

Reward Strategy*

Create the ultimate reward value

- determine a reward strategy **in line with your corporate strategy**
- make sure your strategy is **flexible** and able to evolve along with changes in your company strategy, like a reorientation, merger or acquisition
- determine a **long-term strategy** and don't base it on employees' ad hoc requirements as they arise from time to time
- be aware of the consequences of each strategy. **Define upfront** how to remain competitive, attracting and retaining skilled employees at both local and international levels, while minimising cost and risk
- implement a **communication strategy** to foster employee retention, satisfaction and motivation

All policies involving the remuneration of employees derive from a company's Reward Strategy. In our increasingly global and competitive market, it is therefore essential for this reward strategy to be thought through so that it is in line with corporate objectives and values. By aligning your reward strategy with your corporate and people strategy and with your company culture, you are able to guarantee your competitive advantage.

PricewaterhouseCoopers can help your company improve its reward strategy and make itself more competitive locally and internationally in the way it rewards effort.

PricewaterhouseCoopers can help your company improve global performance and be locally and internationally more competitive in the way you reward your various employee grades by aligning an innovative reward strategy with your corporate strategy and culture.

We know that, by aligning your compensation and performance management programmes (base pay, perquisites, short-term and long-term incentives) with your business objectives, you can gain a competitive advantage over your market rivals.

Your situation, market context and challenges are unique and require a tailor-made and well-underpinned solution: e.g. a customised remuneration structure based on internal job classifications, appropriate career paths, an ad hoc performance management system responding to financial and shareholders' objectives, etc.

Our Reward group has track-record experience in all of the following activities:

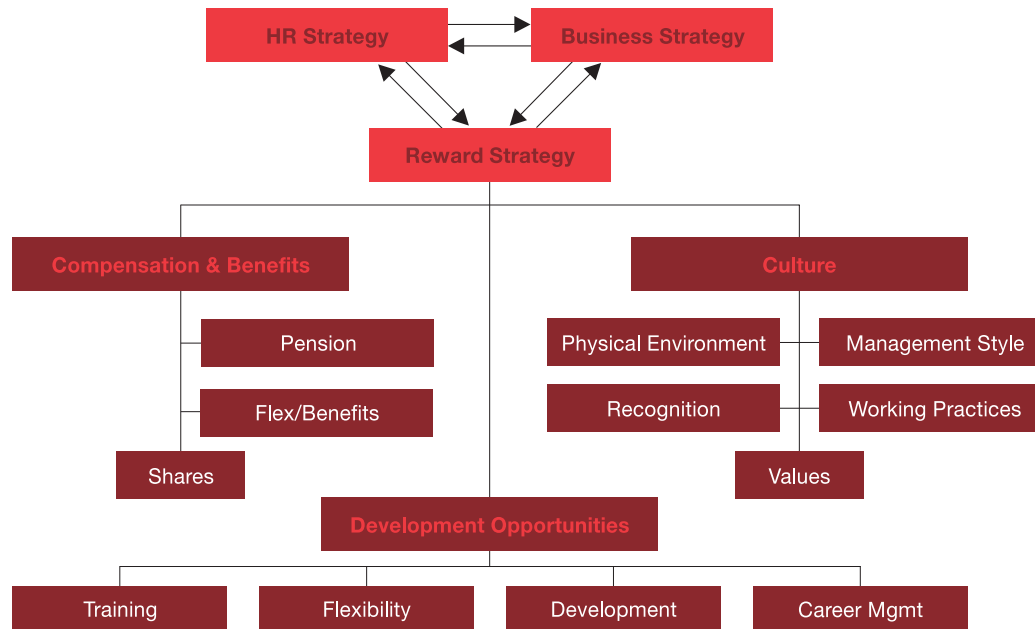
- **HR alignment:** alignment of Reward tools and programmes with company objectives and culture, translating company strategy into the desired remuneration approach
- **Remuneration programmes:**
 - job analysis and evaluation
 - wage and salary structure design
 - remuneration surveys and job pricing
 - due diligence
 - short-term and long-term incentive plans linking an individual performance programme with financial and shareholders' objectives (e.g. annual bonus plans, stock option plans)
 - wage and salary policy
 - perquisites/fringe benefits management (e.g. company car policy)
- **Executive compensation programme** design and implementation (incl. director compensation, employment agreements and service contracts, etc.)
- **Terms of employment**
- **Performance and competence management programme** design and implementation



Methodology: why you should start with clearly defining the corporate strategy

Companies are obviously in business to succeed, but first they must develop a corporate strategy to guide them to that success. Once they clarify their strategy, they can communicate it to their workforce.

When employees share the company's vision, they also realise that they have the power to help the company achieve its goals and that they will be rewarded for doing so. With this awareness, they can focus on the tasks that ensure the company's success. The ultimate goal is to motivate employees to build the company, and base-plus-variable pay provides a vital incentive.



Steps to be taken: Improving the company's process in Reward Strategy

1. Assess the corporate culture's impact on the effectiveness of a change in compensation.

Ideally, compensation programmes reward types of behaviour that make the company successful. This behaviour is rooted in the people strategy and corporate culture. Before changing the compensation programme, it is vital to assess this culture in its present state and as it is desired it should be.

2. Identify the performance competences needed to achieve corporate goals.

By identifying competences, the company specifies what it is that it wants to reward. It is essential that these competences are within the realms of the possible.

If strategic goals include increased market share, shortened cycle time, or a greater percentage of deadlines met, then it is these goals that drive what competences and behaviour will make achievement of your goals happen.

3. Link pay incentives to the performance competences needed to achieve corporate goals.

When incentive plans are developed, best practice companies make sure that compensation rewards the learning and honing of desired skills and competences, and their application. Such knowledge and skills must be identified for individuals and groups by means of goal-setting sessions, performance appraisals or career-development discussions. This means that training appropriate to developing the desired behaviour and competences will be readily available. Where individuals demonstrate mastery and application of new knowledge, performance evaluations can document the fact, and rewards can then follow.

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