

Developing a Total Reward Strategy

 **Talent**tal^{ts}ks



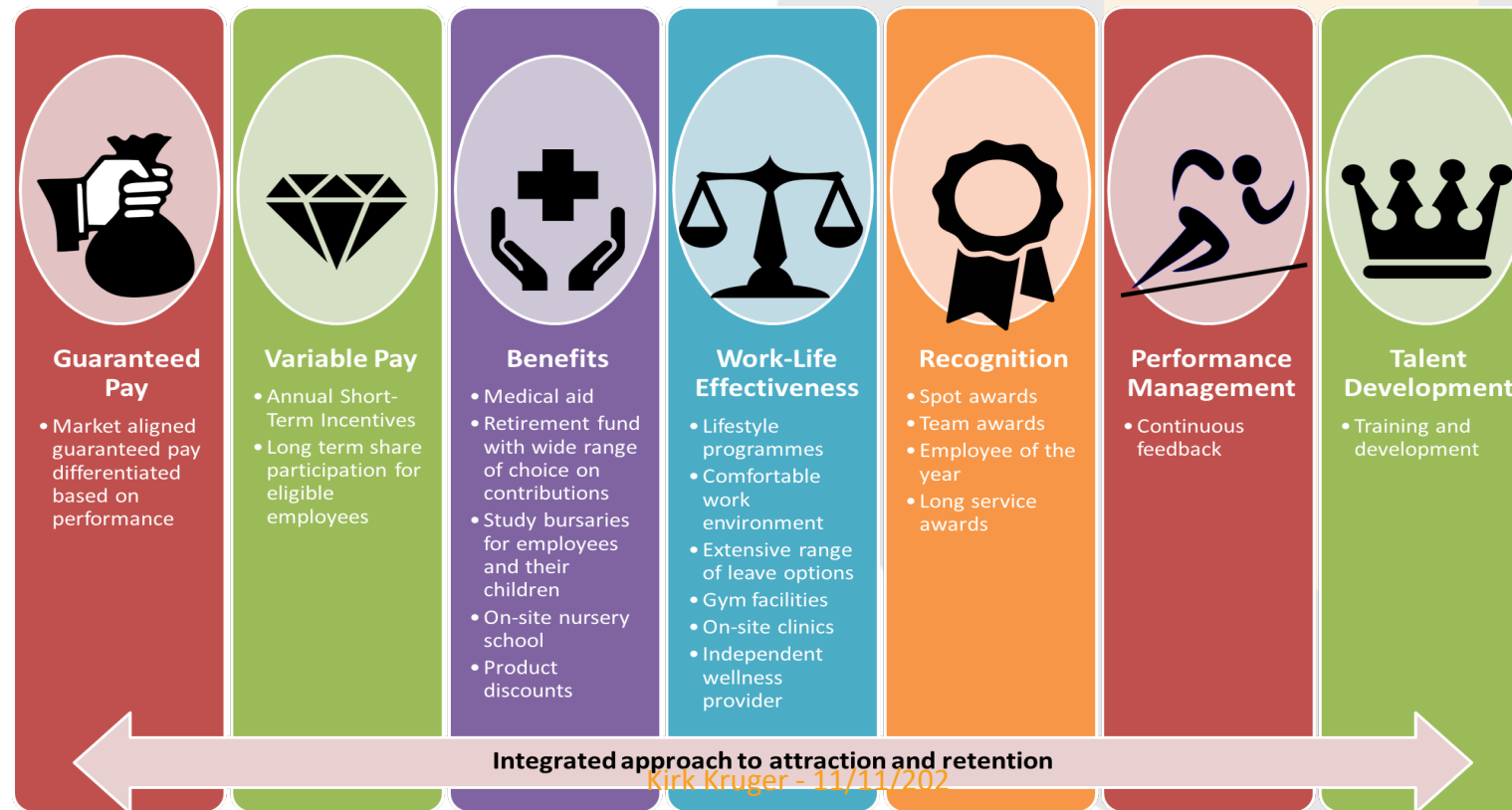
What is Reward all about?

- To guide line-managers in making informed decisions that will help the business to attract, motivate and retain the right talent for the organization
- Reward is “part art, part science”



Total Reward Strategy

- Total reward includes:
 - Fixed and variable remuneration
 - Benefits
 - Other aspects of reward such as work-life balance, performance and recognition, development and career opportunities



Total Reward Strategy

- The objective of a total reward approach is to drive desired behaviours in an organization's workforce that will ensure the organization's success. The challenge is to find the proper mix of reward mechanisms at the different levels in the organization to satisfy the financial and personal needs and preferences of the workforce.
- The strategy must ensure alignment with:
 - Business strategy
 - HR Strategy
 - Values
- The reward strategy is an official document that must be approved by the Remuneration Committee (or governance body assigned to oversee reward practices in the organization).

Total Reward Strategy

- A total reward strategy has three main aims:
 - a) To provide an integrated approach for reward management that effectively attracts, motivates, engages and retains the talent required to achieve the desired business results.
 - b) To align reward practices with business strategy through a process of analysis and so ensure that the reward practices serve the business objectives. It provides guidelines and direction for the reward choices that will be made because it interprets the reward strategy and practices in terms of the business needs.
 - c) To adhere to legal, ethical and best practice standards and to reflect corporate governance and citizenship by complying with the customary norms and industry and statutory minimum standards.

How to develop a Total Reward Strategy

- When developing an effective total rewards strategy for an organization the following process is followed:
 - Analyse the business environment and strategy
 - Engage key stakeholders (executives, employees, external advisors etc)
 - Draft the strategy
 - Exco sign-off
 - Remco sign-off
 - Communication and implementation plan
- The strategy typically starts with a philosophy statement:

To position Reward to attract, motivate and retain the right talent for the organization

Key elements of the strategy

- Market positioning of fixed pay and the markets to be compared to. Includes statement on date to which the market will be projected
- Mix of fixed and variable remuneration. The mix of these two kinds of remuneration should promote attracting and retaining talent without promoting undesirable remuneration gaps and inequity, internally or externally
- Types and structure of benefits. Benefits should be cost effective, be aligned to needs of employees and be appropriate to the stage of the business life cycle in which the organisation finds itself

Key elements of the strategy

- Recognition programmes can be both monetary and non-monetary and should be cost-effective. They should drive team and individual performance
- Governance - Remuneration Committee and other role Players
- Taxation and other regulations
- Performance management and the link to reward