</li> <li>• Discount on IKEA products</li> <li>• Disability insurance</li> <li>• Paid time-off</li> <li>• Co-worker celebrations</li> <li>• Parental leave</li> <li>• Employee assistance programme</li> </ul> <p><i>This global approach to benefits means that Ingka uses only two administration platforms – one for the USA and one for all other countries.</i></p>	<ul style="list-style-type: none"> <li>• Support</li> <li>• Time</li> <li>• Wellbeing</li> <li>• Sustainability</li> </ul>

## How does personalisation work?

At country level, reward professionals can select the most appropriate options from a long list of potential benefits. Their choices are made based on local relevance and needs – and individual markets can add their own benefits, as long as they align with INGKA’s framework. The ultimate goal is for every employee to get a budget to purchase benefits – with some options being co-financed.

These are just some examples of how benefits can be personalised at a local level:

SUPPORT	TIME
<ul style="list-style-type: none"> <li>• Credit purchase, or interest-free loan for IKEA products</li> <li>• Adoption support</li> </ul>	<ul style="list-style-type: none"> <li>• Additional paid time off</li> <li>• Buy, sell or donate days off (for example, to a colleague coping with family illness)</li> <li>• Emergency child and elder care support</li> </ul>
WELLBEING	SUSTAINABILITY
<ul style="list-style-type: none"> <li>• Flexible spending account</li> <li>• Gym membership</li> <li>• Annual medical check-up</li> </ul>	<ul style="list-style-type: none"> <li>• Community leave – days off to volunteer in the community</li> <li>• Donate days off to charity (or monetary equivalent)</li> <li>• Bike, electric car and eco-transport support</li> <li>• Discounts on eco-friendly IKEA products</li> <li>• Circularity – recycling used items</li> </ul>

# DISCOVER HOW VLERICK CAN EMPOWER YOUR REWARD STRATEGY

Are you ready to make the leap into personalised rewards?  
We're here to inspire and support you.

## Learn about the Centre for Excellence in Strategic Rewards

<https://www.vlerick.com/en/for-companies/research-for-your-company/centre-for-excellence-in-strategic-rewards/>

## Explore our programmes

<https://www.vlerick.com/en/programmes/programmes-in-human-resource-management/>

## Questions?

Reach out to discuss your strategic rewards programme.  
We'd love to hear about your ambitions and vision for your organisation.

Get in touch with our coordinator:



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*Coordinator & Senior researcher*  
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