

Aligned for success

A reward strategy should satisfy its key stakeholders—employees and shareholders—says Una Diver. She explains how to align reward strategy and create a compelling employee value proposition.

ALIGNING REWARD STRATEGY TO THE ORGANISATION'S GOALS seems so obvious. However, as with so many things, misalignment occurs frequently and in almost all cases it's because we get too complicated.

The solution is very clear: a reward strategy should satisfy its key stakeholders, namely the employees and the shareholders. But the needs and wants of these two groups are often opposed and seldom aligned when it comes to rewards—employees want more, and shareholders want to keep the cost of employment down with a good return on investment for the money spent.

But, depending on the employment market at the time and the basic economic principles of supply and demand, the negotiating power of one of these stakeholder groups becomes more dominant than the other. As a result, the reward strategy—and indeed the employee value proposition (EVP) of which rewards is a subset—must 'flex' in favour of either employees or shareholders based on market forces. And right now the odds are in favour of employees.

"We're having difficulty attracting and retaining key talent." It's a familiar refrain chorused through the halls of most organisations. Big, small, private, public, local, international, financial, retail, pharmaceutical, energy—the lot!

Severe skills shortages, an ageing workforce, expectations of Gen X's and Y's, emigration and the drive for increased productivity and organisational excellence are all factors contributing to the

challenges that companies are facing when trying to attract and retain the right people. People with the capability to deliver not only this year's business results but also sustainable growth will be in hot demand.

But let's not forget our shareholders' needs. Somehow we have to develop a compelling company employee brand, an EVP and a rewards strategy within the context of a defined budget. How do we achieve this while balancing stakeholder needs and achieve success?

Adopting basic marketing principles and applying them to the development of a rewards strategy ensures that 'the customer' (in this case the employee) is top of mind at all times. Attracting and retaining the right employees will, ultimately, benefit the shareholder group as well—by developing a stable workforce, increasing employee engagement, enhancing productivity and under-pinning a performance-based culture.

Making it happen

Imagine that we are launching a new or enhanced product (or service) as illustrated in the following table.

There are a number of key elements to consider when defining a competitive EVP and rewards strategy. These need to be considered in a systematic order so that the end result aligns directly with the organisation's objectives.

1. Understand your target market and its needs. Today's workforce is made up of an interesting mix of baby boomers and post-baby

Key elements	Marketing strategy	Rewards strategy
What do we want to achieve?	Build or enhance brand loyalty Retain customers Expand market share	Attract prospective employees so we can pick from the best Retain current employees Support employee engagement
How will this help us?	Drive growth, profit, shareholder wealth, increased funds for innovation and/or investment	Increase performance, create workforce stability, retain institutional knowledge, drive employee engagement
What are we offering?	New/enhanced product	New/enhanced EVP and rewards
Who is our target market?	Current and new customers	Current and prospective employees
Why will they choose our product?	Because it has features and benefits which differentiate it from its competitor products. They perceive value in choosing our product.	Because we have employment offerings that differentiate us from our competitors (for talent). They perceive value (for themselves) in choosing us as their employer.
How do we go about it?	Develop and implement a marketing plan	Develop and implement an EVP and rewards strategy following marketing principles.

It's pointless (and potentially very expensive) developing a rewards strategy in isolation of the broader employee value proposition (EVP). Other non-rewards components have more effect on retention and generally are less expensive.

boomers (45+) and Gen X and Y's (the sub-45's). As many studies have indicated, each group and sub-group has different needs and aspirations.

But this is nothing new. It is not an age thing but rather it is situational. Our parents had different needs from their parents and so on. Generational needs are triggered by a series of external factors like technology, economic conditions, societal phenomena (like war or peace) and so on.

Regardless of the reason, every organisation needs to segment its employee population to determine the most appropriate rewards mix. This segmentation will not always be age or generation-related. Other demographic features such as location or job level will provide pertinent information regarding what employees value most.

Therefore the rewards strategy must be tailored to the needs and

wants of specific groups and their demographics. As a result a 'one size fits all' approach is unlikely to be competitive (unless the organisation has a particularly homogenous employee population). However, there is a fine balance between creating tailored rewards for individuals or sub-groups and ensuring an element of consistency and fairness.

The most important step in this part of the process is to research the needs of the employees. All too often organisations react to external factors (more pay, more leave, more this, more that) ending up with a smorgasbord of offerings with no distinct flavour, no specific point of differentiation and a diluted impact overall.

2. Select the rewards mix and components. Once the reward components that our employees value most is established, the next step is to compare our current offerings against this list. An audit and gap analysis will provide the foundation for identifying high-value



Could your employee value proposition be fresher?

With the unemployment rate at a record low, candidates and existing employees are demanding that the value proposition you put in front of them is compelling. REMonTAP, the bi-annual remuneration research from dsd Consulting, will provide you with a comprehensive and very practical salary and market trends analysis to help you better understand how to attract, engage and retain employees. To find out more about being part of the next survey, due for release soon, call **09 630 6484** or visit dsdconsulting.co.nz

REMonTAP

dsd

doughty schäffler diver

<p>Finance Base salary, incentives, quantifiable benefits</p>	<p>Features Benefits, work/life balance, flexibility, corporate identity, cutting edge technology, organisational culture and reputation</p>
<p>Fun Social environment, culture, friendships, community</p>	<p>Future Learning and development opportunities, career prospects, interesting work and intellectual challenge, project opportunities</p>

reward components that are currently not on the list and culling those that are on the list that are least valued.

We have categorised employee value proposition and reward offerings into the four Fs of EVP (see above).

Ideally, an organisation should end up with a maximum of three or four distinct offerings in each of these categories. This ensures a good balance between ‘hygiene’ and value-add features and it retains costs overall. It also sets the scene for a group of carefully selected, integrated reward components—ready for packaging and launch!

Differentiators are most often found in the *Features*, *Fun* and *Future* categories, while *Finance* (or remuneration) constitutes both a hygiene factor (eg, competitive base salary) and a facilitator (eg, leveraged performance through incentives).

Organisations frequently assume that paying someone more money will solve their retention problems (in past decades job security was sufficient as a retention device!). However, numerous studies have shown that employees aren’t necessarily looking for more pay (as long as they are paid fairly relative to others internally and to similar roles externally).

Rather, employees are looking for:

- Effective leadership;
- A motivating boss;
- A collegial group of co-workers;
- Interesting work content;
- A sense of achievement and belonging;
- Recognition for results; and
- Prospects for development or promotion.

So it’s pointless (and potentially very expensive) developing a rewards strategy in isolation of the broader employee value proposition (EVP). Other non-rewards components have more effect on retention and generally are less expensive. But get the fixed remuneration wrong and the domino effect will be in full swing.

3. Effective communication and branding. Once you know your employees’ preferences, pick just a few valued reward components

and leverage these to the hilt through effective communication and promotion—driving home your point of differentiation as an employer. Employee-centric intranet sites, statements and brochures are a great way to start.

There’s no point in offering benefits or having a point of differentiation if you don’t market these effectively. Internal employee communications and using creative opportunities to reinforce the message are the key to success when reaching current employees. Employment branding provides the opportunity to market the EVP and rewards to prospective employees. **et**



Una Diver is a partner in dsd Consulting (Doughty Schäffler Diver), a specialist rewards consulting company based in Auckland.

Don't sit on it!
Subscribe to extra copies and share *Employment Today* with your colleagues.
Check out our great \$40 deal!
Select 'Subscribe' on our website.

www.employmenttoday.co.nz

THOMSON

BROOKERS