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Reimagining the Practice and Purpose of Pay: An Introduction to CBR's Special Issue on Responsible Rewards

Aino Tenhiälä, Jason D. Shaw, Phillip Bryant

Compensation systems are under increased scrutiny recently—not only for their role in motivating performance, but also for their impact on organizational ethics, social equity, environmental sustainability, and stakeholder trust (c.f. Hou, Bello-Pintado, & García-Marco, 2025; Phung, Trinh, Nguyen, & Trinh, 2023; & Zhu, Liu, Chen, & Yue, 2024). In this context, the notion of *responsible rewards* gained traction as organizations and compensation professionals reimagine the purposes and consequences of pay. No longer confined to questions of market competitiveness or performance measurement, today's reward systems are expected to reflect broader societal expectations, support long-term value creation, and avoid reinforcing harmful behaviors or inequities (McMullen & Dahle, 2024).

Responsible rewards may encompass, but are not limited to, the integration of ESG (Environmental, Social, and Governance) goals into incentive plans, ethical boundaries in pay-for-performance design, inclusion and fairness in executive compensation governance, the encouragement of green and prosocial behaviors among employees, and the reduction of systemic disparities through fair pay and living wages. This Special Issue of *Compensation & Benefits*

Review brings together new research and critical reflection on the promises, pitfalls, and practicalities of building more responsible reward systems.

Governing Executive Pay Through Ethical Lenses

Stephen J. Perkins and Susan Shortland's "Bridging Theory and Practice: Ethical Governance of Executive Compensation in the Financial Times Stock Exchange 100" analyzes the ethical and moral principles underlying pay governance practices among UK public companies. The authors combine content analysis of FTSE 100 remuneration committee reports with interviews with non-executive directors, institutional investors, and executive compensation advisors. The study reveals increasing attention to stakeholder interests, integration of ESG metrics and attempts to balance short-term performance with long-term sustainability in executive pay. However, decision-makers continue to face persistent challenges in operationalizing ethical principles in compensation structures and a tension between market pressures and broader societal expectations. Perkins and Shortland's research challenges the dominance of shareholder primacy and emphasizes a shift toward stakeholder inclusivity and moral accountability. The paper's practical contribution includes a comparative "heat map" tool for evaluating companies' alignment with ethical frameworks. Theoretically, the paper integrates agency theory with deontological and virtue ethics, offering a richer understanding of how norms and values are operationalized in pay governance.

Rethinking ESG Metrics in Executive Pay

In "The Use of ESG Ratings in Corporate Compensation Plans: Promises and Pitfalls," Charlie Cregan, J. Andrew Kelly, and J. Peter Clinch confront the emerging corporate trend of linking executive remuneration to third-party ESG ratings. Drawing on case studies from the airline and banking industries and including a synthesis of recent research, the authors argue that while ESG

ratings offer a ready-made, externally validated metric, they suffer from fundamental limitations: rating divergence, opaque methodologies, and limited connection to real-world impact. The authors critique this trend through the lens of agency theory and performance metric literature, warning that overreliance on third-party ratings may reduce accountability and create perverse incentives. Their practical recommendation is for firms to use verifiable, objective metrics aligned with internal sustainability strategy and to avoid ceding control over pay governance to rating agencies.

Embedding Ethics in Compensation Design

In “Aligning Compensation System Strategies with Ethical Conduct: Lessons from Call Centers,” Connie Bell argues that organizations should move beyond viewing compensation as a transactional function and instead recognize it as a cultural tool that can reinforce ethical behavior. Bell investigates how mid-level managers can structure compensation to foster ethical behavior in high-pressure sales environments. Using qualitative data gathered with interviews and focus groups with sales managers across telecommunications, retail, banking, and healthcare sectors, Bell identifies five key themes: equitable pay, realistic and attainable performance targets, ethically bounded pay-for-performance incentives, transparent evaluation and monitoring systems, and leadership by example. Grounded in ethical leadership theory and the competing values framework, the study offers a practical model for designing rewards that enhance trust and reduce misconduct. It contributes to the limited but growing literature on compensation ethics by emphasizing the critical—but often overlooked—role of mid-level managers in translating policy into practice.

Green Rewards and Employee Engagement

At the employee level, “Perceived Green Reward and Work Engagement in the Workplace” by

Taofik Idowu, Qudus Lawal, and Faridah Abimbola provides empirical evidence from Nigeria on how employees' perception of green rewards influences their engagement at work. Analyzing data from a survey of 140 employees, the study finds a strong positive relationship between green reward perception and work engagement, particularly through the dimensions of vigor, dedication, and absorption. Drawing from social exchange theory, the findings highlight how both financial (e.g., bonuses for green behavior) and non-financial (e.g., symbolic recognition) rewards foster a sense of reciprocal commitment. The paper contributes to green HRM literature, demonstrating the role of perceived organizational support for sustainability in shaping employee motivation and behavior.

Review Essay: Toward a Net Positive Reward Philosophy

Finally, the Special Issue includes a review of the book *Net Positive: How Courageous Companies Thrive by Giving More Than They Take*, authored by Paul Polman and Andrew Winston. Reviewed by Landon Meriweather, the piece explores how the Net Positive philosophy reshapes the conversation around compensation. Drawing from Polman's leadership at Unilever, the book calls for companies to treat pay systems not merely as levers for performance, but as instruments of stakeholder accountability and purpose-driven leadership. First, the authors call for a shift away from short-term earnings incentives toward models that reward sustainability, innovation, and long-term stakeholder value. Second, they emphasize pay equity and living wages as business imperatives. Third, they argue that financial rewards must be tied to purpose, meaning, and societal impact to truly engage today's workforce. Fourth, they advocate for radical transparency—publicly disclosing how rewards support ESG outcomes. Finally, they urge leaders to communicate these changes with empathy and shared values. The review positions *Net Positive* within the responsible rewards discourse by highlighting its emphasis on long-term value

creation, intrinsic motivation, and cultural transformation. It also critically reflects on the implementation challenges and potential contradictions of tying monetary rewards to moral behavior.

The Way Forward: Toward Accountability, Alignment, and Adaptation

As the contributions in this Special Issue make clear, responsible rewards are not simply a matter of better metrics or more elegant pay designs. They are embedded in broader organizational systems, leadership behaviors, cultural norms, and social expectations. They require balancing tensions between control and flexibility, incentives and values, stakeholder demands and operational constraints.

Despite their promise, responsible reward systems are not without risks. ESG metrics can become symbolic, ethics-driven incentives can backfire, and efforts to democratize rewards can inadvertently reinforce existing inequalities. Critics warn that sustainable bonuses may be perceived as acts of "window dressing" (Kolk & Perego, 2014), that rewarding prosocial behavior can sometimes undermine intrinsic motivation (Park, Park, & Barry, 2022), and that short-term pay structures may negatively correlate with corporate social performance (Deckop, Merriman, & Gupta, 2006). But the articles in this issue suggest that with thoughtful design, adaptive implementation, and rigorous governance, compensation systems can become more than performance tools, viz., they can serve as useful tools for ethical, inclusive, and sustainable organizations.

Looking ahead, this Special Issue also invites future research into the design and governance of responsible reward systems. Emerging work suggests that linking compensation to environmental and social outcomes raises unresolved tensions—between shareholder value and stakeholder accountability (Faleye & Trahan, 2011), between intrinsic and extrinsic motivation (Park et al.,

2022), and between symbolic and substantive performance indicators (Kolk & Perego, 2014; Maas, 2018). Further empirical research is needed to evaluate when sustainability-linked incentives drive meaningful behavioral change and when they risk ethical drift or goal displacement. Comparative studies could also explore how cultural context, industry norms, and stakeholder engagement shape the implementation of green HRM and ethical pay strategies (Guerci & Carollo, 2016; Hall et al., 2015). Moreover, the role of compensation leaders in navigating these trade-offs—through system design, moral framing, and communication—remains an underexplored but critical domain for both scholars and practitioners.

We hope this Special Issue provides researchers, practitioners, and policymakers with theoretical frameworks, empirical insights, and practical guidance needed to navigate this evolving landscape. As the role of pay in shaping organizational behavior continues to expand, so too must our understanding of what reward systems may ultimately achieve, and for whom.

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