



Paper Presented on:

Effective Compensation & Benefits Strategy to Retain High Performers

Contents:

- Clarifying C&B Strategy : Diverging Views, Challenges & Drivers
- Principles & Process of C&B Strategy Design
- Implementing & Evaluating the Value of the C&B Strategy
- Retaining Talent : C&B part of the Equation
- Conclusion

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Introduction



Business Environment

- Ambiguous economic outlook
- Business Risk Management
- Informed Competitive markets
- Drive for Profitable growth
 - Increased Revenue
 - Competitive Cost Structure
- Rising inflation & Input prices
- Demanding customers
- Globalization

Workforce & Organization

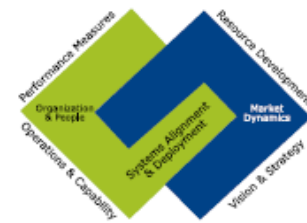
- Diversity
- Work / life balance
- Flatter structures
- Increased accountability
- Teaming across functions
- Focus on alignment
- Drive for productivity & innovation
- Compliance & CSR
- Empowerment
- Excellence (Performance)
- Engagement

• What is Strategy ?

- It is “What you need to do in your **Chosen Market/(s) to Win !**”

- **C&B Strategy** is there to **FACILITATE !**

Diverging Views on C & B Strategy



Negative

- Achieve temporary compliance vs. real change in attitudes & behaviour
- Manipulative & Relationships suffer (Win-lose system)
- Used as a “Panacea” to solve poor performance issues
- Discourage risk taking and innovation
- Lower objectives are set in order to secure rewards

C&B Strategy needs
to Strike a Balance

Positive

- Rewards have a positive effect on performance
- The organization is able to link rewards to performance
- Essential to motivate
- Key tool to attract, recognize & retain talent
- Drive focus & effort to exceed performance objectives

C&B Strategy: Challenges & Complexities

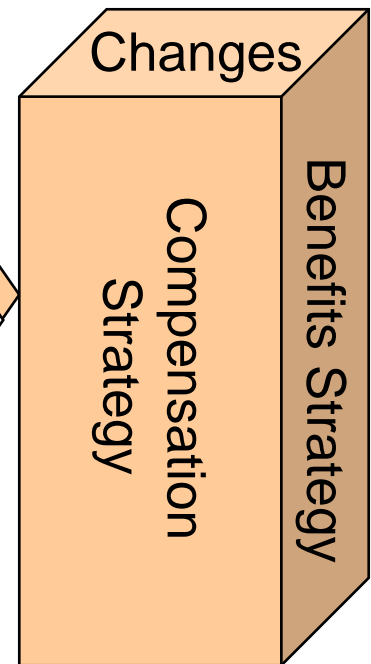


- Limited Talent, especially in emerging economies or for “Hot Skills”
- Managing workforce diversity
 - Aligning C&B to employee needs
 - Increased flexibility in C&B programs *e.g. Expatriates with “Split pay requirements, flexible benefits programs, etc.*
- Ever present threat of downsizing
- How to distribute scarce compensation & benefits \$
- Having a “Credible” performance management system that support “Performance Based Pay” concepts
- Balancing the issue of:
 - Linking Rewards to Performance vs. Building a Team Culture
- Not getting on the bandwagon of what is the latest C&B scheme / idea / strategy / tool....
 - But about identifying what is right for the organization, its strategy, competitive position & the contribution required from the workforce.

Compensation & Benefits Strategy Design Drivers



- Compliance Related (Legal)
- Strategy & Market Drivers
 - e.g. Target markets, General strategy, Competitive Positioning, Business model & complexity, M&A.
- Operations Drivers
 - e.g. Performance benchmarking, Operations Excellence Programs, Process Innovation projects.
- Technology Drivers
 - e.g. New product/ service offerings, Integrating technologies Technology alliances
- Structure & Processes Drivers
 - e.g. Organization & Cost structure, Process re-design, Creation of new divisions, departments, functions
- Workforce Drivers
 - e.g. Demographics & Diversity, Talent attraction, motivation, retention & engagement, Culture.

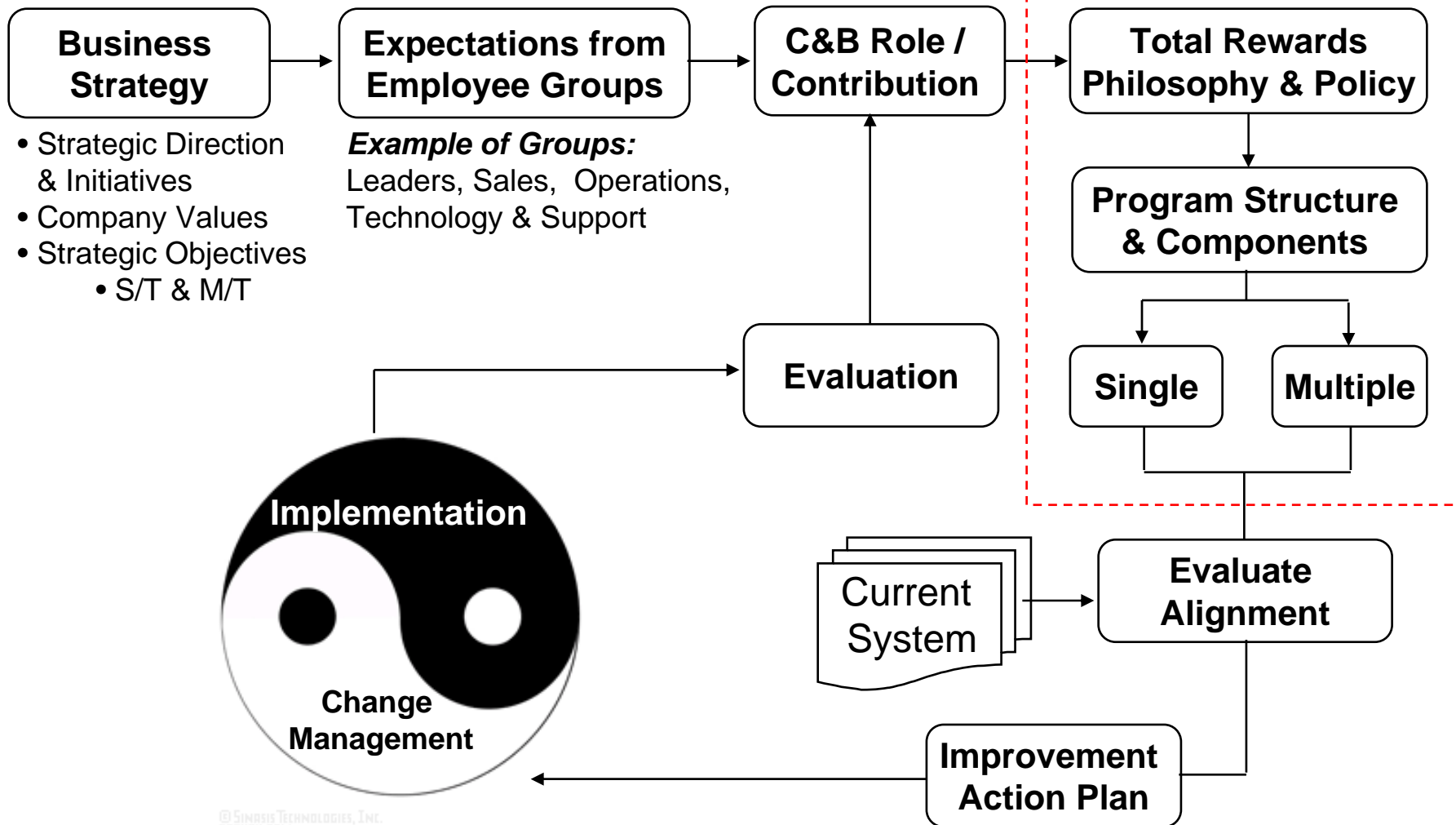
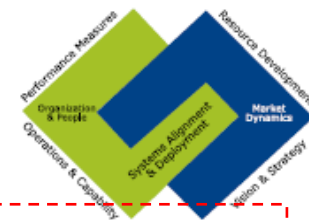


Principles behind C&B Strategy



- Always link back to strategy & business objectives
- Able to drive & align performance
- Establish a philosophy, policy guidelines & target objectives
- Evaluate costs in relation to value / impact expected NOT to “What others do or generic benchmark numbers”
- Manage “PIE” - Perceptions, Implementation & Expectations
- Evaluate effectiveness against expected outcomes
- Keep it simple & flexible (*Control fixed costs; consider adaptability across countries & time periods*)
- Effectively align & integrate with other strategic workforce management initiatives (*e.g. Performance Management, Leadership Development, Employee Training, Values & Core competencies, etc.*)
- Decide on level of consistency required especially if you have “Hot Skills”.
- Base it on “Relevant Data” = Market Data + Business Value Data

Compensation & Benefits Strategy Design Process



Example : Philosophy, Policy, Program Structure & Components



Philosophy & Policy

Philosophy:

Company value & beliefs in relation to C&B decision making. Role it will play & objectives to achieve.

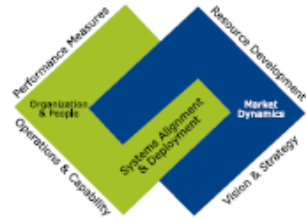
Policy:

Guidelines covering issues such as process, pay policy line, positioning & system admin.

Structure & Components

- What the program should look like e.g. Mix of fixed & variable; Number of frameworks, etc.
- Number of scales, characteristics, how they relate to each other & link to other HR systems e.g. PMP, Career Ladders, etc.
- Range of incentives: Annual, Projects, L/T, Sales Commission, etc.
- Benefits: Core, Additional benefits based on role, Position, etc.

Case Example of a Businesses Total Compensation Approach



Sales Compensation

- Base 75% / 80%
- Commission 25% / 20%
- Accelerated Multiplier for exceeding targets
- Strategic project incentives
- Achievement Incentives

Direct Labour

- Skill Based compensation
 - 4 Levels
 - Assessment - Entry Base + Skill Test + Qualitative Assessment
- Bonus 35% to 40% of TC

Leaders

- Market Competitive (Staff with PMP grade of 3 & above)
- Annual Incentive 25% >70%
 - BU & Company Level
- Strategic Project Incentives
- Participation Plan

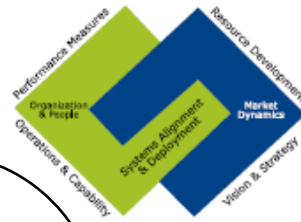
Structure & Components

General : TC Benchmark between 50th to 75th Percentile for “Key Talent”
[Role + Performance + Potential]

Philosophy & Policy

Focal Points : Attract, Retain & Motivate, Reward Performance, Equity linked to Contribution & Criticality to Growth & Business Success

Benefits & Incentives Structure



Attract

- Loss-Incentive Compensation
- Selective Benefits covering family members e.g. Insurance, Medical coverage, etc.
- High upside performance related incentives
- Strategic Role Premiums 8%-15%

Develop

- Structured training & development
 - In-house MBA
 - External Certification through earned in-house training credit points
- Overseas attachments
- International Development & Networking Boot Camps

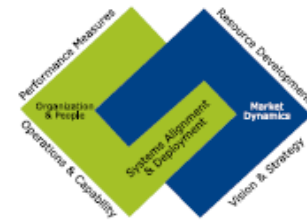
Locally Competitive Benefits

Engage, Motivate & Retain

Sustained Performance Loyalty Bonus
Clear career development plans for key personnel
Split level events for senior management to interact with next level
Workplace improvements → linked to engagement surveys feedback
Strong Performance Management system
Strong relationship management at the Country & BU level
Employee Wellness Programs & Flexible work arrangements

Locally Benchmarked :- Various Leave policies, Medical, Dental, Hospitalization, Transport, Fixed Bonuses, Canteens, Pay Rates, Long Service Awards, Time Off, Shift, Attendance, Productivity, Social Security, Welfare, etc.

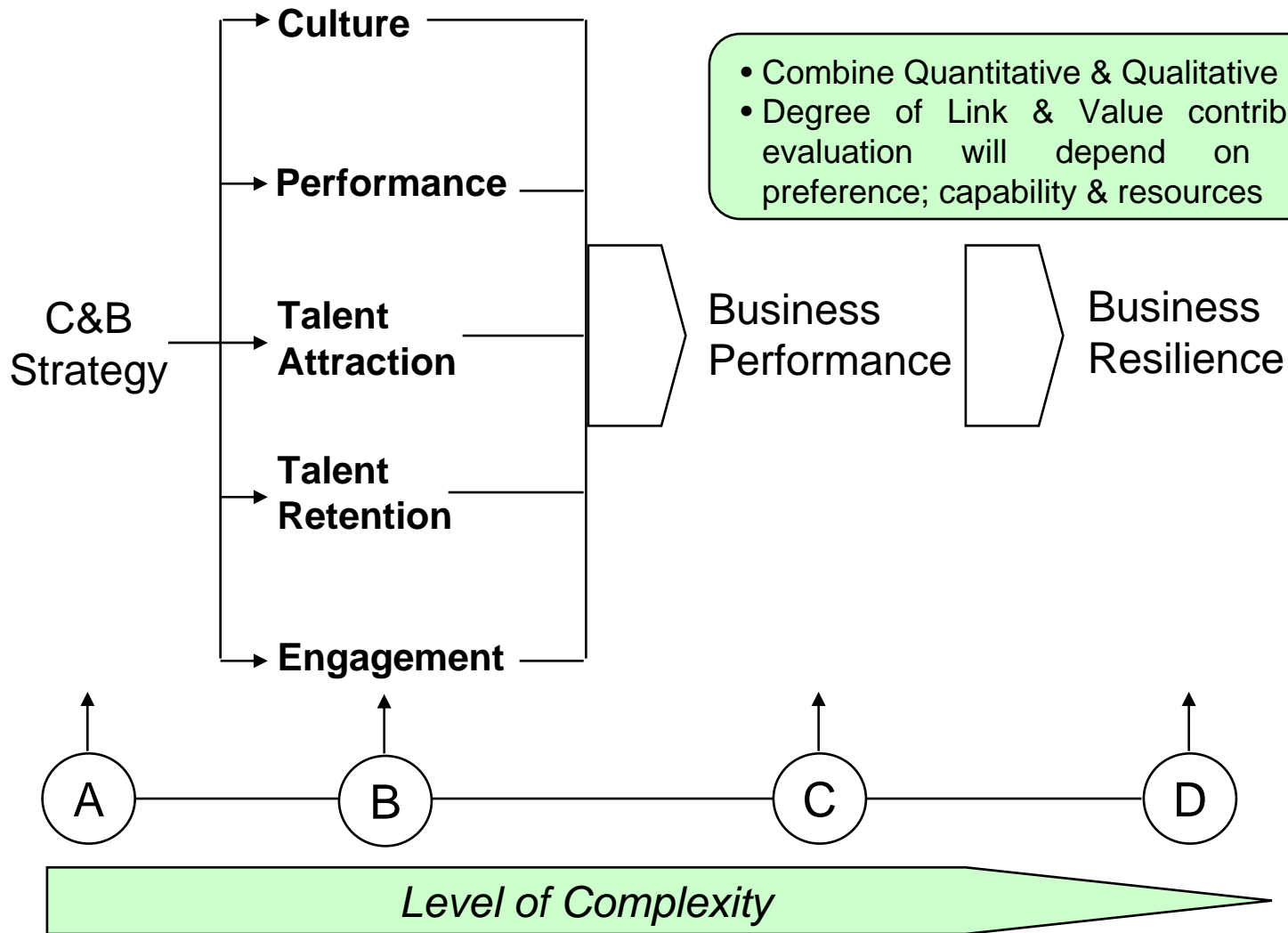
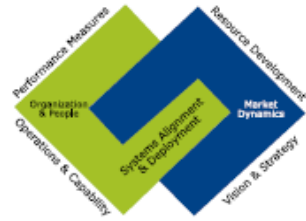
Effective Implementation pointers:



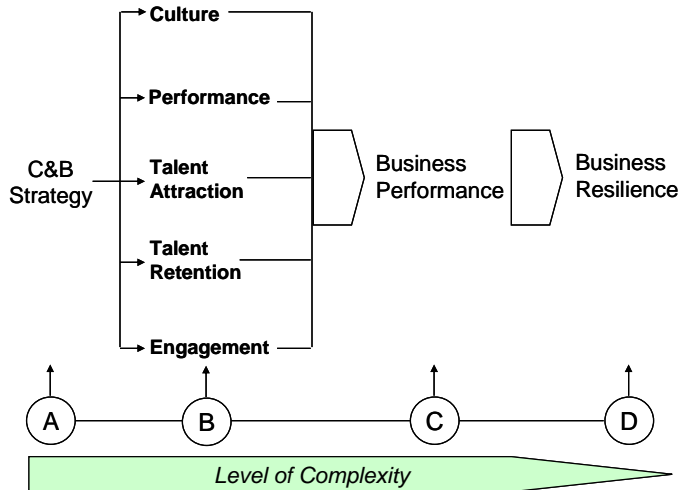
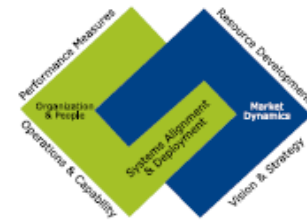
Checklist:

- ✓ Understand the cost / value equation of C&B changes
- ✓ Communication plan: “Who, What, When, Why, How²”
 - ✓ How it works?
 - ✓ How to influence it?
- ✓ Stakeholder mapping
- ✓ Identify potential risk and concerns
- ✓ Address linkages to other HRM systems
- ✓ Owned by Senior Leadership
- ✓ Clear guiding policies & principles
- ✓ Address & resource for effective C&B system administration
- ✓ Define Performance measures
- ✓ Monitoring program & built in reviews
- ✓ Assess need for expertise (Internal &/or External)

Evaluating the Value of C&B Strategy

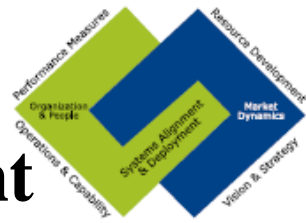


Example of Performance Metrics

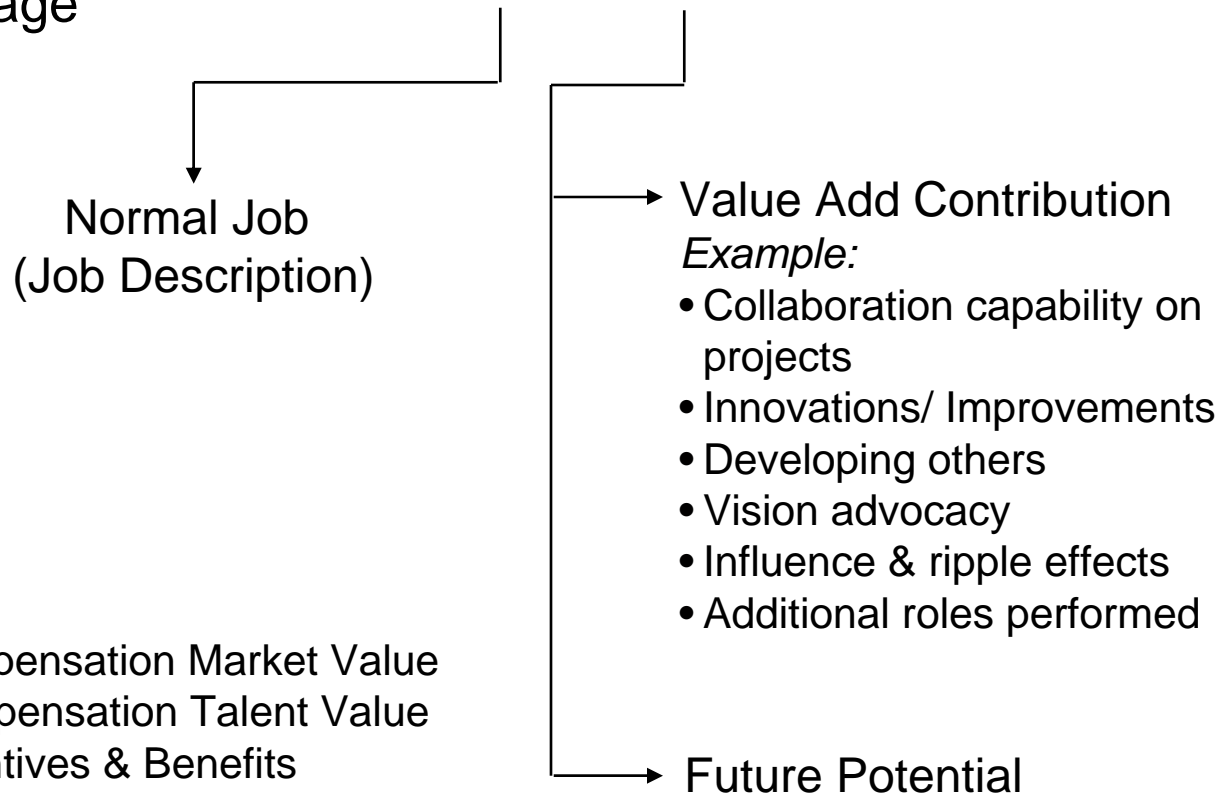


	Performance Metric	2004 to Fcst 2008			
Performance	EBITDAR (CAGR)	13.5%			
	Average ROIC	44.8%			
	Ave. Productivity Improvement	7.8%			
	Sales Growth (CAGR)	15.9%			
		Yr 2005	Yr 2006	Yr 2007	Yr 2008 (YTD Sep)*
Attract	Human Capital Readiness %	NA	91%	96%	94%
	Job Offer Rejection %*	NA	NA	9.6%	8.4%
Retain	Talent Pipeline YOY Improvement %	NA	7.2%	16.8%	Data Not Available
	Talent Turnover	11.7%	9.15%	8.76%	3.29%*
EMR	Engagement Score	NA	73%	77%	74%
	Performance Alignment & Strategic Clarity	84%	77%	81%	79%

Compensating Individuals in a Dynamic, Competitive & Complex Business Environment



The “**Right**” Total Reward = CMV + CTV + I & B + Intrinsic Rewards Package



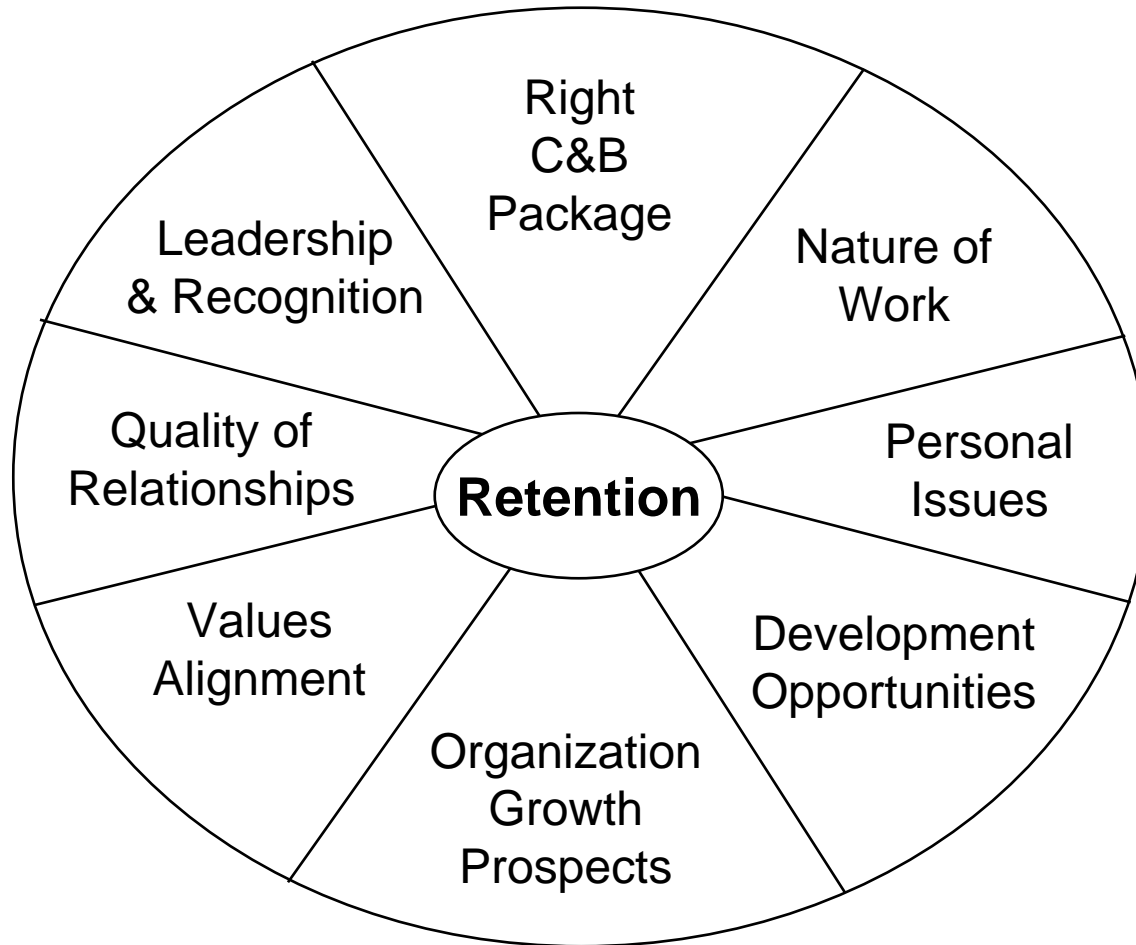
Legend

CMV = Compensation Market Value

CTV = Compensation Talent Value

I&B = Incentives & Benefits

Components of the Retention Pie



Conclusion – Links & Ultimate Outcomes

